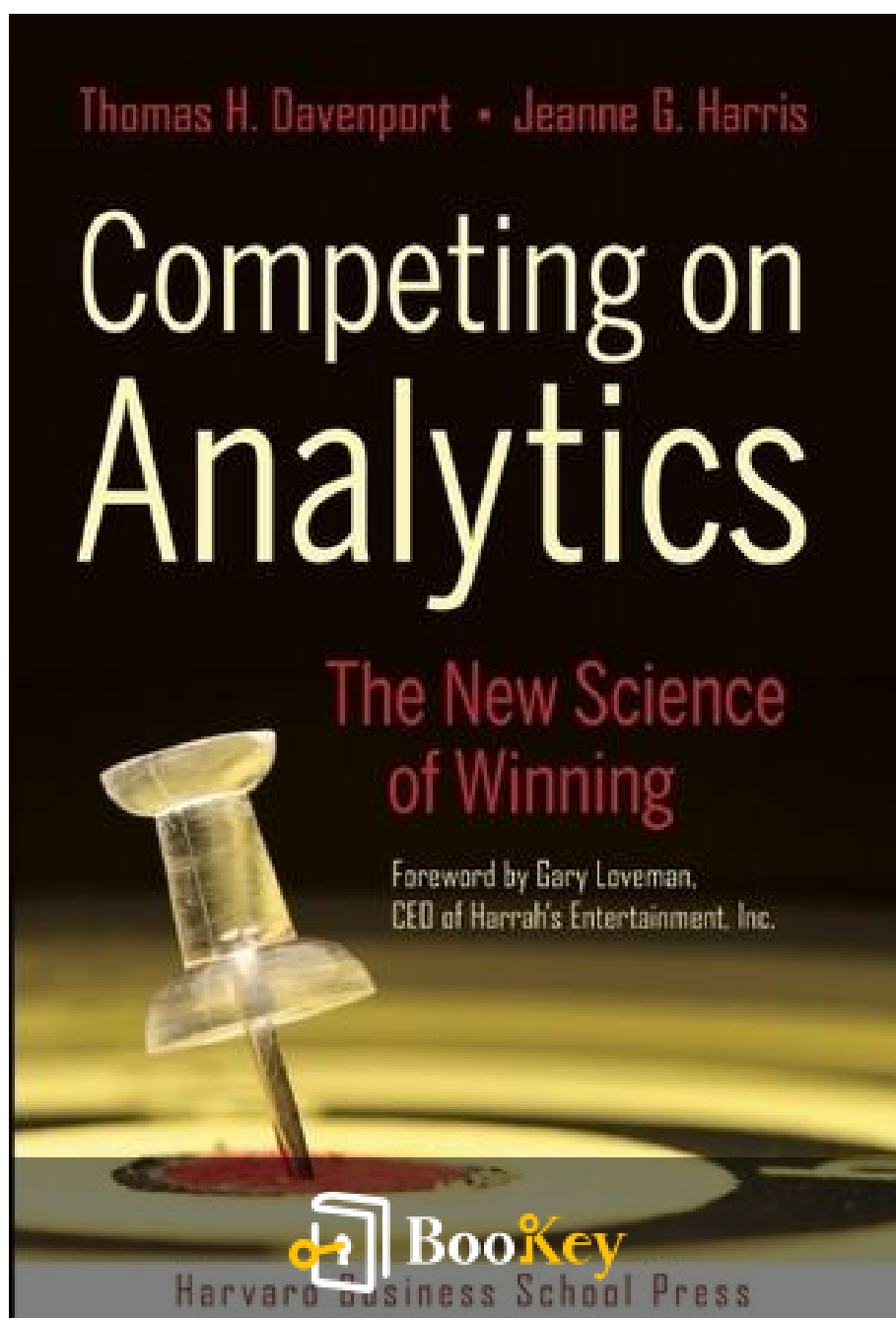


Competing On Analytics PDF (Limited Copy)

Thomas H. Davenport



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Competing On Analytics Summary

Leverage Data for Strategic Advantage in Business.

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About the book

In "Competing on Analytics," Thomas H. Davenport explores the transformative power of data-driven decision-making in today's fiercely competitive business landscape. This compelling work delves into how organizations can harness the vast potentials of analytics to not only gain insights but to also develop strategies that set them apart from rivals. With case studies from leading firms highlighting the quantifiable benefits of leveraging analytics, Davenport challenges traditional business practices and emphasizes the necessity of becoming a data-centric enterprise. As you embark on this enlightening journey, you'll discover how analytics can elevate your business performance, drive innovation, and ultimately redefine competitive advantage in an era where knowledge is king.

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About the author

Thomas H. Davenport is a renowned thought leader and pioneer in the field of analytics, data management, and business intelligence, with a prolific career that spans academia, consulting, and writing. He is a Professor of Information Technology and Management at Babson College and has served as a research fellow at MIT's Center for Digital Business, where he has deeply influenced the understanding of how organizations can leverage data to enhance decision-making and gain a competitive edge. Davenport is also a prolific author, best known for his influential books and articles that explore the intersection of data analytics, business strategies, and organizational effectiveness. His expertise and insights have positioned him as a leading voice in the analytics community, inspiring businesses to adopt data-driven cultures for sustained growth and innovation.

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Chapter 1 Summary: The Nature of Analytical Competition

In the opening chapter of "Competing on Analytics" by Thomas H.

Davenport, the concept of analytical competition is introduced through the story of Netflix and its emergence as a leading player in the film industry.

The author recounts how Reed Hastings, frustrated with late fees from Blockbuster, conceptualized Netflix's subscription model, which allowed customers to rent DVDs with no late fees and receive personalized recommendations driven by sophisticated analytics.

The success of Netflix can be attributed to its robust analytical capabilities. By employing data-driven algorithms like Cinematch for personalized movie recommendations, Netflix ensures an engaging customer experience. This capability allowed Netflix to thrive despite fierce competition, growing its revenues from \$5 million in 1999 to nearly \$1 billion by 2006.

Netflix's analytical approach goes beyond just recommendations; it also includes optimizing shipping processes through a practice called throttling, where shipping requests are prioritized based on customer profitability. Analytics aid in estimating demand for distribution rights, allowing the company to make informed purchasing decisions. The company boasts a culture driven by continuous testing and learning, employing extensive data analysis across all functions, from marketing to product management.

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Unfortunately, while analytical competition has fueled Netflix's growth, it is not an exclusive advantage. Numerous companies, such as Harrah's and the Oakland A's, along with tech giants like Amazon and Google, have integrated analytics into their strategies, demonstrating that competitive success can emanate from rigorous data analysis.

1. Understanding Analytics: Analytics refers to the systematic use of data and statistical analysis to inform decision-making. Although analytics can be performed with simple tools, today's competitive landscape necessitates advanced information technologies and business intelligence solutions to drive superior performance.

2. Reasons for Competing on Analytics: In saturated markets where differentiation is challenging, leveraging analytical capabilities can be a key competitive edge. Businesses must develop distinctive capabilities that set them apart, such as superior customer identification or supply chain optimization, which analytics can significantly enhance.

3. Potential for Analytical Competition: While virtually any organization can pursue analytical competition, the opportunity is more significant in data-rich environments. Industries such as finance and transportation naturally align with analytics, but even traditional sectors, such as cement manufacturing, have found ways to employ analytical

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strategies effectively.

4. Future Directions: The chapter emphasizes that the trajectory of analytical decision-making is continuously advancing. Businesses will increasingly need to adapt to exploit new data streams effectively, pushing beyond previously established intuitive practices to fully embrace analytical methods.

Lastly, the chapter highlights a roadmap for firms looking to harness analytics for competitive advantage. It outlines the essential commitments and resources organizations must cultivate, emphasizing the need for executive sponsorship to promote a culture driven by analytical insights. Through continuous innovation and rigorous testing, organizations can leverage analytics to optimize their decisions and maintain a competitive edge. As the chapter concludes, it sets the stage for the subsequent parts of the book, which promise a deeper exploration of the components, strategies, and future of analytical competition.

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Critical Thinking

Key Point: Harnessing Data for Personal Growth

Critical Interpretation: Imagine harnessing the power of analytics in your own life, just as Netflix did to redefine its industry. Think about how you can leverage data from your daily choices—whether it's tracking your spending habits, analyzing your exercise routines, or even assessing how much time you dedicate to various projects. By systematically collecting and analyzing this information, you can gain valuable insights that inform your decisions, optimize your routines, and ultimately lead to better outcomes. Embracing a mindset of continuous testing and learning, as championed in the chapter, can inspire you to break free from routine and replace complacency with proactive self-improvement, positioning yourself to thrive amid challenges and seize opportunities.

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Chapter 2 Summary: What Makes an Analytical Competitor?

Competing on analytics has emerged as a defining capability for organizations striving to gain a competitive edge in today's complex business environment. An analytical competitor is characterized as a company that systematically employs analytics to outsmart and outperform its rivals. Based on extensive research involving a range of organizations, we identify four key attributes that define analytical competitors:

1. Support of a Strategic, Distinctive Capability: Successful analytical competitors align their analytical capabilities with their unique strengths. Each organization identifies its distinctive capabilities, whether they center on supply chain efficiency, customer engagement, or revenue management. Companies like Netflix focus on predicting viewer preferences, whereas Harrah's emphasizes customer loyalty, showcasing how analytics can bolster core business strategies.

2. Enterprise-Level Approach to Analytics: Analytical competitors ensure that analytics are managed and utilized organization-wide, transcending departmental silos. This comprehensive approach enables consistency in data management and analysis across all operations. For example, Harrah's integrated marketing and customer service efforts under a unified strategy, transforming previously isolated and inefficient functions

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into a cohesive analytics-driven framework.

3. Senior Management Commitment: The shift to an analytics-driven culture requires strong leadership from the top. Passionate support for analytics from executives, especially from the CEO, is critical in instigating widespread organizational change. Leaders like Gary Loveman from Harrah's and Jeff Bezos from Amazon exemplify how driving the analytical agenda can reshape the corporate culture and practices surrounding data usage and fact-based decision-making.

4. Significant Strategic Investment in Analytics: Analytical competitors view their investments in analytics as bets on their future. They are willing to take calculated risks in pursuit of substantial outcomes that analytics can deliver. Examples abound, from American Airlines' revenue growth through yield management strategies to Capital One's innovative use of information-based strategies. These organizations strive for substantial, transformative results rather than merely incremental improvements.

The analytical maturity of an organization can be assessed using five stages of competition, which range from an acknowledgment of the need for analytics to full-blown analytical competition. At the lowest stage, organizations lack significant analytical capabilities, moving towards increasingly sophisticated uses of analytics at higher maturity levels. Companies that reach stage five are fully integrated analytical competitors,

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leveraging analytics as a primary driver of performance and strategic advantage.

In transitioning through these stages, the role of senior management is paramount. Executives must foster a culture that champions analytics, ensure that resources are allocated wisely, and drive the necessary systems and processes to facilitate seamless analytical integration.

Ultimately, competing on analytics requires organizations to utilize data strategically, implement company-wide measures, embrace leadership support, and continuously invest in analytical capabilities, thus realizing the profound advantages that come from informed decision-making and competitive positioning. Successful analytical competitors, such as Google and Amazon, exemplify the transformative power of such a commitment, underscoring their position at the forefront of their industries through robust analytical strategies. As businesses continue to evolve, the path to analytical competition will likely remain a critical determinant of success, influencing both operational effectiveness and overall market viability.

Key Attributes	Description
Support of a Strategic, Distinctive Capability	Aligning analytical capabilities with unique strengths in areas like supply chain efficiency or customer engagement; examples include Netflix's focus on viewer preferences and Harrah's emphasis on customer loyalty.
Enterprise-Level	Managing analytics organization-wide to ensure consistency and

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Key Attributes	Description
Approach to Analytics	cohesiveness; for instance, Harrah's unified marketing and customer service strategies into an analytics-driven framework.
Senior Management Commitment	Strong leadership support from top executives is essential for fostering an analytics-driven culture, as demonstrated by leaders like Gary Loveman and Jeff Bezos.
Significant Strategic Investment in Analytics	Treating investments in analytics as bets on the future, with companies like American Airlines and Capital One seeking transformative outcomes from their analytical strategies.
Analytical Maturity Stages	Organizations progress through five stages from recognizing the need for analytics to fully integrated analytical competition, with higher maturity correlating with advanced analytical capabilities.
Role of Senior Management	Executives must cultivate an analytics-friendly culture, appropriately allocate resources, and establish systems for effective analytical integration.

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Critical Thinking

Key Point: Support of a Strategic, Distinctive Capability

Critical Interpretation: Imagine the power of aligning your personal strengths with a clear strategic vision—that's what successful analytical competitors do. Think about your unique talents and interests, and how you can harness them to navigate today's complexities. By embracing the analytical mindset of identifying and amplifying your distinct capabilities, whether in your career or personal growth, you set yourself on a path to outshine the ordinary. Just like Netflix anticipates viewer preferences and Harrah's focuses on customer loyalty, you can utilize your insights and data about yourself and your environment to make informed decisions. This not only fosters a deeper understanding of your niche but also empowers you to carve out a space where you excel, ensuring you stay ahead of the curve in a competitive world.

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Chapter 3: Analytics and Business Performance

In "Competing on Analytics," Thomas H. Davenport examines the transformative potential of analytics in business, demonstrating how companies can leverage data-driven strategies to create sustainable competitive advantages. The chapter features notable case studies of organizations such as Capital One, Marriott International, and Progressive Insurance, which have successfully integrated analytics into their operations.

1. Capital One's Innovative Use of Analytics: The journey begins with Capital One, a company that revolutionized the credit card industry by employing an analytics-based approach that prioritized individual customer profitability. Founders Richard Fairbank and Nigel Morris utilized extensive data analytics to identify and target the most profitable credit customers, leading to the creation of the balance-transfer card. Their dedication to experimentation enabled Capital One to run hundreds of daily tests, resulting in improved customer targeting and substantial gains in retention and account acquisition costs. Today, Capital One is a leader in analytics, with

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Chapter 4 Summary: Competing on Analytics with Internal Processes

In this chapter of "Competing on Analytics," Davenport delves into the significance of analytics within internal business processes, emphasizing its potential for achieving competitive advantages. The discussion is primarily centered on internal functions such as finance, manufacturing, R&D, and human resources, while acknowledging that the lines between internal and external analytics can be blurred.

1. **The Strategic Importance of Internal Analytics:** Identifying applications that leverage analytics for strategic advantages is crucial. While many organizations have implemented internal reporting systems, merely having a scorecard is not sufficient; proactive analytics must lead to tangible improvements in performance.

2. **Financial Analytics:** Financial applications of analytics span various domains, including external reporting, performance management, investment decisions, and cost management. While timely and accurate external reporting is essential, organizations should focus more on using internal data to drive strategic decision-making. Effective predictive models can lead to improved operational forecasts and informed strategic adjustments.

3. **Performance Management and Scorecards:** The chapter highlights the rise

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of management dashboards and balanced scorecards, noting that many organizations struggle to integrate both financial and nonfinancial performance metrics into a cohesive strategy. Effective performance management requires understanding how various operational activities affect overall business results, necessitating causal models that relate nonfinancial metrics to financial outcomes.

4. **Cost Management as a Competitive Strategy:** The ability to analyze and manage costs effectively can set companies apart. The chapter discusses MCI's turnaround through a structured approach to activity-based costing, which enabled the company to better understand profitability across its services, leading to improved financial health. Organizations must recognize that insightful cost analysis can influence pricing, resource allocation, and overall strategic direction.

5. **Mergers and Acquisitions Analytics:** High-stakes transactions such as mergers and acquisitions often lack comprehensive analytics, contributing to a high failure rate in realizing economic value. However, companies that incorporate analytical insights during M&A can assess operational efficiencies, customer integration, and potential synergies, thereby increasing the likelihood of successful outcomes.

6. **Manufacturing and Quality Analytics:** Although the manufacturing sector has historically utilized analytics to optimize quality and operational

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efficiency, the concept of analytical competition must extend beyond manufacturing operations into broader organizational functions. Companies that excel use advanced analytics to connect customer demands, optimize processes, and ensure quality throughout production.

7. **Research and Development Analytics:** Traditionally one of the most analytically-driven areas, R&D continues to evolve with applications that leverage computational methods and simulations. Companies in the pharmaceutical industry, such as Vertex Pharmaceuticals, exemplify how analytics can enhance research productivity, expedite clinical trial design, and guide decision-making processes.

8. **Human Resource Analytics:** Human resources are increasingly seen through an analytical lens, yet organizations still lag in fully integrating these insights into competitive strategies. Companies like Sprint and Capital One are recognized for applying rigorous analytics to optimize employee relationships and recruitment processes, highlighting a trend towards making HR a measurable and strategic component of organizational success.

Throughout the chapter, Davenport stresses that successful organizations harness the power of analytics not just to enhance operational processes but to integrate analytical insights into their core competitive strategies. By placing analytics at the center of decision-making frameworks, organizations can effectively adapt to changing environments and drive sustainable

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performance improvements. The next chapter promises to explore how analytics can be used in external processes, further expanding on competitive opportunities.

Section	Summary
1. The Strategic Importance of Internal Analytics	Organizations must leverage analytics for strategic advantages, moving beyond basic scorecards to proactive analytics that improve performance.
2. Financial Analytics	Focus on using internal data for strategic decisions in finance, improving forecasts and decision-making through effective predictive models.
3. Performance Management and Scorecards	Integrating financial and nonfinancial metrics into management dashboards is critical for understanding the impact of operations on business results.
4. Cost Management as a Competitive Strategy	Effective cost analysis, exemplified by MCI's activity-based costing, is essential for influencing pricing and strategic direction.
5. Mergers and Acquisitions Analytics	Incorporating analytics in M&A can enhance operational efficiencies and synergies, helping to reduce the high failure rate of such transactions.
6. Manufacturing and Quality Analytics	Analytics should extend beyond manufacturing to various organizational functions, connecting customer demands with process optimization.
7. Research and Development Analytics	R&D benefits from analytics through computational methods, as seen in firms like Vertex Pharmaceuticals, enhancing research productivity.
8. Human Resource Analytics	HR analytics is growing, with firms like Sprint and Capital One optimizing employee and recruitment strategies to enhance competitiveness.

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Section	Summary
Conclusion	Successful organizations integrate analytics into decision-making to drive performance improvements and adapt to change, leading to sustained competitive advantage.

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Chapter 5 Summary: Competing on Analytics with External Processes

In the evolving landscape of business, the integration of analytics into external processes, particularly in customer and supplier applications, marks a significant advancement. Companies are increasingly breaking down the barriers between Customer Relationship Management (CRM) and Supply Chain Management (SCM) to align supply with demand accurately. While internal processes remain under complete organizational control, managing analytics for external processes introduces greater complexity as it necessitates the cooperation and resource contribution of external parties. Despite these challenges, organizations adopting predictive analytics in CRM and SCM experience remarkable growth and improved performance.

1. Advanced Analytical Capabilities: Beyond basic descriptive statistics, analytical leaders utilize predictive modeling to identify profitable customer segments and anticipate potential churn. They combine in-house data with external sources for a well-rounded understanding of customer behavior. Techniques like real-time analysis and historical sales trend assessments enable dynamic pricing and optimized supply chain management.

2. The Interconnection of CRM and SCM: At first glance, CRM and SCM may appear unrelated; however, both benefit from analytics.

Historically, organizations have relied on personal sales skills in CRM and

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optimization algorithms in SCM. Companies like Procter & Gamble pioneered marketing-mix analytics two decades ago, fundamentally changing how firms understand and engage with consumers through data.

3. Real-Time Customer Analytics: Leading organizations like Harrah's casinos exemplify the shift from traditional CRM to real-time analytics, leveraging customer behavior data collected by loyalty programs to enhance the customer experience dynamically. This includes interventions like instant promotions based on predictive analysis of customer behavior during visits, revolutionizing the approach to customer interaction.

4. Customer Acquisition and Retention: Organizations with robust analytical frameworks can efficiently attract and maintain customers, especially in competitive sectors. By employing a mix of strategic advertising techniques, including econometric analysis for traditional media and targeted online advertisements, companies maximize their marketing ROI. High-performing analytical applications, such as Nike's insights-driven advertising strategies, demonstrate the transformative potential of data in branding.

5. Dynamic Pricing Strategies: Utilizing advanced analytics for pricing optimization allows businesses to adjust prices in real-time based on demand, inventory levels, and market conditions. Companies across various industries apply analytics to refine their pricing strategies, ensuring

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competitive advantages and improved profitability.

6. Brand Management through Analytics: Leading firms establish analytical systems to streamline marketing efforts across multiple channels, continually improving campaign effectiveness and resource allocation. Samsung's comprehensive M-Net system illustrates best practices in utilizing data analytics for global marketing optimization.

7. Enhancing Supplier Relationships: Organizations like Walmart employ rigorous analytics to facilitate transparent communication with suppliers, allowing for joint inventory and demand management. This approach blurs the lines between supplier and customer-focused processes, driving efficiency and responsiveness within the supply chain.

8. Use of Customer Interactions to Increase Sales: Companies leverage analytics to improve direct engagement with customers and refine their sales strategies. Capital One's targeted marketing and Best Buy's segmentation-driven sales strategies exemplify how insights drawn from customer data foster deeper connections and heightened sales performance.

9. Understanding Customer Life Cycles: By employing predictive analytics, businesses can track customers over their entire lifecycle, tailoring marketing efforts to optimize lifetime value. Sprint's analytics-driven customer relation enhancements showcase how

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understanding customers' evolving needs can drive loyalty and increase sales.

10. Personalization of Content: Companies like O2 utilize artificial intelligence and behavioral analytics to predict subscriber preferences, curating personalized content to enhance customer satisfaction and engagement.

11. Innovations in Supply Chain Management: Companies like Amazon and UPS employ advanced analytics to optimize logistics, demonstrating how analytical expertise can reshape supply chains into responsive, customer-centric operations. CEMEX's refined delivery system underscores how innovative approaches to logistics can elevate service standards and customer loyalty.

In conclusion, successful companies recognize that the distinction between supply and demand is increasingly blurred. Leveraging sophisticated analytics in both customer-facing and supplier processes enables them to create unique capabilities, enhancing customer service and supplier collaboration. As the competitive landscape continues to evolve, embracing analytical approaches in business practices becomes not just beneficial, but essential for long-term success. The subsequent chapters will explore how organizations can build these analytical capabilities effectively.

Key Topic	Description
Advanced Analytical Capabilities	Utilizing predictive modeling and real-time analysis to enhance understanding of customer behavior and optimize supply chain management.
The Interconnection of CRM and SCM	Integration of CRM and SCM through analytics, moving beyond traditional methods for better consumer engagement.
Real-Time Customer Analytics	Implementation of real-time analytics to improve customer interactions, as demonstrated by Harrah's casinos.
Customer Acquisition and Retention	Employing analytical frameworks for effective marketing strategies to attract and retain customers in competitive sectors.
Dynamic Pricing Strategies	Adjusting prices in real-time using analytics for better market responsiveness and profitability.
Brand Management through Analytics	Utilizing analytics to enhance marketing effectiveness and resource allocation across various channels.
Enhancing Supplier Relationships	Using analytics for transparent supplier communication and joint demand management, as practiced by Walmart.
Use of Customer Interactions to Increase Sales	Leveraging analytics to improve customer engagement and refine sales strategies, illustrated by Capital One and Best Buy.
Understanding Customer Life Cycles	Employing predictive analytics to tailor marketing efforts based on the entire customer lifecycle for increased loyalty.
Personalization of Content	Using AI and behavioral analytics for predicting preferences and enhancing customer satisfaction, as shown by O2.
Innovations in Supply Chain Management	Applying analytics to optimize logistics and reshape supply chains, demonstrated by Amazon and UPS.

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Key Topic	Description
Conclusion	Establishing the importance of sophisticated analytics in both customer-facing and supplier processes for business success.

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Chapter 6: A Road Map to Enhanced Analytical Capabilities

In today's data-driven business landscape, the journey toward developing an analytical capability is essential yet complex. While companies like Marriott and Procter & Gamble have enjoyed decades of experience in data analysis, many organizations lag behind in both analytical capability and strategic planning. For firms aspiring to compete on analytics, the journey is neither quick nor easy; it involves multiple components, including technology, data, culture, and management support. A metaphor likening this process to a complicated fifteen-level chess game aptly captures the intricacies involved.

The pathway to becoming an analytical competitor involves navigating through five distinct stages, each with its unique set of challenges and rewards. For many firms, the first step is to establish a solid foundation, which involves ensuring that they possess quality data and have supportive management. Poor data quality can hinder analytical efforts significantly, and executives must be oriented towards fact-based decision-making rather

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Chapter 7 Summary: Managing Analytical People

In "Competing on Analytics," Thomas H. Davenport emphasizes the critical role of human resources in making analytics work effectively within organizations. While many envision analytics as reliant on technology, the true scarce ingredient in analytical competition is the human element, which encompasses various groups and their unique contributions to the analytical ecosystem.

1. **The Illusion of Automation:** Many are misled by tales suggesting that advanced software can replace human analysts. A well-known story about diaper and beer sales illustrates that it was the human analysts who guided the software to meaningful conclusions. This highlights that while technology aids analytics, it cannot fully replace the human expertise required for interpretation and action.
2. **The Importance of Relationships:** The success of analytics hinges on trust and collaboration between analysts and decision-makers. For example, an ambitious analysis aimed at identifying branch profitability was ignored because the relevant executives lacked a trusting relationship with the analysts. The absence of such relationships can hinder analytical effectiveness, regardless of the quality of insights generated.
3. **Three Key Groups:** Organizations comprise senior executives,

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professional analysts, and analytical amateurs. Senior executives set the analytical culture and priorities, while professional analysts are responsible for data gathering and interpretation. Analytical amateurs—often frontline employees—ensure that the insights derived from analytics translate into actionable outcomes.

4. Role of Senior Executives: CEOs and senior executives must embrace a culture of data-driven decision-making. Their commitment is instrumental in shifting the organization towards an analytical approach. A powerful illustration is the case of Phil Knight, who initially resisted analytics at Nike, highlighting that without executive buy-in, the propensity toward data reliance is limited.

5. Traits of Analytical Executives: Effective analytical leaders possess a passionate belief in data-driven decision-making, an understanding of analytical tools and methods, and the willingness to act upon the results of analyses. They must foster an environment where performance is based on data, and manage a meritocratic system that rewards high performance.

6. Emergence of Analytical Leadership: While some organizations naturally adopted analytics from the outset (like Amazon), others evolved through new leadership or generational changes. Executives can catalyze an analytical culture within established firms by introducing analytical methodologies and advocating for their use.

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7. **The CFO's Critical Role:** The CFO is often central to analytical initiatives as financial information underpins most analytical projects. Effective CFOs champion analytics beyond traditional domains, overseeing operations that leverage analytics for broader business outcomes.

8. **CIOs and Analytical Culture:** CIOs play a vital role in fostering an analytical culture alongside the CEO. They introduce systems that disseminate analytical insights across the organization, ensuring that employees at all levels leverage data for decision-making.

9. **Building Demand for Analytics:** In organizations lacking executive commitment to analytics, grassroots movements can lay the groundwork for change. Analytics demand can be stimulated through initiatives that demonstrate tangible value, as illustrated by a pharmaceutical firm that showcased the benefits of data visualization.

10. **The Role of Analytical Professionals:** Advanced analytical professionals, often possessing PhDs, perform sophisticated analyses and craft algorithms. Assembling such teams is challenging due to talent scarcity, but they are essential for organizations aiming for a competitive edge through analytics.

11. **Importance of Analytical Amateurs:** Not all employees need advanced analytical skills, but a basic understanding of analytics ensures that data

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insights are utilized effectively. Firms like Capital One exemplify hiring strategies that prioritize analytical skills across the workforce.

12. Tools and Techniques for Amateurs: Amateur analysts predominantly rely on tools like spreadsheets for data manipulation, which have limitations. Organizations should provide structured analytical environments that allow these amateurs to engage effectively with data.

13. Automated Decision-Making: Companies increasingly deploy automated decision systems for routine operational processes. While automation enhances efficiency, certain decisions require human oversight. Different approaches to human overrides can optimize decision-making processes based on context.

In conclusion, the human element is paramount in analytical competition. Organizations must cultivate analytical capabilities across all levels—executives, professionals, and amateurs alike—to harness the full potential of their data-driven strategies. The interplay of trust, expertise, and culture defines the landscape in which analytical competition unfolds, ultimately determining success in a data-rich world.

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Chapter 8 Summary: The Architecture of Business Intelligence

In this chapter, the focus is on aligning a robust architectural framework for business intelligence (BI) with organizational strategies, emphasizing the critical role of data management, technology integration, and IT-business collaboration in enabling analytical competition. Companies today are inundated with data, yet many lack the technological infrastructure and strategic vision required to effectively utilize it.

1. **The Complexity of Data Management:** Organizations face pressing challenges in data management, with many struggling to parse through the vast quantities amassed. The data, likened to an unorganized box of photos, often requires significant effort to standardize, cleanse, and integrate to derive meaningful insights. Competing on analytics necessitates a focus on not just capturing data, but transforming it into structured, clean, and reliable information that supports decision-making processes.

2. **Importance of IT-Business Collaboration:** Organizations excelling in analytics prioritize collaboration between IT and business leaders. For instance, Glen Renwick of Progressive Insurance champions a culture where technology and business objectives are intertwined, fostering an environment where data is treated as a strategic asset. This synergy is fundamental for identifying the technical capabilities necessary to support

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the organization's competitive edge.

3. Stages of Analytical Capability: Companies typically progress through five stages of analytical capability—from struggling with poor-quality data to establishing a sophisticated, enterprise-wide analytic architecture. To effectively compete on analytics, firms must recognize these stages and tailor their strategies accordingly to integrate analytics into their operational fabric.

4. The Elements of BI Architecture: A comprehensive BI architecture includes essential components such as data management, transformation processes, data repositories, applications for analysis, presentation tools, and operational processes. Each aspect plays a critical role in ensuring the efficient flow of data and insights across the organization.

5. Data Relevance and Quality: It is imperative that organizations ask essential questions surrounding data: what is needed, where it can be sourced from, how much is necessary, and how to ensure its quality. High-quality data is complete, current, consistent, and contextual. Organizations must develop rules and governance processes to maintain data integrity throughout its lifecycle.

6. Transformation Tools and ETL Processes: The extraction, transformation, and loading (ETL) processes are vital for preparing data for analysis. While

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extraction and loading are straightforward, effectively cleansing and transforming data to meet business criteria remains a labor-intensive and intricate task demanding cooperation between tech and business experts.

7. Utilizing Analytical Tools: The choice of analytical tools—ranging from spreadsheets to more advanced data mining and statistical algorithms—depends on the decision-making needs of the organization. Organizations also need to navigate the ‘make or buy’ decision to either develop custom solutions or adopt packaged applications that align with their analytical requirements.

8. The Role of Presentation Tools: Once analytics are performed, the insights must be effectively communicated through appropriate presentation tools that allow for visualization and sharing of complex data. Tools should support ad hoc reporting and enable collaboration while ensuring ease of access for various stakeholders.

9. Operational Processes and Governance: Aligning operational processes with data management policies ensures that the BI architecture remains robust. Organizations must enforce standards, procedures, and security measures to safeguard the integrity of data, which is critical to compliance and overall business accountability.

In conclusion, organizations must commit to a well-structured architecture

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that supports robust data management and analytics integration. Senior management plays a pivotal role in establishing guiding principles and fostering a culture of collaboration between business and IT, ensuring that architecture aligns with dynamic business needs to transform data into actionable insights. Embracing this holistic approach is essential for strategic competitive advantage in today's data-driven landscape.

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Chapter 9: The Future of Analytical Competition

In "Competing on Analytics," Thomas H. Davenport concludes with a forward-looking perspective on the future of analytical competition. The essence of this concluding chapter is rooted in predictions about how businesses will increasingly leverage analytics to gain a competitive edge, driven by advancements in technology, human capabilities, and strategic modifications. The insights can be summarized into three main categories: technology-driven changes, human-driven changes, and strategy-driven changes.

1. Technology-Driven Changes The evolution of technology within the realm of analytics is expected to reshape the landscape significantly. Companies are likely to adopt pervasive business intelligence (BI) software, making data analysis more accessible across all sizes of organizations. Vendors will embed analytical capabilities in common software products, while smaller companies can benefit from affordable or free open-source tools. The use of dedicated business intelligence appliances designed for efficient data handling will expand, and automated decision-making will

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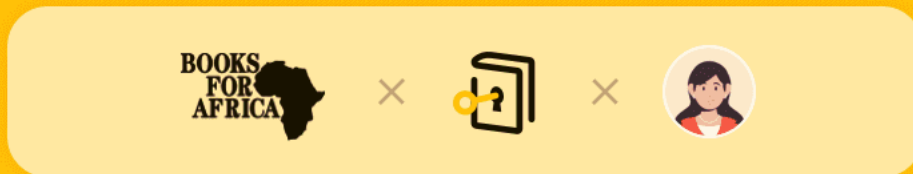
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