

IBM Institute for Business Value



Overview

In the second joint study from *MIT Sloan Management Review* and IBM Institute for Business Value, we see a growing divide between those companies that, on one side, see the value of business analytics and are transforming themselves to take advantage of these newfound opportunities, and those, on the other, that have yet to embrace them. Using insights gathered from more than 4,500 managers and executives, our 2011 New Intelligent Enterprise Global Executive Study and Research Project identifies three key competencies that enable organizations to build competitive advantage using analytics. Further, the study identifies two distinct paths that organizations travel while gaining analytic sophistication, and provides recommendations to accelerate organizations on their own paths to analytic transformation.

Analytics: The widening divide

How companies are achieving competitive advantage through analytics

Our initial joint study in 2010 identified three progressive levels of analytical sophistication: Aspirational, Experienced and Transformed.¹ Year-to-year comparisons of these groups reveal that Experienced and Transformed organizations are expanding their capabilities and raising their expectations of what analytics can do, while the Aspirational organizations are falling behind. This growing gap has major implications for businesses seeking to make the best possible decisions based on a flood of insight arising from the interconnected world.

We closely examined what the Transformed organizations, the most sophisticated users of analytics, are doing well and found three key competencies: (1) information management, (2) analytics skills and tools, and (3) data-oriented culture. Mastering these competencies enables organizations to gain full benefit from analytics.

We also found, however, that organizations take one of two different paths to achieving analytics sophistication. Each path is comprised of a different mix of competencies so organizations choose the best route to follow based on their strengths and circumstances. The chosen path influences their overall approach to analytics, the kinds of projects they pursue – and the steps they will need to take to achieve full analytical prowess.



Transformed organizations leave others behind

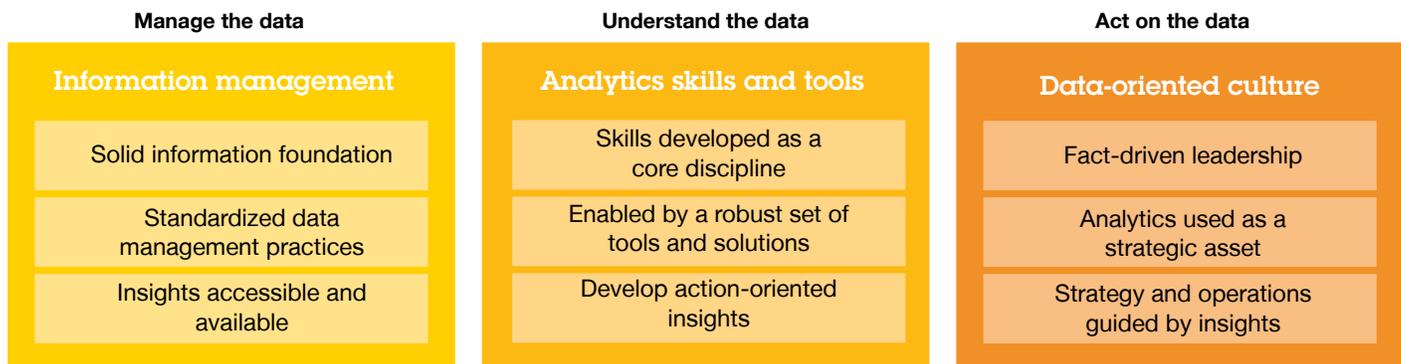
The growing gap between Transformed and Experienced groups, on the one hand, and the Aspirational group, on the other, is evident on two fronts: using analytics to create competitive advantage, and integrating analytics into strategy and operations. Among all respondents, the number of companies using analytics to create a competitive advantage has surged by 57 percent in the past year. Yet all of the gains in competitive advantage have been made by the Transformed and Experienced groups, which grew by 23 percent and 66 percent, respectively, from 2010 to 2011. The Aspirational segment, by contrast, fell 5 percent behind during the same period.

The widening divide between organizations is also evident in the use of analytics to inform core business strategy and day-to-day operations. Fully 70 percent of the Transformed and 55 percent of the Experienced groups say they have increased their use of information and analytics in their business strategy and operations in the past 12 months. Only 34 percent of the Aspirational group has done so.

Mastering analytical competencies

To achieve analytics sophistication, we found, organizations typically master three competencies. We then dug deeper to define the capabilities required to achieve each one (see Figure 1).

Analytics competencies



Source: The New Intelligent Enterprise, a joint MIT Sloan Management Review and IBM Institute of Business Value analytics research partnership. Copyright © Massachusetts Institute of Technology 2011.

Figure 1: Organizations must master three analytics competencies to achieve competitive advantage.

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Ideally, as organizations begin their transformations to analytical sophistication, they start building a solid information foundation and acquiring analytics capabilities simultaneously. In reality, we find that they tend to do one or the other, based on their existing culture, organizational structure and skills. The two paths observed in our analysis represent reasonable and pragmatic courses of action based on the strengths and weaknesses of individual organizations.

A propensity toward acquiring new analytical techniques and refining skills steers some organizations toward the Specialized path, with momentum for analytics coming from individual departments or functions. Skeptics elsewhere can then be converted when urgent business issues are addressed and the value of analytics is demonstrated.

Where the culture responds well to enterprise initiative and innovation, organizations will lean toward the Collaborative path. Targeting analytics for key strategic objectives creates support for shared investments and consensus-based decision making. As a result, analytics will be used sooner rather than later for strategic objectives aimed at increasing competitive advantage.

To help organizations begin and reach their goals, we make the following suggestions based on our experience with a broad spectrum of organizations in multiple industries:

- **Recommendation 1:** Assess your analytics sophistication
 - **Recommendation 2:** Improve your analytics competencies
 - **Recommendation 3:** Use an information agenda to connect your path to your competencies.
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How can IBM help?

IBM's Business Analytics and Optimization services bring together a unique combination of expertise and capabilities to help your organization realize your analytics potential. Our capabilities include:

- An unmatched combination of skills and experience, including unrivaled breadth of deep foundational business intelligence, performance management and advanced analytics capabilities, including world-class software and IBM Research.
- Strong industry and business process expertise enabling us to apply proven industry models.
- Cross-industry and industry-specific best practices for how to manage information, and for next-generation value creation through the use of analytics and optimization techniques.
- Proven opportunity and stakeholder assessment techniques.
- A patented value case approach to develop trusted business cases.

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Reference

- 1 Lavalley, Steve, et al. “Analytics: The new path to value.” *MIT Sloan Management Review* and IBM Institute for Business Value knowledge partnership. October 2010. <http://www-935.ibm.com/services/us/gbs/thoughtleadership/ibv-embedding-analytics.html> and <http://sloanreview.mit.edu/feature/report-analytics-the-new-path-to-value/>



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