Correcting analytics maturity myopia

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Abstract Companies face increasing pressure to compete in the practice of analytics and strive for analytics maturity to sustain their competitive advantage. A single-minded, narrow focus on gaining analytics maturity, however, leads to analytics maturity myopia. Based on our studies of analytical capabilities and numerous conversations with executives and managers, we offer a scorecard for organizations to identify the presence of analytics maturity myopia and propose a framework for organizations to correct this issue. The proposed framework partially explains the mixed and conflicting results regarding the relationship between analytics maturity and business value found in the literature. Specifically, we recommend that companies focus on three factors that are critical to realizing value from analytics initiatives: (1) a balanced view of value to different stakeholders, (2) a continuous expansion of the business ecosystem beyond current stakeholders to identify and pursue new opportunities, and (3) use of an emergent strategy to take advantage of unexpected opportunities and develop organizational agility.

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1. Analytics maturity: An alternate look

With rapid digitization and the availability of vast amounts of data, the conversion of data into business insights has been lauded as a key requirement for business success (Kiron & Shockley, 2011). Yet, a recent survey of U.S. executives conducted by the Economist Intelligence Unit (ZS Associates, 2016) and a report by McKinsey Global Institute reveal that, although companies consider analytics important, most are “capturing only a fraction of the potential value from data and analytics” (Henke et al., 2016). Given that “at its core, business analytics is about leveraging value from data” (Acito & Khatri, 2014, p. 565), the struggle of many companies raises this question: How do companies derive value from analytics?

Past studies on analytics for practitioners suggest that to extract value from data, companies need to build analytics capability, which is the portfolio of methods and tools needed to support analytics (Acito & Khatri, 2014; Crawley & Wahlen, 2014; Souza, 2014; Ward, Marsolo, & Froehle, 2014). As
building analytics capability has been evolving from a futurist hype to a realistic source of business opportunity, the focus of decision makers, consultants, and researchers has shifted beyond analytics capability to a focus on analytics maturity. Analytics maturity is a measure of companies’ growth against elements that are critical to the success of analytics initiatives (Davenport & Harris, 2007). Data, analytic capabilities, people, and performance metrics are such drivers of analytic maturity, which, the literature suggests, lead to business value realization (Acito & Khatri, 2014). In our studies of analytics capability and numerous conversations with executives and managers, we also observed that the discussions on analytics maturity are often driven by an unquestioned belief that analytics maturity leads to business value.

Analytics maturity matters; we do not question its importance. However, the fact that many companies reach high levels of analytics maturity without realizing the full potential of their analytics capability implies that additional factors contribute to the realization of business value from analytics. In other words, analytics maturity is necessary but not sufficient to ensure improved business performance. In this article, we propose a new theoretical link that influences how analytics maturity impacts business value. This missing link may partially explain the mixed and conflicting results often found in past studies of the relationship between analytics maturity and business value.

The framework proposed in this article presents a novel context for the management of analytics initiatives and offers new opportunities for research of analytics value. We provide practitioners with a method for assessing their perspective on analytics implementation. This approach taps into the importance of business networks for the creation of business value as well as the need for fluid strategy. For academics, we identify a line of research with the potential of enriching our understanding of how organizations build analytics capability and how organizations can make the most of their investments.

1.1. Analytics maturity fallacies

Analytics maturity, we argue, has a prevalent position in the discussion about analytics value realization, but only in looking beyond maturity will we be able to fine tune our understanding of what makes an analytics leader. There are several common views of analytics maturity that we find to be limiting or even incorrect.

- Analytics maturity is frequently accompanied by other forms of organizational maturity, which results in higher value realization in general for the organization. There is no simple assessment of analytics maturity, which may lead to a problem when, at the time analytics initiatives are conducted, the realization of business value is taken as proof of analytics maturity itself (i.e., confusing necessity with sufficiency).

- When an organization achieves analytics maturity, the process leaves a track record of strategic positions and actions, while other constituent aspects of the organization—such as its consensus on the nature of value—are taken as building ground. In other words, some things considered foundational to an organization are not seen as subject to change and are not frequently evaluated as factors of success.

- Once analytics maturity is registered as the primary factor leading to organizational value, a lack of perceived maturity is seen as the reason for limited accompanying value realization. Management, not realizing that there are other important factors leading to value, recommend improvements to maturity in order to boost value.

- Analytically mature organizations often have a longer history and a track record of excellence, which places them in a prevalent position to be studied and used as cases in support of a point.

1.2. Analytics maturity is not enough

We identify a need for looking beyond analytics maturity to understand analytics excellence and exemplar value realization. Consider the example of Wells Fargo. By all accounts, Wells Fargo is an analytically mature organization and has also gained a tremendous competitive advantage. Cross-selling has helped Wells Fargo gain “enormous sums of money—as well as praise and envy—from its rivals in the banking industry” (Davidson, 2016). The bank has been lauded as an analytics leader, and its managers and executives are often interviewed for their insights into achieving analytics maturity. Wells Fargo has also been showcased for incorporating advanced analytics into human resource management, which maturity models such as Gartner’s (Howson & Duncan, 2015) place at the highest levels of analytics maturity.

Nonetheless, an aspiration-based objective highlighted by Wells Fargo’s CEO John Stumpf (“Eight rhymes with great”) guided sales targets of eight accounts per customer and resulted in 2 million fake customer accounts—a debacle that
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