

IBM Institute for Business Value

Analytics: The speed advantage in the United Kingdom and Ireland

Interpreting the findings of the IBM Institute for Business Value 2014 analytics study



Highlights

- 61 percent of UKI organisations are now realising a return on big data investments within a year.
 - Globally, the focus is starting to shift from customer-centric to operational analytics projects – but in UKI, customer-focused initiatives still dominate.
 - In line with global trends, 46 percent of UKI organisations are now engaging in analytics projects that combine both digital and process transformation.
 - In UKI, the pace of demand for analytics stayed more or less the same in 2014, but is expected to increase significantly in the next 12 to 18 months.
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Introduction

In 2014, the IBM Institute for Business Value (IBV) conducted its sixth annual analytics study. It surveyed more than 1,000 business and IT professionals worldwide, and identified several global shifts in the way organisations are working with big data and analytics in 2014.

Nearly five percent of the responses to the IBV survey came from organisations in the UK and Ireland (UKI). This report aims to summarise the UKI findings, compare them with global trends, and draw some preliminary conclusions about the state of play in the UKI analytics domain. Finally, it discusses how IBM and its customers can work together to move the analytics agenda forward in 2015.

Summary of the main findings

Shift 1:

A solid majority of organisations are now realising a return on their big data investments within a year

63 percent of global respondents are now realising a positive return on their analytics investment within a year, up from 57 percent in 2013.

Among UKI respondents, the results were similar: 61 percent saw ROI within a year. In fact, 17 percent of UKI respondents saw a positive return within just three months (compared to just nine percent globally).

Shift 2:

Customer-centricity still dominates analytics activities, but organisations are increasingly targeting operational issues

Both globally and in UKI, the majority of analytics initiatives still focus on customer-centric objectives such as improving customer acquisition and customer experience. However, in most countries there has also been a significant increase in the proportion of organisations that are focusing on operational objectives – up from 25 percent in 2013 to 40 percent in 2014.

This trend is significantly less marked in UKI, where customer-centric analytics objectives are still the main focus of 65 percent of organisations, and just 30 percent are prioritising operational objectives.

Shift 3:

Integrating digital capabilities into business processes is transforming organisations

Both globally and in UKI, 46 percent of organisations are re-inventing business processes by integrating digital capabilities such as analytics, social and mobile technologies.

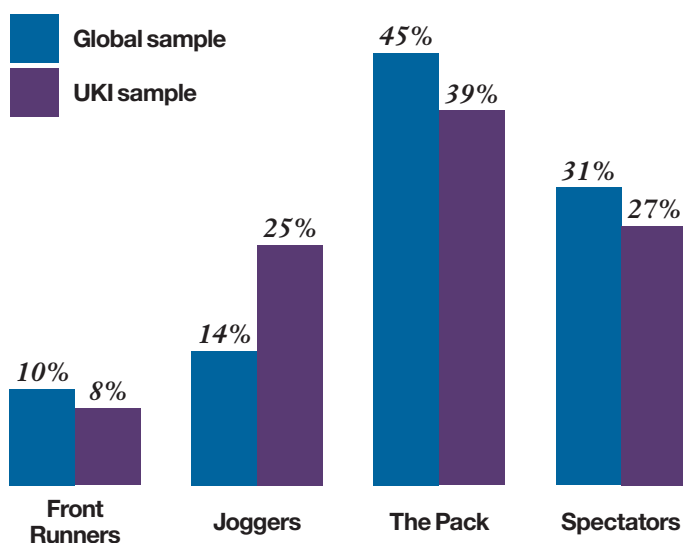
The combined digital and process transformation approach is significantly more prevalent than approaches that focus solely on digital transformation (21 percent globally, 26 percent in UKI) or solely on process transformation (33 percent globally, 28 percent in UKI).

Shift 4:

The value driver for big data has shifted from volume to velocity

In the Americas, India and several European countries, business executives have been demanding delivery of action-oriented data-driven insights at an accelerating pace over the past 12 months.

By contrast, in UKI, the pace of demand has remained the same as in previous years. However, UKI organisations agree with most other countries that the pace of data demand is going to accelerate significantly in the next 12 to 18 months.



Cluster analysis of analytic capability

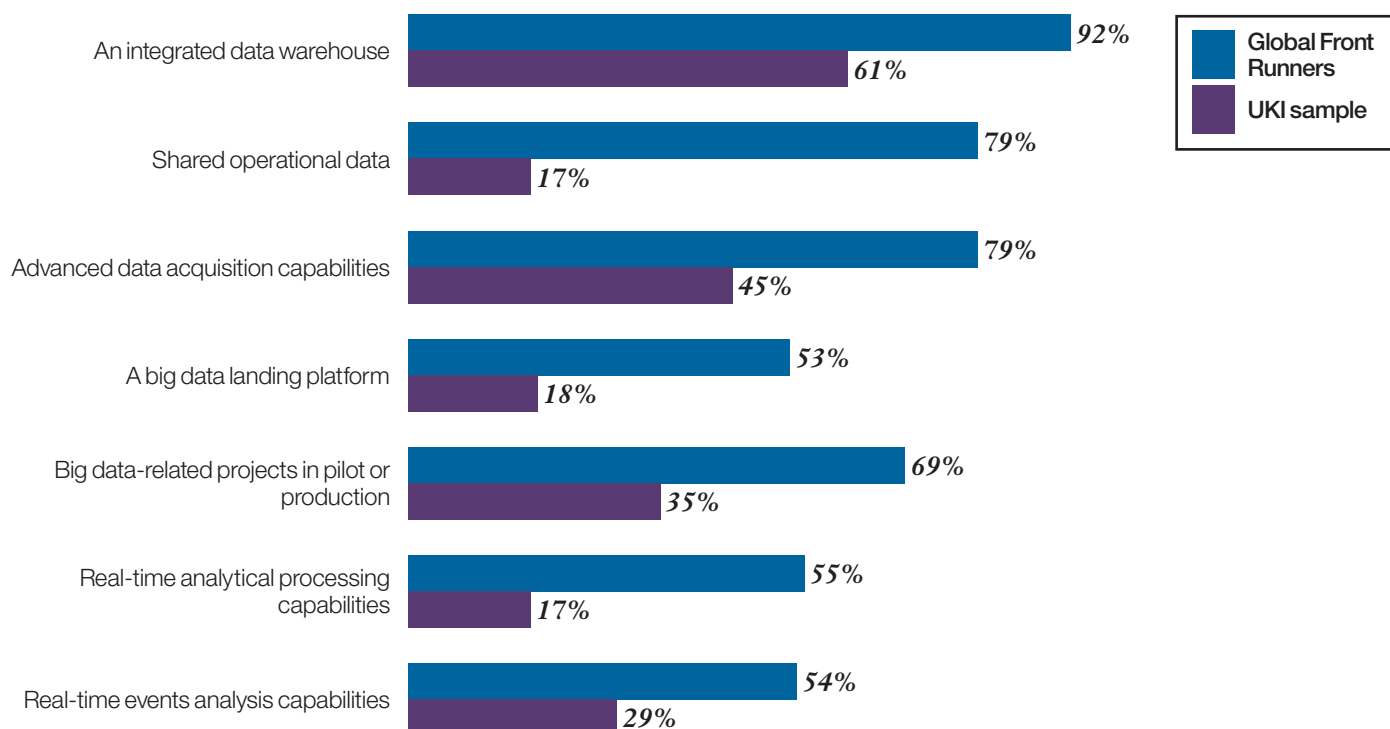
The IBV report uses cluster analysis to divide the survey respondents into four groups, based on their ability to support high-velocity analytics.

- **Front Runners** have a high level of technical capabilities, and are using analytics broadly across many business functions – giving them the ability to turn data into insight and act upon it quickly. 10 percent of the global sample and 8 percent of the UKI sample are in this group.
- **Joggers** have fairly high technical capabilities, but are typically using them in a limited number of business functions. Their lack of pervasive analytics across the enterprise reduces their ability to extract as much value from high-velocity data as the Front Runners. 14 percent of the global sample and 25 percent of the UKI sample are in this group.
- **The Pack** consists of analytically minded organisations that have not yet reached maturity with an integrated enterprise foundation for analytics, which makes it difficult for them to optimise the use of available data. This is the largest group, comprising 45 percent of the global sample and 39 percent of the UKI sample.
- **Spectators** are organisations that are currently only using the bare minimum of analytics within their business processes, yet have aspirations – often unrealistic – to increase their analytics capabilities in the near future. Few of these organisations have the technical capabilities to support analytics beyond the level of basic reporting and compliance. 31 percent of the global sample and 27 percent of the UKI sample are in this group.

For UKI organisations to gain the maximum advantage from their big data and analytics strategy, they will need to adopt similar approaches to the global Front Runners. Currently, the full UKI sample aligns with the global Front Runner sample as follows:

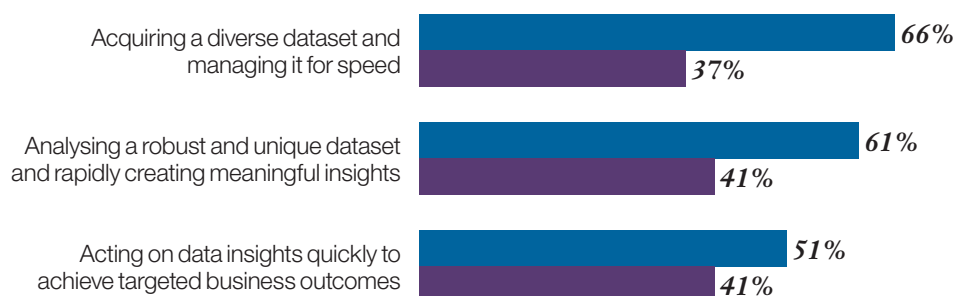
1. Analytics capabilities

Proportion of organisations that have...



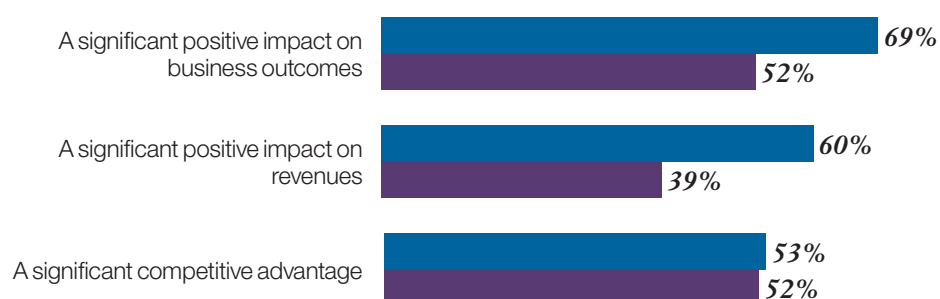
2. Analytics lifecycle

Proportion of organisations that excel at...



3. Analytics results

Proportion of organisations that have used data and analytics in the past three years to create...



Analysis and conclusions

Comparing the UKI sample with the global sample, it is clear that a slightly smaller proportion of organisations fit into the Front Runners group. However, almost twice as many UKI organisations fit into the Joggers group than the global average, which suggests that in general, UKI is moving in the right direction. The key for UKI companies moving forward is to expand the use of analytics across their organisations, capitalising on the depth of capabilities that are often still siloed within one or two departments.

On every measure, the average performance of UKI organisations falls behind that of the global Front Runners – although the difference varies significantly. For example, UKI organisations are only very slightly less successful than global Front Runners at using data and analytics to create competitive advantage, at acting on insights quickly, and on improving business outcomes. On the other hand, in areas such as sharing operational data, big data landing platforms and real-time analytical processing, UKI seems to be falling significantly behind. This suggests that UKI organisations may lack ambition in harnessing the breadth of available data, and/or lack the focus to generate immediate analytical insight where it can most benefit their business.

By evangelising the successes that have already been achieved by siloed analytics – in particular, the ability of these solutions to create a competitive advantage – and by instilling stronger data governance, UKI organisations may be able to overcome the political and operational challenges of integrating and sharing data within their organisations.

Lack of a pervasive approach?

The main difference between Joggers and Front Runners is not their level of technical capability (although this may be significant) – it is that analytics is less pervasive within their organisations. The survey findings suggest that UKI organisations may still be struggling to move forward from solutions deployed to solve specific departmental challenges, towards a more strategic, enterprise-wide approach to analytics.

This is consistent with the finding that UKI organisations are still mainly focusing on customer-centric objectives, rather than following the global trend to extend into operational analytics. It may also explain why UKI organisations have not seen a significant increase in the pace of demand for analytics over the past 12 months. Fostering wider use of analytic insight in business processes, and developing a culture that has greater appetite to demand and act on such insight, will help UKI organisations overcome this lag.

Struggling to take the next step?

A possible inference is that UKI organisations, having had success with analytics in previous years, particularly in areas such as customer acquisition and customer experience, are now struggling to take the next step. The fact that they foresee a significant growth in demand over the next 12 to 18 months suggests that they are on the cusp of moving forward into new areas and adopting a more pervasive approach – but for some reason, they have not made much progress in 2014.

One reason for this might be the increasing difficulty of moving projects from pilot into production. Over the past several years, UKI organisations have tended to centralise budgetary controls at board level, and significant investments often require direct approval from the CFO. Mid-level and departmental managers have less power and fewer resources to invest in innovative or experimental projects, and may be struggling to make a strong enough business case to gain board-level attention and sponsorship.

Creating a culture of exploration

If UKI organisations recognise the potential value of analytics, but are finding it difficult to unlock the funds to move their analytics agenda forward, it is possible that a change in culture may be required. By putting structures in place to encourage innovative thinking and exploration, and by training executives to support and strategically plan analytics initiatives, it may be possible to create a more systematic approach to assessing the value of new projects, and thus build stronger business cases.

More radically, it may be necessary to restructure the organisation. Creating board-level positions such as Chief Data Officer may provide the necessary impetus at the top level of the organisation to bring IT, finance, marketing and other business areas together. This kind of structural change can help the whole organisation recognise data as a first-class asset, and think more strategically about how it can use analytics to drive innovation and transformation.

For more information

To find out more about how IBM is helping its clients turn a proof-of-concept into a compelling business case, make analytics projects work more effectively, and realise the value as quickly as possible, please contact your IBM representative or Business Partner, or visit ibm.com

To read the IBM Institute for Business Value executive report on the 2014 analytics study, please visit ibm.biz/2014analytics, or to listen to a webcast about its findings, please register at ibm.biz/2014analyticswebcast

For more information about Chief Data Officers and how they can deliver data-driven growth and innovation that matters, please read the IBM Institute for Business Value study here: ibm.com/services/us/gbs/thoughtleadership/chiefdataofficer

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Moving forward

- Are you harnessing the full range of available data, and is your data governance framework sufficient to extract value from it?
- Could you inform and improve any of your customer-centric, financial or operational processes with embedded analytics?
- How successfully are you communicating the impact that analytics has already had on your business? Are you fostering a culture that has greater appetite for insight?
- Does your organisation invest in innovative or experimental analytics projects? Do your executives understand the value of supporting and strategically planning such initiatives?
- Do you need to adjust your organisational structure to emphasise the strategic importance of analytics – for example, by introducing a business analytics competency centre, or appointing a Chief Data Officer?



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