TRADECRAFT

—— Insights - Analytics - Action ——

Analytics. Now More Than Ever.

Companies that adopt a "Quick Start Analytics" approach will find this move to be their primary driver of success – and survival – in the "Next Normal."

Well the future just isn't what it used to be.

While Covid-19 hasn't changed everything, it has changed enough.

Those fancy advanced analytics capabilities and predictive models you've operated your businesses on for years – with meaningful tuning, perhaps even for decades -- are likely to no longer "fit" very well. The canvases upon which they were painted heretofore have changed so dramatically.

So it's time to get scrappy.

Companies that are good at leveraging analytics and actionable data for early warning, and that can do so with *SPEED*, will have a massive competitive advantage in what is now – thanks to Covid-19 – our highly uncertain world.

The truth is companies that are good at leveraging analytics and actionable small data with speed have always had the advantage. It's just that now these advantages matter more than ever.

Companies can't predict the future, but they can build analytics-driven organizations that will survive and flourish under just about any possible future.

This article provides a practical framework and a set of pragmatic next steps you can take to best inform decision making into the Next Normal.

Battle Tested Advice

I've seen this type of movie (a truly epic tragedy) play out before – twice actually. I was at CIA during the run-up to 9/11 and at McKinsey throughout the Great Recession where I helped clients transform their business practices to manage through the uncertainty of the crisis.

In both cases, I had a front row seat to both the amazing power of good decisions and the destructive power of bad ones. It helped me develop a visceral dislike for bad decisions. This has powered my professional passion: to enable good decisionmaking. At the end of the day, that's really the fundamental mission for anyone in a data analytics role.

While the fundamental role of professionals in data analytics has always been to empower good decisionmaking, the function has never been more important than it is right now.

What companies decide to do over the coming weeks and months will have ramifications for them and their key constituents – customers, employees, business partners, and shareholders – for years, if not decades, to come.

Now is the time for Analytics to truly take center stage in what will be its finest performance yet.

The ability of analytics professionals to discover, mine, and translate data into actionable outcomes at both the strategic and tactical level is at unprecedented levels. We are now armed with a suite of predictive analytics capabilities, AI & Machine Learning tools, and other powerful enablers like never before.

Companies that can re-tune and harness the raw horsepower of these capabilities – and that can do so with speed, with flexibility, and with the awareness of early warning signals providing clues as to what's coming next – will be in a strong position to help drive good decisions for their companies, organizations, or governmental institutions.

From my lens, no organization has done a better job of doing this than the U.S. Military's Special Forces units and the intelligence units supporting them.

For them it's literally life or death and has been so from the start.

The rest of us are now just getting used to that burden. For most of us, our ability to drive good decision making isn't directly translating into a life or death decision right away; however, given the present reality, the decisions we inform – or don't – will now have material and life-changing impacts on the customers, business partners, and employees of the organizations we serve.

That inspires me, and it should inspire all of us.

There can be no doubt that this is a tall order. The good news is there's a proven recipe for success in informing good decision making, even when the stakes are high.

A Framework for Success – Quick Start Analytics

I call this recipe "quick start analytics." Its three core tenants have emerged from multiple decades studying, serving in, and working with organizations that are widely viewed as the world's leaders in leveraging data & analytics to drive best-in-class decisionmaking.

These leading organizations from Apple and Amazon…to the CIA and U.S. Navy SEALs…to Zara and Zappos…all have analytics functions with three primary characteristics that set them apart: they are **fast,** they are **flexible,** and they are **aware**.

But what does this mean very practically for Analytics functions and for Analytics professionals? It means that following the steps below will help you both best manage through this crisis and prepare for a post Covid-19 world.

<u>Being Fast</u>

You can't be fast if you are big and bulky.

So, thinking or being small, staying very focused on what matters most, and being nimble are all key success factors.

Specifically, there are levers to pull to build speed into your current process: (1) focus on an agile, use case driven approach, (2) get analytics staff closer to the business; and, (3) rethink how your analytical insights flow across the business.

Having an agile, use case driven approach that creates value in weeks, not months or years, is critical.   Finance departments will likely be looking hard at every penny of spend. If you don't already do so, begin tracking the benefits of your analytics-led recommendations to the business and use this to make your case for additional analytics investments and resources or, at a minimum, to keep what you have.

Beyond positioning Analytics as key to revenue generation in our now uncertain world, having Analytics staff forward deployed into the business units you serve – sitting next to your business team clients, perhaps even having folks that are dotted or direct line reporting to BU-level decision makers – will also allow your Analytics function to get key insights to market quickly.

I was at the Naval War College some time ago listening to the Chief of Naval Operations (the head guy in the Navy) answer a question from one of his counterparts in the Air Force. That question was: "You guys are so fast. How do you do that?" Typically when there is a conflict, the Navy is usually first on the scene.

His answer was very simple, but speaks to the benefit of having analytics professionals "forward deployed" directly into business units.

The answer was: "We are fast because we are already there." Being able to get analytical insights to key business users really fast is going to be key in the Next Normal. Having analytics professionals who are basically already "there" will help you get speed to market and inform decision making, not just at the scheduled time, but when the timing is right.

Finally on increasing speed to market, rethink how you disseminate analytical insights. In many cases, insights functions can come across to a business user as that kind of academic, ivory tower group over there that sends us 50- page PowerPoint decks and then we don't know what to do with them. That's the last thing you will want to be doing right now. So, it's not just about providing insights that all roll up and all come to a corporate center. Think about how you can move analytics from "analog to digital." It's less about having everything go to a central location and then back out to business units—although that's part of it— but also enabling your field to generate insights and having a platform so that insights can be shared across the network. Break the frame of "spoke-to-hub" and move "spoke-to-spoke."

Being Flexible

Data Analysts have always been about getting right answers. But often, they have the questions wrong.

A key question for Analytics in a post Covid-19 world is: "Will our key challenges be more data & technology related or more change management related?"

My bet is on the latter.

Building flexibility into your approach will be critical to help your company survive and thrive during this massive change. **To do so you must first drop the pretense that you can predict the future with any level of accuracy until things stabilize.** Second, adapt management processes and capabilities with an eye to making better decisions under uncertainty—for example, by abandoning the fixed calendar and planning schedules typical of annual budgeting and operating processes. This change will require a shift to monitoring macroeconomic indicators in real time, something akin to "just in time" manufacturing approaches applied to decisionmaking. It also means building greater flexibility into strategic activity by putting a greater focus on acquiring options, contingency planning, and the use of stage-gating techniques for committing resources.

All this portends a shift to more dynamic management in a more complex and unpredictable environment. The industry leaders of the future—stalwarts and upstarts alike—will be able to build out flexibility to better navigate and manage uncertainty.

Companies and their consultants have long used scenario planning as a tool for managing uncertainty. Perhaps unsurprisingly, this exercise is becoming increasingly common once again as executives feel the impact of global economic and social forces on their operations and attempt to understand what the future holds. Scenario planning aims to help clients resolve key strategic issues shrouded in uncertainty. The objective is to get management thinking about future events and how it could best react to them if and when they occur. Will new regulations be passed? How long and severe of a downturn will we face in our sector? Will a new technology supersede the old? This approach yields a divergent set of scenarios that represents a plausible set of potential alternative futures.

The Analytics function can and must lead the charge on scenario planning. While the future is highly uncertain, key signposts are highly knowable and track-able. They are "tells" for the management team to understand which scenario is playing out. Analytics is uniquely positioned to separate meaningful signal from noise to enable good decisions in a highly uncertain world.

During the last crisis, this approach helped companies identify several growth opportunities in areas that had not been hard-hit by the great recession, new growth pockets, and also to determine competitors that were most at risk. These findings allowed companies to develop scenarios for industry restructuring and determine strategic actions they could take to benefit from any market shifts. Most of these companies are continuing to monitor leading indicators so they are ready to act before their competitors when a new opportunity arises. This type of actionability can lead to gains in market share or growth through entrance into adjacent categories/verticals.

Early clues as to how your customers' behavior might change will come from detecting how the nature of their relationship and engagement with you is changing; in particular, not within but across business lines, across products & services and across channels. The behavioral customer data embedded online and in mobile, as well as in contact center interactions and other measureable channels, is extremely valuable and actionable "little data." Don't forget that tracking these signposts will provide you early warning to key customer changes. These clues often go undetected, as they are not big data, so building out capabilities to detect them is critical.

Being Aware

Given the great unraveling of global economies and the likely tectonic shifts in consumer behavior and demand that will result – picking up on meaningful signals through the noise will be critical.

Not detecting, understanding, and quickly acting upon these very micro learnings could very well be an existential threat to your company or organization.

When you think about the traditional structure of an analytics function, most companies' functions still look very much like the way the United States Intelligence Community looked in the 90s or even in the 80s. I have a background in that space so can speak to it a bit. Regardless of the way you would get an insight from a human source in the field or from imagery intelligence or signals intelligence or whatever sources, all those data points or insights would come to one central location. A small group of people would look at it, finish the intelligence, and then ship it back out. That's an effective model when you have very clearly defined nation-states; when the issues are Russian politics or the Chinese military. It didn't work so well when you were trying to understand a cellular structure like Al-Qaeda that had no organizational structure in the traditional sense of the word.

So, much like we are facing now, companies are faced with more amorphous Analytics problems. Understanding the mind of the consumer or the impact of a new product introduction or of a lot of other elements that require speed to market and are a little more fuzzy and don't have the kind of nice, neat, traditional questions typical of analytics answers. The questions now in a Covid-19 world are tougher to neatly answer and will remain so in the aftermath of it. For example, what's happening out in the market with our competitors or with the economy in a really quick way that we can actually take action on?

Right now at most companies, the Analytics "power plants" are up, but the "power lines" are down. Companies need to build internal capabilities to wire up their analytics "network" (their analytics capabilities across people, process, technology, culture, and operational drivers). This allows them to truly – and finally – unleash their two most important assets: (1) their Data; and, (2) their People, who – armed with better analytically-driven insights – can now make better decisions.

Speaking of People, one key source of awareness in the Next Normal will be your employee base. Who will have more actionable, real-time insights on customer behavior – including potential changes to it – than your front line employees who engage with Customers every day?

Not only does the front line have great insight on customer needs -- met and unmet -- they also have great, locally relevant insights on the consumer, the market and the competitive environment. Encourage your employees to pay attention to and share their valuable points of view on what's changing in the mind of your customer.

Employee insights won't and shouldn't altogether replace the deep analytics you do on customer behavior, purchasing, interaction, etc. but they can be a powerful complement and "early warning" net to detect and provide context on changes in customer behavior.

A Situation Room is another key awareness-building effort you can undertake quickly and easily. This will help you bring all your analytical resources and insights together in one place (physically and/or virtually) where key internal decision makers can see your latest findings.

Analytics should spearhead the rollout of a multifunctional, cross-business-unit team that meets regularly to track progress on unfolding scenarios under the auspices of the Situation Room. The "room" includes visual monitoring tools that provide high-level trackers of all key corporate initiatives and key external data. This format allows the company to assess whether each of its scenarios is gaining or losing momentum and to adjust strategy accordingly.

In Summary – Key Tactics to Move Forward

Churchill said it best: "If you're going through hell, keep going."

Many of us and the companies and organizations we serve are going through the economic equivalent of that right now. The key is quite simply to keep moving forward with speed, the flexibility to act upon potential paths forward, and with the awareness to see clues that will ultimately shine light on the best path forward.

Don't wait. It's time to get moving.

TACTICS SUMMARY

Be Fast

- Focus on an agile, use case driven approach
- Get Analytics staff closer to the business teams they support
- Rethink how your analytical insights flow across the business

Be Flexible

- Adopt dynamic management principles
- Leverage scenario planning

- Track the signposts that provide early warning on what scenarios are playing out

Be Aware

- Leverage employee insights for early warning on changes in market conditions, customer behavior, and competitor actions
- Build a Situation Room

About the author:

Bill Hoffman is Founder and CEO of Tradecraft, an Analytics consultancy with a team of award-winning data scientists focused on helping clients generate revenue via Quick Start Analytics while building their internal analytics capabilities. Clients include the world's leading companies in retail, financial services, travel, hotels/casinos, advertising, and digital across a wide range of analytics engagements from customer analytics work to analytics supporting digital, marketing, operations, and human resources (workforce analytics).

Bill served as U.S. Bank's Chief Analytics Officer and had responsibility for Customer Relationship Management (CRM) strategy, execution, and governance at the leading financial services company. Prior he was Senior Vice President of Customer Insight & Strategy for Best Buy where he created and led the Consumer Insights Unit (CIU) responsible for the Customer Analytics, Customer Research, Competitive Strategy/Market Intelligence, Market Analytics, and VOCE (Voice of the Customer through the Employee) teams.

He also served as Senior Expert in McKinsey & Company's Strategy Practice, a Partner at The Gallup Organization, and in SVP roles for Bank of America, including leading the Mass Affluent segment strategy.

Hoffman began his career at the Central Intelligence Agency where he earned the Balkans service medal & two exceptional performance awards; he also served in the United States Naval Reserve ending his tenure as a Lieutenant (Intel).

He in an alum of DePaul University, Georgetown University, and the University of Oxford and was selected for the Minneapolis/St. Paul "40 Under Forty" award in 2012.

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Find out more about how to leverage Quick Start Analytics and Tradecraft's broad analytics suite at www.tradecraftinsights.com or www.quickstartanalytics.com