The analytics journey towards value creation

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KEARNEY

In 2022, analytics maturity of participants improved compared to previous years. A longitudinal analysis from four years' worth of data reveals that executive sponsorship and skilled talent are the key ingredients in your long-term pursuit for analytics leadership.

As organisations emerged from the pandemic and refocused attention on advancing their analytics capabilities, sustaining analytics leadership has become key to creating a competitive advantage. What is the secret sauce to maintaining and advancing analytics leadership? How do we stay on top in a world where advanced technologies such as ChatGPT become mainstream? And how do we capitalise on our progress to date without resting on our laurels?

To answer these questions, this year we conducted a longitudinal analysis, by using data from the past four years, to identify the key success factors that can play a role in driving analytics leadership. The study highlights two factors that are essential in maximising profit from analytics investments and advancing analytics leadership — senior executive champions and analytics talent. Most analytics Leaders have a C-suite champion advancing analytics across the organisation. Having analytics talent within the organisation was another important factor that impacted maturity. In addition, AI tools and technology might appear to be ubiquitous now but only 20 percent of the organisations have well-defined AI projects with use cases in pipeline, indicating an opportunity for early adopters to create a long-term competitive advantage.
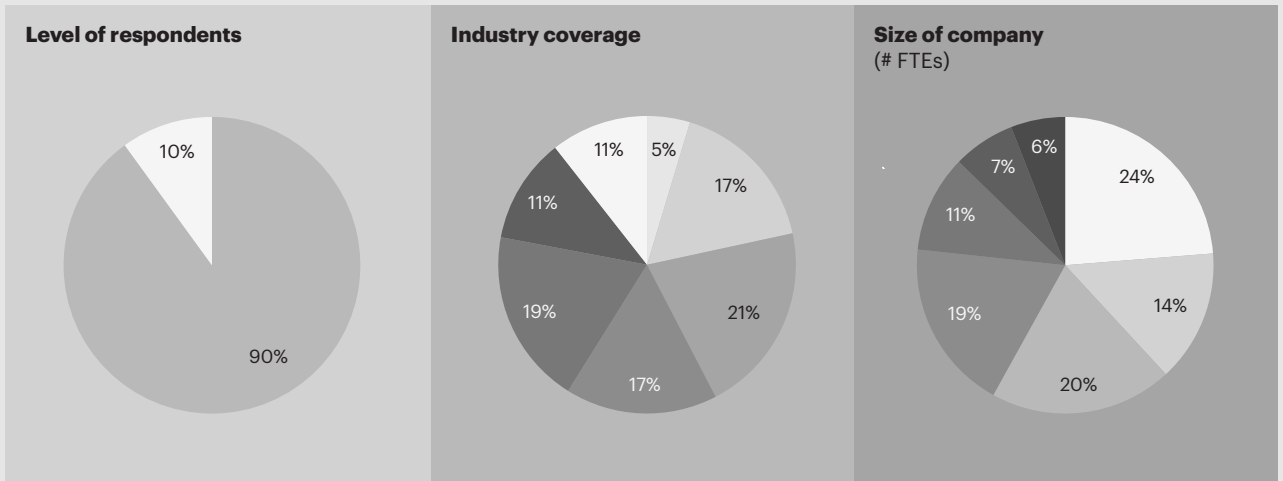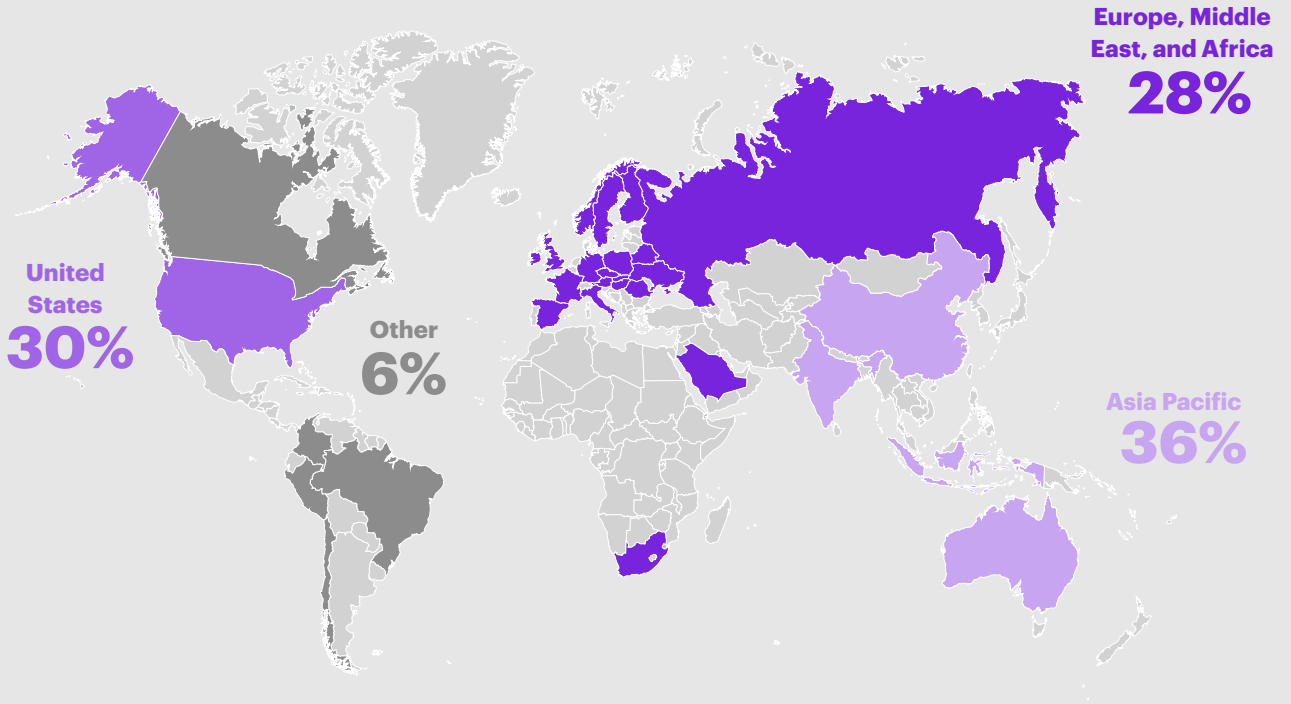
The Analytics Impact Index (Aii) provides an objective annual benchmark of return on analytics as a proportion of total profit. The Index compares organisations on two factors: the maturity of the analytics operating model (in other words, how advanced the analytics function is), and the impact of analytics on the organisation's profitability.

Launched in 2018, the Aii is a collaboration between Melbourne Business School, one of the world's top business schools, and Kearney, a leading global management consulting firm. This marks the fifth consecutive year of the Index, for which we surveyed more than **240 companies** from more than **40 countries** and **35 industries**, with a **median revenue of $280 million** (see figure 1 on page 2). Based on these inputs, we deep dive into each of the four dimensions of the maturity assessment framework and reveal interesting insights into the factors that differentiate analytics Leaders from the rest of the industry (see figures 2 and 3 on page 3).

The Analytics Impact Index (Aii) provides an objective annual benchmark of return on analytics as a proportion of total profit.

Figure 1

The Analytics Impact Index covers a diverse range of companies

Europe, Middle East, and Africa
28%

United States
30%

Other
6%

Asia Pacific
36%

Level of respondents

10%

90%

Industry coverage

11% 5%
17%
11%
21%
19%
17%

Size of company
(# FTEs)

6%
7%
24%
11%
19%
14%
20%

○ CXO, director/vice president
○ Manager and other

○ Automotive, aerospace and defense
○ Consumer industries and retail
○ Communications and media
○ Energy
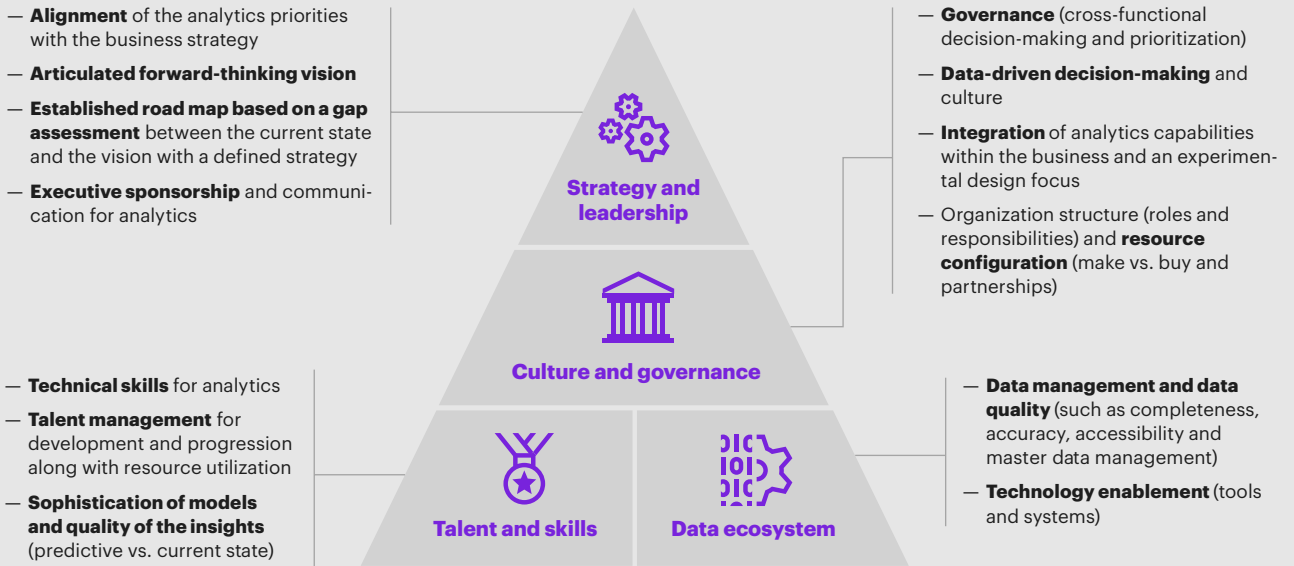○ Financial
● Health
○ Others

○ 1–50
○ 51–200
○ 201–1,000
○ 1,001–5,000
● 5,001–10,000
● 10,001–50,000
● >50,000

Notes: FTE is full-time employees. Numbers may not resolve because of rounding.

Sources: Melbourne Business School; Kearney analysis

Figure 2

Analytics maturity is measured in four dimensions

Maturity assessment framework

— **Alignment** of the analytics priorities with the business strategy
— **Articulated forward-thinking vision**
— **Established road map based on a gap assessment** between the current state and the vision with a defined strategy
— **Executive sponsorship** and communication for analytics

— **Governance** (cross-functional decision-making and prioritization)
— **Data-driven decision-making** and culture
— **Integration** of analytics capabilities within the business and an experimental design focus
— Organization structure (roles and responsibilities) and **resource configuration** (make vs. buy and partnerships)

Strategy and leadership

Culture and governance

Talent and skills

Data ecosystem

— **Technical skills** for analytics
— **Talent management** for development and progression along with resource utilization
— **Sophistication of models and quality of the insights** (predictive vs. current state)

— **Data management and data quality** (such as completeness, accuracy, accessibility and master data management)
— **Technology enablement** (tools and systems)

Sources: Melbourne Business School; Kearney analysis

Figure 3

Companies can be categorized into four stages of analytics maturity

	Laggards	Followers	Explorers	Leaders
Analytics type	Descriptive	Diagnostic	Diagnostic and predictive	Real time
Primary purpose	Reporting	Managing cost drivers	Optimizing business performance	Innovating, driving competitive advantage
Analytics strategy	Nascent	Nascent	Basic	Clearly defined
Data decision culture	Nascent	Nascent	Partially developed	Fully developed

Sources: Melbourne Business School; Kearney analysis

Key success factors in attaining analytics leadership and maximising its impact

Leadership and an analytics strategic road map are at the heart of becoming an analytics leader

Over the past five years, having C-suite sponsors who understand and champion analytics has repeatedly been a key differentiator between Leaders and other organisations. This is especially important to ensure strong alignment between the business strategy and analytics strategy, a key factor in driving value from data. Our analysis suggests that having executive sponsors who champion analytics throughout the organisation is an essential driver for increasing analytics maturity and in returning greater profits.

Analytics must have a seat at the table

An analysis of the organisations that participated in the survey indicates that 88 percent of Leaders have a C-suite sponsor compared to 50 percent of other organisations (see figure 4). In addition, C-suite sponsors were the analytics champions for 87 percent of the Leaders compared to 30 percent of other organisations, underscoring the importance of a C-suite executive not only sponsoring analytics but also championing its use across the organisation. Moreover, we found 64 percent of the organisations that have matured since 2019 also realised a stronger alignment between analytics strategy and business strategy over time.

Figure 4
Leaders ensure analytics has a seat at the table

C-suite analytics champions by maturity

- Laggards
- Leaders

1.7x

88%

50%

2.9x

87%

30%

Analytics sponsor in C-suite　　**Sponsor championing analytics**
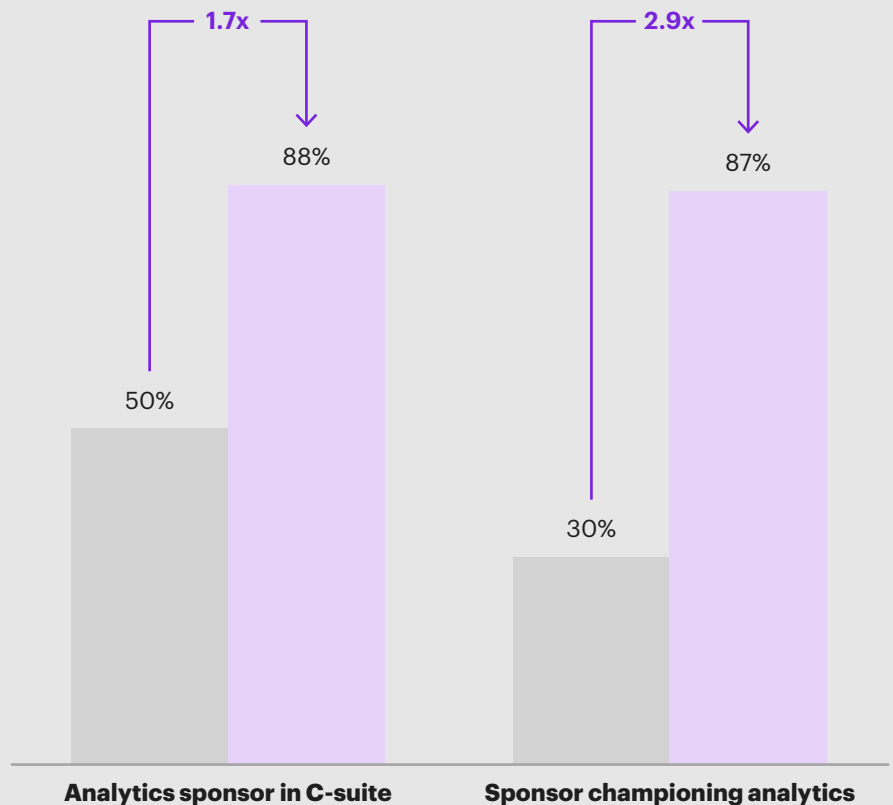
Sources: Melbourne Business School; Kearney analysis

Implementation road map is an essential ingredient

The benefits of having an executive champion who sponsors analytics projects and supports necessary investments are only realised with a clear implementation road map. We found that 81 percent of Leaders have had a well-articulated implementation road map since they began their analytics journey compared to 15 percent of other organisations. In addition, 83 percent of the Leaders have a clear understanding of the requirements in the road map compared to 20 percent of other organisations. This finding implies that having strategy and an implementation road map are not enough to unlock benefits — the understanding of what it takes to realise the analytics strategy is equally important. Eighty-four percent of organisations that have matured since 2019 improved their understanding and monitoring of their analytics road map, underscoring importance of a well-defined road map and that alignment takes time to be realised.

The right operating model is crucial to realise the strategy and deliver on potential from analytics

In an environment where we expect flexibility around constant change, having the right operating structure can be the difference between organisations that can maximise value from analytics capabilities and those that are left behind. Our analysis found a positive correlation between overall analytics maturity and a centralised operating model, indicating the importance of having the right analytics structure in place. This has been a consistent theme year on year since the beginning of the Aii.

A central analytics organisation can create early momentum

All Leaders have historically had a defined analytics organisation, with 76 percent of Leaders operating with a centralised structure compared to 43 percent of Laggards in 2022 (see figure 5). In addition, 84 percent of the organisations that have improved maturity since 2019 now operate with a more centrally led structure. Such a structure enables organisations to develop and effectively manage their infrastructure, capabilities and operations. Centrally led organisations also tend to have a better-articulated analytics vision and strategy, allowing for stronger coordination between the analytics organisation and business units.

Figure 5
Most Leaders have a centrally led analytics operating model

Analytics operating model by maturity

- Laggards
- Leaders

57% | 24% | 14% | 20% | 29% | 56%

1.8x

Federated and other | Centrally led, locally executed | Centralized
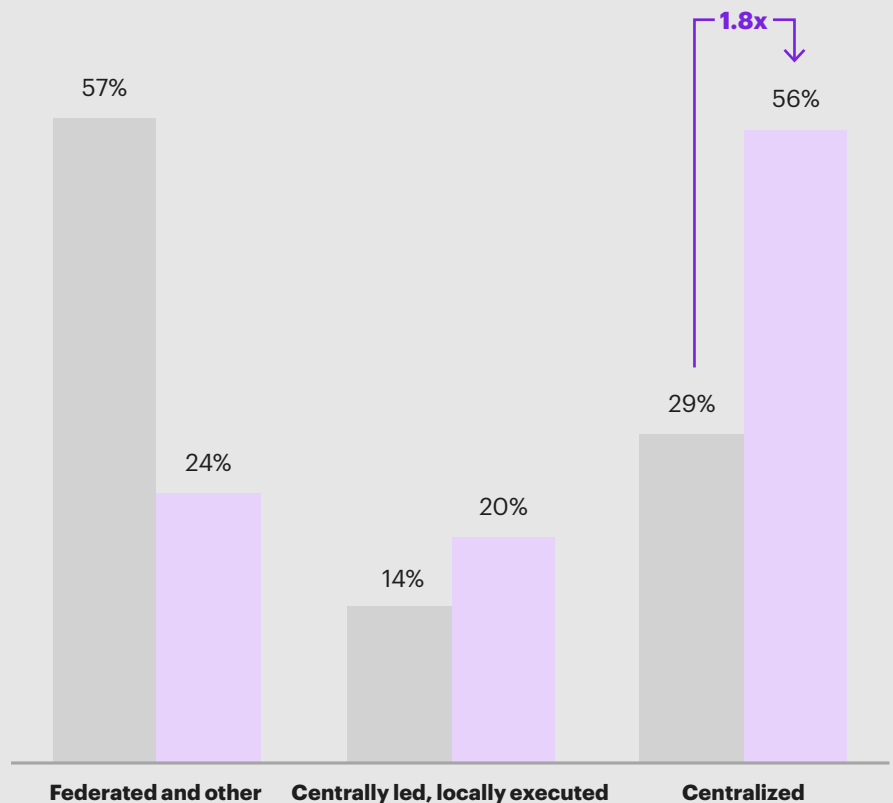
A data-driven decision-making culture goes a long way

Analytics-driven cultures — where decisions are driven by data and not intuition or gut — are on the rise. Seventy percent of Leaders claim to have a strong data-driven culture compared to just 15 percent of other organisations, implying the importance of culture in fostering data-driven decision-making. In addition, 80 percent of the organisations that have increased maturity since 2019 have focused on fostering a culture of experimentation to increase adoption of analytics.

In addition, 60 percent of Leaders compared to 30 percent of other organisations have an analytics translator, someone who helps take the business questions and requirements and translates them into analytics problems and also translates the analytics output into business insights. The important role of the analytics translator underscores the importance of bridging the gap between technical practitioners and non-technical business decision-makers.

"L'Oréal uses the insights generated by the Aii in almost every aspect of our analytics journey, but particularly in creating and embedding an analytics culture throughout the organisation. The Advancing Value through Analytics (AVA) Academy was designed to address this need, with the aim to encourage data-driven decision-making and an experimental mindset."

Christelle Young, Chief Strategy and Analytics Officer, L'Oréal

Skill set that aligns with the analytics ambition could create a step change

The human aspect of analytics is equally essential, from recruiting the right talent with the right skill set to retaining, upskilling and utilising the talent effectively. Rather than investing in big bang training programs as a one-off exercise, regular training on analytics that is accessible to the entire organisation can help maximise utilisation of tools and crystallise the knowledge. Our longitudinal study reveals that the upskilling of employees is a strong driver of analytics maturity improvement over time.

Upskilling of workforce is a strong driver for maturity

Leaders consistently invest more time and resources in analytics training. Eighty percent of Leaders (up 22 percent from 2019) now offer training across the company, to people outside the analytics function, compared to other organisations (about 12 percent), widening the gap between Leaders and other organisations (see figure 6 on page 7). In addition, 74 percent of Leaders have set up advanced analytics training programs that are easily accessible, compared to 15 percent of other organisations. Taking a long-term view and investing in ongoing development of talent increases the appreciation of analytics and further strengthens alignment between analytics culture and strategy. These characteristics have remained a consistent theme among Leaders since the beginning of the Aii.

Access to best talent from the market helps differentiate from competitors

Achieving the right balance of skills and talents is key to growing and sustaining analytics maturity. The development of skilled in-house capability is supported through the proactive recruitment of qualified analytics talent. Seventy-six percent of organisations that have matured since 2019 now focus actively on hiring new talent from the market. In addition, 85 percent of Leaders actively focus on hiring talent on a regular basis, in line with analytics strategy, compared to only 31 percent of other organisations. Who makes for the best recruits? The answer to this question is best summarised by Nigel Andrade, partner at Kearney: "Organisations need people who can fluently speak the languages of business, mathematics and technology — the trilinguist."

Figure 6
Most Leaders have increased focus on advancing analytics capabilities throughout the organization

% of respondents that offer analytics training across the organisation

● Others
● Leaders

4.5x

6.7x

80%

58%

13%

12%

2019

2022
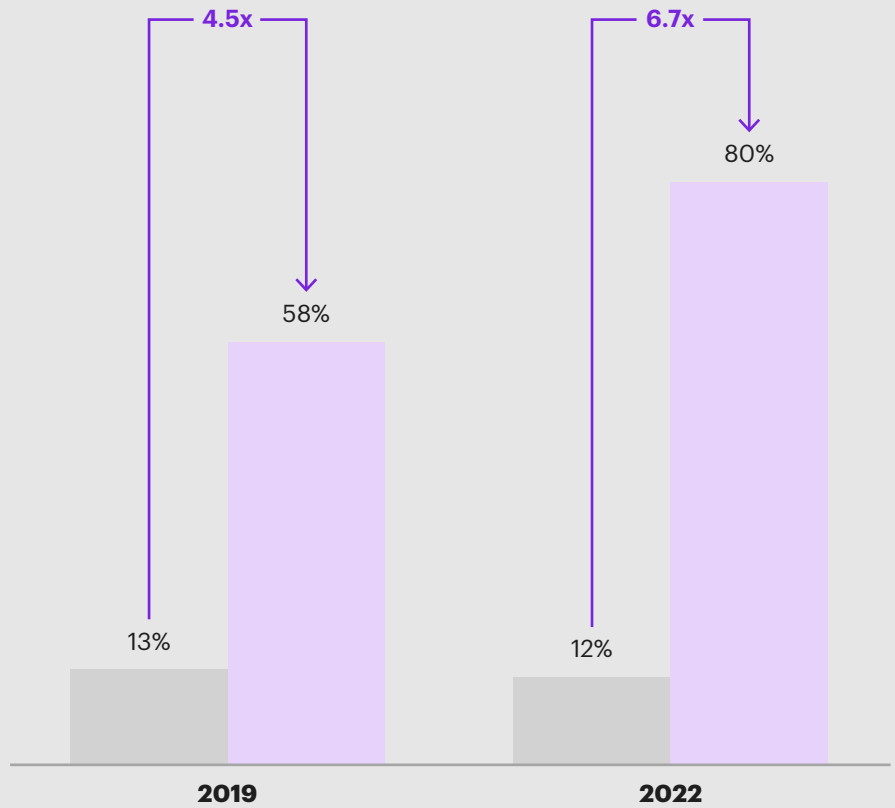
Investing in data ecosystems is only the foundation

Investing in data ecosystems does not necessarily add value unless leadership, strategy and culture are oriented towards using data in the right way. It is, however, the necessary foundation in the pursuit of analytics maturity for organisations that are at the beginning of their analytics journey. Investments in data infrastructure can provide greater data quality and better real-time insights, enabling analytics Leaders to forge ahead of competition.

For the organisations that have matured since 2019, 64 percent of the companies strengthened their data infrastructure, underscoring the importance of laying the right foundation before enhancing data ecosystem capabilities. In addition, for 88 percent of these organisations, enabling technology to deliver in line with the analytics strategy remained an ongoing challenge, underscoring the importance of putting right infrastructure foundations in place before enhancing ecosystem capabilities.

Leading-edge data ecosystem for Leaders in analytics

Leaders stand out in their utilisation of new and advanced analytics techniques, with 77 percent using and investing in sophisticated tools, programs and platforms compared to only 23 percent of other organisations. In addition, 82 percent of Leaders have a data infrastructure that sits across the organisation, with well-maintained data warehouses, compared to 28 percent of other organisations. Moreover, 82 percent of Leaders have access to real-time information from data warehouses. This allows for a quick decision-making process.

Maturity distribution over the past five years

The pace of year-over-year maturity development in 2022 is encouraging, with a greater proportion of respondents now in the Explorer category than any of the previous years. Eleven percent of organisations are now considered Leaders; they embed analytics within the organisation and take advantage of its potential across business units. This is a small downward shift from previous years. Overall, the proportion of analytics maturity skews towards Explorers, which are a majority across the respondent group (see figure 7).

Another way to interpret this result is that practices that were considered "leading" previously are now the norm. This implies that the bar has been raised and organisations will need to continue to push the boundaries in order to maintain their maturity.
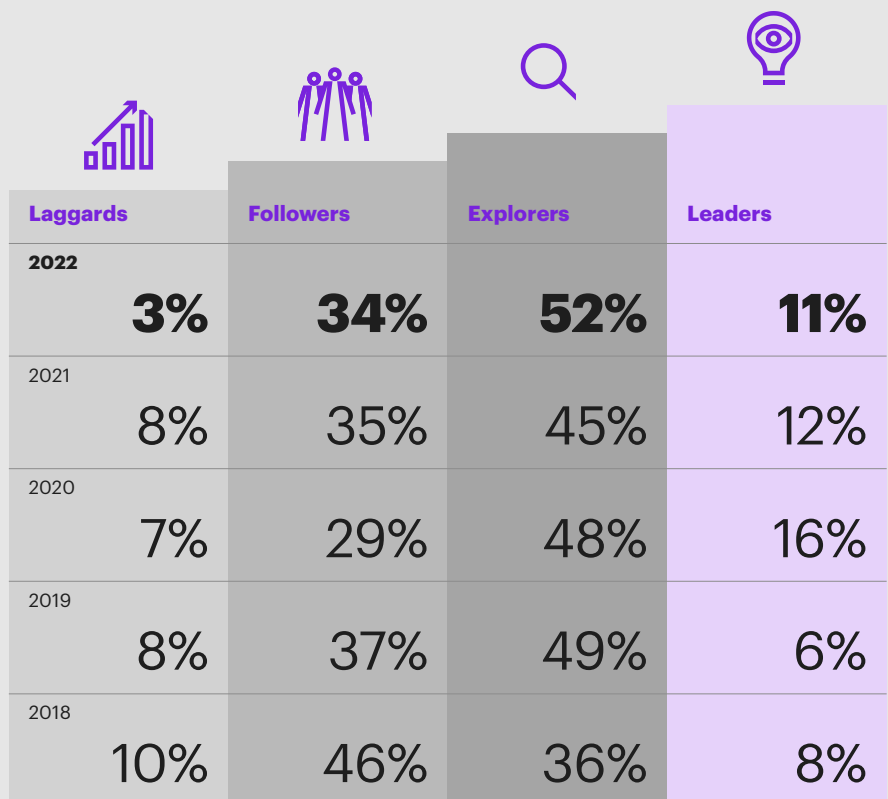
The financial impact of analytics

The Analytics Impact Index provides an objective assessment of the impact of analytics investments as a proportion of an organisation's total profit. This proportion is calculated by modelling the profitability across all organisations with regard for factors such as geographic region, industry, size, the previous year's profitability for the organisation, as well as the aspects that define the organisation's analytics maturity.

As one may expect, a higher level of analytics maturity is associated with a greater financial impact (see figure 8 on page 9). However, the trend appears to exhibit a diminishing gap as organisations mature.

Figure 7
Analytics maturity has skewed towards Explorers

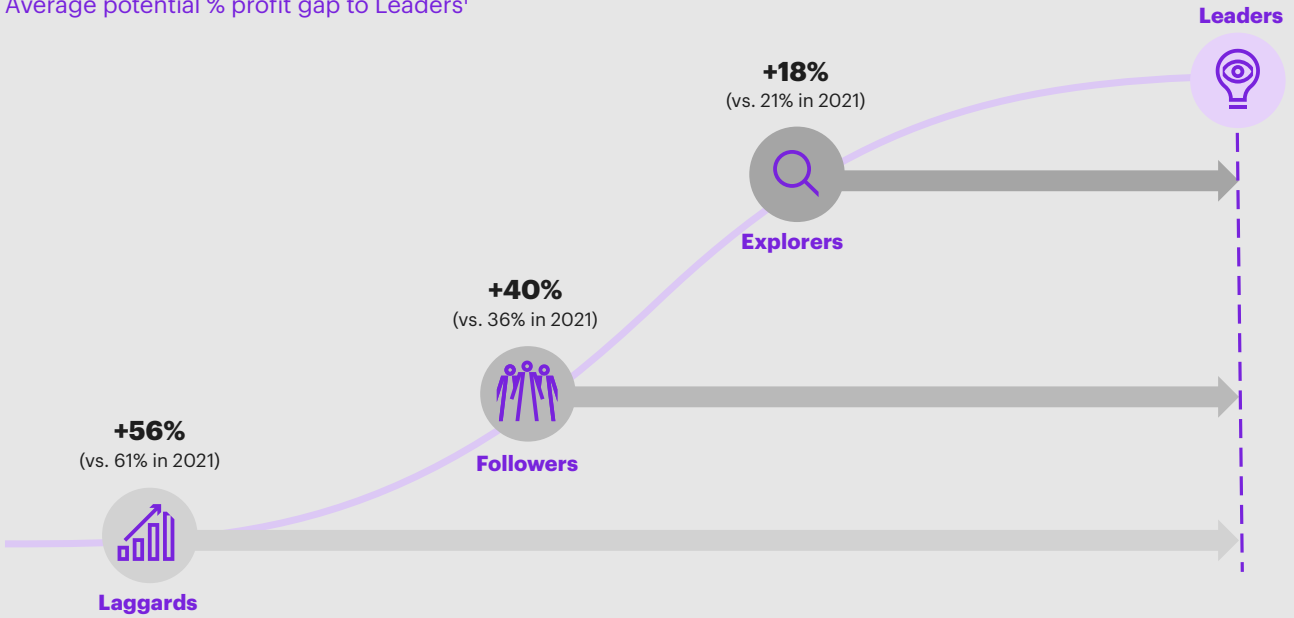Maturity distribution over the past 5 years

	Laggards	Followers	Explorers	Leaders
2022	**3%**	**34%**	**52%**	**11%**
2021	8%	35%	45%	12%
2020	7%	29%	48%	16%
2019	8%	37%	49%	6%
2018	10%	46%	36%	8%

Sources: Melbourne Business School; Kearney analysis

Figure 8
Returns are correlated with analytical maturity

Average potential % profit gap to Leaders[1]

[1] Potential profit uplift refers to the increase in overall profit if a company were to increase its analytical maturity to the level of a Leader, holding all other variables constant.
Sources: Melbourne Business School; Kearney analysis

Laggards could increase their overall profit by an average of 56 percent if they were to develop their maturity to the level of Leaders — holding all other factors constant — compared to 61 percent in the previous year's study. The potential overall profit increase for Followers has increased to 40 percent compared with 36 percent last year, while the profit potential for Explorers has decreased to 18 percent from 21 percent last year. Large investments in terms of time and resources are often required to increase analytics profits and improve maturity across the four dimensions of the Index.

So which elements are the most important when it comes to using analytics to improve profits? Strategy and leadership, followed by analytics talent, have the strongest positive association with an uplift in profits. In addition, analytics investments in sales, marketing and procurement can yield the highest returns, suggesting that deployments in these functions can help realise more significant returns in near term for organisations embarking on their analytics journey.

The path forward

Becoming an analytics Leader can be arduous. According to our research, embarking on a journey to create an analytically driven organisation requires organisation-wide appreciation and acceptance. This journey could take several years — our experience suggests that it is at least a five-year process.

Once the organisation gets quick wins, it can be challenging to keep up the momentum in the face of diminishing returns with greater required investments. This journey requires executive champions and a long-term vision for analytics where tight alignment between the analytics organisation and the business is required.

Without high-quality data, data analytics has the potential to do more harm than good. By investing in data infrastructure, the resultant high-quality data can enable generation of high-quality insights that can fuel data-driven growth for the business.

The Leader organisations embed analytics into the DNA of the organisation, which enables data-driven decision-making for every key step in the design of the business strategy. It is also important to understand that business strategy should not be treated differently from analytics strategy. On the contrary, they should be treated as parts that make the whole. This is only possible when leadership creates an environment for the entire organisation to become data-driven or the organisation runs the risk of never realising the benefits that the analytics business case sets out to achieve.

In summary, the 2022 Analytics Impact Index reveals three key findings:

— Survey participants have bounced back from COVID-19, as the total proportion of Leaders and Explorers increased compared to 2021.

— Financial returns are correlated with analytical maturity, with Laggards having the potential to generate 56 percent more profit, on average, if they were to develop the maturity of Leaders.

— C-suite executive champions and analytics talent in the organisation are the two key drivers for maximising financial impact from analytics.

The 2022 Analytics Impact Index survey is still open. If you would like to participate and receive a detailed and personalised report, please click here.

The analytics journey at Canva

Canva really needs no introduction. Founded in 2013, the Australia-based graphic design company had more than 750,000 users in its first year. Today, the global icon has more than 125 million active users every month. Analytics is at the heart of the organization, and data is a core component of every decision that affects the product users.

We spoke with Canva's Data Lead for Growth Jake Warner and Senior Data Analyst Hani Fayad to learn how the company's use of analytics has evolved. Here are the highlights of our conversation:

Canva's analytics strategy has evolved throughout the company's journey from a seed-stage start-up to now a unicorn

Canva's rapid growth made it clear that a transition was necessary to ensure the scalability of analytics. With this growth came new tools and streamlined processes, such as Canva's experimentation framework, along with self-service tools and resources to enable stakeholders to use data directly.

As Canva grew, the company tackled several initiatives to boost data recognition, including real-time experimentation, planning support and impact estimation — powered by a 360-degree view of the business and foundational data dashboards. As a result, the company generated faster and richer data insights.

Canva has been restructuring its analytics functions to meet the challenges of increasing data volume and complexity

Canva has a centralized data super group that manages foundational data along with a matrix structure that embeds analytics staff into the business units, positioning them to better understand the unique needs and challenges of each unit. This approach also fosters collaboration and communication between the analytics team and other functions, leading to more effective use of data and improved business outcomes.

Throughout Canva's growth journey, the company has focused on data quality. By intensely collaborating with central functions (finance and revenue operations), Canva has scaled its analytics deployment to thrive in the face of rapid growth.

Analytically mature firms tend to have a stand-out maturity dimension, and Canva's greatest strength is its data culture

Canva over-indexes on culture and governance, especially the data culture component. Data-driven decisions are engrained in every team. The data team is relied on for impact estimation, and analysts are integrated within specific business units. Canva leans more to the build side versus the buy side for most of its analytics and tools, capitalizing on the company's own talent. All these actions together create a highly data-driven culture.

Canva's experimental process makes all the difference

Canva has a proud, well-established culture of experimentation. Firstly, Canva's interactive experimental interface is easy to use for the product managers, who are also adept at interpreting insights from the data and making decisions about products and features. This frees up data analysts to focus on deep-dive research, which is time-consuming but essential for the long-term business strategy.

Secondly, Canva's experimental process accounts for potential failures. The company's culture makes it safe to fail and even extracts value out of the failures. A level of trust is built into every team between stakeholders, analysts and specialty leads. Culturally, everyone is aware that things won't always work out — from the analytics team to the engineers, designers and other functions.

Aligning the business and analytics strategies has translated into tangible business outcomes

Canva's analytics strategy is designed to be both bottom-up and top-down. Analysts launch data initiatives, which are then reviewed and refined by specialty leads and business unit stakeholders. Simultaneously, "P0 goals" — directives passed down from the C-suite to each group — help define and align the role of data in each business unit to support Canva's overall business strategy. This combined approach ensures intimacy with specific challenges whilst ensuring organisation-wide alignment.

Analytics has also helped improve a variety of Canva's business metrics, including impact sizing, research design and lead qualification. The company is particularly excited about its latest personalization models, which tailor the interface for each user and refine their experiences with the product. This was accomplished by expanding the company's AI and machine-learning tools and capabilities, in addition to other talents and skills. These analytics models have enhanced the user experience, which has also had a positive financial impact.

Canva has come far but still has its sights set on the horizon for even more to come

From a modelling perspective, Canva is investing more into machine learning and believes there is room to grow in predictive modelling. The machine learning and personalization team has been paving the way for analysts so that they can use SQL to build machine-learning models and then follow up with usage in the front end.

Canva is also using AI to expand its products. The company likes to think of AI as a collaborative partner in the creative process, using it in a variety of products and features, including Canva Docs, Magic Write and Text-to-Image.

And finally, Canva has many opportunities for automation and integration. The company is looking to automate more of its experimentation framework to tie it in with financial modelling for estimating financial impacts and creating medium- and long-term strategies.

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About Melbourne Business School

Melbourne Business School has a proud history of advancing quality business education in Australia. The school is home to Australia's first MBA program, launched in 1963 and also the Master of Business Analytics, which is ranked 13th in the world by QS and recognised as the top program in Asia and Oceania.

The Centre for Business Analytics was founded by Melbourne Business School in 2014 to address the worldwide demand for analytics research and knowledge. Its mission is to be a key catalyst to help Australian businesses gain a distinctive competitive advantage through harnessing the trilingual insights of business, mathematics and technology. The Centre also manages educational programs and provides opportunities for students, faculty and industry leaders to come together to deliver both academic and business impact.

To learn more about the Centre for Business Analytics, please visit https://mbs.edu/centres/centre-for-business-analytics.

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About Kearney

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