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### Fostering an Analytics Culture

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# Fostering an analytics culture

**GARY PAN** explains what 'analytics-aspiring' SMEs must bear in mind to reap the benefits of financial and customer analytics

**Q: With SMEs getting increasingly interested in adopting financial and customer analytics, it is important to first establish a culture of analytics. How should "analytics-aspiring" SMEs go about establishing such a culture?**

**A:** There is growing interest among SMEs in the adoption of financial and customer analytics as a source of competitive advantage and a means of productivity improvement. Generally, financial and customer analytics offers insights on "which customers provide the company with the most profit?", "how does the company's customer base spread out geographically?", "which product brings in the most profit?", among various things.

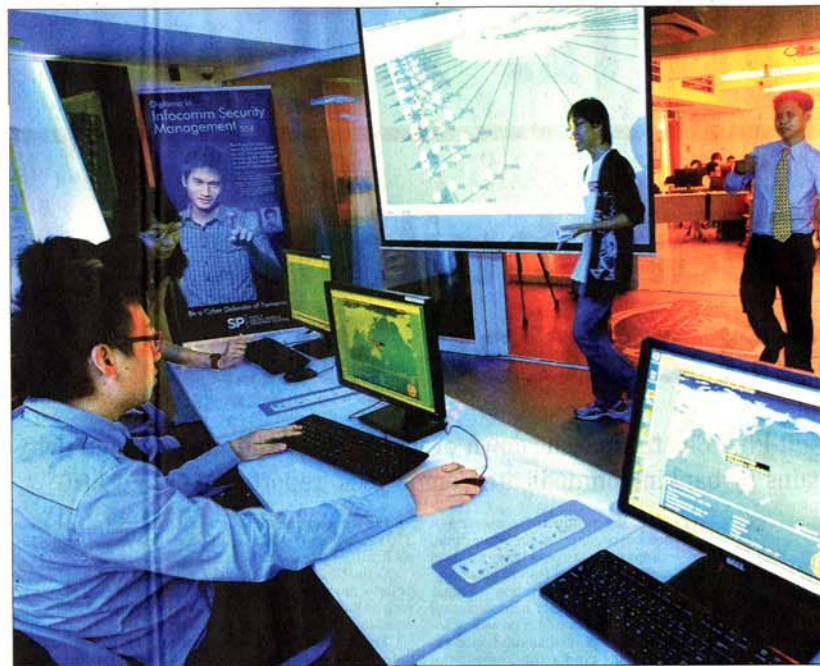
Typically, to address these questions, financial and customer data will be collected. This data is then presented in charts and graphs to allow diverse information to be displayed more easily, and trends highlighted and analysed. Potentially, financial and customer analytics can help SMEs predict what financial environment and business opportunity may look like in the future before any financially beneficial business decision is made.

As the cost of analytics software drops rapidly, more SMEs are investing in ERP (enterprise resource planning), business intelligence and analytical tools. However, even with advanced analytics technology, anecdotal evidence suggests that some SME owners and managers are struggling with leveraging the analyses available to them, often making decisions based on incomplete information.

Part of the problem could be attributed to data accuracy, either because of mistrust in the data or the unavailability of analytical insights in a timely manner to support decision-making. A bigger issue here, however, is a cultural distinction in which some SMEs do not embrace data-driven decision-making, but are inclined to take a more intuitive approach.

Therefore, a cultural shift in SMEs is vital before analytics can be embraced. Analytics alone is not the answer. SMEs must establish a culture of analytics by embedding analytical insights in processes and systems. To do this, several issues must be considered:

First, SMEs must establish an effective data management system. It may not necessarily mean owning sophis-



**In sync:** Along with having an open working environment where staff are willing to share data and information, SMEs must aim to have leaders at every level committed to using analytics to drive decision-making. PHOTO: F&E

ticated database software, but at least a systematic way of managing data in normal computing set-ups. It is difficult to conduct decision support if you do not have reliable data. Without good inputs from the front office, accurate data may not flow through to the general ledger. Such a lack of accurate financial and customer data would make it difficult for SMEs to manage their back offices and customers effectively.

Second, SMEs must have a change management mindset. Even with solid data at its disposal, if an SME is unwilling to implement changes, it is pointless having the data. Clearly, one needs a mindset that accepts and acts on the data, rather than finds excuses to believe that the trend is actually not what it is. Nevertheless, getting executives and employees to change their thinking, beliefs and behaviour is always difficult. The aim, however, is to put in place leaders and employees who would primarily change their behaviour based on data-driven business insights and not just intuition.

Third, SMEs must provide an open working environment. Employees are willing to share data and information because they believe their colleagues are going to help them improve their work, rather than simply turning them away. Also, SMEs must always review, "what decisions can be improved?" Analytics can help to identify these decisions so that mistakes can be reviewed and addressed.

Fourth, SMEs must aim to have leaders at every level committed to using analytics to drive decision-making.

These leaders should set the vision of building an analytics culture and model the behaviour they expect of others. In order for an analytics programme to be ingrained in the way they run their business, they will have to be relentless in analytical insight decision-making. Ultimately, empowering leaders at every level with reliable information at the right time is one of the prerequisites of making good business decisions.

Fifth, top-level commitment is vital to engendering commitment from others. Probably the most important factor in building a culture of analytics at SMEs is having a strong leader, such as the business owner, who is a proponent of analytics. When a leader insists on making decisions in an analytical way, that approach may become the path towards a more analytical environment. One way is to use data to support a recommended solution that would typically have been done intuitively. By contextualising it in a typical manner, then putting forward the recommendation backed up with sound data, the realisation that there is indeed a clear path to the decision would be immediate.

Finally, one must be mindful that while data-driven decision-making is the trend, analytics is not everything in making decisions. SMEs that have adopted or are considering adopting financial and customer analytics should not allow analytics to do all the thinking. The power of analytics rests in its ability to process reams of data that human beings just cannot get to. But data (and analytics) also has its limits. With the current rapidly changing and uncertain business environment, hard data and intuition can and should co-exist in the decision-making process.

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