



Building a Global Analytical Capability

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In addition to being a co-Founder and Research Director of IIA, Tom Davenport is the President's Distinguished Professor of Information Technology & Management at Babson College. He is the co-author of *Competing on Analytics: The New Science of Winning and Analytics at Work: Smarter Decisions, Better Results*.

THE BIG IDEAS

- Global coordination of analytics efforts within multinationals is rare, but can lead to compelling returns if done correctly.
- One global insurance provider has successfully built over five years a global center of analytics excellence that organizes and refines the most successful local market initiatives for application across the enterprise.
- The effort is called “Customer Value Management” (no use of the word analytics).
- The team consists of individuals with strong analytics backgrounds coupled with an ability to “tell the story.”
- Senior leadership recognizes the positive ROI, but more importantly now views analytics as a durable competitive advantage.

OVERVIEW

Analytics are being used successfully by companies around the globe to reduce risk, uncover new growth opportunities, and make existing business lines more efficient and profitable. While the use of analytics is expanding, in most multinational companies there is little coordination of the organization's analytical initiatives. Teams seem to operate independently within countries, business units, and functional areas, based on local conditions and requirements.

However, one global insurance leader has developed a unique model over the past five years that has leveraged local successes across the entire organization. Decentralized analysts in “data labs” across the world spend the bulk of their time focused on applying analytics to drive the business in their local market. But these analysts spend 10-15% of their time identifying best practices that could be leveraged on a global basis. A global center of excellence based in Hong Kong compiles the learnings from these disparate data labs, packages them, and disseminates them. In this way, this insurance provider has locally focused analysts, but has developed an integrated global analytics capability. This effort has not only proven to

senior leadership that analytics produces a positive ROI, but that it is now a durable, global competitive advantage for the company.

CONTEXT

A representative from a global insurance provider described the global analytics organization that the provider has built and shared his thoughts on the benefits and challenges associated with the approach taken. Tom Davenport, who has recently had conversations with analytical leaders in Asia, Europe, Latin America, and across the United States, then shared his observation of the application of analytics at a global level.

INSIGHTS FROM AN INSURANCE PROVIDER

A strong analytical focus is “customer value management.”

The company discussed in this case is a \$2 billion business that sells four insurance product lines in 27 countries. This business often works with affiliate partners and uses about 6,500 telemarketers to sell its products globally.

The company began competing on analytics in 2005. Initial efforts focused on using data to more effectively manage customer relationships. Soon, the focus evolved much more toward increasing overall customer value. As the effort matured, “customer value management” (CVM) was chosen as the name of the group. Although subtle, this choice of name connoted in the minds of senior management a business function rather than a simple application of technology.

The formal definition of CVM is: The art and science of measuring, analyzing, and managing customer value. For this company, CVM is about testing, measuring, managing, and analyzing data to increase customer value (for both the company and its partners), while driving increased satisfaction for the end customer.

Analytics is a competitive sales tool.

In 2007, the insurance provider began working with affiliate partners in using intelligence generated from CVM to help these partners increase sales and commissions, work that continued through 2008 and 2009. The use of CVM has now extended across all of the company’s product lines. CVM has been used by the company to help win new business and as part of new product launches.

“We use the power of our global organization to win new business . . . Analytics helps us do things smarter.”

- Representative from global insurance provider

CVM is both centralized and decentralized.

A CVM Center of Excellence (CoE) was established in Hong Kong in 2010. This centralized organization has the resources and capacity to define and disseminate global CVM best practices.

At the same time, this insurance provider has established “country data labs” in countries

across the globe. On average these labs have about three analysts who spend about 85-90% of their time focused on using analytics and CVM in their local market, and 10-15% of their time focused on establishing global best practices that can be used by other analysts at the company in other countries.

In addition to their day-to-day responsibilities working with local affinity partners, the labs in each market have a particular area of analytical concentration. For example, the lab in Taiwan concentrates on testing and learning, in China the data lab is focused on product optimization, and in Spain, which is the company’s first market for a new private medical insurance (PMI) product, the data lab focuses on analyzing PMI. The learnings from each data lab are shared with the CoE in Hong Kong, which distills the findings and packages the key insights with the labs around the globe.

This insurer’s global capabilities provide a competitive advantage against strong local competitors in each market. These global analytical capabilities are attractive to the company’s partners as the capabilities provide insights that help improve commissions.

Developing analytics capabilities takes time, but once firmly established, can quickly show positive results.

CIGNA’s Management supported the concept of analytics (and of CVM), but was initially confused. They wondered if the company was making a major IT investment. While CVM does have an IT component, competing on analytics is really about creating an analytics capability (which is skilled people) and making decisions based on analytics.

Now five years into this journey, the CVM team can show positive returns. The use of analytics to build models results in better targeting of sales and marketing activities, which has positive returns. In addition, the company’s partners have experienced positive returns from the company’s CVM capabilities and they view CVM as a major differentiator. Management

strongly supports the CVM team and the CVM analysts have unfettered access to whatever data they need to do their jobs.

"Globally, CVM is attractive to our partners because it helps them generate increased commissions!"

- Representative from global insurance provider

INSIGHTS FROM TOM DAVENPORT ON GLOBAL ANALYTICAL ORGANIZATION

Generally, multinational companies are not yet managing analytics globally.

Based on Davenport's conversations with analytics leaders around the world, he sees few organizations that are managing analytics globally. One reason is that not many organizations have anyone in charge of analytics at the global level.

More common is for different business units, functions, or country-based organizations to have analytics capabilities. Across a multinational company, there tends to be significant variation in the analytical capabilities from one country to the next.

"I haven't seen very many examples of global coordination [of a company's analytics capabilities]."

- Tom Davenport

While analytics are not being globally managed, there are still clear global analytics trends.

- **Analytics lags ERP implementation.**

In general, about five years after a firm implements ERP, it realizes it has tons of unused data and says, "Were we supposed to do something with this data?" This leads to increased interest in analytics to leverage the data.

- **Financial services companies are the most active users of analytics.** While there are analytical competitors in virtually all industries, the use of analytics in financial services is probably greatest. In the wake of the financial crisis it seems that financial companies are using analytics to help identify and manage their risks. Telecom and health care are other industries where analytics is beginning to take off around the globe.

- **Analytics is being used to reduce risk and pursue new opportunities.** Whether the primary use is risk reduction or pursuit of opportunity depends on the industry and the geography. In general, in Europe analytics is being used to mitigate risk and prevent attrition. In Asia, particularly in China, analytics is being used to capitalize on opportunities.

- **Data privacy is a growing issue everywhere.** in every region and country. This could affect the data that is available to analysts and how this data can be used. Data privacy laws can change very quickly, requiring that analysts stay abreast of these laws.

OTHER IMPORTANT POINTS

- **American advantages.** Professor Davenport said that the United States has the most analytical competitors. Also noted was that there is far more data available in the United States for analysts to use. However, the lack of data in other geographies leads analysts to be creative and resourceful.

- **Recruiting analysts globally.** A representative from the insurance leader discussed in this case said that he looks for analysts that are "PhDs with personality" (a term he borrowed from Professor Davenport). But finding people who can use data to tell compelling stories is quite difficult. So, the approach at this company has been to hire people with good analytical skills and then teach them about the business and how to use data to make a difference in the business.

IIA MEMBERSHIP

Analytics practitioners can become members of IIA for \$195 per year. Membership includes:

- **Monthly Briefings** which provide access to Professor Davenport, other IIA faculty, and leading analytics practitioners who will share best practices and new research.
- **Online Repository** with proprietary analytics research, archives of briefings, and key insights from IIA events.
- **Ask an Expert Portal** to ask pressing analytics questions and get quick answers from IIA's expert faculty members.