

Achieving Analytics Excellence Part One: Organizing the Analytics Center of Expertise

The pressure is on

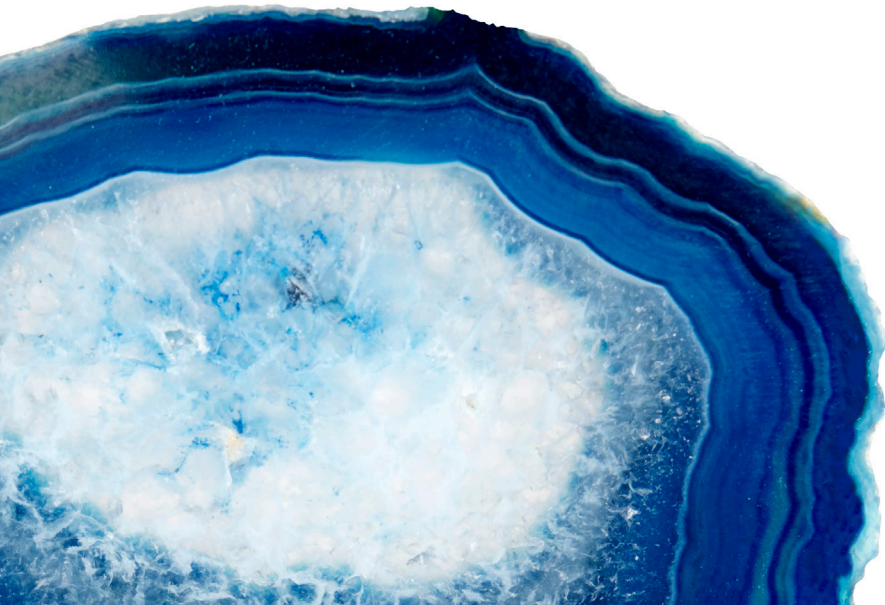
How to thrive in chaos: It's an age-old challenge that spans economic changes, changing regulatory environments, financial market highs and lows, and the vagaries of the market. The issues that companies face today are numerous and difficult: slow growth, the need to constantly refine the product mix, increased demand for transparency, pricing pressures from lower-cost competitors, increased marketing costs, and shifting product distribution channels — to name but a few.

Now, more than ever, companies rely on their information systems to provide critical data on their markets, customers, and business performance in order to understand what has happened, what is happening — and to predict what might happen. As usual, customer retention is essential and companies should scan the masses of data that inundate them on a daily basis to identify customers at risk and proactively reach out to those customers. They should also examine ways to increase customer interaction effectiveness by identifying their most profitable customers and choosing the right products, services, and distribution channels for those customers.

Further, it's essential for most companies to refine their marketing efforts. They require the capability to analyze crucial market and demographic data to help them create targeted marketing lists, increase customer acquisition rates, and reduce overall customer costs. Finally, developing new product pricing strategies is key and many leading companies are using predictive modeling techniques to develop pricing and profitability scenarios and increase the effectiveness of their pricing strategies.

However, these efforts are often hobbled by inadequate or fragmented data management and analytics capabilities. The causes are myriad. Information technology (IT) systems cobbled together after mergers and/or acquisitions, geographic disparities, and inadequate data management strategies are common issues. These issues often lead to a lack of common analytics standards, methods, metrics, and tools across the enterprise.

The result of this fragmentation is typically manifested by poor visibility into business performance and difficulty in performing sophisticated and deep analytics activities. At many companies, the lack of coordination across groups delivering analytics can also lead to duplication of efforts and further hampers their ability to track and improve business performance. Almost inevitably, these companies suffer reduced quality of output, higher costs to deliver products and services, and impaired decision making.



One solution: The Analytics Center of Expertise

These challenges are steep, but not insurmountable. One solution that some leading companies are implementing to help them meet these challenges is to build an analytics Center of Expertise (COE). Centers of Expertise are not a new idea. In fact, many companies already have COEs for other areas in IT, such as data governance, and in many other functional areas as well. These companies have realized many of the benefits of COEs — such as reduced costs, enhanced performance, more timely service delivery, and a streamlining of processes and policies. The time has come to extend the COE concept to enterprise analytics. This paper is the first in a two-part series on designing, organizing, and building an analytics COE.

When we talk about an analytics COE, we're using the term COE just as it's used in other disciplines. A COE typically marshals the most desirable enterprise resources to analyze and develop solutions to the most complex problems in a particular business function. For example, a data governance COE focuses on developing and enforcing data governance policies and procedures at an enterprise level. Likewise, an analytics COE brings together a community of highly skilled analysts and supporting functions to engage in complex problem solving vis-à-vis analytics challenges facing the organization. The analytics COE fosters enterprise-wide knowledge sharing and supports C-level decision making with consistent, detailed, and multifaceted analysis functionality.

The Analytics COE: Shared by everyone

Companies that choose to build an analytics COE typically use a shared services approach for designing and building the COE. However, shared services means different things to different companies, and which variant of the shared services concept a company chooses to implement really depends on the needs of the company and the long-term vision laid out by its IT strategy.

Shared services models

Some companies opt to go the traditional outsourcing route for analytics services and work with a third-party to provide complex analytics capabilities upon demand. This is certainly an option for companies that don't yet have a large store of analytics experience in-house and that don't have the financial resources to build an in-house analytics COE in a timely manner. However, many companies that consider building an analytics COE choose to build an

internal, stand-alone, performance-driven business unit — or a shared services COE for analytics. These COEs are typically established to provide standardized support to many parts of the organization.

Analysts are based primarily in business functions and units, but their activities are coordinated by a small centralized group. The COEs typically remain responsible for issues, such as training, adoption of analytical tools, innovation, and facilitating communication among analysts. The strength of this model is that it keeps training and innovative coordination functions centralized while putting analysts in direct contact with the business units they serve.

There are also variants on the internal shared services model. Many companies choose to keep their COEs as stand-alone business units that are truly shared across the enterprise. These COEs are managed much the same as other business units, with customized metrics to measure and manage performance. Other companies initially build a stand-alone COE and then, once the organization gains more IT maturity, transfer at least some COE activities to individual business units — perhaps leaving the most complex activities to the COE. Which of these models companies choose will be dependent on how that model more effectively serves both their near-term and long-term analytics and strategic needs.

Getting started: Organizing the Analytics COE

As we talked about above, the COE concept is not new. However, applying the COE concept to analytics is a fresh variation on the theme. Therefore, it's critical to define an operating model specifically for the analytics COE as an initial step. The operating model should answer questions in three key areas:

- **Business strategy** — Questions, such as “What will our services be?,” “Who are our customers?” and, “How will we engage the customers and deliver services to them?”
- **Operating strategy** — Questions, such as “What will our operating processes look like?,” “What will our organizational structure look like?,” “What will our governance processes look like?,” and, “What technologies will we need to implement our business strategy?”
- **People strategy** — Questions, such as “How will we acquire, develop, and deploy our resources?” and “How will we manage and incent the desired performance?”

The following figure illustrates the COE operating model:

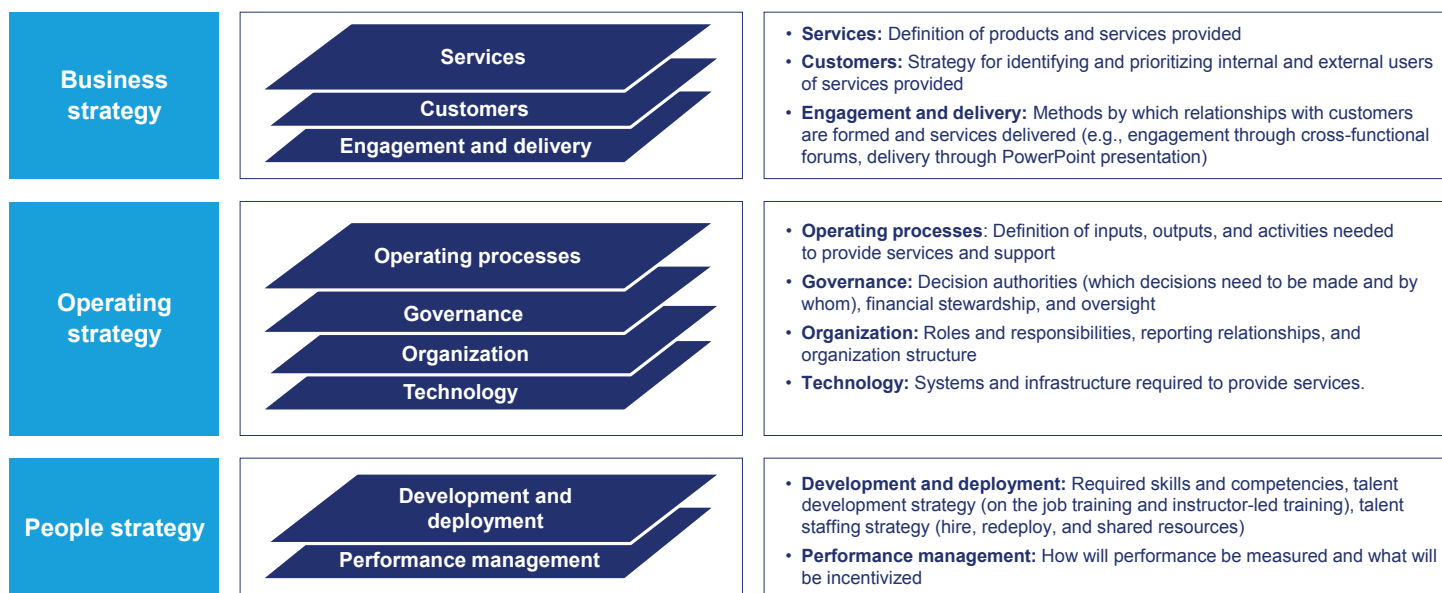


Figure 1: The COE operating model

Challenges in organizing the Analytics COE

Answering these questions, straightforward as they may seem, can be incredibly difficult for most companies. Analytics pervades the enterprise, both in breadth of scope, and depth of function. The idea of coalescing the bulk of analytics functionality into a single hub of capabilities and service delivery is daunting. Some of the more difficult challenges include:

- Identifying and developing the applicable mix of services and service delivery mechanisms
- Identifying the initial internal “client” base — i.e., developing client selection criteria that are in line with organizational strategic goals
- Developing the applicable set of strategies for engaging enterprise business units in ways that most advantageous
- Setting up a clear and effective governance structure
- Developing and implementing a strategy to rationalize and standardize analytics technology across the enterprise
- Acquiring, training, and incenting the most significant and brightest resources — and securing their ability to make the analytics COE one of their top priorities

Defining and executing a solid COE operating model will go a long way in helping to meet and overcome these challenges and achieve analytics success with the COE.

The many benefits of the COE

Whatever form it takes, the benefits of an analytics COE are myriad. Perhaps the number one benefit of an analytics COE is that it enhances the quality of the company’s analytics efforts as a whole. A well-established analytics COE has a specialized staff with the required skill set to answer even the most challenging analytics questions. The heart of the COE is knowledge sharing and collaboration; thus knowledge is spread throughout the organization and people can understand and perform their jobs a higher level. Analytics methods, tools, and technologies are standardized throughout the enterprise, and these tools and technologies are continuously developed, evaluated, and upgraded if necessary to meet the analytics needs of the organization.

Another benefit of an analytics COE is that it can improve access to analytics capabilities across the enterprise. Not every business unit that could benefit from analytics can afford to hire an analyst or outsource the work to a third party. With a COE, depending on how the COE is funded, the business unit may not need to “pay” for its analytics services at all. Even in cases where a COE does charge back for its services, business units may find it easier to negotiate acceptable terms with an internal service provider than with an outsourcer.

An analytics COE can also help reduce the cost to deliver enterprise-wide analytics services. With a COE, analytics services are aggregated, so duplication is virtually eliminated. Resources — both technical and human — are also aggregated so that the right processes, tools, and people can be brought together to find answers to the most complex questions quickly and efficiently. And by consolidating the demand for analytics across different parts of the enterprise, a COE can help increase the utilization of its analytics resources. A single business unit may not have enough analytics work to keep an in-house analytics specialist busy 100% of the time, even if it could afford to hire one; the problem is less likely to arise in a COE that serves the entire enterprise.

Finally, a COE can facilitate and enhance decision making throughout the organization. Enterprise-wide adoption and standardization of analytics services, tools, and technologies supports enhanced data quality and accuracy of information used to make decisions by providing knowledge workers and managers at all levels timely and systematic information they can trust. Standardization also helps significantly reduce “self-reporting” on key business metrics, which helps companies obtain a “single version of the truth” about their organizational data.

Finding new opportunities: Growing the COE

Once the analytics COE has made its debut and is functioning as anticipated, the next step in the COE life cycle is to investigate and develop plans for adding new opportunities and customers and services. In finding new opportunities to add customers and services, it is important to understand the impact those customers — and the services they require — will have on the COE in the long term. Only those activities that really drive improved decision-making and business performance management really should be included in the scope of COE customers and services.

The first step in growing the COE is to identify groups that are in need of COE services and to determine which of those groups are a fit for integration into the COE client base. There are essentially three criteria that can be used as a basis for determining whether or not to include a group as a customer or to offer a particular service.

They are:

- **Purpose** — Is the group involved in asking strategic questions? Is the analytical activity required answer those questions or to assess overall business performance? Those groups that are the most strategic in function are higher priority candidates, because their analytical needs will most likely be the most critical with regard to strategic direction and business performance.

- **Complexity** — What is the degree of complexity of the analytical services required and the of method(s) and tool(s) necessary to provide the services? Does it require data and/or inputs from multiple sources across the enterprise? Those analytical services that are the most complex are probably more effectively met by an analytics COE, rather than by an individual business function, because by its very nature, the COE is the nexus of analytics capability within the organization.
- **Span** — What is the distribution of the consumption of results across the enterprise? Should the results be leveraged more broadly across the enterprise? Newly requested analytics services that produce results used strategically across the enterprise should be among those services that are among the first to be added to already existing services.

Once the determination has been made to add particular customers to the groups served by the analytics COE, the next step is to prioritize each potential group for integration. One efficient prioritization method is to conduct a detailed assessment of prioritized groups for fit within the COE by looking at the impact of the groups’ inclusion on operating processes, the compatibility of the groups’ IT infrastructures, and the resources needed to deliver the analytics services. Upon completion of the assessment, the next step is to build business case to assess costs and benefits of the integration of each group into the COE. The final step, of course, is to execute the integration of the groups and their requested services as time constraints and resources permit.

Looking forward

The challenges inherent in designing, organizing and implementing a COE are many, but they are not insurmountable. Moreover, the benefits that can be realized from effectively implementing a COE almost certainly outweigh the difficulties. Looking forward, once the decision is made to implement a COE, and the operating model has been developed, the hard work of building the COE can begin. The next paper in this series will discuss a road map for building a COE, and it will present an in-depth discussion of the COE operating model.

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