

Business Insights

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BUSINESS ANALYTICS: WHAT IT IS & WHY IT'S IMPORTANT

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Business analytics is a powerful tool in today's marketplace. Across industries, organizations are generating vast amounts of data which, in turn, has heightened the need for professionals who know how to interpret and analyze that information.

According to a [recent study by MicroStrategy](#), companies worldwide are using data to:

- Boost process and cost efficiency (60 percent)
- Drive strategy and change (57 percent)
- Monitor and improve financial performance (52 percent)

The research also shows that, over the next three years and beyond, 71 percent of [global enterprises](#) predict their investments in analytics will accelerate.

In light of this trend, gaining an in-depth understanding of business analytics can be a way to advance your career and make better decisions in the workplace.

"Using data analytics is a very effective way to have influence in an organization," said Harvard Business School Professor Jan Hammond, who teaches the online course [Business Analytics](#), in a [previous interview](#). "If you're able to go into a meeting, and other people have opinions, but you have data to support your arguments and your recommendations, you're going to be influential."

Before diving into the benefits of data analysis, it's important to understand what the term "business analytics" means.

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WHAT IS BUSINESS ANALYTICS?

Business analytics is the process of using quantitative methods to derive meaning from data in order to make informed business decisions.

There are three primary methods of business analysis:

- **Descriptive:** The interpretation of historical data to identify trends and patterns
- **Predictive:** The use of statistics to forecast future outcomes
- **Prescriptive:** The application of testing and other techniques to determine which outcome will yield the best result in a given scenario

Deciding which method to employ is dependent on the business situation at hand.

To better understand how data insights can drive organizational performance, here's a look at some of the ways firms have benefitted from using business analytics.

THE BENEFITS OF BUSINESS ANALYTICS

1. More Informed Decision-Making

Business analytics can be a valuable resource when approaching an important strategic decision.

When ride-hailing company Uber upgraded its Customer Obsession Ticket Assistant (COTA) in early 2018 —a tool that uses machine learning and natural language processing to help agents improve their speed

and accuracy when responding to support tickets—it used prescriptive analytics to examine whether the new iteration of the product would be more effective than its initial version.

Through A/B testing—a method of comparing the outcomes of two different choices—the company was able to determine that the updated product led to faster service, more accurate resolution recommendations, and higher customer satisfaction scores. These insights not only streamlined Uber's ticket resolution process, but saved the company millions of dollars.

2. Greater Revenue

Companies that embrace data and analytics initiatives can experience significant financial returns.

Research by McKinsey shows organizations that invest in big data yield a six percent average increase in profits, which jumps to nine percent for investments spanning five years.

Echoing this trend, a recent study by BARC found that businesses able to quantify their gains from analyzing data report an average eight percent increase in revenues and a 10 percent reduction in costs.

These findings illustrate the clear financial payoff that can come from a robust business analysis strategy—one that many firms can stand to benefit from as the big data and analytics market continues to grow.

Related: [Data Science Ready Course](#)

3. Improved Operational Efficiency

Beyond financial gains, analytics can be used to fine-tune business operations.

In a recent KPMG report on emerging trends in infrastructure, it was found that many firms are now using predictive analytics to anticipate maintenance and operational issues before they become larger problems.

A mobile network operator surveyed noted that it leverages data to foresee outages seven days before they occur. Armed with this information, the firm can prevent outages by more effectively timing maintenance, enabling it to not only save on operational costs, but ensure that it's keeping assets at optimal performance levels.



WHY STUDY BUSINESS ANALYTICS?

Taking a data-driven approach to business can come with tremendous upside, but many companies report that the number of skilled employees in analytics roles are in short supply.

LinkedIn lists business analysis as one of the skills companies need most in 2019, and the Bureau of Labor Statistics projects operations research analyst jobs to grow by 27 percent through 2026—a rate much faster than the average for all occupations.

"A lot of people can crunch numbers, but I think they'll be in very limited positions unless they can help interpret those analyses in the context in which the business is competing," said Hammond in a previous interview.

If you're interested in capitalizing on the need for data-minded professionals, taking an online business analytics course can be a way to broaden your skill set and take your career to the next level.

Through learning how to recognize trends, test hypotheses, and draw conclusions from population samples, you can build an analytical framework that can be applied in your everyday decision-making and help your organization thrive.

"If you don't use the data, you're going to fall behind," Hammond said. "People that have those capabilities—as well as an understanding of business contexts—are going to be the ones that will add the most value and have the greatest impact."

Do you want to leverage the power of data within your organization? Explore our eight-week online course, [Business Analytics](#) and our other analytics courses to learn how to use data analysis to solve business problems.



About the Author

Matt Gavin is a member of the marketing team at Harvard Business School Online. Prior to returning to his home state of Massachusetts and joining HBS Online, he lived in North Carolina, where he held roles in news and content marketing. He has a background in video production and previously worked on several documentary films for Boston's PBS station, WGBH. In his spare time, he enjoys running, exploring New England, and spending time with his family.

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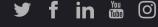
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