

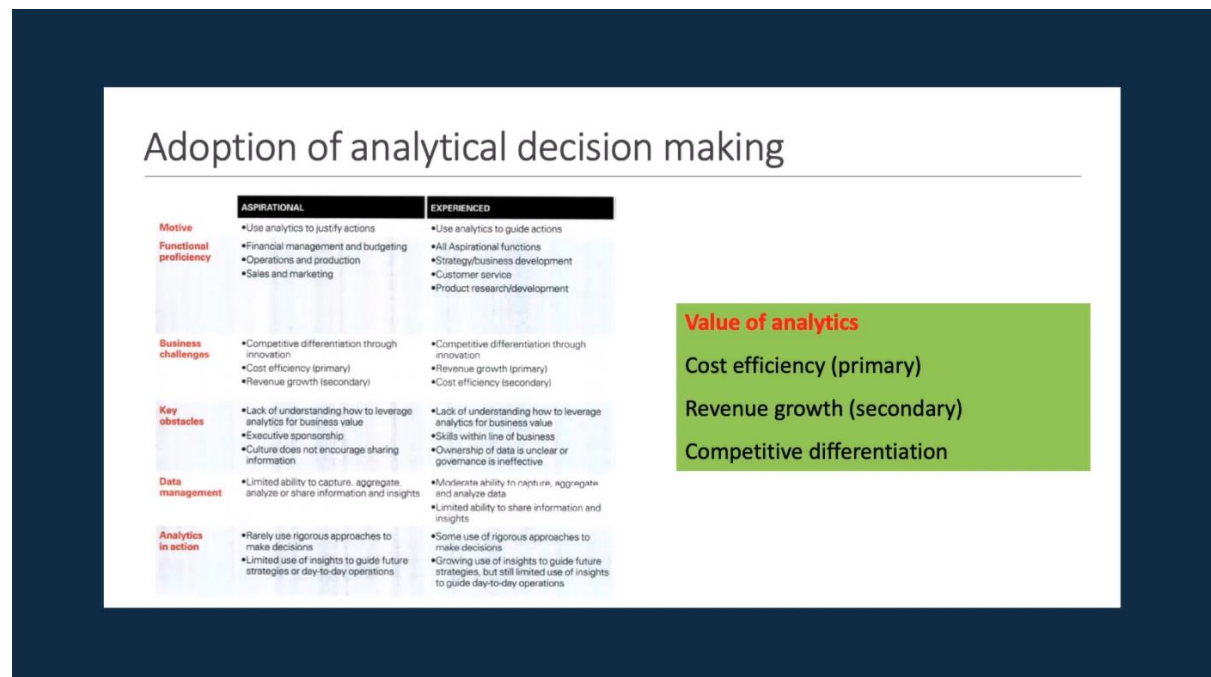
# M7L3. Business Analytics to Transform Decision-Making

## Slide #1



In this lecture, we will discuss the application of business optimization to financial planning.

## Slide #2



The simple example in the previous lecture illustrates the value of business optimization.

Actually, many management studies have demonstrated that top performing organizations have adopted business analytics to transform business data into insight for decisions.

MIT Sloan Management Review, in collaboration with IBM Institute for Business Value, conducted a survey of more than 3,000 business executives, managers, and analysts from organizations located in 108 countries.

The goal was to understand the opportunities of information and advanced analytics in more than 30 industries.

The MIT team segmented those organizations based on the penetration of an analytical decision-making process in their operations.

They identified three states of analytics adoption.

Most of the survey companies fall into the first two stages.

The first stage is called aspirational.

Organizations in this stage use analytics to justify decisions that managers make based on their judgment.

In those organizations, the use of analytics is biased toward data heavy functions, such as budgeting and production planning.

The second stage is called experienced.

Organizations in this stage use analytics to guide actions in the areas of strategic business development, customer services, and product research and development.

Very few companies fall into the third stage, which is called transformed.

The primary value of analytics is cost efficiency improvement, such as minimizing financing cost, minimizing operation waste, and so on.

The secondary value is revenue growth, such as maximizing the return of product development.

The long-term value of analytics is competitive differentiation.

The MIT survey showed that the top performing organizations strongly agreed that the use of analytics differentiates them within their industry.

I expect you to bring analytics to your organizations and help them approach business operations differently than your peers do.

Especially you need to actively seek opportunities to put analytics in use in any possible decisions large and small.