

Put Your Data to Good Use

Don't let good information go to waste. Here are ways to make the most of what you already have.

By Andrew Wells & Kathy Chiang

Build it and they will come. That's the view many organizations maintain about their data lakes and data warehouses. They're investing in systems and processes to retain data they know is valuable, but they have no clue what to do with it.

Digging into your data for insight rarely works. You need a different approach, one based on the following three points:

1. It's About the Decision.

A common approach when starting an analytics project is to ask what questions you'd like the analysis to answer. But if your goal is to drive actionable analytics, you need to understand the *decisions* you'd like the analytics to support. This approach, termed decision architecture, is radically different from conventional methods.

Understanding the decisions you'd like to support drives the direction for the rest of the analytical exercise, including the type of data and analytics needed to support the decision. The decisions you focus on determine the analytics your team will undertake, which can range from simple metrics like return on investment (ROI) to sophisticated metrics such as a propensity or churn model.

2. Align Decisions to Objectives.

When you choose the decisions you want to support, be sure they align with overall organizational objectives. By mapping your decisions to key drivers that achieve your objectives, you're charting a clear path to actionable analytics.

3. Use Data Science & Decision Theory.

Add economic value to your decisions through the use of data science and decision theory. Data science helps you generate insights from your data about actions you can take. Decision theory helps you structure your decisions for maximum impact and feasibility.

Economic value captures both the quantitative and qualitative aspects of an action and can come in various forms, including revenue, profitability, market growth, and process efficiency. The goal of decision theory is to help you

understand the economic tradeoff among options so you can choose the best one.

Structure the decision criteria into a decision matrix. Lay out anticipated acts, events, outcomes, and payoffs. Such a matrix helps you see the full scope of your proposed actions and make more objective choices, guarding against hidden or implicit cognitive biases. Confirmation bias, for example, occurs because we're inclined to look for information and analytics that support pre-existing beliefs or goals.

Increase Value with These Practices.

If you focus your analytics on your decisions, you're already ahead of most analytical practitioners. Aligning your decisions to your objectives makes your analytics actionable and relevant. Assessing the economic value of your choices and using decision theory to pick the best options will improve the value of your decisions. These three practices will drive up the value of your analytics and your data. 

Andrew Roman Wells is the CEO of Aspirent, a management-consulting firm focused on analytics. Kathy Williams Chiang is VP, Business Insights, at Wunderman Data Management. They are the co-authors of Monetizing Your Data: A Guide to Turning Data into Profit-Driving Strategies and Solutions (monetizingyourdata.com).

More on Analytics, Data, and Decisions (NonprofitWorld.org):

What's All the Fuss about ROI? (Vol. 32, No. 2)

Numbers Needed: Five Reasons to Use Financial Data in Fundraising (Vol. 30, No. 3)

Using a Balanced Scorecard (Volume 27, No. 3)

Get Smart: Measure Your Impact (Vol. 32, No. 2)

Using Your Outcome Measurement System (Vol. 18, No. 1)

Analyze Your Finances to Ensure Your Mission (Vol. 19, No. 5)

Do You Have Enough Cost Information to Make Good Decisions? (Vol. 15, No. 6)

Key Performance Indicators: Nonprofits Need Them, Too (Vol. 31, No. 2)

Being a Force for Good with Advanced Analytics (Vol. 36, No. 2)

“Many organizations have no clue what to do with their data.”