

Big decisions: Executives rely more on experience and advice than data to make business-defining choices: EIU/PwC report finds

- ✘ *· Highly data-driven companies are three times more likely to report significant improvement in making big decisions, but only 1 in 3 executives say their organisation is highly data-driven*
- Many executives sceptical or frustrated by the practical application of data and analytics for big decisions, especially in emerging markets*

The majority of executives around the world (94%) say management of their company is prepared to make significant decisions about the strategic direction of their business, but barely one-third relied primarily on data and analytics when they made their last big decision. Executives' intuition or experience and the advice or experience of others in their organisation was the decision making modes of choice for 58% of executives. However, the 43% of executives that say their companies are highly data-driven report the biggest improvements in decision making over the last two years. All executives said top priority over the next two years is to make investments in the quality of data analysis to make better decisions.

According to *Gut and gigabytes: Capitalising on the art & science in decision making*, a new survey report by the Economic Intelligence Unit (EIU), sponsored by PwC, executives make big decisions frequently and review them often. More than three-fourths of executives make a big decision each quarter

and 43% review them every month.

The EIU carried out interviews with 1,135 executives, of whom 54% were C-level executives or board members across Europe, North America, Asia-Pacific, Africa, the Middle East, and Latin America.

Johan Potgieter, PwC Technology Leader for South Africa, says: "A company's success today is tied to how it is at making big decisions. While executives say they continue to rely on experience, advice, or their own gut instinct, they also see investment in data and analytics as critical to success. Experience and intuition and the use of data and analytics are not mutually exclusive. The challenge for business is how best to marry the two. The survey found that the five most important decisions facing executives in the next 12 months are, in order: growing the existing business, collaborating with competitors, shrinking the existing business, entering a new industry or starting a new business, and corporate financing.

"Growth is once again top of the corporate agenda. Business leaders will be prioritising mergers and acquisitions (M&As), entering new markets, and launching new products, to drive profitability and revenue. PwC research shows that South African CEOs are optimistic about the opportunities in new geographic markets, with a large majority planning to expand into other parts of Africa. Nigeria is often cited as an investment destination," says Potgieter.

Growth is also high on the agenda for technology companies, already seen by the recent spate of large acquisitions. The chief motivation for business leaders in this industry is keeping up with technology-driven changes. "Our research also shows that for South African CEOs technological advances are seen as the important trend that will advance their businesses over the next five years. Business leaders are exploring better ways of using and managing big data."

Big decisions are a regular fixture for senior executives.

According to the survey findings, the single largest group of executives (44%) expects to make a big decision at least once a month, while a further 35% will do so on a quarterly basis.

Executives also said the appearance of a business opportunity they could not ignore was the most common motivation for considering a big decision (30%). Other reasons: making decisions that were previously delayed (25%), strategic fit (18%), testing ideas (15%), reacting to external factors (9%), and regulation (4%).

Despite executives' comfort in relying on gut instinct, nearly two-thirds said the use of data has changed how their company makes decisions and they expect it to have more impact in the future. The top three changes executives plan in decision making include the number of people involved in making a decision, greater use of specialised and enhanced analytics and data analysis, and the use of dedicated data teams to inform strategic decisions.

Potgieter says: "With so much at stake when it comes to the impact of big decisions on profitability, and the lack of predictability and frequency of when decisions are required, companies are trying to increase their decision making speed and sophistication. Better decision making requires the use of newly accessible data and analytic techniques, as well as clarifying accountability and the decision making processes."

The survey findings affirm a balanced approach to using data and analytics to make speedy and sophisticated big decisions for competitive advantage:

- Mapping decisions to shareholder value by pinpointing decisions that have the biggest effect on the company's future;
- Linking the strategic alternatives to business impacts by simulating how mega trends, industry trends and the strategic alternatives affect the business and operating model;
- Applying a value and results lens by quantifying the expected improvement in metrics associated with improving

decision making; and

- Adopting a structured test and learn approach by specifying changes to the organisation, process, technology and culture that are needed to improve decision making.

“Looking ahead, a significant number of companies plan to change decision making because of big data. The hardest battle may be to convince senior executives at the top of an organisation that data and analysis can be a benefit to their role.

“Executives know the right questions to ask. Now they need to know and have the desire to know how to get the right answers from the data. Those who do not, should consider learning how. Those who resist doing so will gradually be lagging behind on timely change of business strategies, as the next generation of data savvy executives and future senior managers come through,” concludes Potgieter.