

## Davenport on Analytics

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The term “Analytics” is rather impressive and perhaps even daunting, but it simply means “doing analysis” and Tom Davenport is arguing that we should be doing rather more of it. In an HR context this can mean relatively straightforward things like looking at the cost per candidate to source using a job board versus a newspaper, or more complex things like the value of one extra day of retention of a call centre worker. Taking a look at the data is generally a better approach than relying on intuition or just doing what’s always been done.

Davenport’s new book is *Analytics at Work* (co-authored with Jeanne Harris and Robert Morrison). His previous book, *Competing with Analytics*, looked at exciting cases of organizations who had grabbed a real competitive advantage with analytics; this new book is for the rest of us, those who just want to do analytics better than we have been.

I asked a Davenport an HR inspired question: what kind of person do we need to hire to do analytics?

*“There are the real experts who have a PhD in a quantitative field like econometrics, but a lot of the time you don’t need someone quite so specialized. A good analytics person will be knowledgeable about various quantitative approaches, but a lot of their time is going to be spent interfacing with business groups applying analytics to their problems. For that, you need business acumen. For example, they should have enough supply chain knowledge that they can interact with a supply chain manager. They also need good relationship skills so that they can build trust.”*

When you start thinking about needing someone with knowledge of your business and good relationships, it's not a big step to thinking that training someone in your organization to do analytics might be easier than bringing in an outside expert. Davenport explained:

*“Relationships are key because what you are trying to do with analytics is engage with a business group around how they make decisions. One of the senior analytics people at Procter and Gamble told me they were not selling analytics, they were selling trust because, if you don’t have a high level of trust, you won’t change the way they make decisions and analytics are a waste of time.”*

One takeaway for me is that if you can't just hire an analytics team 'off-the-shelf,' then it's going to take a number of years to develop one. This is exacerbated by the lack of good education programs in analytics.

*"Assuming the people who will be doing analytics have a good math background, then a couple of courses in operations research would be a good step. But in academia we have really segregated the analytical approaches. Ideally, you'd like an analytics generalist who knows about optimization, econometrics, handling survey data, randomized testing and other techniques. You'd be hard pressed to find a university program that exposed you to all those areas."*

Once you've thought about getting the right people, you naturally move to the question of where they should report in the organization. Davenport does not think there is one solution, but it does often make sense to have a centralized analytics group for the whole enterprise; one reason being that analysts are usually happier that way. The group could report into any number of places. In Procter and Gamble it's IT, in Wal-Mart they report into Strategy; alternatively they could be part of an internal consulting group.

One thing I always worry about is unintended consequences and the fear that analytics could do more harm than good. Davenport shares this concern.

*"One could argue that the lack of ability of quantitative analysts to communicate to management had a lot to do with the financial crisis; you had models for issuing sub-prime loans and securitizing them, but many managers didn't have much of a grasp of the models, or what would happen if housing prices went down. You need to look holistically at how to make better decisions, rather than assuming better analytics always lead to better decisions. There is more to decision making than analytics, and there are some things analytics are not so suited for such as big picture changes in market. That said, in the majority of cases analytically based approaches produce better decisions than intuition."*

To me the central mistake of metrics, and by extension analytics, is that they are seen as an end in themselves. This undue faith in metrics is part of the failed notion that management is a science and that until we reduce it to numbers it can't be what it should be. However, if we stay true to the notion that we want analytics simply because they often can help us make better decisions then we are far less likely to go astray. Good decisions involve anecdotes and metaphor and intuition; and without doubt analytics too. But

analytics are not bringing some kind of purity that the practice of management was lacking; they simply add a useful element to decision making.

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