Data-Driven Organization: What Is It, The Challenges and Benefits


Today, businesses are producing massive amounts of data at an alarming rate. To be a data-driven organization means that your business is poised to make choices based on data rather than Instinct, hope, General observations, or personal opinion. It means your business has the data it needs to make decisions that lead to positive outcomes.

But being a data-driven organization goes beyond purchasing and installing the necessary apps and tools, hiring your data professionals, and investing in your data infrastructure. It’s about making data and analytics a
crucial part of your overall business strategy, culture, and all of your business processes.

A truly data-driven organization not only recognizes how important it is to collect raw data, but they also understand that they don’t need to make business decisions with raw data alone. Instead, they take time to collect, analyze, and obtain insights from the data to address business issues, find growth opportunities, and promote profitability. Data-driven organizations use data for several purposes, such as analyzing customer feedback, monitoring consumer behavior and purchase patterns, and more. These businesses have built a data culture that touches the entire company. It’s not just in silos thrown out a few functional departments or at the executive level.

Every organization generates data and as such can become data-driven, no matter how big or small they are, the niche or industry they serve, and the products or Services they offer. What matters is adopting the right strategy and doing things the right way.

Why Data Matters for All Businesses

Data is quite possibly you are most valuable asset. It contains a ton of insights about your consumers, their behavior, and Industry trends that you can use to your advantage. When used properly, it has the potential to help your business grow, and enable Better Business processes that allow you to work more efficiently getting more done in less time for less money.

Data-driven enterprises don’t scale in a straight line and one of the reasons major tech giants like Amazon and Google report exponential growth is because they based their business models fundamentally around data.

Research from PwC shows that data-driven organizations can outperform their competitors by 6 percent in profitability and 5% in productivity.

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Another study found that data-driven organizations are 162% more likely to surpass revenue goals and 58% more likely to beat their revenue goals compared to their non-data-driven competitors.

And this report shows that 81% of organizations agree that data needs to be at the heart of all business decision making.

The numbers make it look great, but it is important to remember that data in raw form isn’t always going to be helpful or informative immediately. To make the most of your data, you need to collect it appropriately and transform it into something you can use.

**Challenges of Becoming a Data-Driven Organization**

Many organizations have been trying to become data-driven for quite some time now and find mixed results. That’s because even though there’s plenty of reason to work toward a data-driven culture, there are plenty of challenges to overcome in the process. According to a recent survey, the biggest challenge for companies working on their data strategy doesn’t have anything to do with technology at all. It has to do more with the fact that people and companies are resistant to change.

When you factor in cultural dynamics such as the COVID-19 pandemic and the rise of self-service, it has become even more difficult for companies to shift to a more data-driven approach. Today’s consumers get information and data when and how they want it. As information becomes increasingly more decentralized, consumers can choose the news outlets they follow, the social media platforms they engage with, and the information they choose to trust.

Then when you consider the structural aspect since we are creating data at exponential rates, It’s no wonder we see so many organizations struggle with the
task of becoming data-driven organizations. As time goes on, it keeps becoming more difficult for companies to develop a solid data strategy and work toward becoming data-driven. Today’s corporations encounter massive new volumes of data as well as new data sources every day.

As much as 80% of all new data is unstructured, meaning that it is not easy to capture or make quantifiable. Companies have to recognize and appreciate that big data is an asset that flows through an organization cutting across traditional boundaries often lacking clear ownership. The fluidity of the data makes the issue of data management even more complex because you have to find a way to ensure that it can consistently deliver value.

Without the right datasets, data analytics tools, and data scientists to support your business, it can be incredibly overwhelming. This is especially the case for startups that don’t have the budget to hire a chief data officer (CDO) to handle all of this stuff for them.

**Benefits of Becoming Data-Driven**

There are a wide variety of benefits associated with Becoming a data-driven organization. To cover them all would be well beyond the scope of this blog post, so we will cover three of the most important ones.

**Better Understand Consumer Behavior and Improve Brand Customer Experience**

In today’s market, products and services are unlimited, and consumers have multiple options about where to spend their money. Competition between suppliers is quite tense. A strategic way to improve brand awareness and become more relevant is to understand what your customers say about you and how they feel about your brand. But without data, it is challenging to know who your

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customers are, how they feel about your products or services, and if your marketing campaigns are effective.

By offering customer surveys, paying attention to social media and online reviews, and more, you can gather data from your customers and analyze the data points to understand how they’re feeling and what they’re thinking about your business. You can also use the information to develop new products and services or make adjustments to what you already offer to provide a better customer experience. The insights you generate from customer feedback are beneficial for cross-selling, upselling, product innovation, and even customer support.

Make Better Business Decisions

Decision-making is a critical part of every business that generally involves several people from executives to stakeholders and millions of dollars that businesses can’t afford to lose. With the right data available to you, your organization won’t have to make significant decisions based on assumptions alone, even in stressful times.

All departments across the organization generate valuable data that can be used to fine-tune your business strategy, improve growth, and boost profitability. For example:

- Business leaders have to understand significant trends in the market, such as changes in customer price sensitivity, manufacturing, or shipping.
- Product teams need data to understand how their end-users perceive a product after it’s launched.
- Sales teams need data about sales performance to understand and differentiate products that are hard to sell from those that are selling well.
- Your marketing department needs market segmentation data to find the customers who are willing to buy from them and speed up the sales

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closing process.
- Your human resources department needs people data to manage talent and build more effective teams.
- Your procurement team needs to know which products and services you buy most often, which ones are mission-critical, and which suppliers provide the best value to help you save money.

When you constantly collect, monitor, and analyze business data, your organization is in a better position to make smarter decisions and develop ideas that impact the bottom line for more growth and effective strategy. Data-driven decision-making puts you in a better position to manage risks efficiently and increase your chances of success.

**Understand Employee Engagement and Measure Business Performance**

Regularly analyzing business data also helps you to measure your business performance to build more reliable and long-term hypotheses along with a strong workforce. You can use your business data to understand whether you’re meeting your most important business indicators or not.

Analyzing business performance data also helps you to understand strategies that worked and those that didn’t work, business decisions and policies that gave you the highest return, the business operations and costs you can optimize, and more. Eventually, your organization can leverage those insights to reduce costs, improve services and products, and more.

Many organizations are so stuck on the idea that the customer is king that they only prioritize initiatives that help keep their customers happy. This is understandable because customers are essential to the success of a business. That said, it’s also important not to overlook your employees because they are as important as your brand and can have an influence on how customers perceive it.
Taking time to ask your employees questions about how they feel working with you, how they’re coping with new methods of working, whether they have all the tools they need to work efficiently, and so on can help you get more insight into how engaged employees are. If you notice problems within the workforce, you can implement initiatives that will improve engagement and morale. Happy employees are more likely to build better relationships and work hard to make sure your customers are happy, too.

*The use of data is no longer something business teams can ignore. The business value it offers can provide a competitive advantage.*

## How to Become More Data-Driven

### Think Long-Term

Data literacy and evolving business processes won’t change overnight. It is a process to become data efficient. Remember that progress rather than Perfection is the goal. Data-driven companies recognize that success is achieved iteratively. It grows and then spreads. You should expect to be in this process for a while and focus on the long-term.

### Offer Training - Prioritize Proficiency

Offer your team both formal and informal training, mentorship, and learning activities that improve knowledge and skills. Teach them how to act on data and help maximize the Investments. For your team to be able to skillfully analyze data in their job, they have to be data proficient. It’s about more than just having the right skills, but also being inclined toward making data-driven decisions rather than going by instinct. Organizations that have a successful data culture hire people with the right skills and aptitude to make those data-driven decisions but
they also help employees to develop their analytical skills with training and other activities.

When your company regularly encourages and supports employees who challenge the status quo, you will see less complacency. Encourage curiosity and discovery with data so that it becomes the norm. Invest in self-service analytics because it also plays an important role in empowering your team. Doing so means your company will eventually see data work its way into all conversations across the entire organization.

**Adopt an Agile Framework**

Data silos are common across many businesses. Using an agile data management framework to anchor your deployment will ensure that you have ready-to-use, accurate, clean data. The better data quality you have, the better you can expect your results to be. The agile framework also makes it easy to ensure the right people have the right data access at the right time.

It’s crucial to strike an appropriate balance between control and freedom with users through your baseline framework. It should generate secure, stable, and trusted analytics. Ideally, your organization should develop iterative and repeatable processes that will help to minimize issues while also maximizing success before, during, and after deployment.

Keep in mind, however, that this is not a one-and-done process. You’ll need to continually monitor, evaluate, and maintain the process. It will handle most of this, but it is also important to verify that your analytics performance supports your business needs as they change and mature.

It’s also crucial to ensure that your environment remains secure for everyone. When this is the case, you’ll save time and money, have more efficient business processes, and have stronger customer and partner relationships. Together all of
these things improve your brand’s reputation and profit.

**You’re Not Alone in Your Journey to Become Data-Driven**

Even if it feels like you’re the only business lost in trying to figure out how to develop a solid data strategy and put the massive amounts of data at your disposal to good use, you are most certainly not the only one. What matters is that you remain flexible to evolving needs, invest in the right technology solutions, and take the time to develop well-defined processes. Changing company culture is difficult, but starting from the top down, the evolution will permeate through and your business will be better for it.

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