How to Harness Data for Better Decision-Making

By Alex Chausovsky

Data is one of the most valuable assets in modern business. Most mid-sized to large companies capture data at various points in their workflows. Some companies have made it to the next level by using sophisticated data analytics software to spot trends. But there is a third level that most companies strive for — to transform data into actionable business insight.

Using data to drive decision-making will be a business standard someday. Most leaders would agree this is a desirable goal, but most companies are not there yet.

In this whitepaper, you will learn:

- **How to improve strategic planning** by utilizing internal and external data to identify trends, track business-cycle momentum and look ahead for the next three to six months.
- **Leverage market intelligence and economic data** to identify leading indicators and business segments that will under- and outperform in the short, medium and long-term.
- **Deploy data to attract your number one asset—people—** streamline your hiring activities and improve retention of your existing workforce.

The Problem with Data

Leaders understand they should rely on data to drive decision-making, especially during times of economic uncertainty.

But there are two significant challenges we face when we look at data:

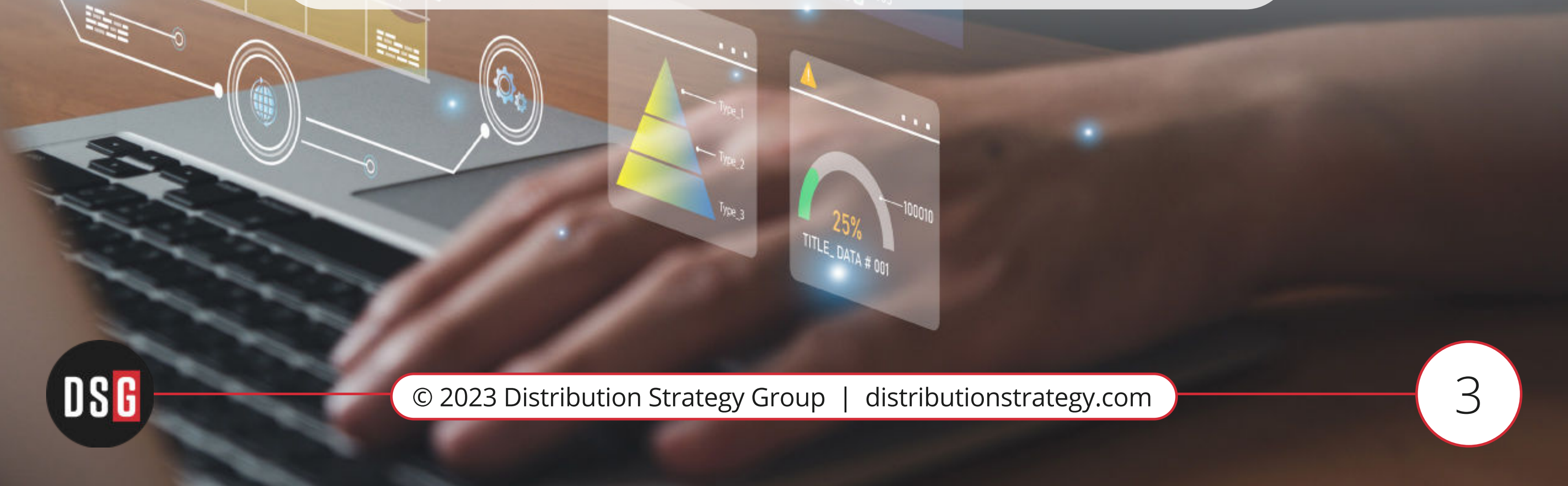
1. **Data volume:** It's common for leaders to be overwhelmed with the process and methodology of harnessing data. The data may be fragmented or out-of-date. What's more, distributors have a lot of data – top-line data, regional data, product-line data, vertical-market data, operational data and more.
2. **Data consistency:** Which data is relevant or useful? You may collect a lot of data, but you're unsure how to use it to inform decisions. The problem worsens if you haven't appointed someone to "own" the data. You may run reports quarterly or annually, but if you don't assign ownership of the process, you will not optimize the data.

To become a data-driven distribution company, you must have an ongoing, consistent process for finding, evaluating and analyzing data. Most distribution companies lack this rigor, making data a blessing and a curse.

Like all Gordian Knots, sometimes it takes a question to get to the root of the issue and untie your data snarl. Start your analysis by asking:

What question about your business are you trying to answer, or what problem are you trying to solve?

Once you have the answer, you can identify which data series is most appropriate, how to analyze them and what to do with the answers you discover.



Three types of data affect your company:

1. **Data generated by and within your business**
   (Orders, quotes, receivables, production planning, inventory, CapEx and more)
2. **Data about what is going on in your markets and the world around you**
   (Macro/microeconomic data, business and market intelligence)
3. **People analytics**
   (Hiring, retention and productivity)

Start here:

- First, figure out the question you're trying to answer.
- Second, establish what data you need to answer the question.
- Third, overlay what's happening within your company with the data from the world around you.

In many ways, data is like people. Surface data, or the external appearance of a data trend, gives us big graphical waves that dramatically capture our attention. Suppose you're only looking at the information in this way. In that case, you might think everything is fine and end up over-hiring or overstocking inventory when under the surface, problems are brewing.

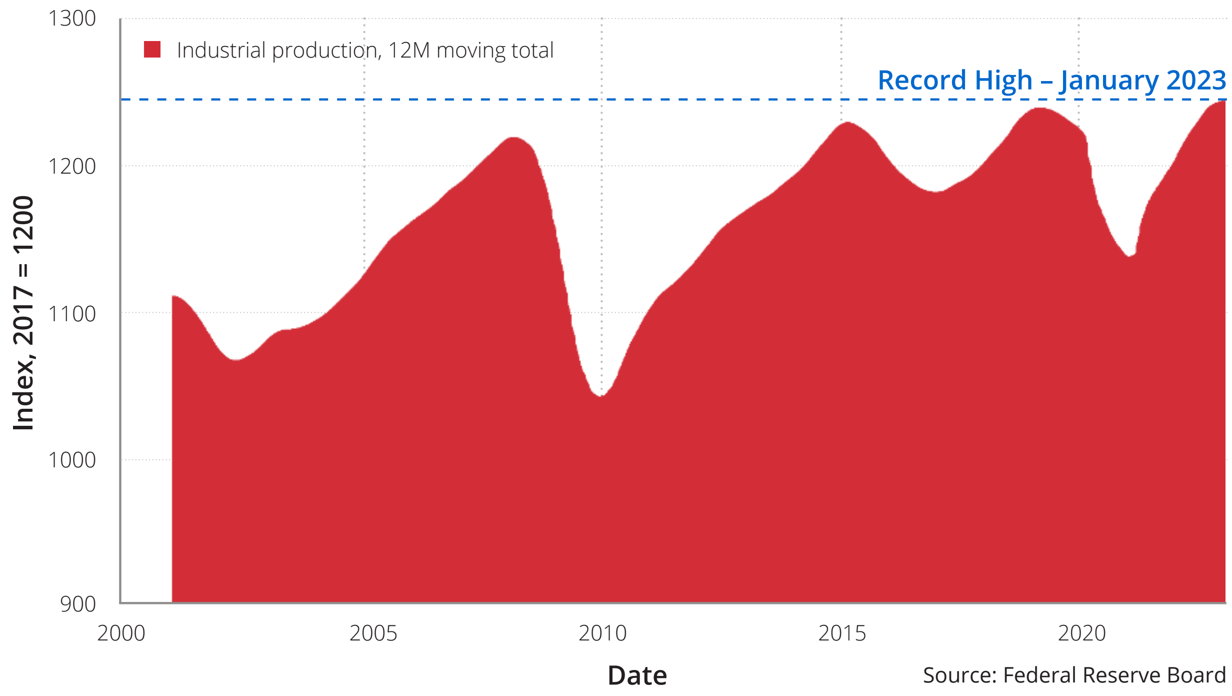
Just like a person who looks fine on the outside, if you dig a little deeper, there could be a serious underlying health issue. It's the same data, but how you look at it changes your perception of the person (or the market).

Use Case 1: Economic and Business Performance Data

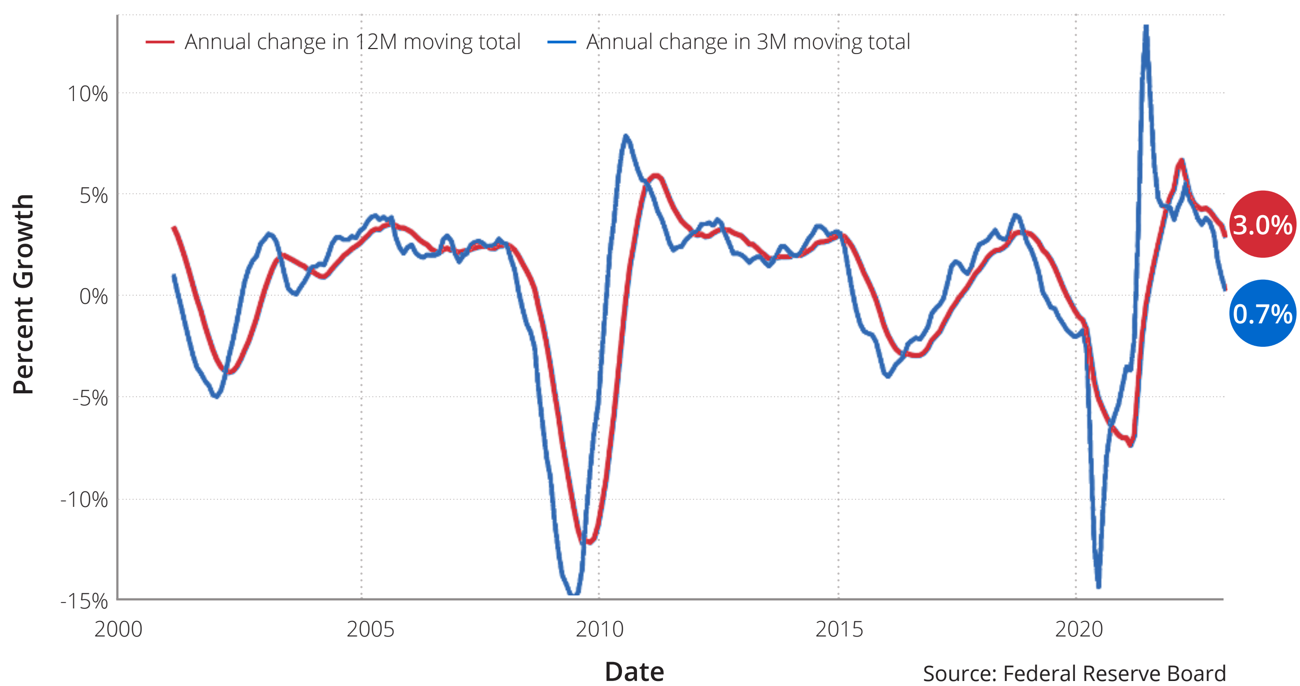
Let's use a real-world example to illustrate how you can dig below the surface to use data for decision-making.

Start with a 12-month running snapshot of the latest U.S. industrial production numbers. When you look at the cyclical nature of the data, it seems fine, approaching record highs during this timeframe.

Industrial Production



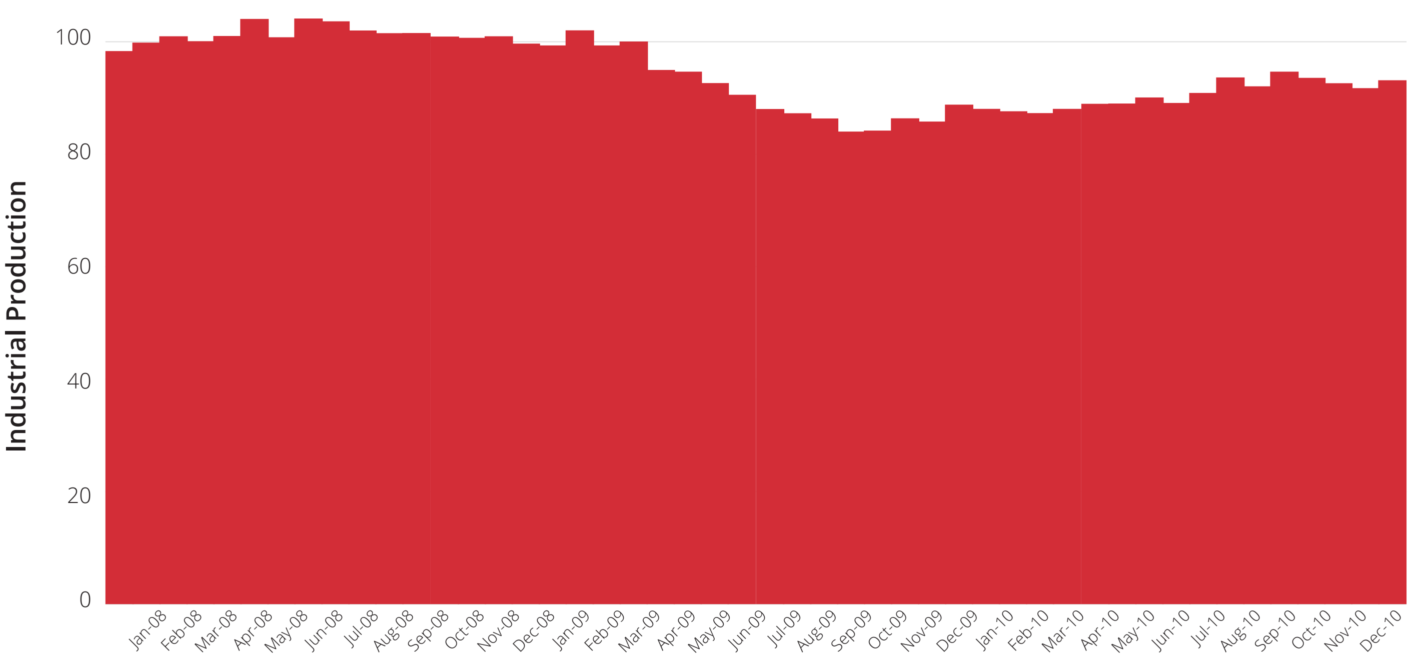
Now overlay this detail with monthly industrial production numbers.



If you look at the same datasets and their growth rates, you see some fluctuations in the blood pressure under the surface of these numbers. The two lines show the same data but reflect a different portrait of growth and even the beginnings of the business-cycle decline.

This new data shows us the vital signs of an industrial economy that clearly faces some headwinds in the coming months. The story you can begin to understand by looking at the data in two ways is that industrial production is up 3% yearly. But further analysis gives us the perspective that industrial production growth peaked at 7% in the second half of 2022 and is decelerating.

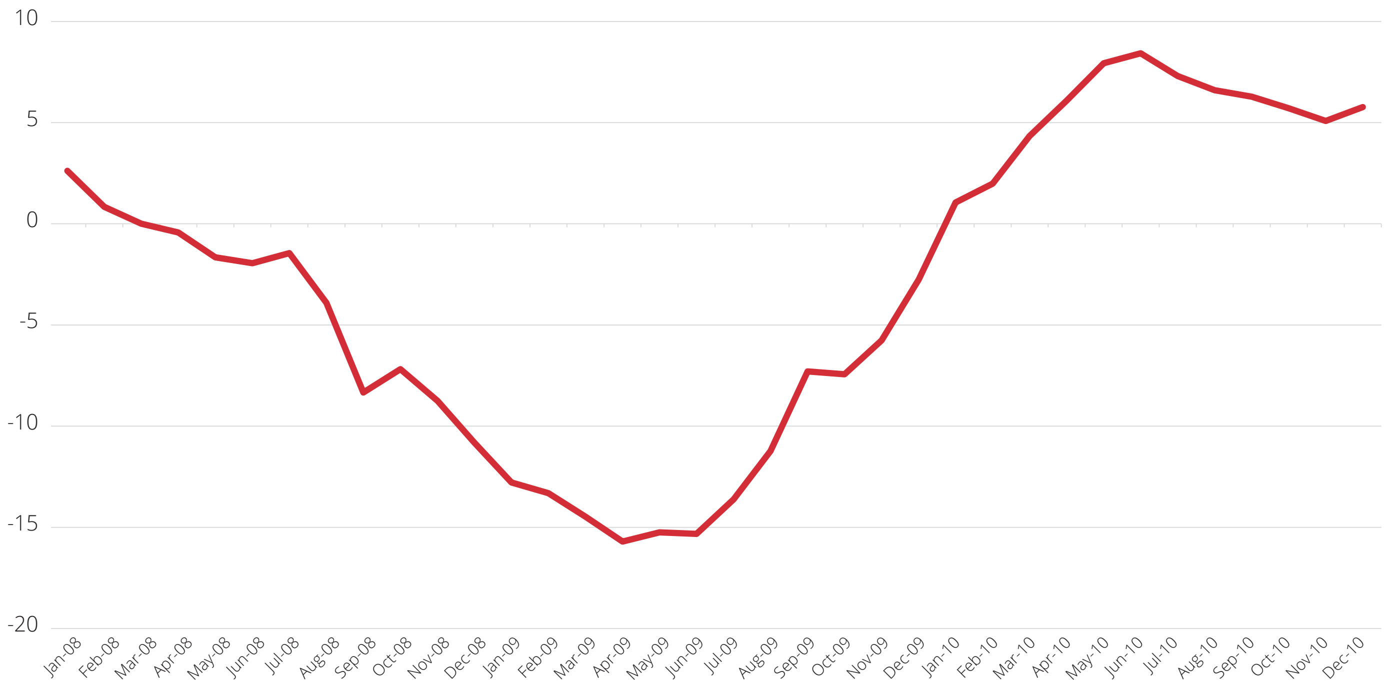
The next step is to build upon this external data by overlaying your month-to-month performance numbers. For example, the below graphic uses industrial production numbers, but you can substitute any data that measures the health of your organization.



Plot this data on a one-year chart, then compare the month-to-month values to calculate the growth rate.

Again, this is surface data, so to go deeper, compare it to the performance from one year ago.

Vs. 1 Year Ago



This exercise is common for distribution companies; they track annualized data with a 12-month moving target and compare the numbers with the prior year. Simple.

The problem is that markets are more volatile now. Distributors should now focus on data on a three-month rolling total to make data-driven decisions that fit our current disruptive market environment. A three-month rolling total allows you to discard outliers and get more accurate numbers.

This calculation supports a year-over-year growth rate where the:

- Blue line = quarter-over-quarter growth
- Black line = year-over-year growth
- Red line = month-over-month growth

U.S. Industrial Production: 1 Year Ago vs. Q-o-Q vs. Y-o-Y

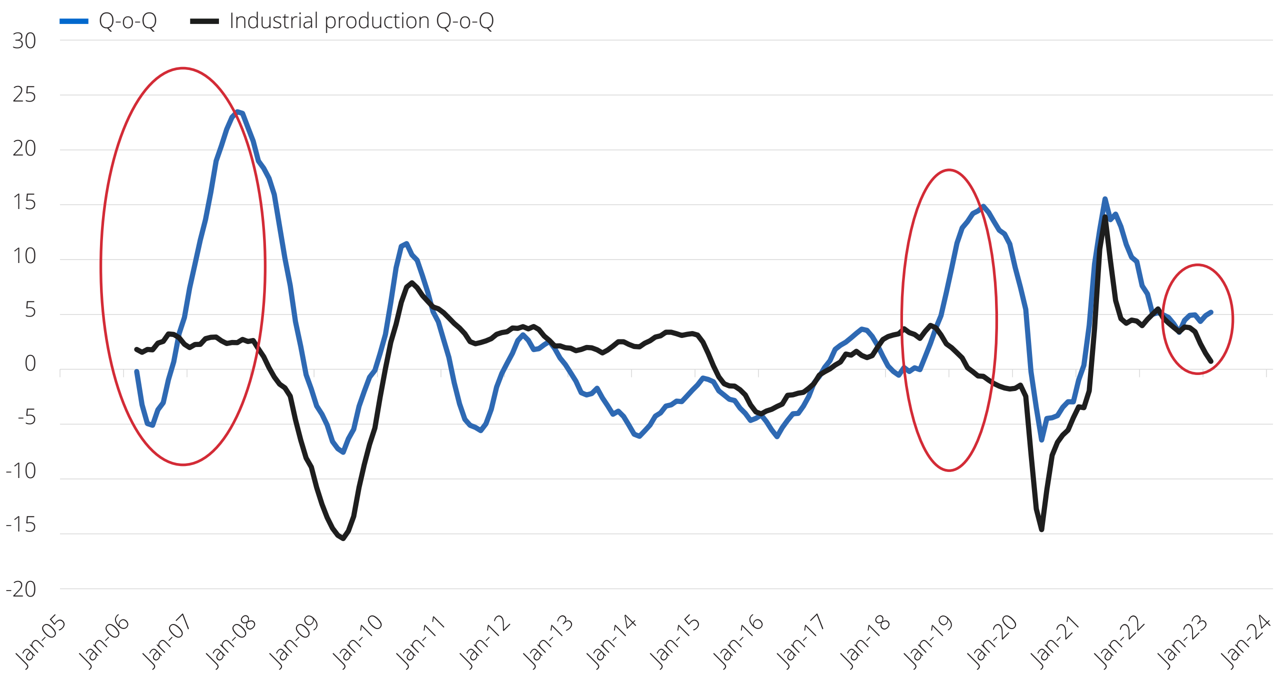
Source: Federal Reserve Board

What you're looking for is the turning point of performance. Three months of a trend change usually signals a shift in your business cycle.

When you plot this data, you come closer to moving from simple data analysis to predictive analytics, that crystal ball we all wish we had. When you see the blue line start to shift, you can expect changes in the momentum of your overall production, sales or whatever data you're tracking.

You can also overlay other industries on the top of this data. For example, look at medical equipment or the defense industry, sectors that typically do well even during recessions.

Countercyclical Industries: Defense and Space Equipment



Source: Federal Reserve Board

In part due to the war in the Ukraine, the defense sector is accelerating (circled above) even as we can see industrial production (and the overall economy) declining.

This methodology allows for trend identification. It lets distributors shift focus to capitalize on opportunities or shore up a business for a slowdown.

Here are some examples of steps you might take in response to these insights:

- Optimize cash flow and assume no attractive financing options will be available for the next 12-18 months.
- Narrow your focus to outperforming sectors in your business.
- Ask, "What product lines will likely lead during a downturn?" and focus on those items.
- Lock in business when possible. Your current customer is your best ally and likeliest growth vector during the coming months. Look for opportunities to expand one-year contracts to 18 or 24 months even if you must cut prices.

Use Case 2: People Analytics

People analytics probably get overlooked more than any other data-set.

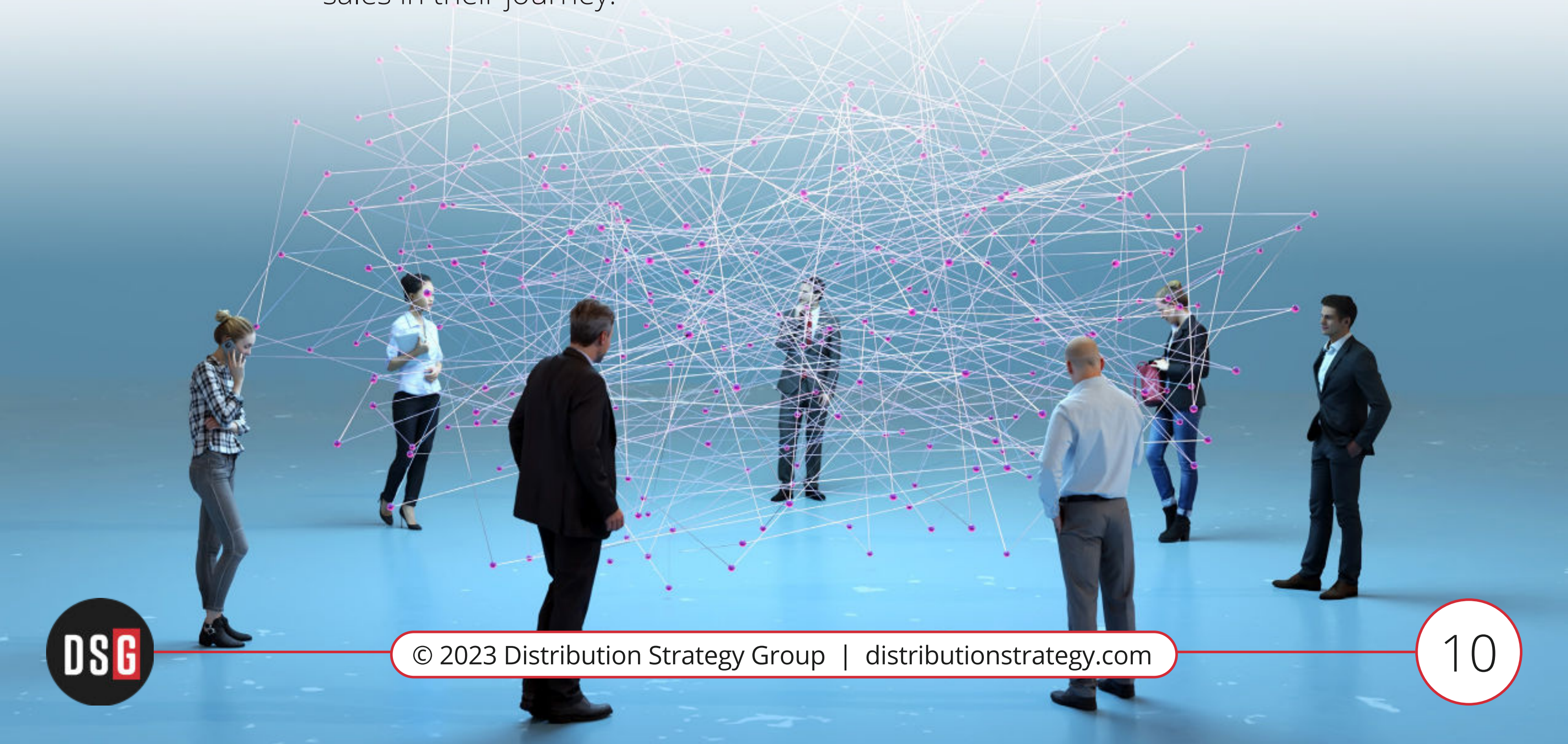
But they are critical. How do you effectively manage your workforce as a strategic initiative? Don't just relegate these decisions to the HR department to figure out. The questions of attracting and retaining people are important to the entire business, so top leadership must be involved.

Extrapolating insight from people analytics is both easy and valuable. If you look at national labor market performance, we've seen jobs added, a high volume of open positions, and higher average hourly earnings. Despite publicized layoffs in the tech sector, which have so far affected only about 100,000 people as of April 2023, job openings remain elevated by historic standards. We have the makings of an unprecedented event; we've never had a recession with a healthy job market.

These numbers answer the problem of why it's so hard to fill openings in your distribution company. And the data indicates that it will remain a candidate-driven market for the foreseeable future.

How can you leverage people data to support your labor force? Start at the beginning of the hiring process.

Most recruiters offer the same spiel to every candidate. With nearly 10 million open jobs, every candidate experiences an element of sales in their journey.



The CLAMPS survey is a simple yet compelling data-generating methodology for understanding job candidates' needs, wants and priorities. The CLAMPS survey asks the candidate to rank these six things in order of importance:

- **Challenge**
  The work, technology, market etc.
- **Location**
  Geography, able to live and work where you want
- **Advancement**
  Career growth
- **Money**
  Overall compensation
- **People**
  Managers, coworkers and culture
- **Security**
  Likelihood of long-term employment

Use this data to engage potential candidates in ways that promote what's important to them. For example, engineers may be intrigued by the challenge; sales reps want the best money; and mid- to late-career candidates may seek job security. Using CLAMPS data and tailoring your "pitch" in a way that syncs with the candidate's priorities will improve your hiring success.

Another critical element in people analytics is the issue of compensation. Due to market conditions, data is more critical than ever to establish a competitive salary. The question is whether you offer salaries based on "the way it's always been done" or whether you are using market data to ensure your offers are competitive.

If you can't measure it, you can't improve it. People analytics are critical. A wealth of data is available on how many applications it takes to get to one hire or how long it takes to fill positions. Even the cost per hire or offer acceptance rate can give you critical insights.

Hiring Metrics

- Applicants per hire
- Time to fill
- Interview to offer
- Offer acceptance rate
- Cost per hire
- Profitability per additional employee

Retention Metrics

- Employee retention rate
- Employee turnover rate
- Voluntary turnover rate
- Employee turnover cost
- Employee tenure

A Roadmap

When you create a process and system for managing data and analytics in a way where you can pull critical insights for decision-making, it can become part of the ethos of your organization. And when someone has ownership over that process, you can continually pull these insights to help you navigate the market and outperform your competitors.

Your business will perform differently if you're leveraging your data effectively. You'll know which levers to pull, where you need to invest your resources – time, money or energy – and to position yourself to take advantage of wins that are there, and to mitigate or get ahead of any losses that will inevitably present themselves.

About the Author

Alex Chausovsky is a highly experienced market researcher and analyst with more than 20 years of expertise across economics, industrial manufacturing, automation, talent and workforce issues, and advanced technology trends. For the past two decades, he has consulted and advised companies throughout the U.S. and Canada, Europe, South America and Asia.

Alex has delivered hundreds of keynote presentations and webinars to small businesses, trade associations and Fortune 500 companies across a spectrum of industries. He is currently overseeing a suite of analytics products focused on talent for the Miller Resource Group. Alex is also consulting with companies to help them become better at attracting, hiring, and retaining the impact players in their industry.

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