

# The Fronteira Post

Economic Policy & Corporate Competitiveness

## Between the Ideal and the Ordeal: The Business of Data in Nigeria's Corporate Competitiveness

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*"The future belongs to the companies and people that turn data into products"*  
Mike Loukides (Data science and data Tools)

### The Business of Data

Two major concerns often expressed by participants in our executive programmes on business analytics and research are data inadequacy and poor data quality. We know that these concerns are true in our corporate environment. Essentially, our entry into the world of competitiveness-strategy optimization on the platforms of evidence is largely inspired by the goal of resolving these challenges. In a bid to promote evidence-based policy and strategy design among corporates and governments, we had in 2010 launched our data mining and business research education as well as predicated our consulting practice that focused on competitiveness optimization on the cardinal principles of sound economic theory, data mining and economic/business research. But our increasing levels of support equally seems to be drowned by many strident business voices around issues of data availability, data reliability, timeliness of data, data preparation etc.

How long and to what extent can a business survive without data? This can only be imagined. Even micro-level informal businesses with illiterate managers track changes in variables that are key to their survival. Data is a necessary condition for business success and continued survival. It is however not sufficient as the awareness of data availability and deliberate organizational effort to possess it is just the beginning of the journey to competing on analytics. Nevertheless,

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the strength of the necessity of data is a strong one and equally justifies the efforts and actions connected to data: "the finding, organizing and analyzing that provide organizations of all sizes with the information they need to compete"<sup>2</sup>. Since these activities separately and collectively define the data business, it behooves too just like in any other business that there ought to be corresponding high levels of professional expertise in their handling, processing and delivery. The inability to take adequate cognizance of this truth is what has resulted in poor business/policy data optimization.

Poorly collected data, unreliable statistics, delayed release of official statistics, inefficient data optimization for best decision making etc. all point to the fact that those who have responsibility for decisions concerning data do not see data as business. Genuine business focus in any endeavor has the provision of stakeholder value as some kind of ultimate goal and accordingly, managers strive to create maximum value to its stakeholders. That noted, it is however only a blind guess without data to meet the value-demand and expectations of stakeholders. In effect therefore, it implies (as an example) that those that collect, process and externalize official statistics should do so in such a way that those who ought to use it, should be able to capture the value claimed to be offered. Businessmen and policy makers in turn ought not to be sitting on silos of data and yet thirsting for new knowledge about their operations. "In my opinion, the single greatest business challenge of the twentieth century lay in acquiring information and data. In the twenty-first century, that challenge inheres in fulfilling two goals: Ensuring that all individuals in an enterprise have appropriate access to knowledge and the ability to act on it in the way that is most meaningful to the enterprise..."<sup>3</sup>

### Data: The Pillar for Competitive Innovation and Productivity

Knowledge is the last and most powerful competitive advantage. "Knowledge is the ultimate competitive advantage only if understood from an action oriented perspective. All the information technologies and data cannot assure competitive advantage in the long-term, nor do decisions that are made – if made at all- drawing upon insights hidden in information and data. Only translating information and decisions into actionable

<sup>2</sup> O'Reilly Radar (2011). 'Big Data Now: Current perspectives from O'Reilly Radar.

<sup>3</sup> James J. Stapleton (2003). Executive's Guide to Knowledge Management: the last competitive Advantage. John Wily & sons Inc. Pxi

value propositions can assure competitive advantage. Hence, in this perspective, knowledge lies in action: in effective utilization of data and information resources for actionable decisions and, most importantly, in execution. As elaborated earlier, business managers need to define and continuously refine their business value propositions to ensure that they are not marginalized by radical discontinuous change. Therefore, this knowledge management strategy and its execution with the aid of information, communication and collaboration technologies can provide a greater chance at being 'great' than is otherwise possible"<sup>4</sup> The latest transformations in business have strongly elevated the power of knowledge above other hitherto known sources of competitive advantage. "The velocity of movement through the knowledge funnel, powered by design thinking, is the most powerful formula for competitive advantage in the twenty-first century"<sup>5</sup>.

How does this come to be? When entrepreneurs that are analytically aware process raw data in various aspects of their operations, they get better informed (information). But they need to process this information a little bit in order to gain the requisite knowledge that they need to leverage and make a difference. At the last end of the knowledge discovery chain is the intelligence which is hitherto unknown (in the form in which it is newly discovered) to competitors. That is what entrepreneurs who are alert run with to orchestrate innovations that make them much more competitively different. This is however very difficult in the absence of the learned or acquired skills very much needed in order to process data into information and afterwards to insight-releasing knowledge. Organizations learn through a variety of ways: through own experiences or cases prepared about other organizations experiences. It can also be externally through consultants or capacity development vendors and or consciously through a comprehensive study of patterns in the data on various aspects of their operations. This is rarely the culture found among Nigerian firms. A good example is contained in the advice I gave to corporate decision makers in my *Businessday* newspaper column in May 2011. In that piece, I have advised decision makers to be wiser and not to fall prey to the pastors of corporate strategy. It is reproduced in the subsection below.

<sup>4</sup> Yogesh Malhotra (2003). "Is Knowledge the Ultimate competitive advantage?" *Business management Asia* Q3/4, pp66-69. September

<sup>5</sup> Roger L. Martin (2009). *The Design of Business: Why Design Thinking is the Next Competitive Advantage*. Jennifer Riel. P.26.

### **Beware of the Pastors of Corporate Strategy (Reproduced)**

A few months from now, many organizations will start shopping for strategy development firms to help them with their repositioning plans against the year 2012. Many consulting firms claim to be adepts in offering this service. Unfortunately many Nigerian firms that have sought strategy facilitation assistance have ended up either disappointed or ended up with unimplementable documents with fantastic aesthetics. The reason is not far-fetched. In the main, strategy development in corporate Nigeria has been typical of Pentecostal pastor motivational theatrics.

This should not be the case. Strategic development process does not exist in a vacuum, the history of successful organizations are not replete with accidental positive shocks. Entrepreneurs are known to strategically plan in order to identify those opportunities that give them competitive edge and huge profits. Such process requires target setting which invariably speaks volume of the company's anticipation of prosperity in many facets of its life. However, in order to achieve such set targets, a firm needs to learn from where it was in the past, where it currently stands and where it intends to get to. As simple as it sounds, the process can be extremely demanding such that the level of success achievable will rest more on the rigour and robustness of design and eventual execution. It is therefore this seeming simplicity that has led to the abuse of the corporate strategy formulation process as every charlatan who can pontificate like a pastor and be able to collate brainstorming contributions feels qualified to lead the process.

Let us look at what the dramatically inclined and motivational pastors do and try to draw some similarities with what is fed the Nigerian business community. As a theatrical 'master of the pulpit', much of what is required is eloquence and some knowledge of important bible verses which can now be blown up with some motivational lingo that would charge the adrenalins of listeners. What has obtained so far in this space is not much different. For instance, in some cases where it is expedient that the past (where we were) needs to be learned through a consciously initiated exploratory analysis of the company's vast data what may obtain is the facilitator asking participants to write down issues on 'where they (the organization) were' thereby totally jettisoning all the learning from the knowledge locked-in the organizations historical data. In some instances, some of the people vouching

knowledge on the company's past may just be persons that have been recently recruited. Yet they will be expected to assist with the knowledge of 'where we are coming from' that will help in the formulation of the company's new strategic focus. In other instances, the facilitator merely motivates the staff and goes ahead to build future corporate plans on such motivational talks. Of course, corporate strategy development transcends the scope of faith, albeit necessary.

Whatever the situation, the complexity of the modern business environment in turn provides room for an avalanche of alternative approaches to strategy design and implementation. It is nevertheless very important that managers of business thoroughly scan through various options in order to either separate the relevant from the irrelevant and or seeking appropriate balancing of techniques and tools in order to optimize the desired strategy development goals. There is no doubt that starting with processes that and procedures that learn from profound historical corporate fact will be superior in preventing dysfunctions while leading to more efficacious outcomes. Good strategic decision-making requires a mixture of skills in evaluating past behaviours, creative development and identification of options, as well as maximum clarity in the presentation of judgment.

The traditionally adopted procedure of 'pontiff with sticky note' for entire strategy formulation process of a corporate entity is not only weak but inadequate. Such procedure in 95% of the cases leaves most companies with non-optimal solutions or outcomes. The reason being that the process of learning, evaluating and integrating the organization's past knowledge of its business stored as data is faulty.

As a rule for corporate success, organizational actions should be based on definite, concise and articulate framework that gives them a competitive edge in the market place. Systems and methods adopted should be those that enable them to stretch the mark and create new avenues for continuous value innovation in product and service offerings. Properly kept companies databases should contain meaningful information on customers, employees, finances, products etc. Digging into these information in such a way as to solve defined business problems or to create a strategy for the future offers an equally but unbeatable knowledge of the past on these critical areas which can now be brainstormed / moderated upon to conclude on 'where we were'. The challenge here is that the process of digging this information for such patterns, correlations, sequences

etc. that can make such sense requires special training. It is not exactly as is easy as just knowing your statistical theory and possessing accompanying tools.

There are considerable risks in the recent inept approaches to corporate strategy development and we need to raise our awareness to the ways they come-by. The 'theatrical pastor' or 'pontiff with post-it-notes' approach while not bad in its entirety, unfortunately delivers sub-optimal results. In most cases, the strategic outcomes are totally useless. While such approach draws on inspired strategies of evangelical zeal, or religious appeal it is empty on factual rationality that must be injected into strategy design processes. Most often the process lacks predictive content that is based on robustly generated facts that are not opportunistic. A balance of the two is desirable. About 90% evidence and fact supported which can now be moderated by 10% subjective judgments. Most leading companies in the developed world generously engage the services of firms that are both strong in analytics and strategy design to help in these regards.

The corporate world has become so complex and advanced that decisions regarding the future of serious minded participants be left in the hands of those who merely pontificate and moderate the process of collating guesses about its past. The worst being that guesses from such opportunistic samples are used in concluding on the current state of the organization as well as in predicting its future. Competition by forward looking organizations is now based on superiority of analytical insights and value optimization. Strategy design and implementation therefore should be based on that.

The competitively bewildering innovations of recent times. The approach to searching for knowledge by corporates has taken varying dimensions in recent. Sometimes engagement

### **The Challenge of Data in Nigeria**

While the ideal thing is that corporate competitiveness can only be successfully and sustainably built on data, the reality is that obtaining good quality data for decision-making in the Nigerian environment is a big ordeal. It is possible to understand this from the prism of developmental-evolution-taxonomy which can only put Nigeria in an under-developed country class. This however ought not be the case as globalization and the force of its acculturation is expected to have seen much revolution in this regards. Regrettably, this has been the situation. Like our ancestors who had no privilege of data collection, storage, cleaning and

processing devices, many businesses operate as if there is little need for data and new information. The reasons are many and start from the inability of decision makers in a firm to adequately place strategic premium on data and as such do not maintain good databases of key variables that are determinants of their progress. Secondly, even when the interest is there to keep data, how to properly store the data in such a manner that makes them easily retrievable and usable is a challenge. In one of our data management awareness campaigns which cut across over 70 companies in different sectors and industries in Nigeria, we came across few firms that have been storing data on investors in the past fifty years but really do not see any value that they could capture from the data. Another firm that has been keeping massive statistics for over 35 years thinks that the much it could benefit from the data is the revenue that it can potentially earn by selling same data to other firms.

The ordeal in data acquisition and management actually starts with a poor understanding of the competitiveness decision-making value of data. The consequence therefore is that those who take decisions in these firms rarely make investments in building data acquisition management or data processing capabilities which in turn will take out the associated ordeal.

The picture painted above is real for up to 80% (unofficial guestimate) of all the firms in Nigeria. The prevalence of this has grievous consequences but nevertheless offers lots of competitive advantages to the analytically discerning company category. The downside however is that these organizations cannot effectively draw insights from the data available to them as they will not know how to go about it. The inability to make sense out of data is a major competitiveness disadvantage. To the firms that are aware and are desirous of taking advantage of the knowledge that are hidden in external data, it becomes fairly difficult to obtain such information as other firms are not in the business of acquisition and processing data. On the other hand for such firms, since they are able to collect, organize, prepare and analyze own data, they will be in a position to distill out insights which will not be readily available to their competitors.

But aside the data that can possibly be generated by corporates, the public sector particularly the Nigerian Bureau of Statistics has been very disappointing in its generation of trustworthy data in a timely manner. Most of the time, published data are obscenely old and sometimes some of them can be brazenly

questionable. How can businesses leverage such data inefficiencies to beef up the intelligence they can possibly generate from the data generated internally? The frustration from this area feeds into the overall despair by the analytically ignorant or amateur businesses who believe that even if they process internal data, that there is little they can do without the external data from the government or any other larger data media. For the analytic amateur, the argument for folding hands in the face of government's poor data supply is premised on the false thinking that such data is necessary to define the larger environment as mandatory complement for deriving strategic sense out of the internally available data. This is a very misleading assumption and one which is increasingly corrected as data management and processing capabilities are enhanced in an organization.

### **Ignore Government and its Data?**

It will be equally suicidal to ignore government and its data much as it is wrong to ignore the external data by other organizations. Good analysts will always know how to use the data available to them regardless of the size of inadequacies in order to make sense that moves the organization forward.

Efforts should however be intensified in generating own data as long as it is cost effective to do so. Appropriate balancing between the cost of data collection and its management relative to the anticipated and obvious benefits should present the yardstick for decision-making in this respect. But deciding on the potential benefits is quite a difficult task. Well targeted data collection and management always yield positive rewards that enhance firm competitiveness. Herein lies the way forward for Nigerian organization: conscious data assemblage in virtually every area in which firm success or failure can be identified and measured. The second part is equally as good: development of internal capacity for the organization and preparation of such data for eventual analytic work. Carrying out the first and second stages successfully is a major step to becoming analytically aware but does not in any way make the organization one that is competing on analytics. It is nevertheless very critical steps that need to be taken.

### **Conclusion**

The reality of the ordeals associated with data can never be set aside. While we acknowledge that it might be higher in the underdeveloped world setting, the benefits of transcending higher than the challenges of consciously collecting, cleaning, preparing and processing data for use in designing and implementing



competitive strategies that work cannot be over-emphasized. That noted, in today's uncertain macroeconomic environment the pursuit of insightful knowledge that aids the unraveling of new business opportunities is highly recommended. The source of this knowledge is indisputably the data that can be collected externally and or the data silos which firms sit upon. Reasonable investment in collecting, cleaning, preparing and processing these data sources are what is needed in order to discover hitherto unknown truths that can give a firm the advantage that it badly needs to remain sustainably competitive.

Effectively following through these stages of data intelligence action is not the job that anybody can do. This means that an organization also needs to advise itself whether it possesses the internal capacity to effectively carry them out or needs external assistance<sup>6</sup>. The expertise is also needed to deal with seemingly poor quality or unacceptable data.

### About The Fronteira Post and Its Publisher

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ValueFronteira is a competitiveness optimization firm that leverages the techniques of data mining, business research and economic science to provide robust insights that enable decision makers to achieve accelerated innovation and sustained competitive differentiation.

Our service offerings comprise the following:

1. Competitiveness strategy design and implementation, driven essentially by data-mining, economic theory and business research methods;
2. Marketing research, competitive intelligence, value chain analysis, industry analysis and other strategic business studies;
3. Economic policy research and project impact analysis;
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5. Training on business analytics, research methods and executive economics.

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<sup>6</sup> Interested firms can contact the author for training in the areas of business analytics, business research and the economic analysis.

