



# Data-driven strategy ambitions and data strategy capabilities of Finnish companies

2020



# Foreword

Data has quickly become one of the most important means of achieving a competitive advantage in business. In the digital world of today, data is the most valuable asset that companies possess in their efforts to provide customers with tailored offers and experiences.

Data is no longer a mere byproduct of business processes – it has become a critical asset that aids company decision-making. In the past, data strategies were all too often mainly technical exercises developed by companies' IT organizations.

Today's advanced analytics methods and solutions produce near-infinite possibilities for deriving value from data. Indeed, creating a business where data is leveraged to generate real value should be an essential goal of companies.

As we nowadays live in an "online world", companies need to create a data-driven strategy that enables them to answer the following questions:

- What data do we need to grow our business, as opposed to the data we need to run the organization?
- What data will allow us to meet our strategic objectives?
- What data do we need in order to measure the success of our actions?
- What actions will we need to take in order to increase the value of our existing data?

Thus, companies will also require a data strategy that defines the relevant data types, the ways in which the data is leveraged, the needed data tools, and the data storage and management principles and practices.

We therefore decided to investigate Finnish companies' capabilities to define a data strategy and hence to build a foundation for a data-driven strategy.

We wanted to know how and if Finnish companies have created data-driven strategies linked to key initiatives allowing their businesses to focus on what provides the most value for them. In particular, we wanted to investigate whether companies have established such strategies to identify opportunities for growth or for efficiency enhancement, or to eliminate or reduce the risks related to their businesses.

To the best of our knowledge, no similar study has yet been undertaken in Finland, and therefore our aim is to fill this gap.

This study is based on interviews conducted with more than 80 respondents from 78 Finnish companies. They include listed and non-listed companies of varying sizes, having net sales between a few million and several billion euros.

We would like to thank all the participants for their time and for the insights they provided on the topic!

**Bozorg Amiri**

Partner, Head of KPMG Global Strategy Group Finland



*“A good data strategy looks at the big picture with a clear vision on what the company wants to accomplish, what its overall business goals are, and what problems need to be solved.”*

— CEO, listed company

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“For a long time we couldn’t properly differentiate Data & Analytics from Digitalization. They operate in symbiosis, but both should have dedicated teams and budgets.”

— CEO, unlisted company

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## Key findings from this study

### The role of data is acknowledged, but the necessary actions to utilize it are yet to be made

The findings of this study confirm that large Finnish companies have acknowledged the importance of a data strategy and the use of Data & Analytics in their businesses. However, the necessary actions to increase the role, importance and utilization of data in corporate development have generally not yet been made.

Listed below are the top five insights gained from the survey.

#### Top five insights from the survey



# Background



*“Data is becoming more and more valuable. It is crucial to define who has access to it and who is responsible for managing it.”*

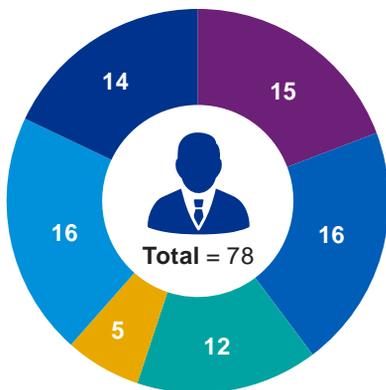
- EVP, listed company

# This survey aimed to assess Finnish companies' ambitions and capabilities with respect to data-driven strategies

**In total, more than 80 respondents representing 78 companies participated in the survey**

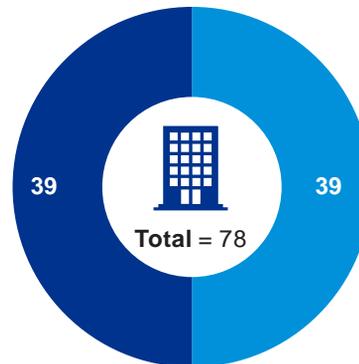
The survey was completed during April–November 2019 by conducting personal interviews, and only in a few cases by sending a questionnaire. All respondents were assured that their responses would be unidentified. The report is based on inferences drawn from the responses to these interviews.

**Number of respondents by title/function**  
#



- CEO
- CIO/CDO
- Strategy
- CFO
- D&A
- EVP

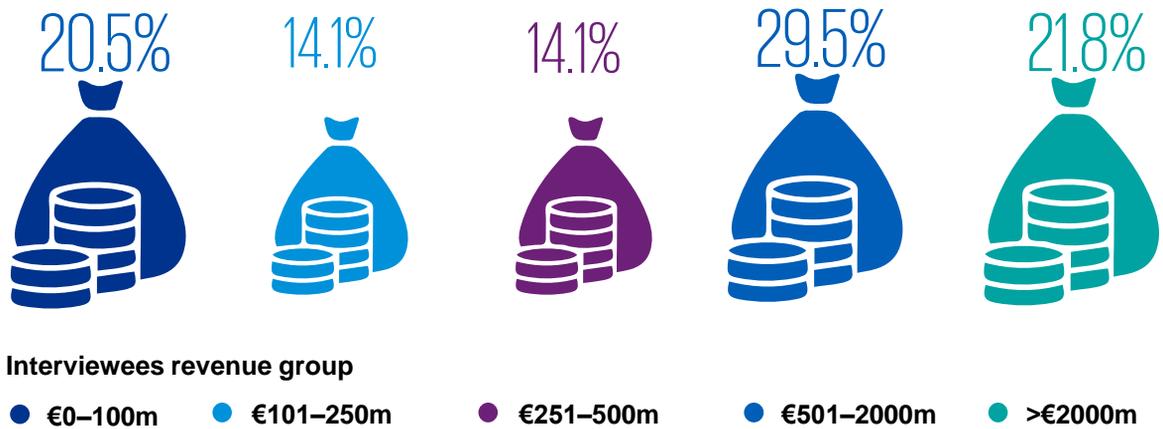
**Number of companies by type**  
#



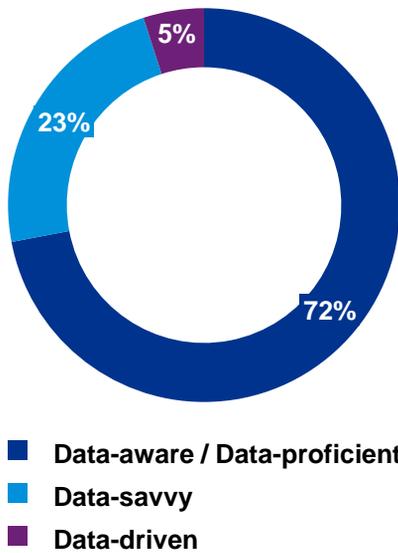
- Listed companies
- Unlisted companies

# The interviewed companies varied in size and possessed different types of data-related capabilities

## Interviewed companies by revenue group<sup>1</sup>



## Companies' data capabilities



## Of the interviewed companies, over 50% have revenues exceeding €500 million

Of the 78 interviewed companies, 51.3% (40 companies) have annual revenues exceeding €500 million, while 72.5% (29 companies) of these have revenues exceeding €1 billion.

On average and by median, listed companies were larger than unlisted companies in terms of revenue. The averages for listed and unlisted companies were, respectively, €2.0 billion and €1.5 billion. The medians for listed and unlisted companies were, respectively, €745 million and €477 million.

## A clear majority of companies rated themselves as either data-aware or data-proficient

56 of the interviewed companies, accounting for about 72%, rated themselves as data-aware or data-proficient. Both data-aware and data-proficient companies use data in some business decisions, but data-aware companies have not standardized their data platforms, while data-proficient companies have. Companies that consider themselves data-savvy use data in all critical business decisions, while data-driven companies have embedded data in all their business processes and all decisions are based on data.

Note: (1) The companies have been grouped on the basis of their last available annual revenue.



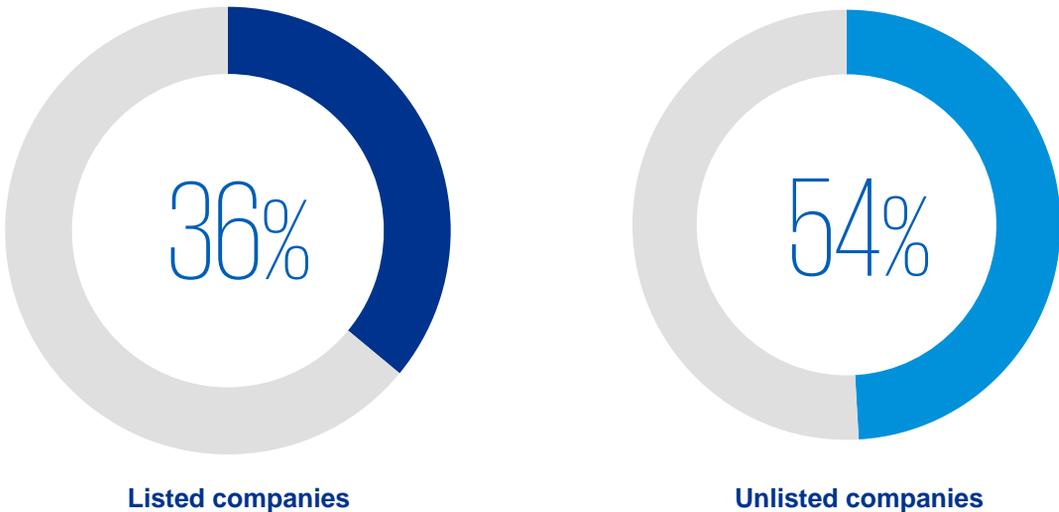
*“With respect to M&A, the data ambitions and capabilities of target companies are often underestimated. The role of data should be embedded in Due Diligence processes.”*

-CEO, listed company

# Unlisted companies have had data strategies in place more commonly and for longer than listed companies

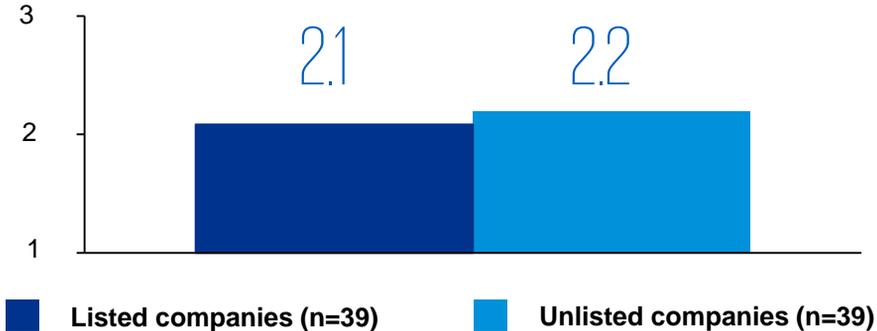
## Share of companies that have a data strategy in place

%



## Average number of years companies have had a data strategy

Years



### Only 36% of listed companies and 54% of unlisted companies have a data strategy

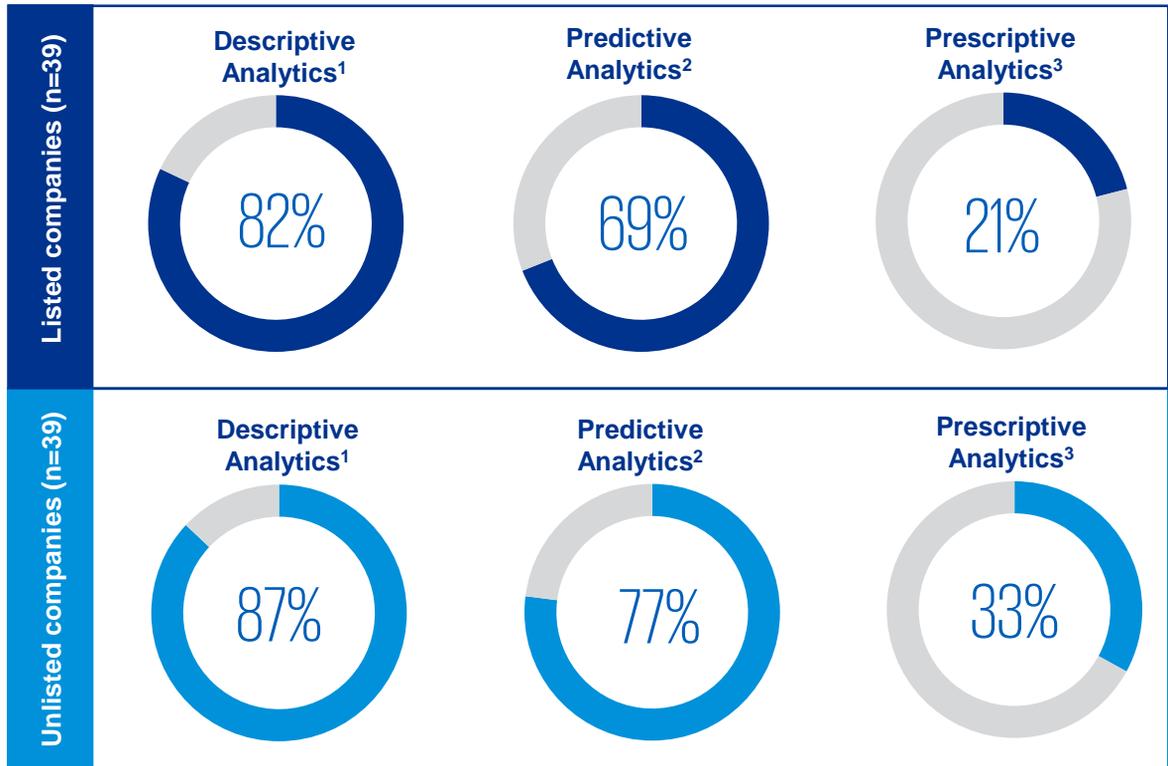
The vast majority of respondents are essentially operating without a data strategy, which clearly indicates that Finnish companies do not yet fully understand the importance of data and how it can be utilized going forward. The rather sizable difference in the results between listed and unlisted companies can be explained by the different kinds of industries in which listed and unlisted companies are found. Many of the unlisted respondents operate in industries where advanced data utilization is emphasized and a large amount of internal data is available.

The history of data strategies in Finnish companies is relatively short. On average, unlisted companies have had data strategies in place for 2.2 years, compared with 2.1 years for listed companies.

# Most companies utilize historical data and forecast future trends, but neglect prescriptive analytics

## Companies' own assessment of their utilization of analytics

%



### Unlisted companies utilize analytics somewhat more than listed companies

Although listed and unlisted companies appear to use analytics to a rather similar extent, unlisted companies nevertheless outperform listed companies in every relevant capability area. A key difference between listed and unlisted companies is in their use of prescriptive analytics, where unlisted companies outperform listed companies by 12 percentage points.

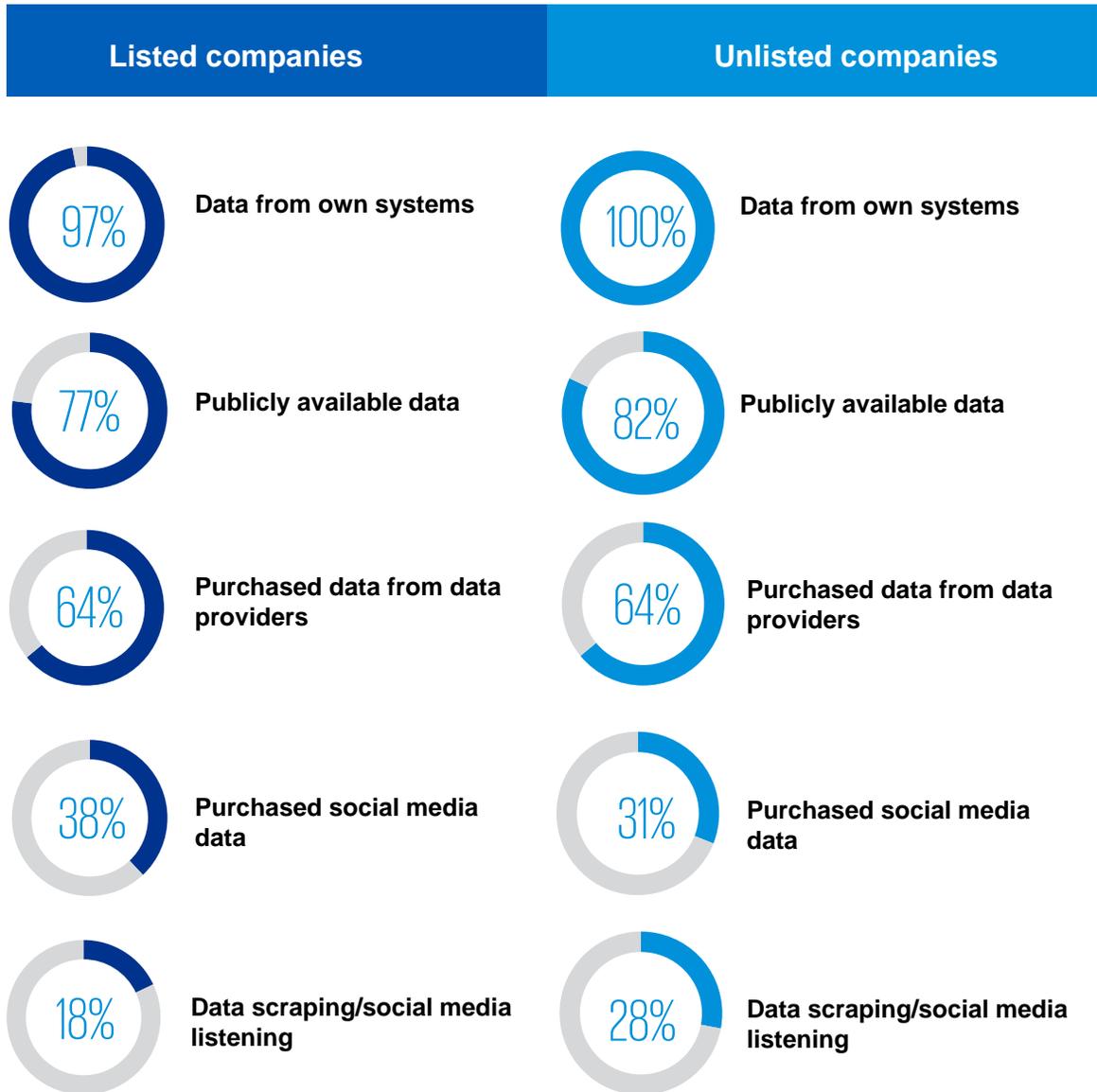
With regard to descriptive and predictive analytics, the differences between listed and unlisted companies are smaller. In general, the vast majority of both listed and unlisted companies utilize analytics based on historical data and future trends.

*“Utilizing artificial intelligence started as a learning process, but now it is a crucial part of our everyday business and impacts decision-making.”*

– CIO, listed company

Note: (1) Descriptive Analytics = Historical data, (2) Predictive Analytics = Historical data and future trends, (3) Prescriptive Analytics = Artificial Intelligence, etc.

# Listed and unlisted companies appear to collect data in a similar manner from varied sources



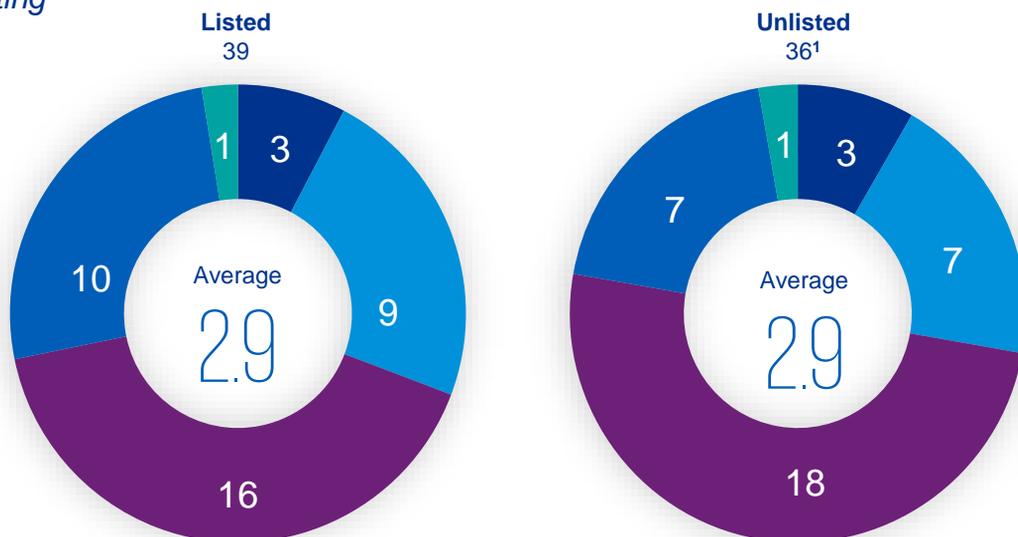
## The majority of companies collect their data from traditional sources

Nearly all the interviewed companies collect data from their own systems and utilize publicly available data to support decision-making. However, it is not particularly common to purchase data from social media providers. Of the listed and unlisted companies, 38% and 31% respectively purchase social media data, while 18% of listed and 28% of unlisted companies engage in data scraping and social media listening.

# Listed and unlisted companies are both unhappy with the quality of their data and current data tools

## The companies' satisfaction with the quality of their data

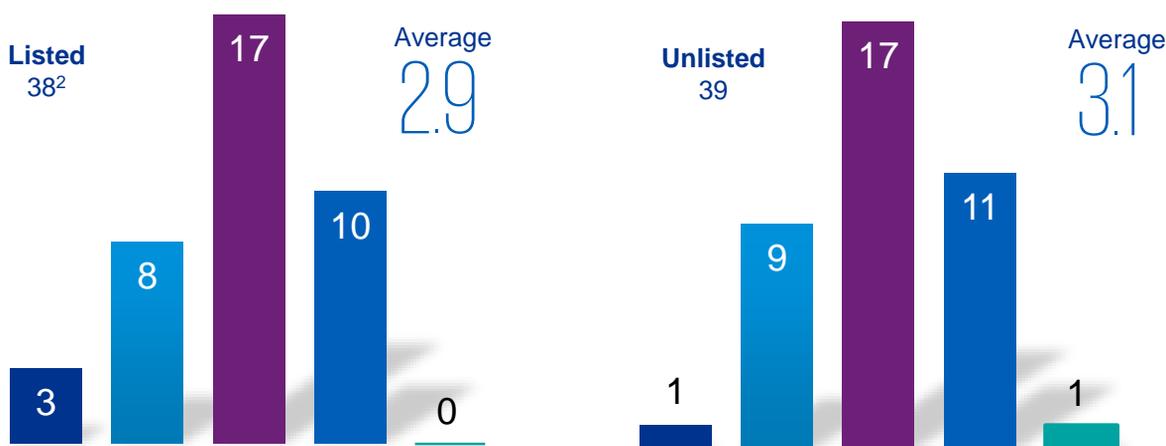
Rating



(1=lowest, 5 = highest) ■ 1 ■ 2 ■ 3 ■ 4 ■ 5

## The companies' satisfaction with their current data tools

Rating



(1=lowest, 5 = highest) ■ 1 ■ 2 ■ 3 ■ 4 ■ 5

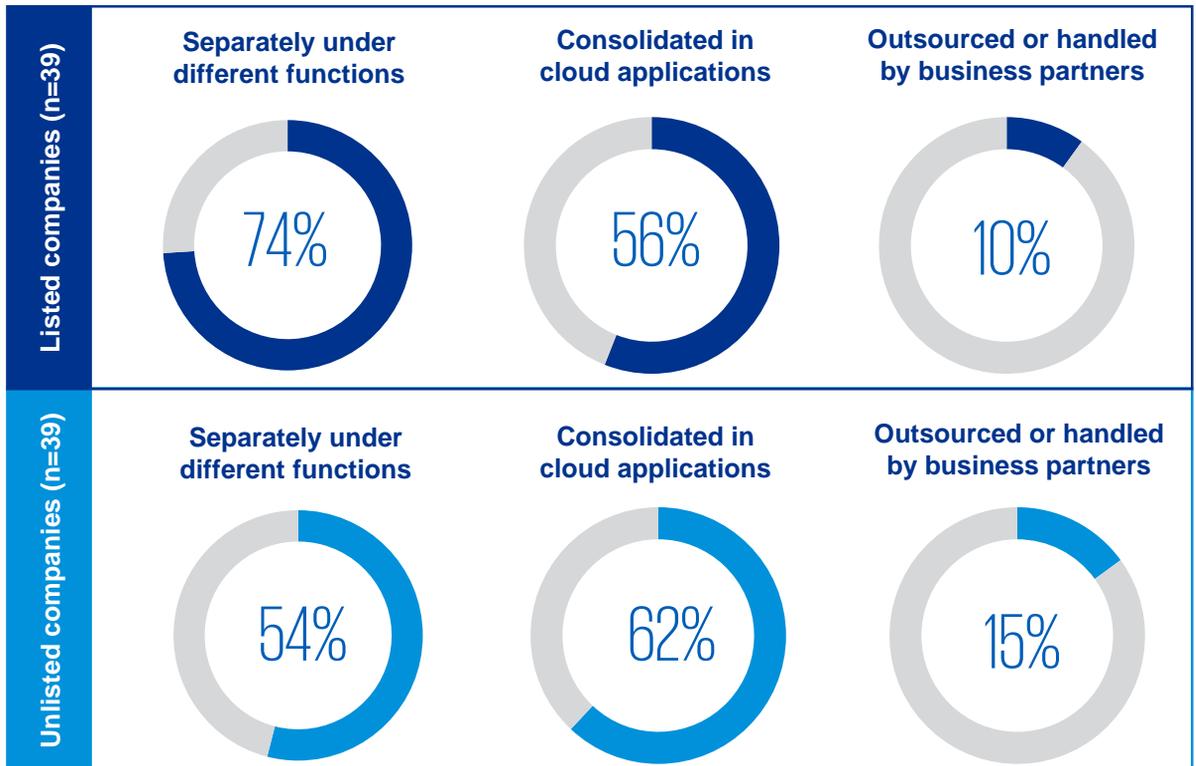
## Data quality and data tool satisfaction seem to go hand-in-hand

72% of listed companies and 78% of unlisted companies rate their satisfaction with the quality of their data as moderate at best (values 1-3), while 74% of listed companies and 69% of unlisted companies rate their satisfaction with current data tools as moderate at best (values 1-3).

# Data storage is relatively inefficient as over 40% of firms fail to combine data to support business decisions

## Companies' data storage methods

%



### Companies tend to store data separately under different functions as opposed to consolidating it, potentially leading to inefficiencies and business risks

Consolidating data enables improved data management and identification, more efficient data usage and deeper insights to support business decisions. Storing data separately under different business functions can lead to inefficient data management and sharing. The quality of data may also suffer, and companies may run the risk of losing data – greatly impacting business decisions and day-to-day operations.

*“Efficient data usage without a consolidated data lake or warehouse is simply not doable, at least not in our line of business.”*

– CFO, listed company

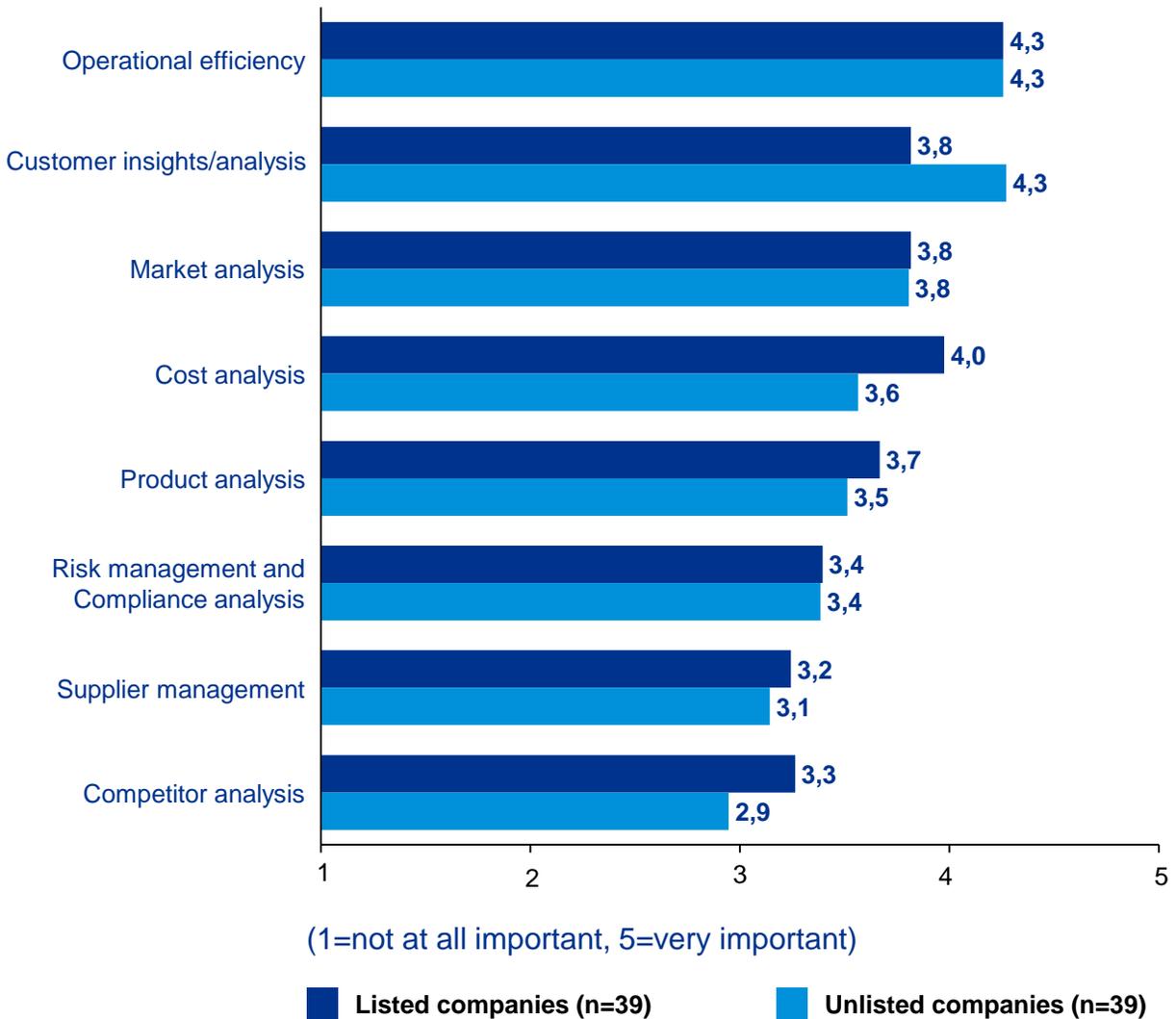
*“To be able to steer our business efficiently, we need to define the specific data we need, and which data needs to be real-time.”*

— EVP, unlisted company

# Operational efficiency is the most important utilization area of data

## Key utilization areas of data

Rating



## Customer analysis and market analysis were also deemed as valuable utilization areas of data

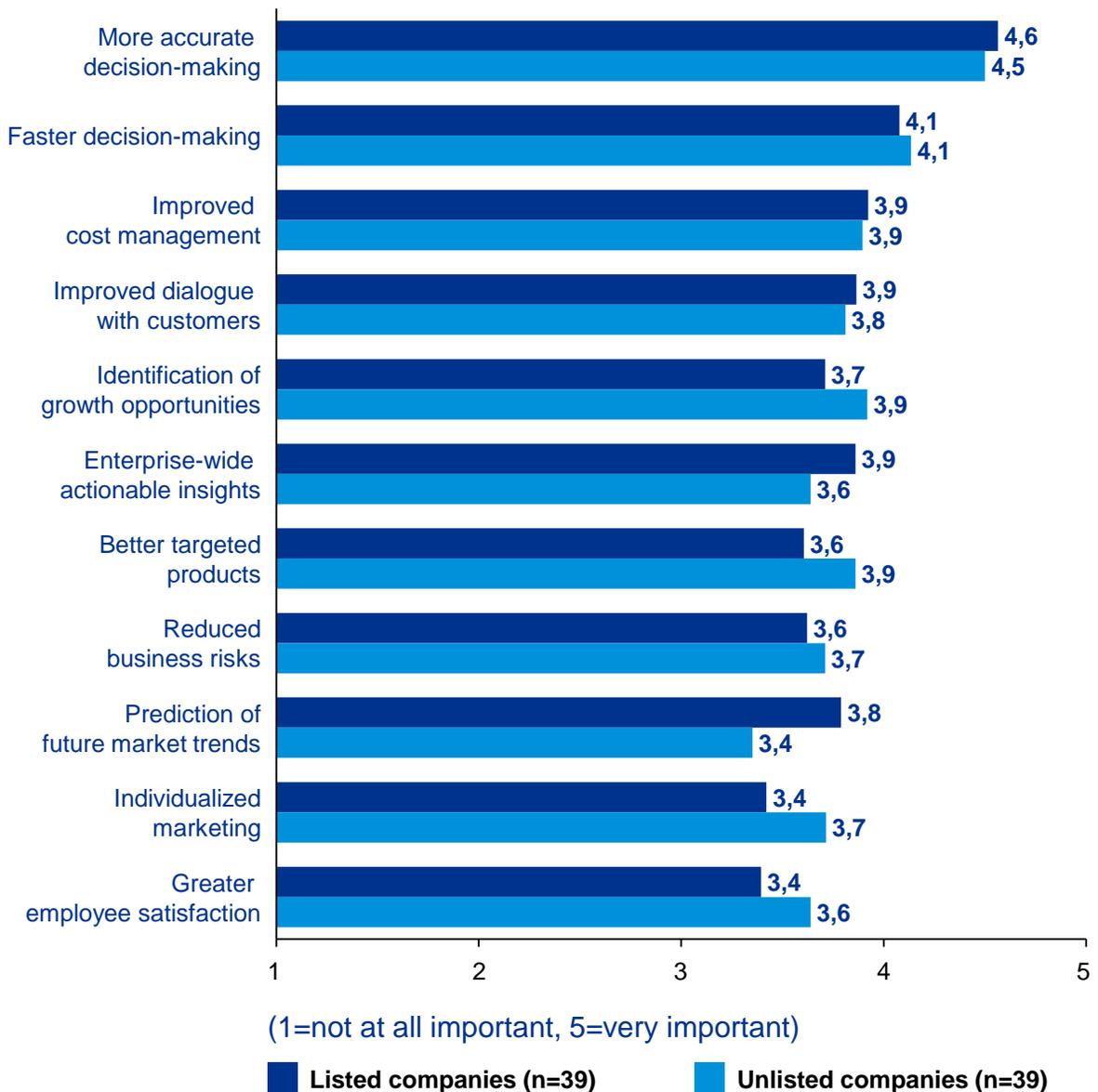
In general, it can be concluded that operational efficiency is the most important utilization area, and that the results for listed and unlisted companies are similar. However, some key differences exist – the largest of which concerns customer analysis, which seems to be significantly more important for unlisted companies.

The finding that listed companies give higher scores in general may indicate that they see more potential in utilizing data.

# Improved decision-making is the ultimate goal for companies

## The key goals companies want to achieve by utilizing data

Rating



## Improving the accuracy of decision-making is clearly the most important goal companies want to fulfill by utilizing data

Companies are striving to improve both decision-making accuracy and speed by utilizing data. This in turn implies that they are not satisfied with their current decision-making processes and that strategy and decision-making should be data-driven.



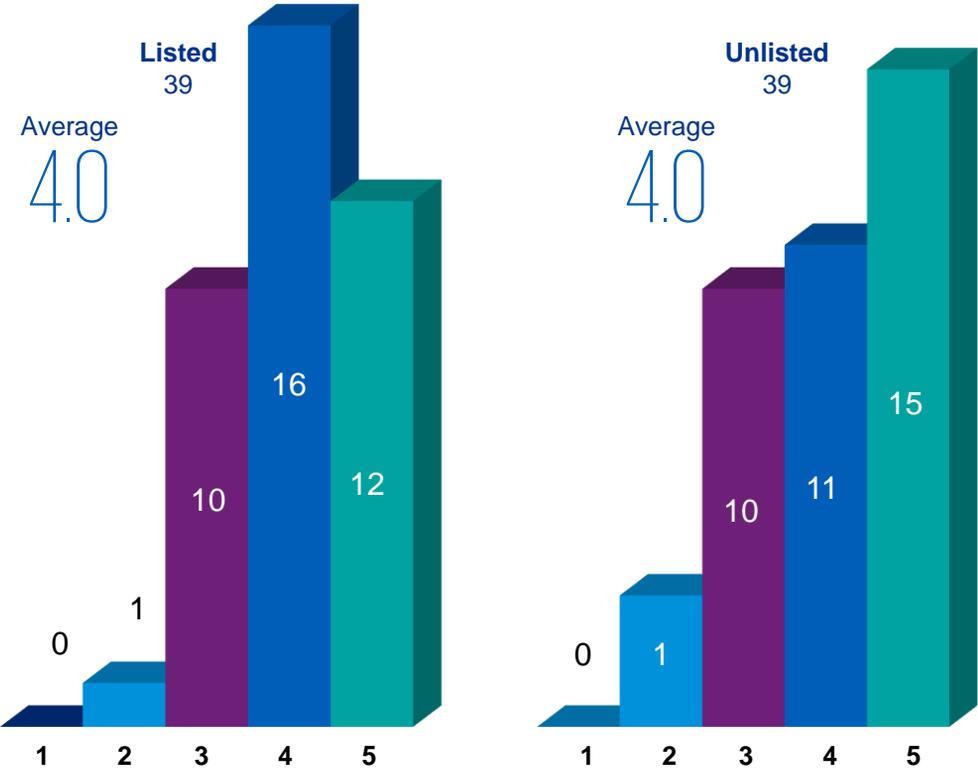
*“We have started to generate data on economic trends in-house instead of buying it. Customizing our tools and technology to enable us to draw conclusions from data has proven to be a major challenge.”*

*– Head of Data & Analytics, listed company*

# Companies acknowledge the potential of data, but fewer than half of them have a data strategy

## The importance of data for company leadership

Number of respondents



(1=lowest, 5 = highest)

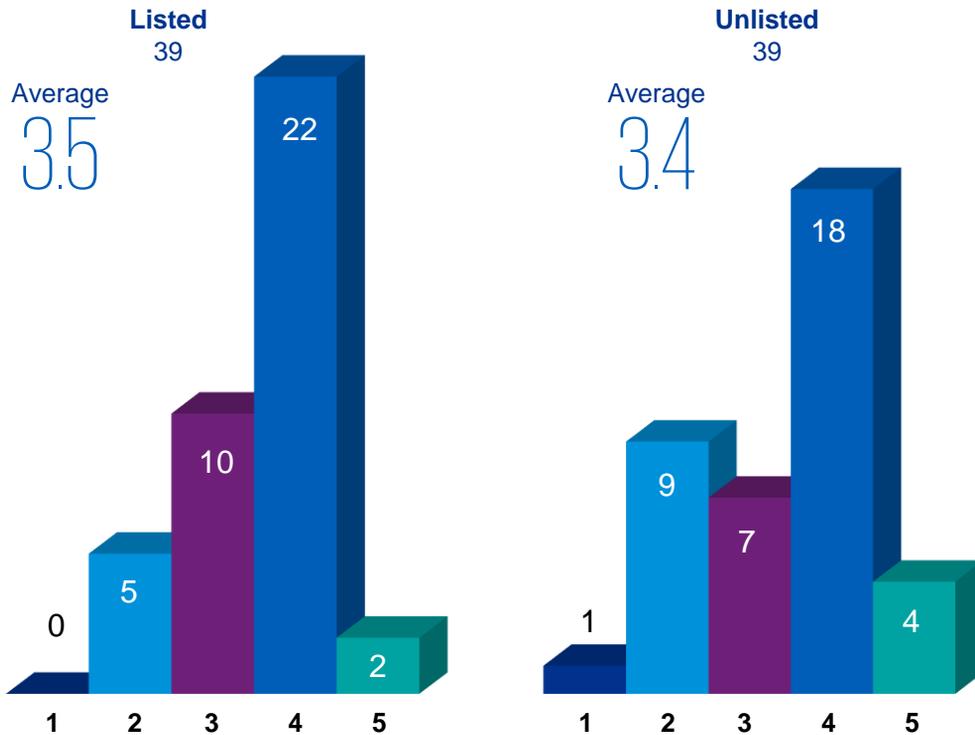
## The perceived potential of data among company leaders has not so far been extensively translated into concrete actions – such as defining data strategies

Although most companies still have no defined data strategy in place, the potential of data is highly regarded among corporate leadership. This suggests that data-driven strategies will be increasingly emphasized in the future.

Both listed and unlisted companies seem to approach data strategy from a business perspective rather than from a technical one

### Approach to data strategy

Number of respondents



(1=highly technical, 5=highly business)

### Most companies seem to consider business aspects much more than technical ones when developing their data strategies

First set the business targets, and then determine the needed data and tools to analyze them and generate supporting insights. This seems to be the preferred approach of Finnish companies to data strategy. Consequently, only a handful of companies put more weight on technical aspects.

In general, it seems like a coherent and logical option to focus on the business side of things and not let technical capabilities and ambitions define the data strategy.

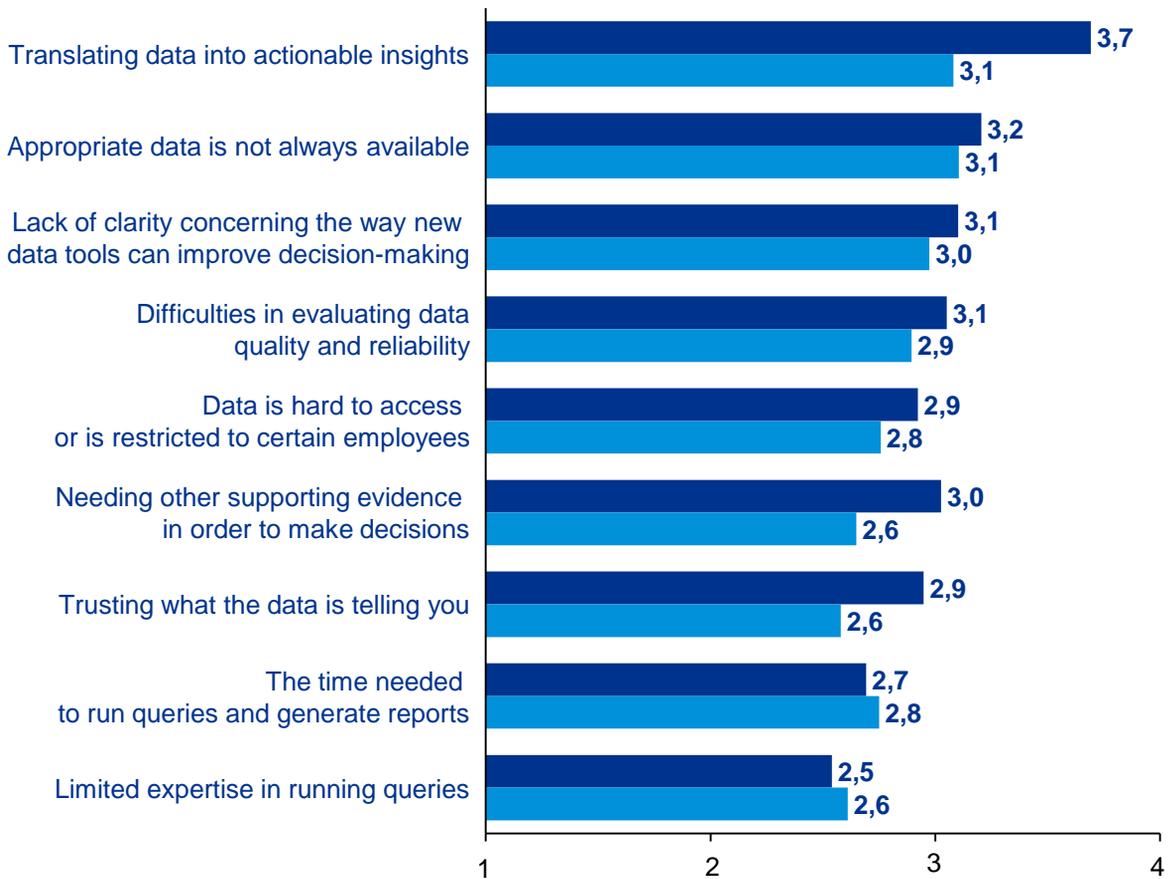
*“We face various challenges  
related to managing, collecting,  
analyzing and drawing  
conclusions from our data.”*

*– CDO, unlisted company*

# Accessing the right data, capable of generating valuable insights, is crucial to good decision-making

## Key challenges in utilizing data for decision-making

Rating



(1=no challenges, 5=major challenges)

■ Listed companies (n=39) ■ Unlisted companies (n=39)

### Listed companies seem to find the challenges harder than unlisted ones

The differences in perceived challenges could possibly be explained by the larger sizes, more complex business environments and more challenging decision-making processes of listed companies.

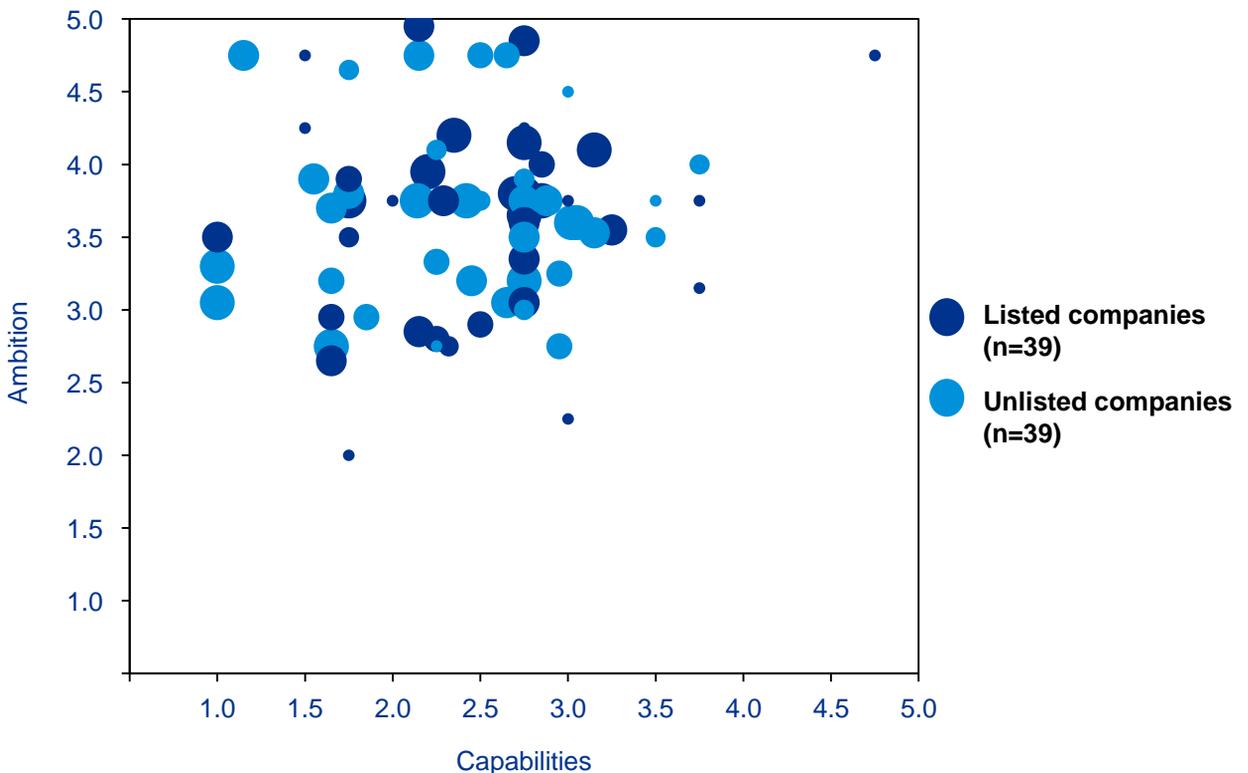
Companies seem to be reasonably content with the way queries and analyses are run, as well as with the data quality. Also, interviewees state that query-related tasks are quite easy and inexpensive to outsource.

The principal challenges seem to pertain to having the needed data readily available, and being able to draw actionable insights from it to efficiently support decision-making.

# Companies' data capabilities and ambitions are generally not in line, leaving much to be improved

## Data capabilities and ambitions Rating

ILLUSTRATIVE



(1= lowest, 5=highest, size of ball represents revenue of company)

*"We continuously need to develop our data capabilities in line with our business ambitions. Otherwise we will risk losing our competitive edge, which would be devastating."*

*-Head of Data & Analytics, listed company*

## There is a clear mismatch between data capabilities and ambitions, especially among unlisted companies

Listed companies' data capabilities appear to be better aligned with their data ambitions, albeit improvement potential exists here as well. Whether unlisted companies are more ambitious when it comes to data, or whether their capabilities are less developed than listed companies', remains unclear, and could present an interesting topic for further analysis.

# Lessons learned



*“We acquired a company recently and conducted a related Data Due Diligence project that proved to be very valuable, as it supported our decision-making.”*

-CIO, listed company

# Conclusions

## 1 Clear mismatch between ambitions and capabilities

Companies generally rate their data capabilities lower than their data ambitions. Results also indicate that companies have not set their data ambition levels particularly high, considering their current data capabilities. There is thus significant room for improvement, with respect to both setting appropriate data ambition levels, and having the needed data capabilities in place to support efficient business decision-making.

Results suggest that companies that have managed to align data capabilities and ambitions better, are less likely to face severe challenges related to utilizing and managing data. Moreover, the size of companies does not seem to correlate with more efficient data utilization.

## 2 Companies with data strategies leverage their data more efficiently than those without data strategies

Having a data strategy in place appears to give companies a significant advantage in terms of efficient data management, as well as in identifying and capturing future growth potential. Companies with a data strategy typically also approach data-related topics from a business perspective as opposed to a technical one, and generally use more advanced analytics than companies without a data strategy. Furthermore, data storing is more efficient and consolidated, and satisfaction with data quality and tools higher, among companies with a data strategy in place.

In addition, companies with a defined data strategy tend to see more potential and benefits in utilizing data, e.g., in terms of markets, customers, competitors and product analyses, enabling them to create a data-driven strategy.

Surprisingly, Finnish companies have had data strategies in place for only a few years on average, suggesting that the role of data has only started to be emphasized in recent years.

# Conclusions

## 3 Companies are generally not satisfied with their current data tools

The majority of companies are not satisfied with their current data tools. Satisfaction with data tools and data quality seems to go hand-in-hand, as they strongly correlate with one another. Companies that have more advanced data tools are able to interpret even low-quality data, whereas companies possessing high-quality data manage to interpret it with elementary data tools.

Moreover, results indicate a significant negative correlation between data tool satisfaction and many of the key challenge areas. This implies that higher satisfaction with data tools, and perhaps high-quality tools, lessens the risk of facing challenges in data utilization.

## 4 This study shows no significant differences between listed and unlisted companies

Results indicate that listed companies do not possess any competitive advantages in data utilization compared to unlisted ones. In fact, unlisted companies outperform listed ones in many areas; they have data strategies in place more commonly, store data more efficiently and utilize more advanced analytics and data tools to support business decisions.

However, listed companies seem to align their data capabilities with their data ambitions somewhat better, and see more potential in data usage than unlisted companies.

The differences between unlisted and listed companies may be due to e.g., varying industry-specific data collection practices and data utilization areas. A number of unlisted companies that participated in this study operate in industries where advanced data utilization is both required and possible, and where large amounts of data tends to be available.

## A few tips for creating a data strategy

1. What data do we need to grow our business, as opposed to the data we need to run our organization?
2. What data will allow us to meet our strategic objectives?
3. What data do we need in order to achieve a competitive advantage over our competitors?
4. How should we utilize the data in order to draw sound conclusions?
5. What data should we purposefully manage? What data is “out of scope”?
6. What data tools are required to draw useful and reliable conclusions and insights?
7. How can we organize data utilization, storage, etc. as an ongoing process?
8. What data do we need in order to measure the success of our actions?
9. What actions do we need to take in order to increase the value of our data?
10. What competences and skills do we need?

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