



# Clearly Thinking

Thoughts and Opinion from the team at Clearly Analytics

## Putting context behind the numbers

*At Clearly Analytics we believe that using data effectively helps businesses improve their performance. Here we look at why it is imperative that businesses ensure that context is added to their performance metrics.*

I write this article just over a year after a catalyst event in the business world took place. On the morning of 15th September 2008, Lehman Brothers, the fourth largest investment bank in the US, filed for bankruptcy.

It marked the start of a very busy week in the financial markets.

Later that day, Merrill Lynch agreed to be taken over by Bank of America. Within 24 hours, the US Federal Reserve announced an \$85bn rescue package for the nation's largest insurer, AIG.

Within a month of the failure of Lehman Brothers, the FTSE 100 had lost a fifth of its value. The Dow Jones Index suffered a similar fate. Despite an absence of immediate figures, there was little doubt that a recession was born.

A year on and many newswires, politicians and business commentators appear to be talking up signs of economic recovery. Whether they prove to be correct remains to be seen but whichever way you feel that the economy will go over the next 12 months, exercise caution if you use seasonal metrics.

Many businesses use year-on-year metrics to measure their business performance. Using a year on year comparison is often the best, and quickest, guide to how your business is performing. But the method only works if variations and outliers to the yearly cycles are identified. Adjusting for 'special events' is essential when using year on year performance metrics.

The significant decline in the performance of the financial markets following the events in September 2008, and the subsequent knock-on effect throughout the wider world economies, will be reflected in many business's performance indicators over the next few weeks.

Remember some of that relative improvement could be attributed to a debilitated base.

### So what should you do?

- Ensure that any commentary sits alongside your performance metrics.
- Look to use a different base - either a budget/target view (pure business performance nirvana), or perhaps events from two or three years ago (versus 2y, versus 3y comparisons).
- Keep a diary of events that significantly impact your business (and that of your customers).
- Continually refer to your diary to help keep up with your context.

Your metrics should continue to be a good guide for the state of your business. They just need context.

## About Us

Formed in 2009, Clearly Analytics helps businesses improve their performance by making more effective use of their data.

Whether you are looking to increase sales, reduce costs, improve operational performance, Clearly Analytics can help you unlock the hidden clues within your information assets.

From full project consultancy, through digital dashboard creation to presentation design, delivery & training, Clearly Analytics can provide services to improve your business performance.

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