

Unlocking Decision Excellence: Why connected enterprises drive higher shareholder returns

Anaplan Enterprise Decision
Excellence Report™ 2024

Anaplan

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Introduction

Humans make on average 35,000 decisions a day.¹ For senior executives, that number is even higher.

But making the right decisions — ones that drive the right outcomes — remains one of the fundamental challenges facing every employee and senior leader across all organizations today.

While it seems obvious that better decisions lead to better overall outcomes, what's less obvious is *how* executives can enable the entire organization to make better decisions and whether it's possible to measure the quantifiable benefits of those improved decisions.

For the first time, our research provides compelling evidence that “**enterprise connectedness**” — the extent to which an enterprise joins or links its decisions and operations — is fundamental to enhanced decision-making. Furthermore that improving “**decision excellence**” — defined as higher decision quality, velocity, and efficiency — leads directly to increased financial returns.

Our research found that **organizations reaching a higher level of decision excellence — achieved through enterprise connectedness — improved Total Shareholder Return by up to 14 percentage points when compared to industry peers** who were less connected and therefore had lower levels of decision excellence.

For this report, we surveyed 500 senior executives from the largest 1,000 organizations in the US, UK, and Canada, as well as conducted more than 20 in-depth interviews, collating more than 50,000 data points to delve into exactly what's behind decision excellence.

We wanted to discover the cause of the significant delta between the top and bottom performers when it comes to decision excellence and help you understand exactly how you can enhance decision performance across your executive team as well as throughout your organization.

1. [Edition.cnn.com](https://edition.cnn.com)

Defining our terminology

We worked with a leading global strategy consulting firm to develop a detailed series of questions that would provide insight into how decision excellence was achieved. While connectedness (i.e., the level of interconnectivity between an enterprise's data, processes, perspectives, and systems) isn't the only element to achieving decision excellence, to keep our research focused this is where we concentrated our study. Our hypothesis was relatively simple, to wit: highly connected enterprises make better decisions, and better decisions lead to superior financial performance. Thus, we wanted to test:

Does a more connected enterprise realize better decision performance?

Does higher decision performance drive better business outcomes?

Can the benefits of these be quantified?

We first set about defining our terminology. How could we characterize Decision Excellence? What did we mean by a Connected Enterprise? We then created two indices through which we could measure our respondents' organizations and discover correlations between decision excellence, connected enterprises, and financial performance.

Decision Excellence

What is Decision Excellence?

The ability to make fast, informed, and effective decisions.

We've categorized these decision excellence elements into their three key constituent parts:



Quality of decisions



Velocity of decisions



Efficiency and time spent making decisions

Within each of these three areas, we further dissected and clearly defined the specific characteristics, as illustrated in the diagram opposite.

Enterprise Connectedness Index

Decision Excellence Elements

Select Capabilities of Decision Excellence

Quality of Decisions

Data informed

Decisions are made using data and facts; decisions are made with an understanding of the business case

Perspective backed

Multiple options/scenarios are typically considered for big decisions; decisions are not made in functional, regional, and divisional silos

Acted upon

Decisions are revisited after they are made to evaluate impact; decisions made are executed

Velocity of Decisions

Made at the right level

Decisions are made at the right level; employees are clear on what decisions they can make

Focused on what matters

Executive leadership helps define the decisions that matter; adequate time is spent on decisions that matter

With clear pathway to make decisions

Path to make decisions feels easy to navigate; there is clarity on how decisions are made

Time Spent on Decisions

Time spent

Total time in meetings devoted to driving decisions

Productivity

What portion of the total time was productive

Connected Enterprise

What is a Connected Enterprise?

Connectedness is the state of being joined or linked, so Enterprise Connectedness is the extent to which an enterprise joins or links its decisions and operations. Therefore, a Connected Enterprise is characterized by its level of interconnectivity in its data, processes, perspectives, and systems.

We've categorized these interconnected elements into three primary areas of organizational structure and alignment:



Vertically: from leadership to front-line



Horizontally: across functions, business units



Externally: with suppliers and customers

Within each of these three areas, we further dissected and clearly defined the specific characteristics, as illustrated in the accompanying diagram.

Enterprise Connectedness Index

Enterprise Connectedness Elements

Select Capabilities of Connected Enterprises

Vertical Connectedness	Strategic plans connected to operating plans	Connecting strategic and financial plans to operational and product plans; cascading strategic plans to individual and annual/quarterly levels
	Many bottom lines	Understanding unit economics (e.g., customer lifetime value, product/SKU, channel, and location), and applying this knowledge to business decisions (e.g., pricing, resource allocation, innovation)
	Real-time monitoring and steering of performance	Capturing and using real-time data, implementing rolling forecasts, reviewing variances, and dynamically changing plans
Horizontal Connectedness	Aligned processes, practices, and roles	Effective cross-functional collaboration, effective and efficient planning processes, consistent processes across BUs, clear roles
	Connected data and systems	Trusted and accessible data (e.g., one source of truth, easy access, interoperability through common identifiers, integrations), consistent reporting tools across organization, AI adoption
External Connectedness	Connectedness with customers	Integrating customer data with company systems, tracking quality metrics (e.g., service levels, order confirmation time, FTE productivity), taking regular feedback, and acting on it
	Connectedness with suppliers	Integrating IT systems with suppliers, transmitting real-time capacity data, governing via common scorecards

Indices

Every participant responded to multiple questions related to each of the characteristics. These individual scores were subsequently aggregated to derive an average score for their organization concerning both enterprise connectedness and decision excellence.

The resulting average scores were then mapped into two distinct indices — the Enterprise Connectedness Index and the Decision Excellence Index. These indices were calibrated to a scale of 0 to 100, indicating the level of organizational connectivity and the proficiency of decision excellence.

Score distribution



The scores distributed across a wide range. We segmented the scores into four quartiles as demonstrated in the diagram. For this report we've focused on the top quartile — a group we're calling Winners, and the bottom quartile — a group we're calling Laggards. This allows us to compare and contrast distinctions between the scores across our survey.

Results

Outperform your peers

Our research revealed that companies achieving the most improvement in decision excellence outperformed their industry peers by 6.1% in Total Shareholder Return (TSR). Conversely, those lagging in decision excellence improvement underperformed against their peers by -8.2% TSR, resulting in a substantial delta, of over 14 percentage points.

To put this in dollar terms, consider that the largest 1,000 companies have an average market capitalization of about \$70bn. So, on average, winners add \$4.3bn more TSR than their industry peers, and \$10bn more than laggards, who fell behind their industry peers by \$5.7bn of TSR.

Therefore, the disparity in TSR between the Winners that outperformed peers in decision excellence, and the Laggards that underperformed, is a staggering \$10bn in TSR. What drove higher levels of decision excellence? Higher levels of enterprise connectedness.

Total Shareholder Return Performance

Change in Decision Excellence

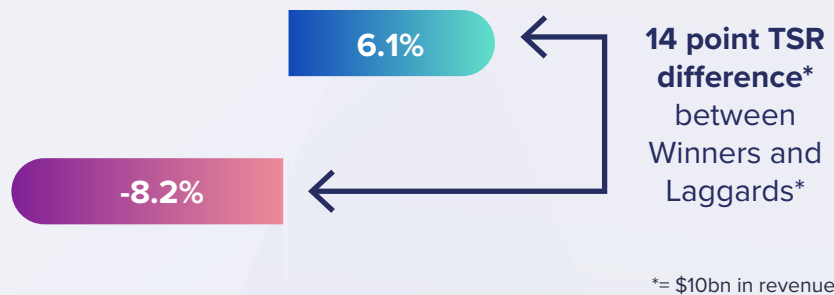
Top 25% improvers

Winners that improved decision-making outperformed peers by 6.1% = \$4.3bn market cap.

Bottom 25% improvers

Laggards in decision-making improvement underperformed against peers by -8.2% = -\$5.7bn market cap.

TSR vs Industry Median, 2022, %



The method behind the data

To reach this conclusion, we divided the survey respondents into four groups based on the improvement in decision-making across 20 elements over the past three years. We compared this with the increase in TSR relative to their industry peers over the last year.

For each quartile we then evaluated their relative TSR for 2022 against the average for companies within the same or similar sectors, normalizing the effect of the difference in stock appreciation for different industry groups. For example, if the TSR for Company X is 10% and the industry median is 8%, then the relative TSR is $(10-8)\% = 2\%^*$.

* See appendix for detailed research methodology

Connectedness is the enabler of Decision Excellence

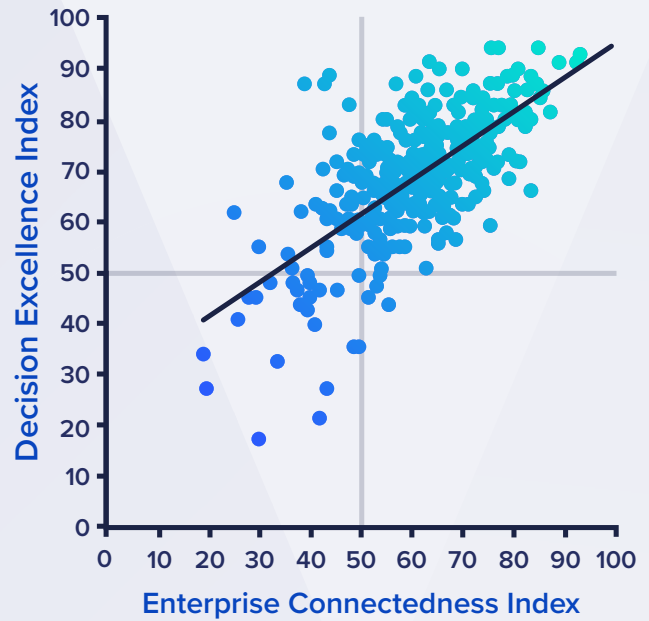
Our research establishes a clear link between enhanced decision-making and substantial financial performance gains.

To find out *how* these organizations were making better decisions, a more in-depth analysis of the data revealed a **direct correlation between improvements in decision performance and enterprise connectedness.**

The accompanying diagram illustrates that as organizations ascend to higher levels of enterprise connectedness, there is a corresponding increase in their decision excellence scores.

As you would expect for the largest 1,000 companies, the majority of our respondents cluster in the upper right corner of the diagram, signifying their operations as reasonably connected enterprises and, consequently, boasting medium to high levels of decision performance.

Higher Enterprise Connectedness Drives Higher Decision Excellence

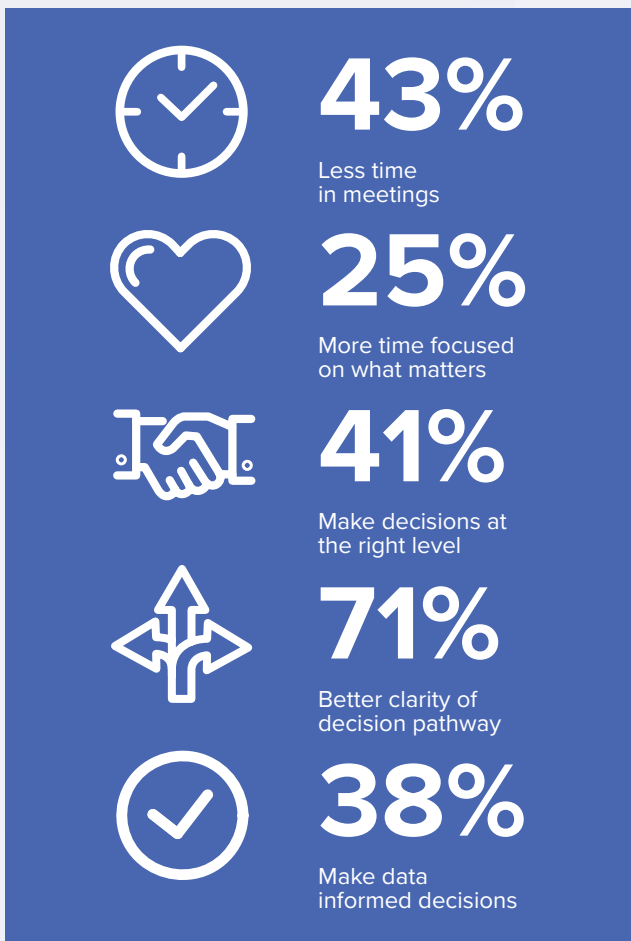


Spend less time in unproductive meetings

Further analysis of the data revealed that well-connected enterprises outperform across every element of decision excellence — not just in one focus area.

When we plotted our average Laggards' scores (those organizations in the bottom quartile) against our Winners (those organizations in the top quartile), for the criteria in our Decision Excellence Index, specific areas emerged where Winners demonstrate a distinct advantage in productivity and operational decision-making due to their enhanced connectedness.

Average Decision Excellence Index Score Improvements Between Winners and Laggards:




For example, Winners, with their heightened connectedness, spend 43% less time in unproductive meetings compared to connectedness Laggards, providing employees at all levels within an organization with more time to focus on operations, strategy, and leadership, ultimately driving organizational success.

This is corroborated by data suggesting that Winners are 25% more focused on what matters than Laggards. Notably, these forward-thinking organizations are also 71% more likely to have a clear decision pathway — empowering their teams to make decisions with ease and clarity thereby propelling the business forward.

Effective decision-making hinges on good data, and Winners demonstrated a 38% higher likelihood of making data-informed decisions than our Laggards. They are also 41% more likely to make decisions at the right level.

It's crucial to note that organizations that score highly in the Decision Excellence Index, go beyond just leveraging technology; they nurture a culture and mindset of connectedness throughout their organization to ensure clarity of decision-making and then use technology to inform and enhance those decisions.

 We have a lack of accountability or ownership in our decision-making process. Major decisions usually take six months to a year because of misalignment between teams and regions.”

Source: VP finance, financial services company

Be tightly connected to your customers and suppliers

Regarding connectedness, our results mirrored those of decision excellence. Winners were not focused on specific aspects of connectedness but demonstrated consistency across all components of the Enterprise Connectedness Index.

Not surprisingly, effective connectedness wasn't limited to the four walls of an organization. Winners demonstrated their ability to connect with external organizations. They exhibited a 58% higher level of connectedness with their customers and suppliers compared to Laggards.

This heightened external connectedness plays a pivotal role in decision excellence, as Winners possess greater influence and control over external factors impacting their organization. This knowledge empowers them to navigate everything from demand and supply chain dynamics to managing supplier costs more effectively.

Interestingly, Winners' scores are, on average, 60% higher than Laggards regarding connection associated with data and systems. The interconnection of these systems contributes to breaking down organizational silos, providing employees at all levels with a singular source of truth to guide and enhance decision-making. A logical result follows: Winners' processes were more aligned than Laggards by 42% because clearer processes, roles, and responsibilities drive stronger cross-functional collaboration and improve efficiency.

This is further reinforced by our statistics revealing that Winners' scores were 50% higher when it comes to engaging in real-time monitoring and steering of performance. This capability enables these organizations to swiftly pivot and remain agile in response to market changes.

Additionally, Winners demonstrate a 28% improvement over Laggards in connecting strategic plans to operating plans, empowering all employees to excel. Collectively, these insights paint a clear picture of the competitive advantages that connected enterprises can harness.

Average Enterprise Connectedness Index Score Improvements Between Winners and Laggards:



Conclusion

The Anaplan Enterprise Decision Excellence Report™ 2024 sheds light on the critical interplay between connectedness, decision-making, and financial performance. We've unearthed compelling evidence that organizations achieving decision excellence through enhanced connectedness outperform their peers.

We establish a clear link between enterprise connectedness and improved decision performance within the largest 1,000 organizations in the US, UK, and Canada, resulting in a staggering \$10bn difference in the TSR between top performers and their less-connected peers. Contrary to expectations, there was no specific area or

characteristic that distinguished Winners from Laggards in connectedness; instead, winning companies excelled across the board, indicating a comprehensive mindset of utilizing connectedness throughout the organization to ensure decision excellence.

With the 10s of thousands of decisions executives grapple with daily, the challenge lies in ensuring that these decisions drive optimized outcomes. As the business landscape evolves, and challenges become even more intricate, the ability to harness the collective intelligence of a connected organization, fuelled by decision excellence, will likely be the defining factor in shaping your future success.



Tying our internal customer records to purchased third-party data (e.g., data from ZoomInfo) is a complicated and lengthy process because our systems are not connected so we have to put a lot of effort into manually joining everything and cleaning it up.”

Source: C-level executive, financial services company

Appendix

Research methodology

Quantitative Lens:

We surveyed **500 senior executives** from the largest **1,000 companies** in the **US, UK, and Canada**.

- We collected ~10,000¹ data points on **decision-making** and ~30,000¹ data points on **connectedness** in large enterprises
- We enriched these results with **>10,000² financial data points on the performance** of these companies (Total Shareholder Return, etc.)

1. 500 respondents answered 20 questions on decision-making and 60 questions on connectedness

2. Analyzed Financial data for 1,000 companies for the last five years across several indicators

Qualitative Lens:

- In designing this research we **interviewed 15+ senior experts** on decision-making and connectedness in enterprises
- We then interviewed **20+ senior executives** to get to the “why” behind quantitative survey results
- Finally, we conducted a **series of panel workshops** with experts to dimensionalize the results



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Anaplan is a leading provider of enterprise cloud software that empowers organizations across industries to see, plan and lead better business outcomes. Our Connected Planning platform enables leaders to align their strategic objectives and resources, make bolder decisions and drive faster results.

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