

CHIEF DATA OFFICER: FACT, FALLACY, OR FAD?

Data is rapidly becoming the raw material of future business success. Its importance as a fundamental driver and competitive advantage is quickly on its way – if not already here. Businesses have the opportunity to gain insights from data to shape and transform operations and drive value like never before. The Chief Data Officer is a must to manage and protect data as an asset and maximize its impact.

Those who haven't yet heard of the Chief Data Officer (CDO) soon will. Although there were less than 50 CDO positions in 2012, there were more than 100 by the end of 2013.¹ And the rate is increasing exponentially. Gartner originally predicted a 20% adoption rate by 2017,² but a year later revised their prediction to 25% by 2015!³

But wait a minute ... isn't data management the responsibility of the CIO?

Simply put, no.

It's true the CIO oversees the systems and technology that store, transport, and manipulate data. This is necessary to realize the value contained in data – necessary, but not sufficient. In other words, the CIO enables the business to function smoothly by ensuring that the systems and processes are in place to use data to meet the organization's needs. But nothing the CIO works with has inherent value as an asset to the business. As essential as technology is, it is an enabler – a tremendously important one – but an enabler and nothing more.

A GLASS OF WATER, PLEASE

Technology is like a glass, and data the water within. We don't use a glass because of its inherent value. We drink out of the glass because it enables us to hold and transport the water. Water brings hydration and keeps our bodies functioning – that's the value. The glass is just a container; a delivery device; an enabler. It is essential in order to use the water – but it's the water that has the real benefit.

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¹ Gartner, CIO Advisory: The Chief Data Officer Trend Gains Momentum, January 12 2014

² Gartner, CEO Advisory: Chief Data Officers are Foresight, not Fad, December 11 2012

³ Gartner, CIO Advisory: The Chief Data Officer Trend Gains Momentum, January 12 2014

DATA AS AN ASSET

Data has inherent value – it is an asset. The data gathered by a company is as unique as the company itself. No other company has this specific data – which means it can be used to create a competitive advantage. Businesses can leverage their data to improve operations, better reach and serve customers, and even predict the future.

The CIO isn't thinking about data in this way. It's not his or her job. Yes, the CIO stores and moves data – but does so on behalf of the business.

The CIO doesn't define the data's sensitivity, value, or life, nor does the CIO know its accuracy, quality, or intended use. This all comes from the owners and users of the data. The role of the CDO is to understand and determine these needs, and manage data according to its intended use and audience.

Another reason the CIO doesn't manage data has to do with the nature of work done within an IT department. It's project-based. Implement a new system. Develop a new technology. Upgrade an existing toolset. When the project is over, the system enters maintenance mode, and largely falls off of the CIO's radar.

Data is different. Managing data isn't a one-time project. It's a persistent, dynamic asset of a company and reflection of its operations. Yesterday's data chronicles where a company has been. Today's data is a snapshot of current performance, views of what's important, and insights into challenges and opportunities. And despite all the hype surrounding big data (for all but a select few companies, big data hasn't really yet hit), there is no question that data is growing – and growing fast. So regardless of where a company is on the big data growth curve, it's not a matter of if data will play a greater role in driving business, it's a question of *when*.

READY OR NOT

Companies that recognize the importance that data will play in driving business in the future are putting CDOs in place now. These organizations are looking for someone who can chart the information strategy to leverage existing and nascent data quickly and easily – for insights, information, and actions to improve operations and profits. Organizations are looking to build strategies that incorporate external data such as social media; that enable the addition of new sources of data as they appear; and that can handle the data tidal wave that's coming with the Internet of things – sensor-outfitted devices, wearables, RFID and other near-field communication devices like iBeacon.

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MANAGING DATA AND ITS USE IS A BUSINESS FUNCTION, NOT AN INFORMATION TECHNOLOGY FUNCTION.

As companies come to realize they need a CDO – or perhaps more likely, when they realize data management is falling behind – how do they go about finding the right person for the job? There's no CDO graduate course ... yet. There are three choices:

- Entice one away from another organization (expensive)
- Find and hire a promising candidate (time-consuming)
- Assign someone internally (even though they might not have all the skills for the job)

Any of these will work, but none of them are easy. Most organizations will take the third route – promoting from within. Go ahead and join them – it's the best approach because:

- An existing employee already understands your business and is in a good position to understand how data impacts it today, and understand future potential
- It's the fastest and least costly approach
- The role will morph quickly – so whoever you place in this role today will have to do a lot of learning and growing; insisting on prior experience as a CDO is not as important because the role will evolve quickly anyway

So choose someone who knows your business, who understands data, who is a self-starter driven to learn, and who works well with uncertainty.

BUT REALLY, C-LEVEL?

Not all organizations need data representation in the C-suite. Or at least not yet. But they will. Data is already serving tremendous value for most businesses and its importance is growing. The continued expansion of the Internet, social media, the explosion of mobile, and soon the Internet of things – will continue to generate data that will improve the way businesses operate in ways never before possible or even imagined. Data's value is rapidly approaching – and in some verticals exceeding – the value of other assets including people, intellectual property, and capital.

Even businesses not ready to bestow C-level authority to this role will reap huge benefits by placing someone in charge of their data NOW. With the establishment of a director-level, data-focused role today, the business will be ready for data to take that coveted seat in the C-suite when the time comes.

Regardless of the level, finding the proper place for this role within the company is another challenge. A common initial reaction is within the IT department,

reporting directly or indirectly to the CIO. But doing this puts too much emphasis on the handling of data rather than the use and value of data. Take the CFO, for example; this individual manages everything about the company's money but doesn't decide how the money is used. The various business groups choose how money is spent to accomplish their goals. Managing data and all the aspects of its use is a business function, not an IT function. Therefore, the CDO should sit in the business rather than within the IT department. The data role should report, directly or indirectly to the CEO or COO or possibly the President; or if it's more localized, to the senior role of the business group.

**THE CHIEF
DATA OFFICER
SHOULD RESIDE
OUTSIDE OF THE
INFORMATION
TECHNOLOGY
ORGANIZATION.**

DON'T RISK WAITING. YOUR COMPETITION ISN'T.

In 2012, International Data Corporation estimated that the digital universe will grow from 130 exabytes in 2005 to 40,000 exabytes in 2020.⁴ What's an exabyte you ask? Doesn't matter. In 2020, we'll have 300 times as much data as we did in 2005. Put another way, that's over 40% growth every year for 15 years straight (and it won't stop there). Every company will get swept up in the explosion of data. Some will ride the wave and use data to propel their businesses forward. Others will be swamped by the deluge.

The companies that will forge the future are those that will use the influx of data to improve business, understand customers, bring better products to market, and fine-tune operations. Doing this well requires a commitment to managing data as an asset with disciplined and focused data oversight. That oversight can only come from a role dedicated to this function. The CDO isn't fad or fiction – it's fact.

The wave is coming. Be ready.

IDC's Digital Universe Study, sponsored by EMC, December 2012⁴

ABOUT NORTH HIGHLAND

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