

Chief Data Officer

Is this seat free?



Pierre Bauwens
Director
Operations Excellence
& Human Capital
Deloitte

Benjamin Hiver
Consultant
Operations Excellence
& Human Capital
Deloitte

Businesses are deluged with data. The control of processes and systems handling, dealing with and exploiting that data is no longer a “*nice to have*” but is now becoming a “*must have*” to contain associated costs within reasonable limits. For some market stakeholders, data is a strategic differentiator that can generate additional revenues. The appointment of a Chief Data Officer, as a catalyst to address all these challenges is an emerging trend, which at the same time raises a lot of questions.

Setting the scene

Current regulatory, economic and technological changes are presenting the financial industry with unprecedented challenges.

Data management in itself sums up these challenges. Regulators are seeking transparency and impose additional reporting that is a large scale ‘data consumer’ while data acquisition costs represent a significant portion of the budget of financial companies, which have seen their margins eroded since the financial crisis.

Many organisations have launched operational efficiency programmes. However, in most cases they

are not totally implemented or exploited to the full and data is still managed by several departments designated ‘data areas’ and each using its own and sometimes workaround applications. Many of the ad hoc extracts and reports that were built in haste and then declared to be business critical and priority IT developments have remained in their original ad hoc form.

Also, since many companies are investing in building enterprise-wide Service-Oriented Architectures (SOA) and integrating applications and systems across the company, it is no longer efficient to create individual data fiefdoms and have different standards, policies and procedures for each one.



The following table details the challenges related to data management faced by financial industry 'stakeholders':

	Challenges	Impact on organisation
Regulatory	<ul style="list-style-type: none"> Regulatory drivers 	
Business	<ul style="list-style-type: none"> Changing nature of data Data deluge 	 
Profitability	<ul style="list-style-type: none"> Competitive pressures 	
Organisation	<ul style="list-style-type: none"> Information and budgeting silos Information centric business & roles Inadequate data ownership 	  
Technology	<ul style="list-style-type: none"> Sparse global operation & technology systems Technology evolution 	 

 Weak  Strong

Source: Deloitte

To depict the challenges of data management alone would be a static and overly simplistic view. Companies are becoming increasingly aware of the value of information technology, business intelligence and data integration, as well as the value of data as a company asset. Data management is now perceived as an asset with its own monetary value. This is where asset servicers can step in to build extra services through the gathering, analysis and provision of data and real-time data into new business channels.

The optimisation of data management processes to contain related costs within reasonable limits and the definition and implementation of standards, procedures and business strategies are now on the agenda. This emphasises the importance for financial institutions of appointing a 'voice of data' at the executive level.

The senior data executive as the 'voice of data'

The head of the data management function has usually been relegated to a supervisory position. With the management of data becoming more critical and crucial, this function must be filled by a leader with a strategic vision, specific awareness and understanding of the business and a high level of representation at the executive table (the C-suite) in his or her organisation.

Without prejudice to the traditional head of data management and before determining the senior data executive's job title, the job description itself must be placed in the current regulatory, economic and technological context of the financial industry:



Regulatory

Awareness of regulatory environment and its challenges: Directives and Regulations are no longer solely the preserve of lawyers. Certainly, their understanding calls for strong legal skills, but their operational implementation also requires business and technical expertise. Considering the regulatory landscape overall and not each regulation in isolation is a prerequisite to managing data efficiently. For example, there is a significant overlap (about 40%) on data requested under AIFMD and EMIR reporting.



Business

Business knowledge: Plenty of business units within a company are creating, using and managing data. Until fairly recently—and this is sometimes still the case—these business units have been managing data on their own, and the risk of redundancy, duplication or unnecessary data acquisition and maintenance have been high. The senior data executive must be able to understand the needs of these different business units and must be familiar with the various disciplines, such as finance, risk management, financial data production and reporting, etc. More broadly speaking, the senior data executive has to align the data strategy with the business governance model and source and implement the necessary tools to manage it, and to extrapolate its availability and relevance into the future.



Profitability

Working to improve the company's financial margins:

- By reducing or containing the cost of data (acquisition, production and storage) through the adoption of both business and IT measures
- By monetising data: The senior data executive must be guided by a strategic vision and an entrepreneurial mindset by developing new service offerings in the field of data (gathering facilities, analysis, production of indicators, mutualisation, etc.)



Organisation

Negotiation, prioritisation and empowerment: The senior data executive must be able to negotiate data priorities with different functional groups and business units, and drive, advance and achieve results. The senior data executive must sit at the C-suite table to share and pool strategic orientation and business priorities. This position will bring him or her sufficient authority to drive functional groups and business units.



Technology

Information management skills and technology awareness: The senior data executive must demonstrate skills and experience in leading major information management programmes, but he or she must also be aware of technological trends and innovative solutions. 'Digital disruption' is ongoing and raises new questions, generates new answers and creates new sources of revenues and organisations need an empowered catalyst to make it happen.

The Chief Data Officer

In the U.S., the role of the Chief Data Officer (CDO) is quickly emerging. The Chief Data Officer is empowered at the C-level to manage company-wide data administration and data strategies. The job description corresponds to the one described above; our senior data executive has then found his/her job title, the Chief Data Officer (CDO).

A survey conducted in January 2014 by Gartner indicated that the number of large companies with Chief Data Officers doubled in 2013 in the U.S. In Europe, this trend can also be observed but not at the same pace—this is mostly the case for Anglo-Saxon and huge data driven organisations.

There is a lot of internal debate within organisations and frequently asked questions include the following:

- Could the current head of data management assume the CDO role?
- Could this CDO function be performed by the Chief Information Officer (CIO)?

Before addressing any of these questions, we have to acknowledge that they must be considered in the light of the size of a business, the industry segment and the volume of data produced by a company. The emergence of the CDO function is more visible in the financial sector, technology sectors with high value-added and within public authorities.

Coming back to the frequently asked questions,

Could the current head of data management assume the CDO role?

To address this question, reference may be made to practical experience gained through different assignments delivered for EU asset servicers. The traditional head of data management is, in the majority of cases, still acting as a problem solver. To cope with day-to-day demands, the traditional head of data management displays a wealth of imagination in adapting and 'corrupting' processes and core or workaround systems to collect and deliver information to his or her customers, both internal and external. The immediate concern is more organisational and technical. It consists in organising data management as a centric centre of excellence that would run data management processes on its own tool to serve different entities both locally and across borders (branches and/or subsidiaries).



Beyond showing the abilities required for a role destined for change, this situation illustrates that many companies are still seeing data as a business enabler and not as a strategic differentiator.

A skills assessment is therefore complicated if not void at this stage. Nevertheless, traditional heads of data management will have to steer their career plan accordingly by developing skills in the areas of management, technology, regulation and conceptual thinking (if this can be acquired through learning) to fertilise the field of innovation.

Could this CDO function be performed by the Chief Information Officer (CIO)?

Many organisations face the difficulty of striking the balance between IT and business, technology and strategy. All of these areas are on the CDO's roadmap (with different degrees of involvement) which may also explain why the definition of the role is still ambiguous. In organisations swamped with data, the role of the CDO tends to be prematurely given to the CIO on top of their existing tasks.

In both cases, placing a CDO alongside a CIO or as an extension to the CIO's responsibilities will force the CIO to reconsider the intended job delivery:

- Data management is a common but differentiated responsibility of business and IT. A CDO would be better placed than a CIO to unify these two worlds
- Most of today's CIOs do not have a wealth of expertise in data management
- Data management as a complete and specific discipline is not a priority for CIOs
- CIOs who want to become CDOs should then develop their knowledge in various business areas, namely those where data is gathered and produced and those using and receiving data as a client. This is a prerequisite before defining a data governance model with the business and there is no doubt that CIOs have the necessary skills to further implement

it. In addition, CIOs would have to leverage and further develop their management skills, rallying the different data fiefdoms within their organisation being probably one of the toughest challenges

Referring to the premise that the senior data executive as the 'voice of data', and specifically to the job description outlined, it is clear that CDOs and CIOs are complementary roles in defining, implementing and executing a data strategy. In that respect, the concept is more about information strategy: data is a component of information.

Existing CIOs in place should therefore reconsider their job description, since a colleague may be able to relieve them of a part of their tasks that does not form part of their core activities. In doing so, both should mutually assist and complement each other to scope and examine their activities with one voice: the voice of data, or perhaps more appropriately, the voice of information.

Conclusion

Financial institutions are drowning in data and defining a governance model and revisiting and streamlining processes are all necessary evils to contain costs. It is increasingly apparent that organisations mastering data outperform their competitors by a direct bottom line impact and many have created, or are working toward creating, a CDO position. The role of the CDO is still under development and is destined to evolve. This will become a mainstream trend and will spread to other businesses, such as energy, transport, pharmaceuticals, and perhaps—dare we say it—even to the government.