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HOW TO DERIVE VALUE

From your
business data

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EY and CIONET join forces to bring
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a joint forum exploring end-to-end
organisational transformation

How to derive value from your business data

This article is based on conversations during a CIO Circle round table event at The Ritz in London on 24th March 2022, which analysed how CIOs can help their businesses to make the most of the data they hold. The event was sponsored by EY and chaired by Myron Hrycyk. Dr Mark Powell, partner at EY introduced the topic.

Enterprises that want to exploit data face a significant challenge. While companies that see data as a strategic asset outperform their competitors, research also suggests that 80% of data programmes fail to deliver the expected results. This session explored how CIOs and their boards can meet this challenge head-on and deliver data-led projects that provide the outcomes the business demands. The discussion considered the following questions:

- How do organisations exploit data successfully?
- Do organisations see data as a strategic asset?
- What is the CIO's role in the creation of business value from data?
- How can CIOs help the business turn data into insight?

How do organisations exploit data successfully?

An example was presented of a blue-chip retailer that brought its board together for two days to consider where the company made and lost money. The organisation was remapped as a series of optimisation problems that cut across business and IT. In all, 15 concepts were put forward to help save and make money. The exercise proved how companies that generate insight solve problems.

Another example: the UK water industry loses £5bn annually due to leaks, a third of which are underground. Insight from data can help to reduce losses, but this process is complicated by two factors: the business doesn't always understand the power of data, and the IT department doesn't always understand the business problem. Success comes from taking an integrated approach that uses datasets and insight to identify the source of leaks.

Such examples show that the exploitation of data is a multidimensional problem. CIOs looking to derive value from information must focus on the following areas:

- How to work with executives who understand where money is being made or lost
- How to link data from different sources successfully
- How to get the organisation to adapt operationally and become data-driven

Do organisations see data as a strategic asset?

Myron Hrycyk suggested there are four basic tenets:

1. Data has no intrinsic value – On its own, data is worth nothing
2. Insight is everything – Business value comes from the integration and analysis of data
3. Start with business outcomes – Too many projects fail because they see data collection as the goal. IT must get close to the business to create useful answers
4. CIOs must have a strongly defined role in data analytics processes – Effective use of data is about rethinking business transformation. The underlying role of technology means CIOs must be involved in this conversation. However, their inclusion is by no means guaranteed.

Attendees believed it's important to recognise the human element that defines the strategic use of data. For the most part, reactivity is a concern. From a lack of preparedness for the coronavirus pandemic to the rapid rise in oil prices, organisations and governments often fail to deal proactively with threats. Even when data shows potential shifts in direction, individuals fail to track trends effectively and can't react in a timely manner.

A significant issue: it's hard to find business people who understand how data works. The opposite is also true: it's tough to find IT folks who can articulate what data means for the business. The key to success is unlocking capability on both sides and creating a culture where skilled people understand how data works and can apply it to business problems.

However, building cross-business skills is far from straightforward. One CIO worked with executive peers in two blue-chip businesses to identify critical factors that led customers to buy products. Developing such a high-level analysis is extremely challenging – people involved in the process must bring data together from internal and external sources, such as wider market trends.

Insight is a crossover concept, which involves translating business requirements into technological solutions. Rather than focusing on data, executives in public and private sector organisations must first ask a question: 'What do you want to know that you do not currently know?' Likewise, boards want to be told things they don't know. Companies can then generate insight from the data they collect to answer key business questions.

What is the CIO's role in the creation of business value from data?

CIOs play a critical role in ensuring the business asks the right questions. One CIO said his company frames business problems as R&D concerns. Another uses small-scale innovation centres. Digital leaders should work with their business and boardroom colleagues to research the questions they identify and then use data to showcase 'the art of the possible'.

Defining the art of the possible involves a careful cultivation of the imagination of the business. Data might highlight potential benefits, such as cost reductions or profit increases. Getting to those destinations, however, can involve tough choices, such as cutting jobs or investing more cash.

As one attendee suggested, tech is now at the centre of business. The rapid response of IT to the coronavirus pandemic has changed perceptions of CIOs and technology forever – and for the better. People's minds have been opened to the power of digital and data. But we must be careful to not be swept along by the hype for all-things digital.

Like conductors of an orchestra, CIOs must understand the business and work with their C-suite peers to create value. To ensure collaboration with the executive board, CIOs must unpack tech issues in a way the business understands. Successful CIOs are translators – they become storytellers that use technology to turn data into information.

Businesses will continue to back digital and data projects during the next few years. Funding an investment in data and tech means funding the future. New business models will depend on digital and data. More than ever before, the CIO's role is about showing the art of the possible.

How can CIOs help the business turn data into insight?

An investment in technology and data science is simply a starting point. Unless the business can exploit value from the insight you generate, your work will be in vain.

CIOs must overcome cultural barriers and ensure the exploitation of data sits at the heart of operational processes. Making this leap forwards will be an existential issue for all organisations – businesses that exploit data successfully will survive and thrive in the future.

Success starts at the top. CEOs must understand the role of the CIO and the game-changing power of technology. CEOs who grasp the importance of digital and data will be well-placed to understand how technology can be used to drive the business in the right direction.

Attendees also suggested agility has risen to the fore. Companies with the right data-led culture push down on bureaucratic processes and adopt a test and learn approach, where new insight generates fresh ideas and business models.

However, there is still crucial groundwork to complete. Attendees believed data analytics is simply a tool for the most part. It was suggested that 80% of data analytics is still focused on building better dashboards of key business indicators.

Rather than just a dashboard, analytics, artificial intelligence and automation can be used to produce insights that drive operational transformations. Analytics must evolve from descriptive to predictive and onto a prescriptive process. True analytics takes data and applies a combination of science and creative thinking to generate useful insight quickly.

Deriving value from data: What CIOs should do next

- Be the CEO's best friend – Technology will define the future of every organisation. CIOs must help CEOs exploit the power of analytics to help organisations follow the money.
- Be the translator – Interpret information, filter the disruptions, and harvest the knowledge. Bring your insight to the core of the business to support decisions at board level.
- Be a leader of people – Expect significant cultural challenges as you look to guide the business in its use of technology and data. Identify capable lieutenants who can help ensure the right tools are being used to solve the right business problems.