



WHY THE CDO IS A BELLWETHER

CDOs as an indicator of digital readiness

by Suzanne Jozefowicz, CEO Incorvus Ltd.

January 2020

WHY THE CDO IS A BELLWETHER

By Suzanne Jozefowicz,
CEO Incorvus Ltd.

INTRODUCTION

There are eye-watering statistics about the failure rates of 'digital transformation' projects: 80% failure is about the norm. Confronted with those facts, it is hard to understand why boards and executives don't get more exercised about digital and 'digital people', in particular, the role of the CDO¹.

The CDO, whether this is interpreted as the Chief Data Officer or the Chief Digital Officer, seems typically to be caught in the crosshairs – between strategy and execution: under pressure to deliver against compliance, hampered by legacy and expected to perform 'disruptive' miracles.

Given this dilemma, is it surprising that CDO positions are being re-advertised frequently - some at the rate of one per quarter – and is confusion and scepticism about the role justified? What does the churn in CDO hires imply?²

1 <http://www.boardnetwork.dk/wp-content/uploads/2017/06/Board-Perspective-No-19.pdf>

2 <https://www.itworld.com/article/2701047/return-of-the-chief-data-officer.html>

What is a CDO?

Whilst almost no-one can agree what the role of the CDO should be, they can all agree that they disagree. Some see the roles of the Chief Data Officer and the Chief Digital Officer as quite distinct; some believe there is a degree of overlap; some twin Data with Analytics: others, Digital with Technology. There is a further argument which sees the roles as complementary, similar to the Defence/Offence model in the NFL.

In Defence, the traditional view of the CDO is as a glorified housekeeper, responsible for ensuring the management, availability and compliant use of data within the organisation. In Offence, the CDO is viewed as a digital midwife, delivering the ‘value baby’; expected to generate additional digital revenue streams from existing infrastructure – typically from an inherited data swamp. Rarely are Offence and Defence coherently linked.

Clarifying the role, remit and responsibilities of the CDO

The lack of coherence derives from legacy thinking and demonstrates basic misunderstandings about digital, data and corporate strategy. A popular symptom of this is tasking CDOs with turning analogue processes into digital ones instead of re-thinking them - the equivalent of trying to put petrol in a horse!

The titles of Chief Data Officer and Chief Digital Officer are also misapplied, creating further confusion. And there is the usual bun-fight about the seniority of the CDO within the organisation, their lines of reporting and fit with the incumbent CIO or CTO roles.

A popular pseudo-antidote to a lack of CDO is to leave data in the hands of IT. As Richard Robinson, Head of Strategy and Standards for Open Data at Bloomberg says:

“Data shouldn’t be the domain of technology!”³

To do so risks limiting the strategic value of data to the business through technological constraints on its wider and innovative use. Biblically, competitive advantage lies in using talents, not burying them!

Clarity begins by addressing the business perspective, because that is where it all starts to go wrong.

3 <https://www.finos.org/ossf-2019-speaker-rich-robinson#.XfqGgPKjx8Q.linkedin>

The CDO should be a strategic hire

The CDO's role isn't just about static data (the old model, hence the term 'Data Officer'), but also the quality and circulation of active data within the body corporate.

The easiest way to understand this is to take an analogy from human physiology. Blood doesn't sit still: it constantly flows throughout the body, delivering nutrients and vital oxygen as well as removing waste. When the blood is of poor quality, carries too much cholesterol, clots or doesn't flow properly, that generally indicates serious health issues. It is the same with data in the corporate body.

Any data quality or circulation problems will cause the equivalent of a corporate heart attack so the new role of the Chief Digital Officer is therefore a strategic one because it addresses the entire corporate cardiovascular system on which the life of the organism depends; a digital system which is fed by data (the new model, hence the term 'Digital Officer').

The 'old model' of the Data Officer made no allowance for deep understanding of technology. The US Department of Homeland Security, in 2018, stated categorically that cryptographic deletion in blockchain would not satisfy GDPR Article 17's extra-jurisdictional requirements for 'actual' deletion.⁴ In that scenario, how could any organisation reasonably expect any Data Officer to be accountable for data compliance when the 'old model' took that data out of context, outside the technological systems which collect, process or publish it? Conversely, this example illustrates exactly why, in the 'new model', the Chief Digital Officer's role is strategic as it is a multi-disciplinary one, embracing knowledge, systems and governance.

Unsurprisingly Gartner and CIOs they have spoken to aren't in favour of giving the Chief Digital Officer such prominence.⁵ For the CIOs and CTOs this would be the equivalent of the turkeys voting for Christmas! There are legitimate questions about demarcation lines between the CDO, the Chief Information Officer (CIO) and the Chief Technology Officer (CTO) but these should be in the context of wider functional reorganisation arising from holistic digital metamorphosis. The Chief Digital Officer has a far wider and a strategic remit compared to that of the CIO or CTO and therefore should have a majority interest in the corporate

4 https://www.dhs.gov/sites/default/files/publications/2018_AEP_Blockchain_and_Suitability_for_Government_Applications.pdf Page 20.

5 <https://blogs.gartner.com/peter-sondergaard/is-the-chief-digital-officer-cdo-really-the-next-new-direct-report-to-the-ceo/>

strategy – which should no longer be separated from digital strategy as digital is a key enabler of business in the 21st century.

This is borne out by evidence from the US public sector where Chief Digital Officers have been given responsibilities formerly incumbent upon the CTO or CIO at state level. Tyler Kleykamp, founder and director of the State Chief Data Officers Network has said:

“A lot of the responsibilities that are being placed on CDOs have historically been filled by the chief information officer or a chief technology officer in the state... States are beginning to realize that data is more than just a thing they collect to do their business and administer programs. It has value beyond the purpose for which it was initially collected.”⁶

Digital is an irresistible force for change, so the role of the CTO/CIO may dilute to a technical advisory position, a specialist resource. The logic for this is that with the commoditisation of IT, technology shouldn't be a business constraint. IT does not make strategy – it enables it.

The role of the CIO – the Chief ‘Information’ Officer – too, may be on the way out. Most organisations have over 80% dark data (data which is not used or understood and typically lives in a swamp) therefore palpably the CIO population cannot claim the authority of success when it comes to information.

The strategically-hired Chief Digital Officer is concerned with vital data-centric digital systems across the organisation (and beyond) and is therefore the guardian of the digital strategy and the data that fuels it. And for the same reason, it is the Chief Digital Officer (and not any other function) to whom the Data Officer should logically report, since data is an organisation-wide asset. Moreover the role of data here is as an essential precursor to information, intelligence, insight and knowledge. Over 80% of organisations have too much data, inaccurate information and rarely any knowledge. One of the tasks of the Chief Digital Officer will be to fix this.

Why organisations need a CDO

Recent analysis of the US Fortune 1000 underlines a key issue – data ownership – either too much, or not enough.

6 <https://www.govtech.com/data/Head-Count-Shows-More-Than-Half-of-States-Now-Have-a-CDO.html>

As Randy Bean, CEO of NewVantage Partners summarises (in NVP's 2020 executive survey on Data-Driven Business Transformation: Connecting Data/AI Investment to Business Outcomes):

“Many organizations continue to point to no single point of accountability for data within their firms, with 26.8% pointing to no single owner, and only 40.2% identifying the CDO/CDAO as primary executive with data responsibility.”⁷

Such organisations are left with a critical strategic asset that has no representation at board or even C suite level, nor can they reasonably substantiate any pretence of data governance. This exposes the organisation to massive risk and liability from data breach or loss.

Where data is owned too jealously, there has to be an overarching organisational power in order to ensure that data, essential to cross-cutting digital processes, is readily discoverable, shareable and accessible across the enterprise. This has critical implications for risk management. The EU was forced to issue BCBS 239 to get this point across to credit institutions:

“Many credit institutions lacked the ability to aggregate risk exposures and identify concentrations quickly and accurately at group level, across business lines and legal entities, as a result of inadequate risk information and weak risk data aggregation practices. As a result, those credit institutions' ability to take timely decisions was seriously impaired, with wide-ranging consequences for the credit institutions themselves and the financial sector as a whole.”⁸

The Texas response to Hurricane Harvey in 2017 was only possible thanks to collaboration between multiple state agencies, sharing data at a state level so that Texas had relevant Google map and geospatial intelligence of flooding and flood risks. Having the ownership and communications power of a Chief Digital Officer really paid off.

7 <http://newvantage.com/wp-content/uploads/2020/01/NewVantage-Partners-Big-Data-and-AI-Executive-Survey-2020-1.pdf> Page 7

8 https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.BCBS_239_report_201805.pdf

What's causing the high churn rate in CDOs?

Liability! Personal, professional and organisational, that and being used as a digital scapegoat! This particularly applies to Data Officers since data liability is, by default, attributed there within current corporate structures.

Organisations appoint Data Officers as a defence against the growing deluge of data and data-related regulation - data privacy, data protection, Anti-Money Laundering (AML), Know-Your-Customer (KYC), Anti-Terrorism and financial market, liquidity, instrument and risk compliance - for which boards and directors are accountable. These regulatory areas are big enough tasks in themselves (and in bigger organisations will be trans-jurisdictional), but, because boards don't fully understand the systems and semantic implications, they seek to inoculate themselves from potential fallout.

Some corporate leaders see the CDO (of either variety) as an opportunity to 'delegate' some of their own contingent accountability. Appointing a 'CDO firebreak', there to take the heat if anything goes wrong, can have the opposite effect to that intended. Instead, it can open up the board to criticism regarding to poor appointments; ownership of digital strategy and data problems which are left to multiply *in situ*.⁹

As a result, despite the CDO's efforts, corporate attitudes to data remain entrenched. Not because of bad projects or poor IT, but because the essential cultural leadership expected of the board, simply isn't there. So the CDO's role is a litmus test of board or organisational commitment to digital. Ideally, the CDO ought to be one of the 'digital triumvirate', leading digital at board level. Without that level of support, the CDO is pushing water uphill: projects will stall and the disheartened CDO will depart. (One clearing bank has recently gone through three CDOs in as many months till it found one that would 'stick' and even then, the board had to be tempted by the promise of performance and risk indicators.)

The 'CDO firebreak' fallacy also underlines how many directors are unaware of their own personal liability in the event of any data breaches or non-compliance. Not only do breaches result in public, costly organisational embarrassment and consumer disaffection, but there are significant financial penalties. Those responsible (including CDOs) and their organisations, with a strike against their name - even if they have moved on - will be personally and organisationally uninsurable for data risk.

9 Over 80% of organisational data can be 'dark' i.e. not understood, described or even used.

Unsurprisingly, CDOs have felt demotivated, exhausted and concerned about their own career paths as the weight of big data and other far wider responsibilities has fallen entirely on their shoulders. Good CDOs are wise to potential liability and simply move on. Either way, the result is churn.

CDO candidates should be alert to any potential digital commitment, communication and competency gaps between them and the board that wishes to employ them. They should also form an opinion of the data maturity and literacy of the prospective employer; and what power they would have to devise and deliver a strategy against existing misconceptions, habits and infrastructure.

Why the CDO is a bellwether

Disruption, which is how digital is often contextualised, is simply change that hasn't been planned for. The Chief Digital Officer is a leading agent of change and their appointment indicates the digital maturity of the organisation.

- An organisation without a Data Officer will be unable to substantiate data governance;
- An organisation without a Chief Digital Officer will fail to capitalise on its digital assets;
- Organisations without either a Chief Digital Officer or a Data Officer will soon find themselves in 'hot water'.¹⁰

Boardroom leaders who are serious about digital are spending money on it. The Global Board Survey 2019 by Board Network of 1,317 corporate chairmen and board members worldwide, set out to distinguish 'leaders from laggards' on corporate boards. The takeaways make it clear digital is the second most important priority in the boardrooms across the globe:

“Disruptive / exponential technologies is still a megatrend that has the attention of almost all board members.”¹¹

Digital (including technology and innovation) is also the area where most boards feel they have a competency gap. They are right to be concerned.

10 <http://www.boardnetwork.dk/wp-content/uploads/2017/06/Board-Perspective-No-19.pdf>

11 <https://www.boardnetwork.dk/wp-content/uploads/2019/03/Global-Board-Survey-2019-The-Report.pdf>

Of the UK headline casualties of 2019 - Mothercare, Jessops, Clintons, Bonmarché, Clarks, Mamas & Papas and Debenhams – none had a Chief Digital Officer or a Data Officer. Debenhams delegated digital responsibility to Clemmow, who was also MD of retail, food and events! In each case there was no data ownership; no digital strategy. Debenhams tried for a digital strategy but mentioning ‘digital destination’ and ‘digitally-engaged’ on page 13 on the section headed ‘Strategy in Action’, subset ‘Digital’ and using the word ‘digital’ 61 times in your Annual Report 2018 (without any idea of what it actually is) doesn’t quite hack it!

Organisations need digital leadership: they need a Chief Digital Officer at the very highest level, capable of generating and implementing digital metamorphosis. The individual should be someone with expertise in knowledge, systems and governance. It needs someone with a good balance of left-brain right-brain characteristics since the role requires both a very structured, logical mind but also the imagination of a Da Vinci. Traditional approaches to hire specifications won’t work here as this is a whole new ball game. Leaps of evolution don’t come from ‘safe pairs of hands’ or simply following the status quo. They come from mavericks.

As Randy Bean identifies, companies are increasingly outsourcing the role of the CDO and turning away from insider appointments.

“Firms continue to struggle with the role and function of the Chief Data Officer (CDO/CDAO) – 72.1% of firms report that the CDO/CDAO function remains an unsettled role, while only 27.9% describe the role as being successful and established. Firms are favoring outside change agents in the CDO/CDAO role – 48.5% in 2020, up from 38.2% in 2019, and are turning away from insider veterans – down to 15.8% in 2020 from 32.4% in 2019.”¹²

With an 80% failure rate in digital transformation projects, organisations that hope to reverse that trend should re-examine the importance of having an internal digital leader – a Chief Digital Officer. Outsourcing this role means organisations are outsourcing their risk but also their organisational value – to say nothing of adding to their costs!

The big consultancies, unsurprisingly, are sceptical as they would prefer a culture of dependency to persist - whether this is an outsourced blockchain or an organisation’s Chief Digital function. Remind me, how exactly did outsourcing work for you last time?

12 <http://newvantage.com/wp-content/uploads/2020/01/NewVantage-Partners-Big-Data-and-AI-Executive-Survey-2020-1.pdf>



INCORVUS LTD.

5 Calico Row,
Plantation Wharf,
Battersea,
London,
SW11 3YH.

t: +44 20 8538 9898
e: info@incorvus.com
w: www.incorvus.com

Incorvus Limited is registered in England and Wales. Registered Office: 5 Calico Row, Plantation Wharf, Battersea, London, SW11 3YH. Registered Company No. 5203890.

© 2020 Incorvus Limited. All rights reserved. The Incorvus logo is a service mark of Incorvus Limited.

Unless otherwise noted, text, images and layout of this publication (excepting 3rd party logos reproduced by permission) are the exclusive property of Incorvus Limited and/or its related, affiliated and subsidiary companies and may not be copied or distributed, in whole or in part, without the express written consent of Incorvus Limited or its related and affiliated companies.

This document is for information purposes and does not set forth any warranty, express or implied, concerning any products or services offered by Incorvus Limited or their affiliate companies.