

Whitepaper

# Information as a Strategic Asset

**NewVantage Point!** is published by NewVantage Partners, a boutique management consulting firm which serves as trusted advisors and senior consultants to Fortune 1000 clients. NewVantage provides independent, expert, perspectives through executives and industry thought-leaders who have “sat in the chair”. Our goal is to help organizations mitigate the risk of large-scale business and technology transformation initiatives by providing a critical link between business and technology strategy and capabilities. NewVantage Point! is published on a periodic basis to share our perspectives with a broader executive audience.

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## NewVantage Point Summary

The idea that information can be a competitive weapon is not new. Yet paradoxically, many organizations today may actually have less control over their information than ever before. Let’s look at why this predicament exists and what “C” level executives can do about it.

## Proliferation of Data

One of the challenges facing businesses and CXO’s is a crushing data quality problem. Typical of this problem is the example of the CFO who receives financial reports from sales and operations that don’t reconcile. This is often because the legacy systems and databases that were developed during the 1980s and 1990s are not integrated with new systems and databases resulting from mergers, acquisitions, new products, and new information sources, including web applications. Data integration and data consistency is often minimal or non-existent. Finally, data lineage is often undetectable.

Without reliable information, business executives are hampered in their ability to make informed, fact-based decisions.

PriceWaterhouseCoopers reports that 75% of Fortune 500 companies have significant problems because of disparate data. This has been borne out in our own experience advising many Fortune 1000 companies. One firm conducted an audit

and discovered that it had 500 Microsoft Access databases in use, each an island unto itself. Another client found that it was processing 28,000 database extracts each night. These copies were being disseminated across the organization without thought to synchronization or control.

## Business Impact of Bad Data

What is the impact of bad data? Information quality problems that led to financial restatements cost one public company hundreds of millions of dollars in lost market capitalization. In another case, a large telecommunications firm was able to identify tens of millions in “revenue leakage” attributable to poor data management.

What is the benefit of correct and actionable information? A leading national bank was able to realize tens of millions of dollars in annual savings by making intelligent consolidation decisions based upon integrated customer data. Another financial services firm used analytics to profile its customers and identify cross-selling opportunities that resulted in several hundred million dollars in additional annual revenues without the need for new products.

These examples illustrate the dramatic impact of data quality on business operations.

## A Core Capabilities Model

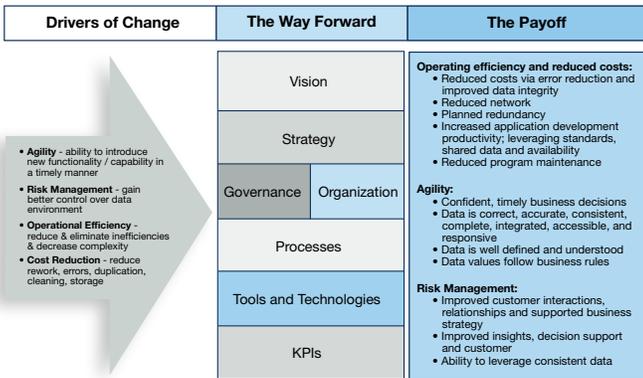
- The Enterprise Data Asset is embodied as a set of core capabilities to invest against including:
  - Master Data for key subject areas
  - Data Warehousing for integration, analysis, reporting
  - Data Hub for distribution and integration
  - Metadata Management
- Data Architecture provides the blueprint for each capability and their interconnections
- Data Governance oversees progress from current state to the blueprint

But the benefits need to be couched in business terms

But data quality impacts the customer as well. Most of us are familiar with the experience of navigating through a customer service organization, only to be asked to repeat the same information by each representative. This frustrating experience occurs because different parts of the organization each believe that they “own” the customer. Often, these operations have their own software applications and their own copies of customer data. Databases are populated via extracts from the central data store and those copies quickly get out of synch with each other. No one has responsibility for data quality or it is treated as an afterthought. Over time, these inconsistencies can become dramatic, resulting in dissatisfied customers and loss of business.

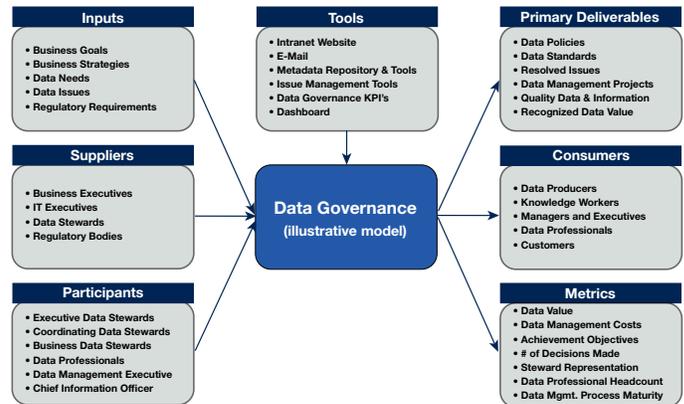
Ironically, the proliferation of new business applications has only made this problem worse. As business units bring in new systems and solutions to address point problems or opportunities, they may also create more data extracts and greater potential for inconsistency. In an unintended way, technology may actually be contributing to the problem of data proliferation and inconsistency.

## CXO Leadership



Addressing these issues doesn’t always require new technology or significant new investment. Improvement begins with the recognition that data is a strategic asset. Organizational alignment and the establishment of business processes that ensure data consistency and integrity on a going forward basis is a necessary first step.

CIO’s, in particular, have a vested interest in helping their companies recognize that information is a strategic asset just like other critical business assets. For CIO’s who have often expressed the desire for a “seat at the table” in formulating business strategy, the opportunity to take the lead in helping organizations develop an information strategy represents a path from the operational role of “Chief Infrastructure Officer” to the business role of “Chief Intelligence Officer”.



Whichever individual in the CXO team ends of championing the implementation of the core capabilities model described above needs to plan for a highly collaborative program. Through our consulting work, it is clear to us that this is a critical characteristic given the complexities around sorting out data lineage and ownership. Much of our work today with large organizations begins with vision and strategy but rapidly moves toward implementing a robust data governance model. Data governance and the associated business processes help ensure alignment in this highly collaborative environment.

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