



# NOT ALL HEROES WEAR CAPES

Insights from Chief Data Officers



A perspective from Financial Services Technology Advisory

# This report presents insights and perspectives captured from discussions held in late summer 2019 with a panel of Chief Data Officers (CDOs) from both within and outside the Financial Services industry.

The Financial Services (FS) industry is highly susceptible to future disruption. According to Accenture Research, 63% of FS companies have experienced disruption and 44% of FS companies are highly susceptible to even further disruption tomorrow.<sup>1</sup> Many of the current business models in FS face challenges in important areas including:

- The continued growth in regulatory requirements and cost of compliance;
- The demands placed on an aging, less responsive and costly IT infrastructure,
- Competition from big tech vendors and solutions, including mobile wallets (such as Amazon® Pay or the Google Pay payment service), to corporate lending, points of sale, mortgage lending, money transfers and current accounts like Uber Technologies, Inc. launching new FS products.<sup>2</sup>

At the same time, consumers are getting even more tech savvy. They demand higher levels of service from their FS providers, personalized offerings addressing their core needs, and better integration across physical and digital channels.

However, there is a common denominator to future digital “success,” and that is data. And in that respect, there is some good news for the FS industry. Banks and insurers tend to hold more data about their customers than any other industry. From this position, they should be able to do more to respond to current and future customer demands and expectations. In addition, FS customers are more willing to share data with their providers in return for better advice and more attractive deals.<sup>3</sup>

But possession of so much data presents its own challenges. The volume of data is rising at a rate of about 20% per year,<sup>4</sup> and it is becoming increasingly difficult to unlock the value of this data. It is estimated that as much as three-quarters of the data that organizations have goes unanalyzed.<sup>5</sup> According to the Harvard Business Review, “less than 1% of an organization’s unstructured data is analyzed or used at all.”<sup>6</sup>



To respond effectively, we believe that FS companies should consider a radical transformation based upon a “data first” mindset to establish a structure that can generate insights and provide actionable outcomes from existing data. We also see an increased use of data among FS businesses in the face of continued margin pressures due to rising competition from start-ups and other new and established challengers. The data cultures, technologies and operating models companies adopt today define their ability to respond and keep pace with disruptive industry change.

We recently interviewed CDOs and Chief Analytics Officers from data-driven organizations – both inside and outside the FS industry – to gain a perspective on how data management should be addressed in our dynamic business environment. Our interviewees provided insights into what “good” looks like from a data perspective. They also shared their views on the evolving role of the CDO, on industries and organizations that are truly data-driven, and how FS companies could improve their data journey.

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**Their key observations were as follows:**



## **A Clear Data Vision**

**Across the FS industry, our panelists said there is plenty of work to be done to create data-driven organizations. For an organization to realize the full value of its data, it should first understand its key business drivers and the data being generated. It should then align its data ambition to the organization's business drivers.**

The interviewees said that, by working with the different lines of business, an organization can assess how to properly leverage data so it can be effectively used and monetized. Once that underlying knowledge is in place, the data management team can help define a clear vision or level of aspiration around an organization's data. Without this vision or understanding, data initiatives might not be able to capture the value hidden in data.

The panelists noted that, given the rate of change disrupting the industry, the data vision should continuously evolve to meet the challenges of rising customer expectations. The interviewees saw the data-driven challengers – including start-ups and neo-banks - as a motivating factor for investing in innovation to remain competitive. To address this, the panel referenced the importance of implementing new approaches such as ecosystem alliances for enhanced innovation and capabilities.



## **The New Role of the CDO**

**Not surprisingly, our interviewees stated that the main responsibilities of the CDO have historically been operational in nature (reporting, data management and cost reduction) with an increased focus on controls and regulations, due in part to initiatives such as the introduction of the General Data Protection Regulation (GDPR) in Europe.**

The interviewees noted that, because of the challenges posed by an expanding regulatory agenda, CDOs have started to actively engage in conversations with the regulators to contribute their own ideas and to help shape the direction the industry is taking.

Panelists observed that, in organizations where the data function is not yet mature, the data agenda may still be dependent on the Chief Executive Officer (CEO) to drive it forward. And, in fact, the CEO often delegates this responsibility to a member of the C-suite such as the Chief Information Officer (CIO), the Chief Operating Officer (COO) or even the Chief Marketing Officer (CMO) with the CDO reporting to one of them.

When discussing what makes an effective CDO, our interviewees highlighted the following:

- First, the CDO should be a C-suite level senior management role. This allows the CDO to focus on critical defensive (reducing downside risk) or offensive (customer-focused) data strategies depending on the organization's situation and requirements.<sup>7</sup>

- With control of the data strategy, the CDO can better support the organization's decision making, critical, in our view, to building sustainable future growth. A stronger working relationship between the CEO and the CDO is the key to establishing a data-driven organization and unlocking the power of data.
- With these expanded roles, CDOs become "data entrepreneurs" who drive the organization's innovation agenda and shape the strategy for growth. CDOs can also become revenue generators and should eventually be able to meet significant profit targets, as companies look to monetize their data, introduce new products and services, enter new markets and attract new customers.

Our panel participants said these new responsibilities call for a marked change in the CDO's skillsets and focus. This means spending less time on technology and more time on leading the company through its transformation journey to a data-driven organization. And, as CDOs assume more and more the role of business advisors and organization interlock orchestrators, they should acquire the appropriate business acumen, along with the soft skills to understand business problems and their implications.

The panelists commented that traditionally, CDOs -- with their technology-based backgrounds -- speak a very different language than their business counterparts, and this may affect their ability to effectively interact and work together. The new type of CDO should be able to bridge the gap between the two groups of executives and lead the entire organization on its journey to becoming a data-driven company enjoying sustainable growth.



## A Strong Business Mandate

**Our participants said that CDOs are most effective when they have a clearly defined mandate and are given the time by stakeholders to implement a well-defined and agreed-upon vision and strategy. This involves creating consensus about realistic targets and the speed at which these targets are to be reached.**

The panelists noted that top-down senior management commitment to support the CDO and the innovation agenda is a critical factor in building a data-driven organization.

CDOs, in turn, should initiate and lead the "data drive" within the organization and make sure that this vision is embraced by all members of the organization. While still tying into the overall data vision, individual business lines should be given the autonomy to pursue innovative uses of data that best suit their own requirements. And the CDO should help to make this happen.



## The “Right” Investments for the “Right” Infrastructure

**Our panel said the organization should make supporting infrastructure and technology investments a top priority. The level of technology and “new tech” investment is not only an indicator of future “success” as a data-driven organization but can pay dividends in the form of sustainable growth. For example, according to research conducted by Accenture, organizations that invest heavily in analytics tend to outperform the S&P 500.<sup>8</sup>**

The interviewees added that:

- The data infrastructure provides an organization the solid ground on which to build their capabilities and generate the necessary data to support effective decision making.
- Effective data-driven organizations are at the forefront of utilizing emerging technologies. Referencing their own experience within immature data organizations, the panelists said that it would not be uncommon for a data team to spend as much as 90% of its time on capturing and cleansing data. At more data-driven organizations, this share of time could be reduced to 30 to 40% (through automation and streamlining of processes), allowing for greater time to be spent on analysis and value creation.

- Organizations should also think about realizing their data ambitions with the help of ecosystem alliances. They could explore which relationships, alliances, third-party connectivity and ecosystems could help provide required data capabilities that might be too expensive to develop internally or beyond their organization’s current skillset.

Participants said that investments in infrastructure and technology should, ideally, be coordinated by the CDO throughout the organization to deliver synergies across groups. Using the same technology stack or tools makes resources more fungible, instilling greater confidence in the organization’s data capabilities and allowing the delivery of more benefits to the organization and its customers.

Our panel also touched on the importance of employing a Master Data Management approach. This means that data should be easily accessible from a common trusted repository or platform. It should also be curated with a clear lineage so that it can be aggregated, augmented, searched, analyzed and reported on. This “golden source” of the truth allows an organization to reach a high level of data quality, build relevant data campaigns with confidence and help offer end users consistent services, in some cases even in real-time.



## Culture and Organization

**Within the organization, having the appropriate culture and structure is central to effective data-driven decision making. Panelists said that, in addition to empowering the CDO, organizations would benefit from creating a Head of Data role for each function and business unit. The individuals in this leadership role could help functions and business units set the strategic direction for their respective areas while aligning them to the company's overall data strategy.**

The panel agreed that nothing could (or should) be put in motion without having the appropriate data talent and culture in place. They highlighted the following areas:

- The importance of breaking down the silos between the business units and strengthening organizational collaboration through the sharing of common standards and preferred practices. In a highly collaborative company, it is easier to leverage data capabilities and new solutions from peers than to develop these from scratch.
- The need to implement real culture change across the organization, empowering staff and colleagues across the data function and at all levels. Several interviewees mentioned the importance of changing the entire mindset of the organization when it comes to the use of data. They noted that, if organizations ask their people to make decisions based on the data, those people should be educated and trained in how to use data and be empowered to use it. Furthermore, their decisions should not be overruled based on beliefs held by senior decision makers outside the function.

- Data capabilities, training and recruiting talent with data-based skillsets should be scaled across the organization. Considering how highly competitive the current market for data expertise is, it is vital that organizations move quickly to assess their data capabilities and understand their skill and culture gaps. To attract and retain the highest calibre of data talent, organizations should foster a thriving data-driven culture with well-defined roles, development opportunities and career paths. Data fluency should not be a niche skill found only among individuals in a few roles; rather, it should be common to all.

Our panel stated it is most effective for the organization when data skills are spread out and embedded across the organization to create a holistic, data-first approach in employees' daily interactions. We see organizations with this mindset creating new roles such as "Data Translators" and "Data Ambassadors" that could play a critical coordinating role between the business and the data function.

To allow this change in culture at the core of the business, CEO and senior management support is essential. According to our panelists, this culture shift is the glue holding all data activities together. The panelists also said that small steps that deliver incremental gains can prove more effective than trying to make giant leaps. This approach maintains momentum and reinforces the notion that the steps taken are moving the organization in the right direction. Taking a top-down approach -- and having the CEO and C-suite adopt a data-first mindset -- make it more likely that a data-driven focus could become the norm throughout the company.

## Where Has the Right Approach Been Effectively Implemented?

When we asked our interviewees for examples of companies from other industries with strong data management capabilities and functions, they mentioned big tech companies including Facebook, Inc., Amazon.com, Inc., Apple Inc., Netflix Inc. and Google LLC as well as Chinese tech giants such as Baidu, Inc., Alibaba.com Limited and Tencent Holdings Limited. Other tech-based niche companies, including Airbnb, Inc. and Uber, were described as data native companies.

Without accurate data and the organizational commitment to use it, these companies would probably not have become the dominant players in their respective markets.

These companies use the insights from data to offer new services to customers or enter new markets. Panel participants cited Amazon's home delivery<sup>9</sup> as a service that strengthened the company's offering while providing data that Amazon can use to enrich its own view of the customer.

In addition to big tech companies, our interviewees also cited traditional retailers and airlines as industries that are adopting data-driven approaches. These include using advanced pricing algorithms based on rich data-sets generated through loyalty programs.

In financial services, start-ups, financial technology or "FinTech" companies and neo-banks have entered the credit space, where their data-driven and highly focused view of the customer allows them to offer their own FS products.

Panelists said there is much to be done before FS becomes a data-driven industry. However, some companies have made great progress, including:

- BBVA (Banco Bilbao Vizcaya Argentaria, S.A.) was noted as a leading example of a data-driven organization. The bank established a separate data division in 2014 to generate value for the business by using data science.<sup>10</sup>

- Another FS industry sector that relies on data-driven decision-making is insurance. As the number of sensors in cars and wearable devices increases, this creates rich vaults of customer data that can help insurers build hyper-relevant products. And by encouraging positive behavior (such as an active lifestyle or careful driving habits) insurers can in turn deliver lower cost products and services.

Participants also mentioned some FinTech companies, neo-banks and challenger banks as interesting examples of data-driven organizations. Digital-only banks such as Monzo Bank Limited and Starling Bank, unburdened by legacy systems and technology debt, have used real-time data analysis to craft more powerful, functional and differentiated offerings for their customers. Other FinTechs such as Yolt<sup>®</sup> (ING Bank N.V.) have leveraged Open Banking through application program interfaces (APIs) to aggregate their customers' accounts with different banking providers into one single application, without having to create a bank account of their own.<sup>11</sup>

Participants noted that, although these FinTech companies have very different business models, it is their data-first mindsets that allowed them to build more engaging and personalized customer experiences, with a focus on life services rather than generic product offerings. This mindset helps to create a virtuous cycle wherein the capture of greater customer insights and knowledge allows a data-driven organization to provide customers with more relevant and valuable products and services, which in turn create even greater customer engagement and a greater sharing of data by customers.

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## The Data-Driven Organization

Overall, the panelists agreed that, to be considered data-driven, organizations should:

- Have a data-driven vision at the organizational level;
- Have a solid business interlock strategy and plan;
- Empower the CDO with membership to the C-suite;
- Adopt a cohesive approach to data governance, protection, record regulation and analytics;
- Implement a true data culture shift to create an organization that is open and ready to adopt the required changes;
- Have in place the skilled people to support the journey; and
- Implement a solid data infrastructure and technology capabilities.

Panel participants said that FS companies that adopt change today should be in a better position to anticipate tomorrow's demands and challenges. They also said that such a shift can help them differentiate themselves as data-driven organizations and secure a competitive advantage.

## How Accenture Can Help

Accenture Technology Advisory's mission is to help financial services organizations become truly data-driven. Working with Chief Data Officers, we help unlock the value hiding in data and use this as a key asset to position them for growth. We advise on how to transform their data capabilities and develop a holistic view of their data landscape in order implement end-to-end solutions that permit a robust data foundation to build a data-driven business.

Accenture is uniquely positioned to combine talented professionals, technical support and know-how, and experience from across the globe and our operating groups to offer a tested end-to-end data management solution customized to a financial company's needs. At Accenture, we avoid piecemeal solutions that can exacerbate issues caused by working in silos. We offer a transformational, industry-specific experience that delivers lasting change.

Of benefit to FS companies are:

- **Our unmatched FS experience and knowledge.** We bring together the best of Accenture specialists who understand the geopolitical and regulatory context and challenges FS companies face.
- **Our holistic approach.** Our end-to-end solution encompasses all areas of a company's data and culture.
- **Our focus on people.** We work closely with our clients to break down silos and foster culture change and innovation.
- **Our worldwide network of resources and technology capabilities.** Our scalable resources and capabilities across sectors give our clients access to truly innovative solutions and technologies. We bring together deep experience and knowledge, ecosystem partners, alliances and vendors, data architects and scientists, to the benefit of each client.

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