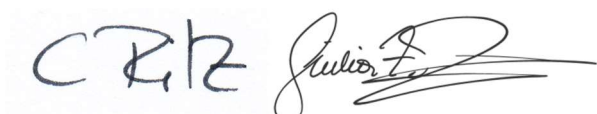# Impulse for Board Members:

Data as an Asset

Preface

"Data is the New Gold". "Data is the Most Valuable Resource". We have all seen these headlines in the past few years. We have read that Big Tech companies such as Facebook, Google or Amazon collect reams of data from their users and transform this asset into multi-billion dollars of ad revenues every year. But it is not only the companies of the "new economy" who have learned how to spin data assets into golden revenue; "legacy" companies like Bayer and Porsche have begun offering new subscription- based business models to farmers and car owners, all powered by the data collected from their users.

What does that mean for your company? What can you do to help your organisation to become data-driven and extract value out of the data you already have and collect every day?

We believe that every Board Member should become familiar with this topic as well as weigh the opportunities and risks for their organisations. Perhaps your company can discover new or hidden sources of revenue and efficiencies.

We hope that this swissVR Impulse gives you a good starting point on your journey to become a data-driven organisation.

Cornelia Ritz Bossicard
President swissVR

Giulia Fitzpatrick
Independent Board Member

Data as an Asset

Companies produce a mountain of data every day. For most companies, data is a by-product of our business processes, operations, manufacturing or interactions with clients. Unfortunately, in many companies data is trapped in organisational as well as IT silos; since data was not considered a valuable asset, organisational processes and platforms have not been architected to take into account the need to make the data easily useable in gaining intelligent insight and supporting business decisions. That is why organisations too often don't use the data to systematically increase revenues or decrease costs. Boards can play an important role in getting their companies to tap this underused asset.

1. Setting the scene for Boards

An impediment to recognising data as an asset has to do with the fact that data has no direct financial value on companies' financial accounts. Unlike other intangible assets such as Intellectual Property or Goodwill, data is not valued separately in our balance sheets or income statements. There are no accounting standards which tell our business leaders or CFOs how to value the data we generate every day. That also means that there is no financial mechanism for allocating scarce resources (capital, people, time) to business divisions or projects that can turbo charge the leveraging of data.

That does however not mean that there is no value placed on the data a company collects. M&A deals involving companies that sit on a treasure trove of data often result in significant valuation of the underlying data assets of a target company.

Yet we know that data has value. Consider the billions of dollars in revenues which some big tech companies earn from data; they transform data into revenue through advertisements. Additionally, new companies have been founded whose business model is data analytics, such as Palantir Technologies, SwissQuant or Digital Luxury Group.

Legacy companies are starting to go down the data journey. For example, Bayer has developed new data-based subscription models for farmers where Bayer analyses data collected from drones and satellites as well as farmers themselves to help reduce the required inputs (water, fertilisers, pesticides) while raising outputs such as crop yields per acreage. Another example is Porsche, which offers a fee-based service to its car owners

that intelligently tweaks an electric car's navigation system to stretch its range on a single battery charge.

These examples point to the other important trend, the Internet of Things (IoT). The further development of IoT will generate even more data for corporations and thus drive the continued trend towards become data-driven organisations.

An important thing to consider is that you are not looking at completely reinventing your organisation. Rather, you want to unlock the asset you already have in your company for better decision-making, improved customer experience and more efficient operations. Also, you will also enable your organisation to use external data, which further enhances the value of your internal data.

Getting the data strategy right is the initial step in being able to leverage the power of Artificial Intelligence (AI) and Machine Learning to extract the most information from your data assets.

2. Ask the right questions

How can you as a Board Member ensure that your organisation prepares itself for the data economy? Start by asking your management a few simple questions:

– What data do we have?

– Do we use it to extract intelligence and drive data-based decisions?

– Do we have a data strategy and is it embedded in our overall business strategy?

– How will we extract value out of our data going forward in real time?

– How do we build a data-driven culture and embed it in every one of our decisions?

– Do we have the right incentives for management to transform the organisation into a data-driven one?

– What are the limits to the use of our data and do we have the frameworks and policies to ethically use data?

3. Role of the Board

– Begin by recognising that your company is sitting on an underused and undervalued asset.

– Challenge your management to articulate its data strategy and how this fits into the overall business strategy.

– Is the data strategy equally focused on a defensive dimension (improving process efficiencies, reducing costs) as well as an offensive dimension (developing new business models, improving existing products and services, enhancing the customer experience)?

– Analyse if your company has a culture that supports data-driven decisions and do these drive day-to-day business decisions.

– Evaluate if your company has the mindset, competencies, people and resources needed to embrace data-driven decision-making and extract value from your data assets.

– Find out where the data resources are and in which organisation are they housed. If these resources are in IT or in a support function, then you are less in a position to use them in driving product, service or customers' experience decisions. Rather, your organisation will drive decisions primarily around cost efficiency and compliance improvements. That is only half of the benefit.

– Encourage data sharing and a break-down of the data silos in the organisation. Decisions become better if supported by data from across processes and organisational boundaries.

– Incentivise your P&L groups (sales, product, etc.) and support functions to own their transformation into data-driven organisations.

– Ensure that management is incentivised to make the data transformation by including this as an element in the performance targets.

4. Tips to achieving a data driven organisation

– Experiment! Start Proofs of Concepts, particularly in your sales, product and customer-facing organisations.

– Build or buy data competencies; work with partners who can provide the data analytics and machine learning or AI capabilities.

– Develop solid data strategies and make them part of your executive management's responsibility to execute. Hold your executive team accountable for becoming a data-driven organisation.

– Collect ideas from other companies and industrial sectors.

– Develop an IT strategy which supports your business strategy.

– "Don't boil the ocean" by starting your data journey with massive data cleansing projects and building a perfect governance or compliance campaign. Start with tangible projects that create customer value and return a concrete value to your company.

– "Don't go it alone" by building every competency yourself. Encourage management to partner with others to leverage existing competencies such as data analytics, machine learning or AI. Work with technology partners who have products and platforms that can help you free data from their legacy silos and make the data usable

– Beware of starting your data journey from a compliance or legal perspective, as that will stymie your exploration. However, be mindful that your organisation will need to comply with local Data Protection laws as you proceed on your data journey.

5. Conclusion

Treating data as a critical asset will become a 'must' for companies. The value companies can extract from these assets increase with use and scale.

Boards need clarity on the opportunities, risks and organisational changes necessary to achieve this transformation. Directors can set the tone and direction for management to use this asset while at the same time create the framework for responsible data usage.

To summarise, the key questions Boards should ask, boil down to: What data does the company have, how is it used and how could business models be adopted to benefit further from data as assets?