BUILD THE BUSINESS CASE

FOR BETTER INFORMATION ECONOMICS

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Drowning in data? You're not alone. Most enterprises are in the same boat. The amount of data being created is growing at an astounding pace: We are now producing as much data every 10 minutes as was created from the beginning of human history through 2003.[1]

Data is coming from both the consumer and business worlds and is being created on all types of devices and in a wide range of formats and applications. More than 90% of the data being generated today is of the unstructured type that comes from emails, social media, video and the like.[2]

End-user demand for data is outpacing the ability of most businesses to manage, distribute and store it. This creates a convergence of increasing data growth and declining data value. An inability to effectively manage this growth exposes the organization to increasing expense, as well as legal and compliance risks.

The risks are particularly challenging for those organizations that are unable to apply sound information lifecycle governance practices toward managing their data — including the information they are already storing as well as the massive volumes of information being created across enterprises every second of every day.

What are some of these risks?

- Runaway costs of storage.
- Inability to find important records for business purposes, compliance and legal requirements.
- Compliance violations and regulatory fines.
- Exorbitant e-discovery fees.
- Litigation losses and/or settlements due to poor data management.
- Lack of control over critical new data resources, such as those created through social media.
- Inability to use information for competitive advantage, such as through big data analytics.
- Missed business opportunities due to a lack of access to information across isolated business silos.

[1] "Big Data or Too Much Information," *Smithsonian Magazine*, May 8, 2012

[2] "2011 Digital Universe Study: Extracting Value from Chaos," IDC, June 2011

Organizations can address these challenges through a sound approach to information lifecycle governance practices, which will enable them to dramatically transform their information economics.

Understanding Information Economics

"Information economics" is a relatively new term that is becoming more widely understood by IT, records management, compliance and other professionals responsible for the management of information within their organizations.

Information economics is the discipline of analyzing the production, distribution and consumption of information, with the goal of increasing the value derived from data while reducing the costs and risks associated with managing it.

Here's one way to look at it: Information has value. It has cost. It creates risk. While most organizations view information as the lifeblood of their organizations, very few can quantify its value. Most still struggle to measure true information cost or accurately characterize the risk it presents. Information is perishable — it loses value over time — but its cost is relatively constant, while risks rise as data ages. As information volume and regulatory scrutiny expand, extracting that value and minimizing cost and risk get more difficult.

Many organizations are plagued by mounds of legacy data with no processes or policies in place to manage the supply and demand of their data as value changes — or to manage its cost and risk. So companies tend to spend as much money to store data that should be archived as they spend on relevant data critical to closing a business sale. At the same time, many organizations don't manage the risk inherent in storing data with negative business value, subjecting the organization to increased legal and compliance exposure.

What happens is that, as data becomes less valuable, a huge gap develops between its value and its costs and risks. Organizations practicing sound information governance policies are able to successfully shrink that gap and improve information economics by more closely aligning costs and risks with the value of their information.

A sound approach to information governance and improved information economics has several key attributes, including:

- **Consistent tagging and categorization of information across the organization:** Many organizations have data spread across a wide range of silos and subject to different policies. This can make it difficult — and costly — to identify and retrieve information when necessary.

- **Defensible disposal:** Many organizations are saving way more data than is necessary, which is both risky and expensive. A survey by the Compliance, Governance and Oversight Council (CGOC) a couple of years ago revealed that 75% of respondents said an inability to defensibly dispose of data was their greatest challenge, and many highlighted massive legacy data as a financial drag on their business and a compliance hazard.[3]
- **Value-based archiving:** Storage costs are a huge part of IT budgets, and without a sound approach to records management, these can spiral out of control, particularly with data growing exponentially. Organizations should be storing data based on its value to the organization — data that is more valuable should be on the highest performing, most accessible devices. As the value of data changes during its lifecycle, it should be moved to less expensive repositories.
- **E-discovery preparedness:** The costs of e-discovery have become staggering. According to one study, the average cost of e-discovery for a single case is $3 million.[4] Compounding the challenge are identification and collection of data across growing and disparate data sources, including SharePoint, file shares, email, enterprise collaboration, social media and mobile apps.
- **Records retention management:** It is important to apply and enforce consistent retention and destruction policies to all records within the organization. Many IT organizations have retention "policies" of just keeping everything. This is costly and dangerous. If you do this, you are overspending on storage resources and putting your organization at risk for compliance violations and/or massive e-discovery bills.

Building the Business Case

The business case for better information economics is compelling because it means reducing costs, reducing risks and positioning the organization for the future. Most IT leaders and other executives will be able to make a strong case. For many, however, the biggest challenge will be in implementing it.

When it comes to building the business case, here are the most important considerations:

- **Reducing costs:** With better information economics, organizations can use their storage resources much more strategically. Rather than saving everything, they can dramatically reduce the amount of data they are keeping, reduce storage

[3] Benchmark Report on Information Governance in Global 1000 Companies, Compliance, Governance and Oversight Council (CGOC), September 2010

[4] "Budgeting for E-Discovery: Understanding Pricing Models for Cost Control and Transparency," FTI Consulting, 2011

requirements and plan for future capacity. Additionally, by categorizing information and managing it according to its value, organizations can save money by moving data to repositories appropriate to its value: Production data can be on the highest performing storage, while archival data can be on older disks or even tape media.

- **Reducing risks:** Organizations will be able to achieve even more extensive cost savings by reducing the risks of massive e-discovery expenses and the potential of fines for compliance violations. The more difficult it is for your organization to find and locate data based on some defining characteristics, the more you will spend on e-discovery. Plus, if you have data that should have been destroyed, you will also pay more for e-discovery and risk running afoul of regulators.
- **Improving workflows:** By focusing on improving information economics, organizations can improve workflows and drive increased collaboration among a number of individuals/departments that are impacted — including IT, compliance, legal, records management and a wide range of lines of business. Focusing on improving information economics, in fact, can have an extremely positive impact on corporate cultures. Individuals have to work across the enterprise to collaborate, and they have to follow consistent policies for managing information. This can lead to improved productivity, improved workflows and higher levels of interdepartmental cooperation and collaboration.
- **Enabling next-generation strategic initiatives:** There's a certain inevitability taking place in business that organizations need to recognize when it comes to improving information economics: Data growth is going to continue at an unprecedented pace and those organizations that are able to successfully manage it and harness it are going to achieve significant competitive advantages in the future. If you look at some of the opportunities enabled by big data analytics, for example, you can see why the most forward-looking organizations are working feverishly to get their information economics under control now. With big data, organizations are able to use unstructured data from social media and other sources to create real-time business initiatives that can address customers with immediate opportunities.

The business case is clear: While all of this data can create a huge problem on one hand, on the other it can provide enormous business value — if it is properly identified, analyzed, stored and managed in accordance with its changing value over the course of its lifecycle.

Implementing a Sound Information Economics Plan

The biggest challenge for many organizations, as noted, is not making the business case, but implementing it. The problem is often one of ownership: Who is actually in charge, and who is driving the business toward an improved information economics model?

The benchmark study by the CGOC provides clear evidence of the challenge. In the survey, both IT departments and records management departments identified themselves as the organizations responsible for information management and disposal. So, who's in charge was not clear. In addition, only 25% of respondents said the ownership model worked well, and only 17% said the right people were at the table.[5]

There is hope, however: 57% of respondents said they had a governance committee in place, and 32% said they had an established program that has made operational progress. As noted by the authors of the survey, "Cross-functional executive leadership is critical because budget constraints, lack of cross-functional collaboration and scale of the change effort were cited as the biggest barriers to information governance."

One of the important steps toward implementing a strong business plan for better information economics is to work with a strategic partner that understands all of the challenges and provides a full range of solutions that can improve information governance. This includes technology solutions for lifecycle governance — such as those for defensible disposal, value-based archiving, e-discovery and records retention — as well as knowledge and expertise to help you overcome the potential cultural and organizational challenges in achieving your information economics goals.

Whether you are building a business case for better information economics or you are implementing one, one of the smartest decisions you can make is to contact IBM, starting here http://www.ibm.com/ILG.

[5] Ibid, Footnote #3