

## Privacy Sigma Riders Episode 2: Dollars, Euros or Data... Is Data the New Currency?

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Michelle Dennedy: Should information be covered on the balance sheet like any other asset? Maybe it should, because if you're not measuring and recording the value of data, you may not be making the right investments to protect it. Cybersecurity, data protection, privacy. You like to stay ahead of the curve and listen to experts who have increased the value of their data with an organized approach to data privacy. You're like us -- just a few deviations past the norm. You are a privacy sigma rider.

In the information age, data is lifeblood. We all get that. Too many business leaders see data protection and privacy as some sort of necessary evil leaving them unable to capitalize on potential business value that a state-of-the-art approach could bring. In this episode of Privacy Sigma Riders, we're going to discuss how treating your data as you would any other asset in your company can dramatically change your mindset when it comes to managing or protecting that data. Maybe you'll even want to protect that data a little bit more.

Joining me for this conversation is Cisco director of data valuation, Robert Waitman. Robert develops thoughtful approaches for measuring data valuation to help both Cisco and our customers to better understand the business benefits of good privacy and to help ensure those approaches are incorporated into our priorities and decision making. Robert is a 16-year Cisco veteran (amazing) with graduate degrees in law, business and engineering. He's very overeducated and we love him anyway. He holds a CIPP/US privacy certification and recently joined our Security and Trust organization coming from Cisco Consulting where he focused on the finance industry. For a discussion on treating data as a balance-sheet asset, I don't think we could be in better hands, so welcome, Robert.

Robert Waitman: Thanks, Michelle. It's great to be here.

Michelle Dennedy: I'm so excited and I know that this is a little bit out of your comfort zone so I totally appreciate you coming in and talking to us a little bit about data as an asset and data as currency. We know that data is valuable. We call it the information economy but in your role, you help place a precise valuation on specific information assets. Can you tell us more about that?

Robert Waitman: Sure, Michelle. It's a very exciting topic as we're really in the early days of thinking through many of these issues. I think everybody gets that data is important in the daily work that they do. It's certainly important to everyone here at Cisco in the work that we're doing but there's also value in understanding what that data is really worth. If we treat it like an asset, something that could be optimized, something that could be managed and curated in every part of that data lifecycle, there are lots of benefits from doing

that. I think the opportunity here is for us to do a better job of doing that and Cisco, like many other companies, is starting to do that today.

Michelle Dennedy: I think it's really interesting and it sounds so obvious and yet, you don't see a lot of data on the balance sheet. You don't see a lot of looking at data as "asset." Can we talk a little bit about what is an asset and how does it become an asset for a business? Does that mean that you can't treat it as a human right and an asset at the same time?

Robert Waitman: Well, we have a little bit of a challenge because the accounting industry as well as others aren't allowing us to treat data as an asset formally.

Michelle Dennedy: These accountants. Shame on them.

Robert Waitman: They'll catch up with this eventually. There are a lot of, I guess, rules for that. Some of them date back to the middle of the last century, but treating data as a true asset involves knowing what its useful life would be and therefore, they have a hard time understanding how many years it should be on our balance sheet and how to depreciate that. But despite the fact that those rules don't allow any company, Cisco or anyone else, to put it on their balance sheet, the market has recognized that data really is a valuable asset whether in an acquisition mode (and we see examples of large companies making huge investments in companies for their data) or in restructuring in a bankruptcy mode where those assets are being valued because of the value of the data themselves. Some great examples out there, IBM acquired The Weather Company for something like \$2 billion, not that they're in the weather—

Michelle Dennedy: It's a lot of weather.

Robert Waitman: That's a lot of weather. They were most attracted to the data and all of the reporting and collection stations that you get from having that data and that's very valuable and relevant to business too. I bet you don't know one of the major reasons why companies report that they miss their earnings forecast. Any guesses?

Michelle Dennedy: I don't. Usually, they blame it on legal.

Robert Waitman: That's the other group they can point to.

Michelle Dennedy: Okay. Why do they miss their earnings?

Robert Waitman: Well, it's the weather, of course. If it's not the oil price or if it's not the recession or the dollar, it's the weather. What IBM has acquired in The Weather Company is a company that provides a lot of useful information for business. In fact, two-thirds ... No. Let me get that right. Three-fourths of the scientists that work at

The Weather Company are data people, not meteorologists. What IBM was acquiring for that \$2 billion was data.

You see at the other end of the spectrum in bankruptcy mode, Caesars International which has built an incredible capability with their total rewards program over several decades managing and understanding the usage and behaviors of all of their players had to ... were going into restructuring and they took that asset and transferred it to their parent company. Well, their creditors didn't like that because that was an incredibly valuable asset because you think about Caesars Entertainment and all the property assets that they have, those creditors said, "Hey, you know what, the most valuable asset this company has is that total rewards program worth about a billion dollars." Again, we're seeing the market and certainly in situations, people who are valuing data at more like market value, so aside from accounting rules, we've got a world where data is increasingly important.

Michelle Dennedy: It's really interesting to me because I think when you give these examples and I think to data geeks like us, these are massively important, interesting examples but they're also kind of stuck in M&A land or stuck in the market, kind of the mystery of the market of what makes us stock \$10 versus \$100 and all those kind of complex but I think data too, on a day-to-day basis, is it's the basis of our relationship. When you give the Caesars example, and we have a lot of this with our customers too, it really is about literally the human relationship that a business has with its customer and consumers and how they attract them and how they keep them and how they retain them. How do you kind of think about data as an asset versus data as a liability? How do we slip between those two categories when it comes to data?

Robert Waitman: I think data's like any other asset that we might have that helps us in growing and generating revenue in our business. If you use it, if you know what it is and you've curated it and it's valuable, then it's something that can turn into revenue. If it sits on the shelf or it sits on a warehouse or it's not being used, it's not generating much revenue for you. You still might carry it on your books as a supposed asset but it's really more of a liability in that case.

With data, as we think about this, there are many ways of turning that into tangible value. You're talking about what are the daily ways that we could make a difference and use our data effectively. Well, if we know where it is and we know it's useful, then we also know what's not useful. It's like Peter Drucker's quote about you can't manage what you don't measure. If you don't know where it is, then you can't optimize this at all. Think about the investment that we make in going to get data or curating it or managing it or storing it or deleting it, all a costly venture. We know we're getting huge amounts of data every day. It's growing exponentially. How do we manage all of that?

The first step on this is knowing what you've got so you know what you don't need. There are estimates out there that large companies like Cisco probably don't use 50 or 60 percent of the data that we actually collect so it's an enormous cost for us today to manage that. That's one way that we can just get value from knowing what we've got.

Michelle Dennedy: That's a big backup, right? 60 percent of an asset that is uncurated, it's exactly ... I love that Peter Drucker quote: "You manage what you measure." When he first came out with these management principles, management was simply you come to work, you get a paycheck, there's your management, thank you and have a nice day. Of course, we've seen where that market has gone to. We have leadership. We have Six Sigma. We have total quality. We have all of these things. We're actually measuring incremental progress as a competitive advantage.

Similarly, I think we often get the security requirements for data to be curated as an asset and the privacy content curation in the data protection and privacy fields. It's sort of I like to string those quotes together. You manage what you measure but you protect what you treasure. How do you flip this equation from just compliance, just liability, just risk – to run toward value and not just run away from risk?

Robert Waitman: I think the key to that is what we've been talking about which is what's the value of the data itself? Yes, we have to protect it. The risk is important. Yes, we have to be cognizant of the privacy principles because people's data is important to them and otherwise, we're not making a fair use of their information but ultimately then, is how do we want to use that information? How do we understand what value it provides to our organization, to our customers, making a better customer experience and helping us grow our business? That's what everybody is trying to think about.

There are lots of companies out there who are starting to say, "Hey, this data thing, we really can turn this into tangible value." There's folks like Krogers out there, a large grocery store chain, who are taking the data they've captured from their customers and in a thoughtful and appropriate way, able to create a new revenue stream by selling that data to their suppliers, to CPG organizations like Nestle and P&G who can value that information.

Michelle Dennedy: What's a CPG?

Robert Waitman: Consumer packaged goods company.

Michelle Dennedy: Look at you. Okay.

Robert Waitman: We'll do some more acronyms here. It should be fun.

Michelle Dennedy: Of course, we can.

Robert Waitman: No. I have to be prepared for that.

Michelle Dennedy: We love acronyms. It sounds like you have a pretty good idea of examples of value. Are a lot of companies doing this today? What's the story with the evolution of actually putting data as a line item on the balance sheet? Are people doing this and if they're not, how do we start doing it?

Robert Waitman: First of all, no company can put it on their balance sheet today. That's the accounting rules and that's what we all live with. A minority of companies are starting to treat it like an asset the way we're discussing it.

Michelle Dennedy: Let me back up for just a second. I don't want to gloss over that point. We can't even if we know that it is billions of dollars of revenue for our companies. Why can't we do that?

Robert Waitman: Well, I'll leave this to the accountant stance because I'm not one of them but we have to go by the accounting rules and those are [crosstalk 00:11:01].

Michelle Dennedy: There's not even an accounting rule yet to allow for information assets on the balance sheet.

Robert Waitman: Yeah. It's a challenge for the accounting industry. They've struggled with this issue for a decade or more trying to have working groups and others solve this problem of how we would do it fairly so again, I know –

Michelle Dennedy: I smell innovation.

Robert Waitman: We can do something but it's a situation where leading-edge, thoughtful companies are starting to put the same kind of attention on data as an asset as they would on their furniture and on their equipment and their inventory and their buildings– all of which are assets that are very well managed and optimized for the corporation. Data is no different. The things that we're talking about here would enable Cisco and other companies to do just that: understand what you have and to optimize it as an asset.

Michelle Dennedy: Yeah. It's remarkable. When you boil it down to that, Robert, we know where our chairs are. We put little stickers on our computer and our file cabinets but with something as critical as your relationship with your core customers and your employees and who's your best employee and who needs a little help, we're really not using accounting methodologies that we have or innovating in the way we treat our data and manage our data to do that going forward. I think we've put our finger on a huge, huge groundswell of innovation here. I'm really excited about this topic area. Do you have a couple specific examples before we close our conversation? I'm excited. I could talk to you for days and in fact, I do.

Robert Waitman: Me too. Well, people probably have lots of situations that they've seen. I mean we're aware of examples both inside and outside Cisco of companies that are starting to do this better. We at Cisco try to think about our data and how we can work with our customers better to improve their business results and the kind of equipment technology that they invest in. As part of my work over the past years is we've taken a look at some of Cisco's usage data on our technology and customer usage data on how they're processes have changed as a result of technology. That's taking our data, marrying it to customer data and coming up with something that is better for all. They understand where value is coming from and can make the right investments going forward. That's, again, one example of places with our customer.

We also look, within Cisco, at some of our well-researched assets, places that we put a lot of effort to collect and understand data. We see the internet traffic like no one else and monitor the threats and vulnerabilities that are out there. That's something that's very valuable out there and we'd like to think about how we can get even more value out of that type of asset but-

Michelle Dennedy: I think that's really cool. I mean I think one of the remarkable things and in the sigma rider kind of theme is bringing in all this capability around macro and microeconomics finance thinking about what the accounting rules are and what they could be and should be maybe, leadership, as well as the security and privacy and governance curation principles. When you put that all together, it's really exciting and I think it's a very new and fresh way of looking at the way we run our businesses and do our work.

Robert Waitman: No, I agree. I think this is an exciting time to be part of this effort, again, saying that we are in early days but we're in the information age and to treat that information in a way that maximizes its value without stepping on privacy principles and without stepping on the fact that we have to protect the data, but using it in an appropriate way to deliver more value for ourselves, for our customers, for us as individuals, I think is an incredibly exciting mission that many of us are on.

Michelle Dennedy: I'm going to leap from there and this is a free form question of just you, Robert Waitman, financier to data extraordinaire. What excites you? What gives you hope? Where do you see innovation coming?

Robert Waitman: That's such a tall order. I don't know if I can fill that high of a bar but we'll-

Michelle Dennedy: Yeah. Excuse me. This is the Sigma Riders, dude. Let's go from here. Deviate from the norm, my friend.

Robert Waitman: All right. Well, I know we're starting with two or three deviations above the norm. We might have to go for five or 10 to get that.

Michelle Dennedy: Let's go to Abby Normal.

Robert Waitman: We're getting there. I'm with you. I see this as just incredibly exciting journey that we are on. People that are starting to invest in this effort are uncovering value and they're doing it in appropriate ways, taking data, using it appropriately to deliver more value. I see ad hoc examples of things that we're doing and other companies are doing that give me such optimism for the fact that as we get more standardized across the industries, as maybe as the accounting rules keep up with this, we're going to unlock a world of opportunity. The people that are doing this are finding value and I think that's something that certainly excites me to think about this every day but even broader than that, I would say I'm just thrilled to be part of this mission at Cisco.

I mean among all companies, we're at the center of helping organizations protect themselves and use their information and keeping our customers safe. With so many more devices and data coming online, there's a great potential for misuse. We know that we could end up in a world which meant none of us would be comfortable. I see us as having that responsibility, that accountability, if not, the obligation to help create a world where individual privacy is protected, where data can be kept safe but where appropriate use of the data is in fact achieved. I'm happy to be part of this challenge. Those who are interested in joining with us, I certainly invite everyone to be part of the mission with us.

Michelle Dennedy: I love it. I think my takeaway too is a 16-year veteran running around, building out networks, helping customers all over the world, to hear this kind of passion and excitement about something totally new when you could rest on your Ivy covered well-educated laurels really gives me hope. Thank you so much for joining us today, Robert Waitman. He's amazing. We're really excited and just honored to have you as our guest. Quick calls to action for the audience, if they want to follow up or follow you, where do they go?

Robert Waitman: I invite everybody to join in this mission. They can find me on LinkedIn, Robert Waitman or go to [trust.cisco.com](http://trust.cisco.com) where you can find whitepapers, blogs and other opportunities to get involved with us and look forward to the interactions. Thanks, Michelle. Pleasure to be here and look forward to joining you in future segments.

Michelle Dennedy: The finance guy will come back. Thanks for listening to Privacy Sigma Riders brought to you by the Cisco Security and Trust team. Our producers are Susan Borton and David Ball, and our theme music is by Kory Westerhold. You can find all our episodes on [trust.cisco.com](http://trust.cisco.com) or subscribe wherever you listen to podcasts. And be sure to review and rate us on itunes. You can follow us on Facebook, LinkedIn and Twitter, and you can find me, Michelle Dennedy, on Twitter @mdennedy. Until next time.