
The Rise of the Industrial Chief Digital Officer

What is the role of the Chief Digital Officer?

Industrial companies are currently facing a brave new world redefined by the Industrial Internet and the Internet of Things (IoT). As the world of industrial becomes more data-driven and new lines of business are created from software & services, Russell Reynolds is witnessing a surge in demand for Chief Digital Officers (CDOs) and other transformational leaders to guide CEOs and executive teams into this new era.

There are many ways to attack digital transformation. However, finding the right leader and creating a clear mandate for the effort is a key ingredient for success. The ideal CDO is not merely a technologist who advises on how to optimize manufacturing and supply chain by using big data and automating manual processes. Instead, the CDO should be a market-facing executive who can help the CEO monetize new revenue streams. To enable these new business models, the CDO must drive an over-arching technology transformation that cuts across the whole business.



By nature and necessity, a CDO is a(n) ...

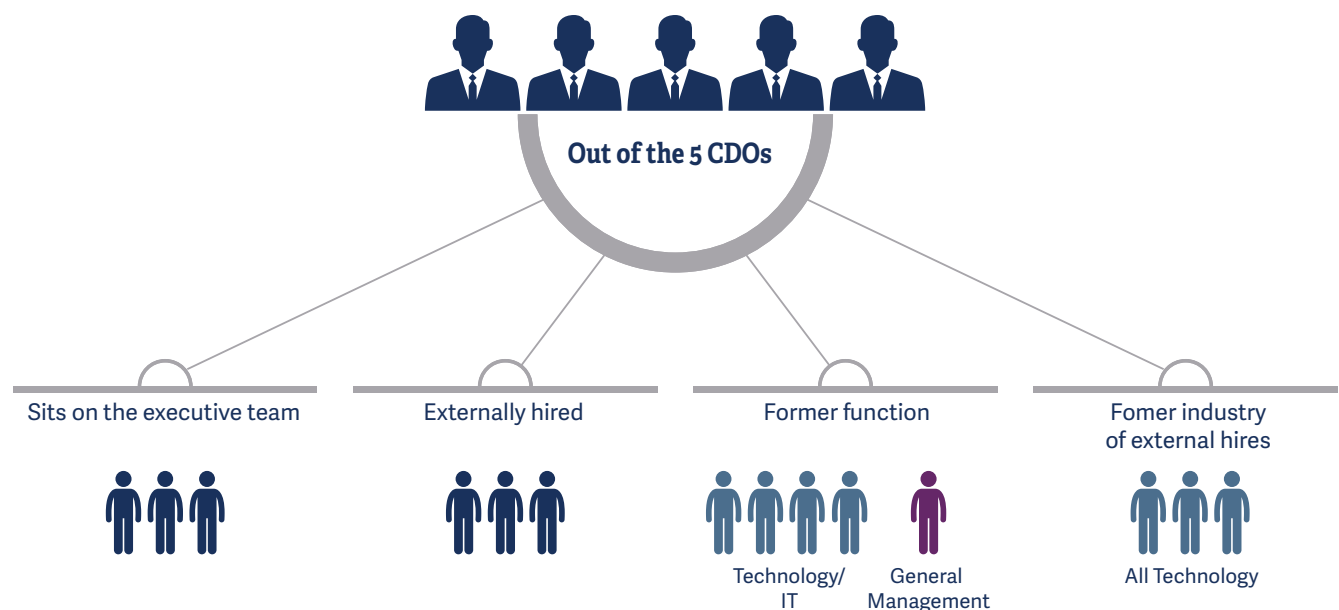
- Transformational leader who drives change at all levels of the organization
- "Productive disruptor" who challenges the status quo
- Innovator who develops software & services-defined business models
- Influencer and change advocate who educates and inspires employees to commit to the transformation



The effective CDO ...

- Is empowered by the board and the CEO
- Sits on the executive leadership team
- Reports directly to the CEO
- Has a direct communication channel to the board
- Has strategic functions that report to the role
- Is involved in the broader company agenda and is not limited to just technology

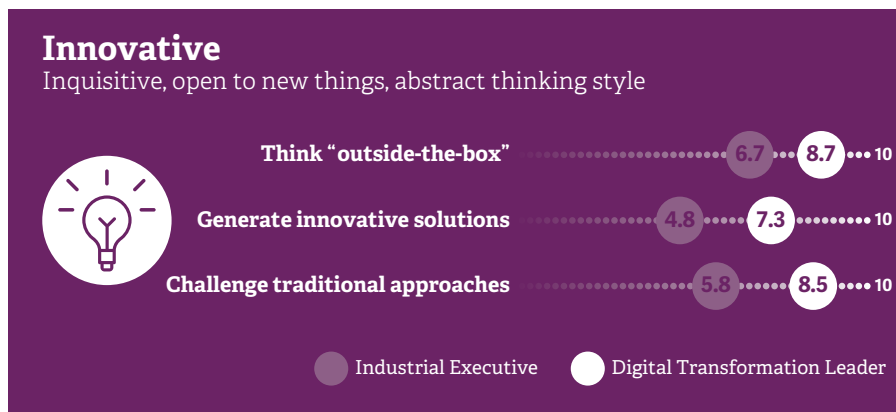
We analyzed 50 of the global leading industrial manufacturing companies to understand how they are defining and positioning the roles of their digital leaders. While only **5** out of the **50** currently have an executive with the title CDO, many companies have someone at C-1 level or lower down the ranks driving digital efforts. Given the share of companies without a CDO and the inevitability of the position's increasing importance, we foresee that the competition for industrial CDOs will intensify over the next couple of years. We believe that business leaders need to act now to secure the best talent for their company.



The psychometric profile of CDOs: Productive disruptors

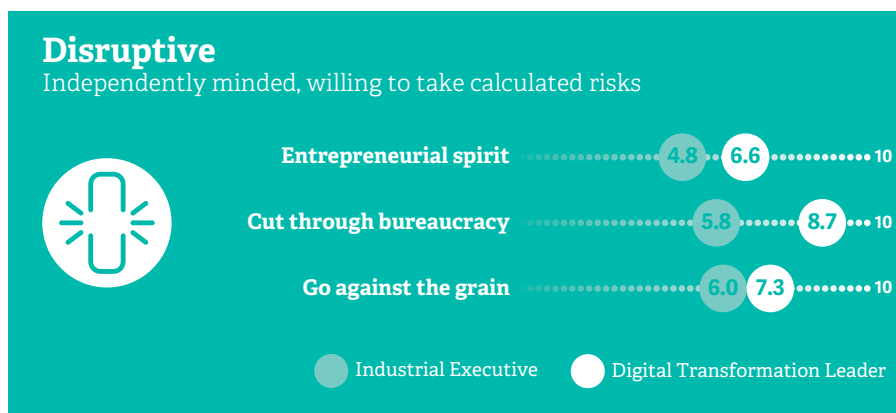
Russell Reynolds Associates enlisted 28 successful digital transformation leaders across industries to complete an in-depth series of psychometric assessments, and then compared their profiles to those of 178 other senior industrial executives in our proprietary assessment database. We found that digital leaders have a unique psychometric profile, characterized by their ability to approach the business in unconventional ways and generate creative solutions. These productive disruptors tend to think differently than other C-suite executives, but are adept at building solid relationships with them.

PSYCHOMETRIC PROFILE OF DIGITAL TRANSFORMATION LEADERS VERSUS INDUSTRIAL EXECUTIVES*



"It was an important part of the puzzle to create the CDO role reporting directly to the CEO. With our CDO, we bring our previously fragmented digitization projects together in an overarching firm initiative – both in terms of content as well as a convincing branding approach."

– Chairman, European industrial corporation



* See Russell Reynolds Associates' associated study: The Hunt for Digital Leaders: A talent perspective on navigating the Industrial Internet transformation, 2016.

Examples of Chief Digital Officers of industrial companies

William Ruh
General Electric



Year entered role 2015
Executive background Cisco, Software AG
Key executive roles VP & Global Technology Director, VP Advanced Services & Solutions, CTO, EVP & CTO

Guido Jouret
ABB



Year entered role 2016
Executive background Nokia, Envision Energy, Cisco
Key executive roles CTO, President Digital, GM IoT, GM Emerging Technologies, CTO Emerging Technologies

Marco Ryan
Wärtsilä



Year entered role 2016
Executive background Thomas Cook, Accenture, Premier Farnell, Cap Gemini
Key executive roles CDO, MD Marketing & eCommerce, MD Accenture Interactive, SVP eCommerce & Digital Marketing Projects

Michael Nilles
Schindler



Year entered role 2016
Executive background Schaeffler, Rexroth, SAP
Key executive roles CEO Digital Business, CIO

"We understood that we don't understand enough. Therefore, we realized that we needed a CDO."
 – CEO, European engineering business

Our advice

No matter how talented a CDO you appoint, alone he/she will not be able to drive results.

COMPANIES LOOKING TOWARD A DIGITAL TRANSFORMATION SHOULD CONSIDER THE FOLLOWING:



- Successful transformations start with a committed board, ideally with a digital non-executive director* and an executive team (including CEO) that are willing to become “digital migrants.”
- Culture change is paramount. CDOs can drive this, but cannot be solely responsible for its implementation. It is crucial that the CEO, business unit leaders and HR support the transformation towards a more agile culture with a “fail fast” attitude.
- An external digital advisory board is another way to gain insight from individuals with a wide range of relevant expertise, with backgrounds not typically found within the company. A digital advisory board can work as a sounding board for the CDO and CEO, as well as for the main board, to help give a broader perspective on transformation.

The CDO role in industrial manufacturing is in its early stages and far from a plug-and-play position.



LEADERS LOOKING TO JOIN INDUSTRIAL COMPANIES AS A CDO SHOULD ASK THE FOLLOWING QUESTIONS:

- *How committed are the board, CEO and executive team to digital transformation?*
- *Will they commit the time and resources needed to make change happen at all levels?*
- *To whom would I report?*
- *Is this a new role? If so, are the scope and expectations clear?*
- *How digital are the company’s offerings at present?*
- *How could my experience help advance the company’s digital agenda?*
- *Is this a company culture I will likely settle into and, over time, have a chance to evolve in?*
- *Do the stakeholders understand that I am not a “silver bullet”?*

“We realized that we needed to move onwards with IoT and digitalization. The board was aligned that we needed to be on the pulse of it.”

– Chairman, European engineering business

*See Russell Reynolds Associates’ associated study: The Role of Digital Directors in Industrial Transformation, 2017.

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