

Digital Transformation – The rise of the CDO (Chief Digital Officer)

Carlos Francavilla
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Some time ago I wrote about the current need of organizations to hire board members who can manage, evaluate, and supervise the development of the organization's digital strategy, and for that I based my argument on the work of Spencer Stuart.

These days we are going to increasingly hear from some IT industry companies, like Gartner and many others, about the appearance or evolution of the CIO and other executives towards the role of *Digital Services Manager* [literal translation of *Gerente de Servicios Digitales*] or *Chief Digital Officer*.

This time I am going to base my argument on an article by **Russell Reynolds Associates** about the growth in company searches for digital transformation directors.

My point of view

Regardless of the name of the position, it becomes clearer each day that the role of many company executives, both those from marketing and technology and/or operations and other areas, will change to include this digital transformation that is taking place in the companies' products and services. This is immediately apparent in some industrial sectors, less so in others, but the *trend appears to be irreversible* and, therefore, the need for each one of these executives to forget a lot of what we know in order to make room for new learning and completely different mental models seems irreversible as well.

Although American companies generally base the task in one position, I personally think that this digital transformation of products and services cannot be accomplished simply by hiring a CDO, or whatever they want to call him/her. This is akin to what happens with innovation—having an Innovation Manager just makes the rest of the company feel that the challenge is not within their purview.

I believe that this digital transformation is a process that will begin with the board of directors and then become a part of the company's culture and procedures, until each collaborator makes the idea his/her own.

But will it be necessary to create a position with that name? Sometimes I think it will and other times I think it won't, but the most important thing about this position, if it is created, may be that it *addresses and influences the entire organization* with regard to the need to begin this digital transformation and help the board of directors define the policies that will then become the paths for action taking strategy to execution, generating new services/products. This reminds me of an anecdote about Steve Ballmer, the CEO of Microsoft—when no one at Microsoft was thinking about Windows, Steve traversed the halls of Microsoft saying constantly “the future is Windows, the future is Windows”; and I

met him in Argentina saying “the future is Windows”! Those of us who have been around a while remember what Windows 1, 2, and 3 were.

What I think is very clear is that information technology professionals, whether new or old, are candidates for these two new positions that are being created in organizations: the digital director and the chief digital officer.

The CIO will be able to remain, as well as the CTO and/or all the other positions in an IT department with the traditional roles; these will increasingly change and/or be outsourced as the management and effectiveness of organizations with variable expenses are shown to be better than management with large capital expenses—but obviously *the role facilitating new Information Technology business will be predominant.*

This again brings me back to a Gartner phrase: in 2020 the CFO will have the IT role.

Although he/she may have the IT service delivery role, it will be difficult for him/her to have the organization’s digital transformation role. This role requires other, completely different abilities than those marketing and/or technology people have today.

There is no return from the convergence of marketing and technology, so let’s begin this transformation together instead of as business silos.

Below is a brief summary of **Russell Reynolds’** work.

The challenges and opportunities for businesses in this digital age are enormous. Companies have to be fast to keep pace with changing technology and *consumer behavior*. Business strategies must now be perfectly interlaced with digital strategies that expand daily and include not only the web but also mobile technology, social media, local presence, and everything that innovation can bring.

To meet these challenges, companies are increasingly looking for a Chief Digital Officer (CDO) who can oversee the full range of digital strategies and drive change across the organization.

This is a summary of the viewpoint of the members of the consumer and technology teams of **Russell Reynolds Associates**, who look at the emergence of Chief Digital Officers and their potential CEO succession.

What is a CDO, and why does the role matter?

Customers are demanding fresh information and the ability to buy wherever, whenever, and however they want. The numbers are hard to debate. More than 200 million iPhones and Adroid smartphones are now in consumers’ hands, and demand shows no signs of abating. Some 41 million apps are downloaded every day, and social networks are expanding on a geometric scale. Consumers are using their digital resources to download information, compare prices, find the best products, and search for agreements [sic].

It’s no surprise then that the seniority and caliber of digital talent that companies are seeking to recruit are increasing. Traditionally, digital was positioned as part of the marketing function within the business, responsible for driving the organization’s online presence.

The last two years have seen the rise of the Digital Director, a senior executive who sits at the right hand of the CEO and is seen as essential to the future of the organization. For many companies, especially those in the retail and digital entertainment sectors, it is the fastest-growing revenue stream, and a Digital Manager (or, sometimes, SVP Online) is extremely important in driving that growth. In some sectors, such as traditional media, the CDO often has been hired to help transform the company as its products evolve digitally.

In both cases, the CDO needs to be someone who not only has digital acumen, but who is also an experienced general manager who can operate in a large-scale business and influence effectively across the entire organization. This is a relatively new type of leader and one who is hard to find, attract, and retain. The increasing importance of the role will eventually put CDOs in the line for CEO succession. CDOs will be the executives with operating experience, management skills, strategic mindset and vision to lead businesses in an increasingly technological future.

The increase in demand for Chief Digital Officers has been felt globally. In Europe, the number of search requests for this role has risen by almost a third in the last 24 months. The United States has seen the same growth in half that time. The increase in Asia is less pronounced, where the position remains relatively young, although things there are evolving.

The strong increase in demand for CDOs has been accompanied by an equally strong increase in the level of compensation offered. Today's high-quality CDOs command double the remuneration levels of their predecessors, reflecting the scarcity of talent and increasing seniority of the role.

What's driving the evolution of the CDO?

Social media and the enabling technologies are reshaping consumer behavior. Some statistics:

- In March 2011, Apple announced it had sold its 100 millionth iPhone.
- In July 2011, Google's Android was on 130 million devices.
- In July 2011, 24 million apps were downloaded from the Apple Store per day. Android, 17 million downloaded apps per day.
- In September 2011, there were more than 800 million users on Facebook. On average, Facebook users install over 20 million apps every day. There are more than 350 million active users who currently have access to Facebook through mobile devices.
- In April 2011, it was announced that more than 200 million people had signed up on Twitter, while, in September 2011, it was revealed that there were 100 million active monthly users.
- In 2010, global revenue for the virtual goods industry was more than \$7 billion, according to Ted Sorom, CEO of Risty, a virtual currency platform.

What does it take to become a CDO?

Given the complexity of their roles, successful CDOs require a broad blend of experiences and competencies.

Experience

Digital experience, of course, is critical, but different combinations of skills are emerging among Chief Digital Officers. For example:

- E-commerce and transactional experience.
- Online marketing and social media experience.
- Transformation of products and technology capabilities (from analog to digital).

More generally, CDO candidates must be familiar with the web, mobile technology, and social media—and possibly local as well. They must be able to plan and execute long-term strategies around driving customer awareness, commitment, experience, and monetization.

With regard to innovation, candidates must have experience developing new channels and business models, as well as innovative products and services.

The CDO must also be knowledgeable about technology; although it is not necessary to know how to code, the ability to manage developers and ask the right questions is a minimum requirement.

Demand for CDOs is much greater than supply. This is fueling an increasingly competitive war for talent.

It is important that the CDO is not only a digital guru, but also an experienced general manager. He or she must have experience running a profit and loss statement. The role is often transformational, so change management experience is important, whether in turnaround or fast-growth situations.

In addition, as many companies increasingly have more global customers and employees, international experience is key. Therefore, CDOs will have to bear in mind that the adoption of technologies across a business's jurisdictions may vary. In other words, one size does not fit all.

Competencies

As with any senior leadership position, a range of competencies is required:

- Definition of strategy.
- Execution of results.
- Relationship-building and using influence.
- Leadership.
- Demonstrating cultural sensitivity.

What does the future hold for the CDO?

In many cases, the CDO will be the executive handling the fastest growing revenue streams within the business or will be the executive holding the keys to the company, putting him/her in direct line to replace the CEO.

CDOs who demonstrate their ability to manage change and transform their businesses, the way in the rise of the Digital CEO is almost certain. [sic]

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