How Chief Digital Officers Promote the Digital Transformation of their Companies

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Executive Summary

Chief Digital Officers (CDOs) are establishing themselves as new executives at the top management level of companies that go through a digital transformation. The full article is based on six case studies of CDOs and describes how they fulfill their positions. Five of the cases are from the "CDO Recommended" region of the figure and one from the "CDO Can be Helpful" region. From these cases, we identify the main factors that drive the employment of CDOs, the three role types that CDOs primarily play and the skills and competencies they should have for each role type. We also present four key lessons that will ensure businesses equip their CDOs with the skills to successfully navigate through their digital transformation journeys.

We define the CDO role as Orchestrating the digital transformation of a company.

To understand the CDO role, it is important to distinguish CDOs from CIOs (who focus on IT strategy), chief data officers (who focus on data strategy), chief innovation officers (who focus on innovation strategy) and chief strategy officers (who focus on corporate strategy).

The digital transformations in the six cases cover a wide spectrum. In Case 1 (retail) the focus is on enhancing customer experience; Case 2 (tourism) focuses on growing online and mobile business; Case 3 (education) focuses on optimizing customer solutions; Case 5 (financial services) focuses on enhancing customer service; in Case 6 (publishing) the focus is on fostering e-business.

The Three Role Types of CDOs

Entrepreneur Role. Entrepreneur CDOs explore IT-enabled innovations, establish a digital transformation strategy and help their companies innovate through the use of new digital technologies. These CDOs have a strong customer focus.

Digital Evangelist Role. A crucial part of the Digital Evangelist’s job is to convince the workforce across all departments and hierarchy levels to pull together. These CDOs communicate their digital strategies across their companies and across departmental boundaries to ensure the whole company is “signed up” to the digital journey.

Coordinator Role. Digital transformation is not an isolated process, but affects many parts and stakeholders of the company. Coordinator CDOs initiate and design the controlled organizational shift from decoupled silo functions to cross-functional cooperation. They are responsible for interlinking the whole company and acting as coordinators of the digital transformation.

1 The full article is published in the March 2017 issue of MIS Quarterly Executive, available online at www.misqe.org.
All three CDO roles are important in the work of a CDO, but the primary role depends on many factors, including the digital transformation maturity of the company, the digital mindset of the workforce, company size and the reporting relationships of the CDO.

Key CDO Skills and Competencies

There are five skills and competencies companies should look for in a CDO.

1. IT Competency. New digital products and services are based on IT, so CDOs need to have an understanding of IT applications and the underlying infrastructures, as well as knowledge on how they can be upgraded and modified.

2. Change Management Skills. While the main focus of CIOs is on IT, CDOs need to understand what new digital technologies mean for their businesses and their customers. They also need a comprehensive understanding of the workings of the different business functions. Thus, the CDO’s job is both highly cross-functional and interdisciplinary, and requires highly developed change management skills.

3. Inspiration Skills. As the driver of digital transformation, the CDO needs to be able to inspire and convince all internal decision makers and employees of the need to digitally transform and to demonstrate the benefits that will come from the transformation. With the skill to inspire others, CDOs not only act as consultants to the top management team, but also as effective motivators of the whole workforce and thus enable the digital transformation in the first place.

4. Digital Pioneering Skills. To inspire and motivate an organization to embark on a digital transformation, the CDO needs to act as a digital pioneer, which requires a high level of visionary thinking capabilities.

5. Resilience. To successfully complete the digital transformation journey, the CDO will need to be resilient, particularly in “traditional” companies, because digital transformation will require substantial changes. In such companies, colleagues of CDOs, both at managerial and at staff levels, won’t always readily embrace the profound changes required for digital transformation.

All five skills are needed by any CDO, but different role types will need some of them more than others. Digital Evangelists need particularly well developed inspiration and digital pioneering skills. Change management skills are valuable for Coordinators, and the Entrepreneur role is easier to fulfill if CDOs have profound digital pioneering skills. Regardless of role type, CDOs will need IT competency and resilience.

Lessons Learned

1. Top Management Should Ensure CDOs Have Sufficient Authority. Five of the six CDOs in our study have successfully conceived digital transformation strategies and implemented the associated digital initiatives in a timely manner. One, however, who was the only one not reporting directly to the CEO and who did not have a seat at the top management team meetings, seemed to lack the authority needed to effectively pursue company-wide digital initiatives.

2. CDOs Should Hone the Skills Required for their Primary CDO Role(s) and Address the Challenges Caused by Internal Resistance. CDOs should specifically hone the skills most required by their current primary role type.

3. Appointment of a CDO Offers Opportunities for the CIO. CIOs should not fear that they might be replaced by a newly appointed CDO or relegated to a secondary position in the digital transformation journey. In each of the cases where the CDO reported directly to the CEO, the CIO was also a direct report of the CEO. CIOs should embrace the opportunities that the appointment of a CDO offers them and make the most of the visibility they can gain through collaborating extensively with CDOs.

4. CDO Positions May Be a Temporary Phenomenon. Many commentators and CDOs believe that the CDO position is a temporary phenomenon and will disappear as soon as the company has become digital. Others, however, propose that CDOs might become the next CEOs. However, it is too early to take a definitive position on this issue.

In summary, the six cases described in the full article help managers to understand why CDO positions have been established, how CDOs fulfill their positions and how they can be successfully installed to guide organizations through their digital transformation journeys. There are two main factors that drive the creation of CDO positions: high market pressures to digitally transform, and the complexity of coordinating digital transformation activities across a company. The three role types that CDOs can play (Entrepreneur, Digital Evangelist and Coordinator) and the five types of skills and competencies CDOs should have are described in full in the main article.