



The Creative Technology Company

The Rise and coming fall of the Chief Digital Officer

EXSQ

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11%



of executives said they felt confident that their business model would still be relevant

64%



of those leaders believe their companies face the imperative to build new digital business models if they want to survive into the future

89%



of the companies in the Fortune 500 in 1955 have since either gone bankrupt, been acquired, or seen falling revenues

52%



of the companies among the world's most prosperous 65 years ago still see themselves there today

How long will your current business model remain economically viable? In a recent survey conducted by McKinsey, only 11% of executives said they felt confident that their business model would still be relevant at the end of 2023. And 64% of those leaders believe their companies face the imperative to build new digital business models if they want to survive into the future.

Even Fortune 500 companies are becoming obsolete at an unprecedented pace. Just think of Kodak, which held the world's first digital camera patent but stubbornly clung to its investments in paper-based photo printing. Or Blockbuster, which saw its market-leading position wither away in the wake of Netflix's meteoric rise. In fact, more than 89% of the companies in the Fortune 500 in 1955 have since either gone bankrupt, been acquired, or seen falling revenues disqualify them from inclusion on the list. Only 52 of the companies among the world's most prosperous 65 years ago still see themselves there today.

By now, we're all well aware that the past two years' events have sped up digital transformation by several years, increasing the speed at which digital technologies change the fundamental nature of business. We know that more connected devices continue to go online, with more data created than at any prior point in human history. And we understand that the process of creative destruction that has fueled economic prosperity for decades proceeds onward at a faster and faster pace.

In light of these changes, it's become imperative for organizations to rethink how their people, processes and technologies can support new business models, advance new revenue streams and prepare to meet tomorrow's customer expectations. While younger companies — or those “born digital” — may have digital strategy, digital business processes and digital product optimization so deeply embedded in their organizational DNA they do not need sweeping transformation, others may need a champion or evangelist to advocate on an enterprise-wide basis the best way to leverage digital technologies. This executive leader can drive the business's digital transformation strategy, help ensure that the organization harnesses the power of data and modern digital technologies to fuel growth and ascertain that the business model stays focused on delivering outstanding customer experiences.

This role is the Chief Digital Officer (CDO).

What is a Chief Digital Officer (CDO)?

In essence, the CDO is a C-level role responsible for driving growth and strategic renewal by transforming an organization's traditional analog businesses into digital ones. This executive should especially focus on creating new value through the smart use of digital tools, platforms, technologies, services and processes.

It's not just about digitizing business models or even preparing companies for an increasingly digital future. Instead, the CDO takes on the task of readying the organization to compete in a world filled with unknown challenges, greater uncertainties and novel possibilities. The CDO's job isn't to get the organization to a particular destination. It's to prepare the company to embark on a new journey, readying it for the entirety of the future.





what do Chief Digital Officers Do?

Dubbed the “transformer in chief” by McKinsey, the Chief Digital Officer often has a public- or customer-facing role. The very presence of this executive within the company may intentionally signal the strength of the organization’s commitment to readying itself for the future.

Digital transformation isn’t just about process change or technology transformation. As we’ve discussed elsewhere, planning for success in the digital realm requires thinking carefully about how your company can deeply engage users within the constituencies most critical to its success. This level of engagement means meeting customers’ needs — base physical or physiological needs, higher- level needs for relatedness or self-esteem, or top-of-the- pyramid needs for growth or self-actualization. Insights from motivational theory (especially the seminal work of behavioral psychologist Abraham Maslow) can help you understand what makes your users’ hearts sing. Digital transformation involves using technology (but not necessarily only technology) to achieve this worthy aim.

Much of the CDO's responsibilities remain analog: human relationships, meeting customer (and employee) needs and engaging the constituencies most important to the company's success. Yet, paradoxically, the CDO takes on the task of using digital tools and technologies to accomplish uniquely human objectives. They'll need to understand how digital experiences map onto the pyramid of human needs, but they also need to excel at aligning corporate strategy and brand experience (both online and off).

As it's currently conceived, the CDO role has close ties to – and is sometimes perceived as the next stage in the evolution of – more traditional C-suite roles like the Chief Information Officer (CIO) and the Chief Marketing Officer (CMO).

Let's take a closer look at how these roles compare.

“In broad terms, the traditional CIO could be said to be a leader of continuity, while the CDO is a driver of innovation.”

— Rowan Gibson
Bestselling Author and Innovation Expert

CIO vs. CDO

The CIO is the executive responsible for implementing and maintaining computer systems and information technologies within the company. It's their job to ensure that these systems perform as they should, that they're usable and that they're living up to employee and customer expectations. As Gartner puts it, the CIO "oversees the people, processes and technologies within a company's IT organization to ensure they deliver outcomes that support the goals of the business." Gartner also notes that the CIO's role will grow in importance as digital becomes ever more central as a core competency.

Nonetheless, the CIO's traditional responsibilities trend towards operational, while the CDO's are strategic by design. In general, the CIO will oversee the company's IT infrastructure to improve performance and efficiency, while the CDO will be more concerned with digital initiatives that enable strategic innovation and business transformation. CIOs most commonly have technical backgrounds, while CDOs may have experience on engineering, product, sales or marketing teams.

TRADITIONAL CIO

- Automating existing processes
- Internal operations and functions
- Existing business models
- Optimizing service delivery and performance
- Centralizing IT functions
- Reducing costs

MODERN CDO

- Creating or transforming business processes
- Customer-facing solutions and customer experience
- Emerging digital business models
- Optimizing digital experience
- Democratizing data access
- Driving revenue

CMO vs. CDO

While the CIO is typically a technologist, the CMO's primary responsibility entails driving sales and increasing revenue by creating a marketing plan to give the company a competitive advantage. Along the way, the CMO must lead advertising initiatives, manage the brand and its reputation, conduct market research and competitive analyses, communicate with customers and the public and collect feedback on their preferences and experiences.

In recent years, as growing numbers of new digital technologies, communication channels and ways of collecting customer information have emerged, the CMO's function has become as much about data and analytics as it is about creativity and communication. As a result, data science and data-driven customer targeting play growing roles in making marketing activities successful. In this world, a CMO's goal should involve supporting the shift from transactional marketing to long-term engagement over a plethora of channels, including social, mobile and in-product engagement, as well as the traditional company website.

CMOs and CDOs share an interest in improving digital customer experiences to drive better business outcomes. While only a fraction of today's marketing leaders have computer science or technology backgrounds, a growing need exists to leverage data, automation and advanced analytics to optimize the customer journey and respond to signals in real time. In many organizations, especially in customer-facing industries, the CDO started as an extension of the traditional marketing function, overseeing digital activities and answering to the CMO. Some enterprises have replaced the CMO role with the CDO role (or a combination of CDO and Chief Customer Officer (CCO)).

TRADITIONAL CMO

- Developing marketing strategies
- Assessing the company's current position in the market
- Managing the brand's reputation
- Optimizing customer experience
- Influencing product design
- Driving growth

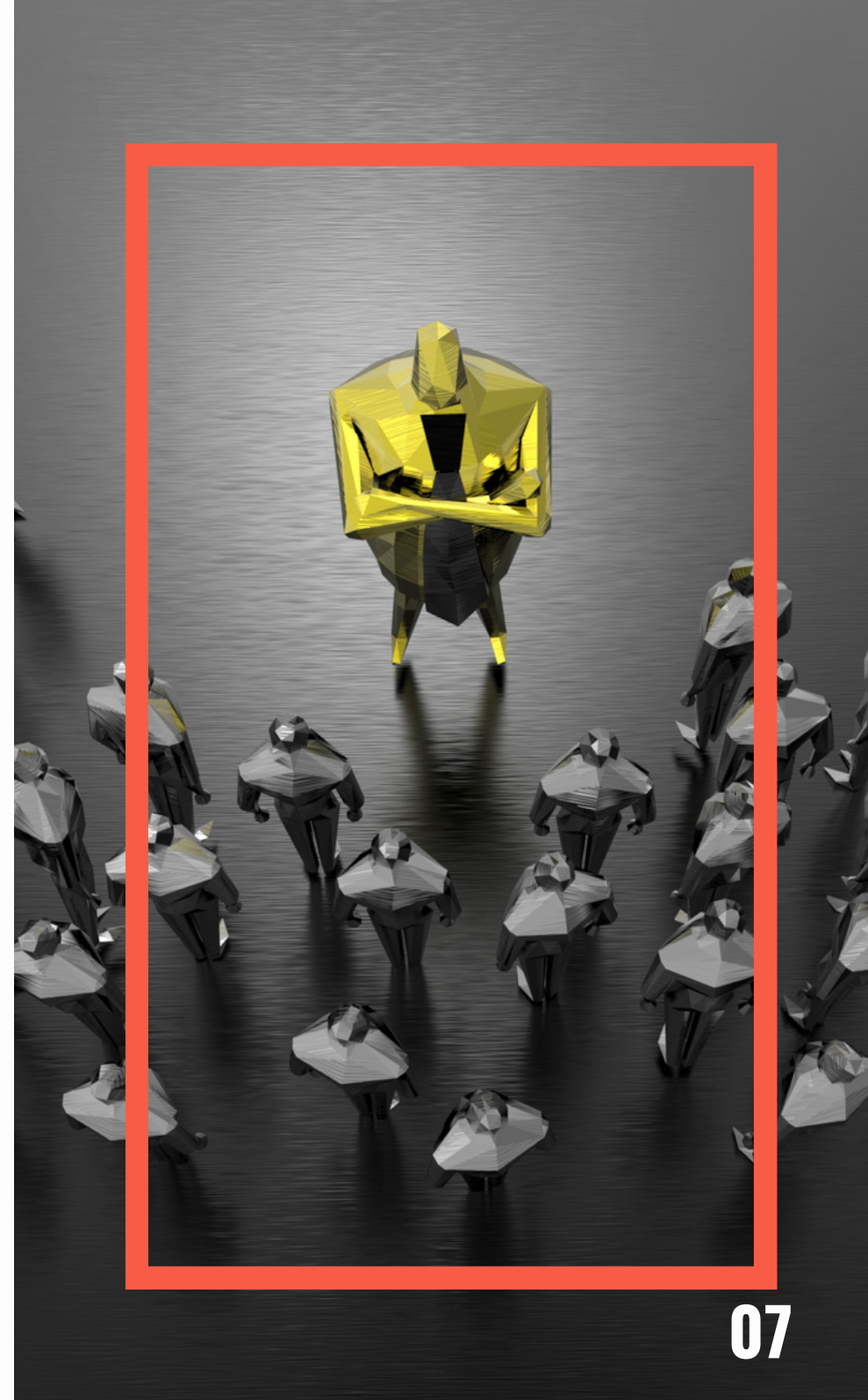
MODERN CDO

- Creating or transforming business processes
- Customer-facing solutions and customer experience
- Emerging digital business models
- Optimizing digital experience
- Democratizing data access
- Driving revenue

history of THE CDO ROLE

CDO is a relatively new title on organizational charts. Executive search firm Russell Reynolds reports that it first began receiving calls from companies seeking CDO candidates as recently as 2011. Recruiters estimate that only about 50 CDOs worked worldwide at that time. By 2015, the number of CDOs had climbed to over 2,000, and by 2017 a PwC survey found that 19% of global enterprises had appointed a CDO, 60% of which were hired in the last two years.

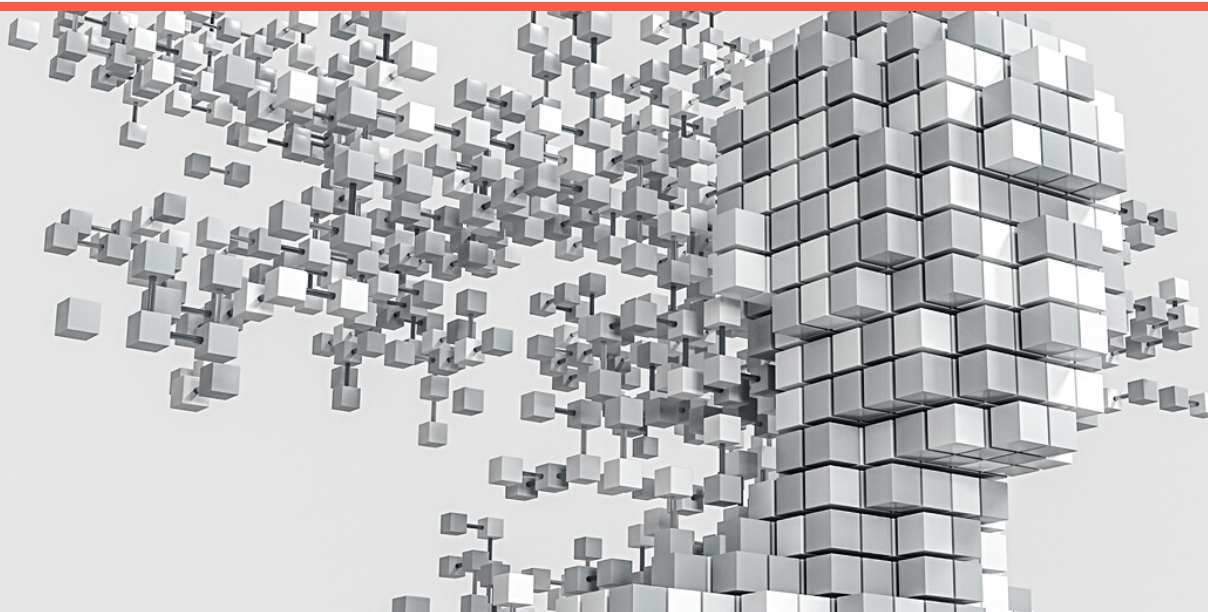
More recently, however, hiring patterns have again shifted, with the rate of creation of CDO positions having slowed sharply from the peak it reached in 2016. In the most recent version of the PwC survey, conducted in 2019, only 21% of companies had designated a CDO, just a slight increase from 2016's numbers. Enterprise stakeholders may be pulling back from the idea that putting a single person in charge of digital transformation makes for the wisest approach since the fact remains that it needs to be a strategic priority across the entirety of the business.



Finding the right candidate for the CDO role often presents several challenges, and once hired, CDO tenures tend to be short. According to a survey conducted by the MIT Sloan Management Review, the average CDO spends only 2.5 years in the role. A company's expectations for CDOs also vary widely across different organizations. Some enterprises emphasize tactical engagement with digital marketing and/or technology, while others focus on more nebulous concepts like cross-functional digital strategy and transformation.

Many CDOs come from advertising and the creative industries, often with backgrounds in digital marketing. Others have more technical expertise, having worked with IT systems, digital technologies and software.

Reporting structures vary just as much as CDOs' backgrounds do. In many enterprises, particularly consumer-facing ones, it's common for the CDO to serve as an extension to the traditional marketing function, answering to the CMO. In others, where the role has more of a technology focus, the CDO may report to the CIO. In companies a little further along on their digital transformation journeys, the CDO, CIO and CMO may have the same rank on the organizational chart, or the CDO may even be one level higher, reporting directly to the CEO.



the CDO's responsibilities

Given the recent development of the CDO role, a lack of widespread agreement arises about the CDO's exact responsibilities. However, organizations with vague or poorly- defined job descriptions set up their CDOs for failure since it's near-impossible to establish KPIs that accurately measure any achievement of these objectives.

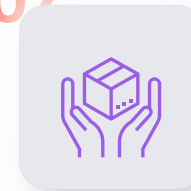
According to IDC Research, the CDO has responsibilities in six key areas:

01



Map digital functions to strategic priorities

02



Develop and administer the digital product portfolio

03



Serve as the executive sponsor for digital process innovation

04



Measure new efficiencies and ROI.

05



Develop ways to attract and retain top talent

06



Be the "executive intermediary" during delivery



KEY AREAS

01



Map digital functions to strategic priorities

The CDO needs to develop a clearly defined, compelling digital strategy for the company's future and ensure the integration of all relevant digital initiatives into this strategy. Typically, this mapping means aligning customer experience objectives and desired business outcomes.

02



Develop and administer the digital product portfolio.

While responsibility for deploying individual digital solutions might rest with various line-of-business executives, the CDO — ensuring centralized visibility and control — plays a central and critical role.

03



Develop and administer the digital product portfolio.

By definition, digital transformation involves cross-functional collaboration between the core business and IT, of course, but also between many other functions and business units. Consider, for instance, the complexities involved in digitizing the mortgage loan application process, and you'll realize that it'll impact business processes across the entirety of a financial services organization.

KEY AREAS

04



Measure new efficiencies and ROI.

Digital transformation initiatives should create value by driving both cost savings and revenue generation. They should also improve metrics like customer engagement and loyalty — all of which companies can measure. The CDO should monitor the impact of these projects and investments on enterprise KPIs.

05



Develop ways to attract and retain top talent.

The demand for digital talent currently far outstrips the supply. The CDO should work closely with HR to attract and retain promising candidates and upskill current employees to strengthen digital capabilities from within the company.

06



Be the “executive intermediary” during delivery.

Be the “executive intermediary” during delivery. Often, the CDO will need to serve as an internal champion, advocate or coach to other executives. They may also need to act as a tiebreaker during the rollout of digital capabilities.

is a CDO REALLY NECESSARY?

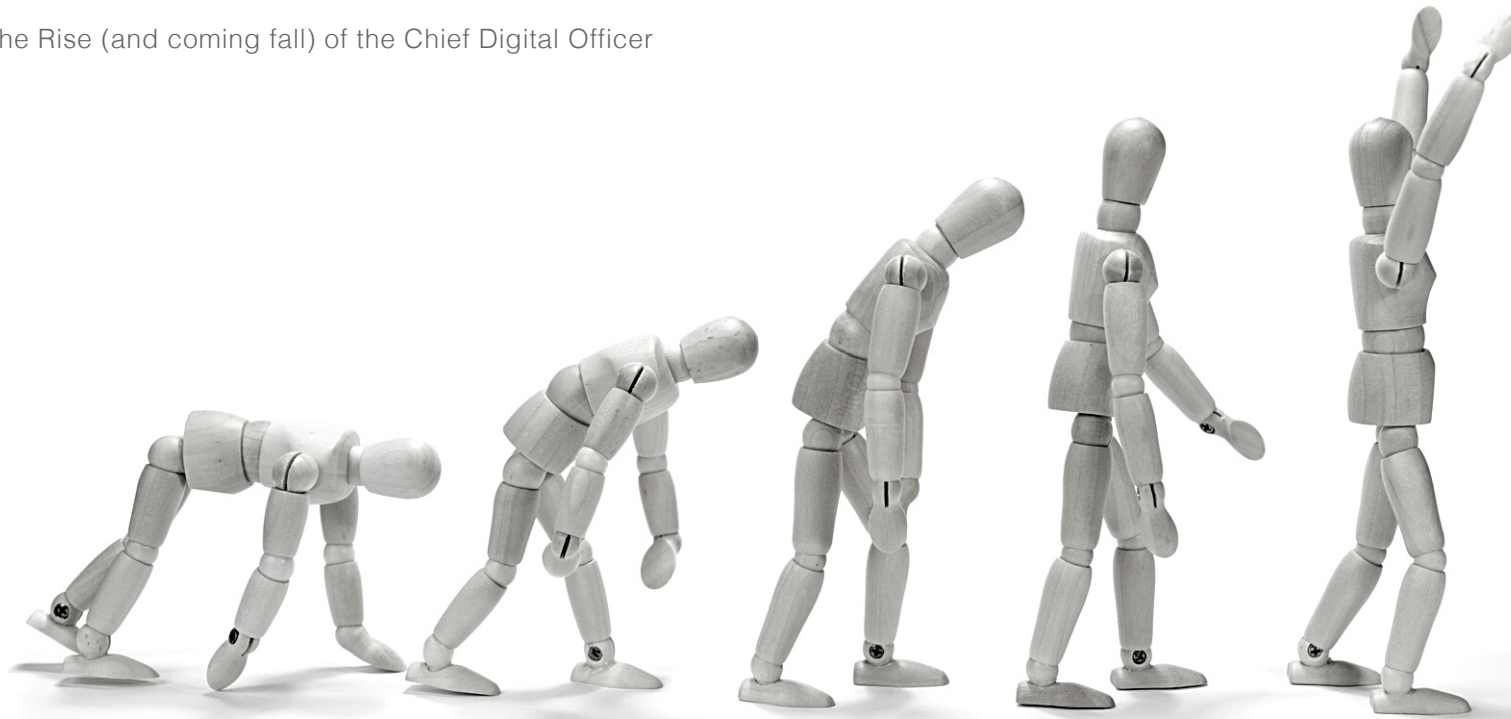
A great deal of debate continues on this subject. Some analysts argue that the role stays essential in mid-sized to larger enterprises in highly digitally dependent industries like retail. Others say that having a CDO can seem unnecessary in companies with a highly engaged, business-oriented CIO.

For companies whose main offerings exclude the digital or technological varieties, the CDO's job requires improving the consumer's digital brand experience. Let's take McDonald's as an example. Creating an app so people can order exactly what they want ahead of time – and pick it up when they're ready – generates business. So do digital loyalty programs that reward the fast food chain's most devoted fans. Or think of an airline: the better an air carrier's mobile app, the easier it is to reschedule missed or canceled connections, and the less stress travelers will experience managing the unexpected changes inevitable to impact air travel today. For an airline, a mobile app expertly designed to be easy to use, technically flawless and high performing provides an invaluable customer experience.

The CDO also crucially unifies the entire experience of the brand across channels. This connection means that gate agents at the airport should have instant access to the changes made by the traveler in the airline's mobile app. And it means that frontline workers in retail stores and call centers should share a unified view of the customer's entire experience.

For companies that plan to hire a CDO, the ideal includes finding someone who can plan for where the company will be headed within the next three to five years and help it find the optimal path to get there. While the CDO needs to have the ability to balance technology with a customer and marketing focus, companies may not need the role forever.

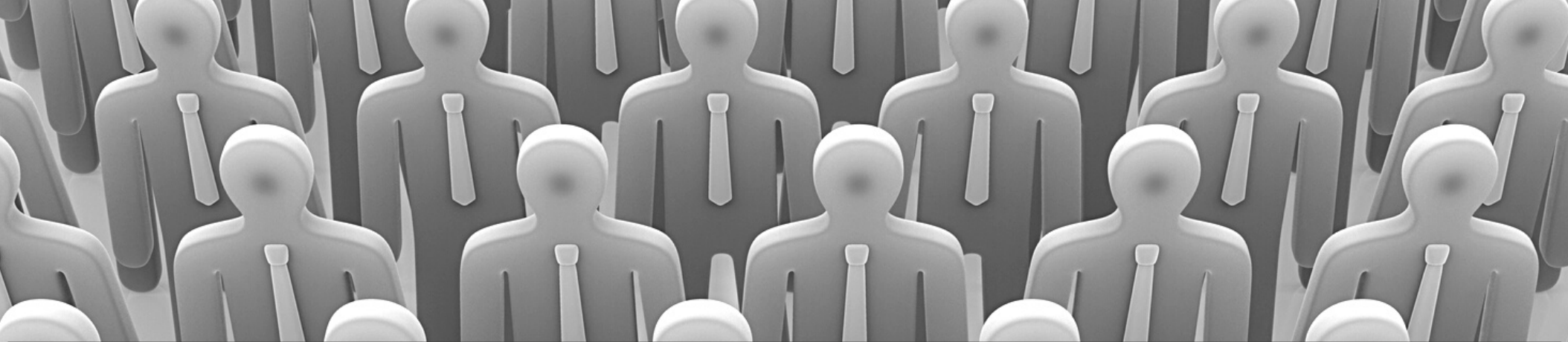




future evolution OF THE CDO

Digital-native companies like Warby Parker and Away usually do not need a CDO because digital strategies already make stakeholder priority lists across all areas of the business. These brands lead the industry as innovative category disruptors that enjoy intense customer loyalty. Because they were born online, the companies have deep knowledge of their customer base and access to data that enables them to predict their behavior online in actionable ways. On average, current digital native brands see growth three times as fast as e-commerce overall.

As older enterprises progress along their digital transformation journeys, they may find that they end up looking more like digital natives than they would have thought possible. This experience may mean they no longer need a formal CDO role because thinking about the intersection of digital technologies and human needs will become an important part of all roles across the company.



In place of today's CDO, tomorrow's organization will likely instead have a role like that of the Chief Customer Officer.

Why? Because rather than focusing on digital transformation or digitizing the business, tomorrow's leading enterprises will focus on deeply understanding the needs of their customers. They'll strive to meet them during their evolution or, at the very latest, as soon as they emerge. The work fundamentally shifts away from perfecting digital products to more perfectly understanding the needs of people.

This viewpoint only just recently emerged from the work done today. Academic disciplines like digital anthropology can help us understand its implications. It offers a way of thinking holistically. Customer experience remains deeply embedded in digital products, services and technologies, but it extends far beyond them. After all, technologies aren't just "things" — they're also powerful sites of self-expression or extensions of group identity. As enterprise stakeholders appreciate this reality, they'll see the critical demand to understand humans — and their cultures — if we're to meet their needs (with technology or not).



CONCLUSION

does your ENTERPRISE NEED A CDO?

Many organizations can benefit from having a single executive responsible for oversight of and evangelism for digital transformation. It's essential to find someone forward-thinking and forward-looking who can anticipate the market forecast and what customers will want next. Still, you shouldn't anticipate that this need will stay permanent.

Instead, as Ragu Gurumurthy, chief digital officer and chief innovation officer at Deloitte, puts it, "This is no different from what we saw in the late 1990s when companies appointed internet czars. That has gone away because the internet is a part of the fabric of every company now. In nine or ten years, using digital technology will be a big part of the business; it will no longer be a vertical."

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Bestselling Author and Innovation Expert



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