

# The “Chief Digital Dilemma”

*The thin red line between the success and failure of the chief digital officer... and the need for the role*



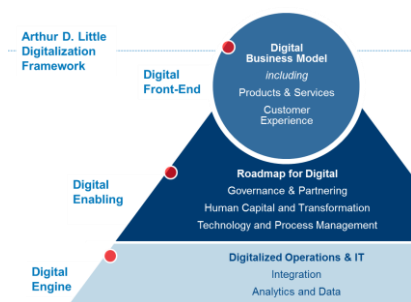
## The rise and (sometimes) fall of the CDO

Digitization is omnipresent, and many companies are starting to bundle free-floating responsibilities into a single unit or person: the chief digital office(r). Yet many fail in their attempts to get real value out of such a position and wonder what happened to their ambitious digital plans and ideas. A significant number of established CDOs have vanished, leaving a vacuum of digital responsibility.

Often the issue is in the set-up of the role. By clearly defining the scope and responsibilities of such an entity, companies might find that they don't even need a separate position (which is sometimes only an additional complexity in an already complicated digital world).

## The CDO as a compilation of responsibility

Companies have now learned that “digital” has a significant impact on all levels of an organization. It needs to cover a broad range of business and IT dimensions, from the digital business model and services to operations, processes, production and IT:



Fights for competences and digital leadership are predetermined. Strategy, marketing, IT, product development, operations – nearly no department not being affected by digital. This cross-company impact is the biggest challenge and hindering factor for successful digitization: no clear digital strategy and roadmap, too many functions involved, too much legacy to deal with.

The typical reaction of many companies with digital ambitions is to bundle respon-

sibility and decision power centrally and install a new role. Without a natural home for these topics, a new chief seems to be the next-best solution: the CDO.

## Five reasons for failure

What then, is the reason for the high number of failures across all industries despite well considered decisions? Arthur D. Little research shows that several issues usually play along:

### Reasons for failure of the CDO role

1. **An unclear role definition**, lacking targets and necessary interfaces in involved parts of the organization
2. **Lack of empowerment**, making the job a “paper tiger” with lots of responsibilities and no rights
3. A set-up as a **one-man show** with no supporting (at least virtual) resources
4. **Building a digital “kingdom”** instead of orchestration of a widely spread responsibility for digital in the organization
5. **Failed and unmanaged expectations of the organization**, hoping for the holy grail to solve all problems and not seeing the need for a transformational change

It becomes obvious that there's a high risk of failure for the CDO role. To address the elephant in the room: do you then actually need a CDO?

## Consider existing entities first

The answer is a clear “maybe”: if you come to the conclusion that central responsibility is necessary for digital transformation success, first consider existing roles to take over the job. They usually come with empowerment, an organization and/or the necessary acceptance. Candidates for the job could be:

- The CEO ...as long as digital is expected to have a significant impact on revenues and therefore will have the right attention
- The CIO ...as long as there's a clear will to change the CIO role and organization into a digital services culture (usually a big step from administering legacy)

- The CMO ...as long as digitization is understood from a market perspective and product/service (in contrast with focus on efficiency gain with digital operations)

An additional benefit is: the role of the CDO ideally is considered to be temporary, focusing on the necessary transformational phases of digitization. Current board members don't stick too much to the CDO chair on the long run. If none of the existing board members seem to fit, a new and temporary CDO role will make sense.

## Successful design of the CDO role

In any case, the design of the role is crucial for success. We recommend factoring some important topics in:

- A single entity cannot fully cover the complexity of digital. Therefore, strong involvement of the whole organization in the defined web of governance is essential – the CDO needs to be an orchestrator. Make it a board role, or at least have it directly report to top management. Apply real end-to-end responsibility for important tasks of digitization. These could include the strategy definition, design of corporate-wide use cases and customer journeys, the definition of partnering models and functional responsibility for the digital architecture.
- Data is the blood of digital success, and access to it, as well as clear ownership of information is important. Ideally this is combined with the CDO.
- Lastly, give the CDO an ambitious but realistic scorecard and link the incentive systems of existing functions to digital targets.
- In addition, nothing helps more to build allies and drive the digital agenda as owning a budget to really inject change.

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