

# Why you need a chief digital officer

The CDO will become a vital partner to the CEO and the board in winning returns from the company's technology investment. This is an appointment you can't afford not to make. **By Ted Bililies**

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Almost every part of business has been — or will be — transformed by technology. The stunning pace of digital innovation over the past 20 years or so has changed the way companies produce goods, gather and access information, and interact with their customers.

Social media, mobile, analytics, cloud, and the Internet of Things are transforming our daily lives. Morgan Stanley has estimated that by 2020 more than 75 billion devices will be connected to the Internet. Right now, the International Telecommunications Union projects that 46% of the world's population is already online.

Artificial intelligence, robotics, and data analytics have already transformed sectors like retail, automotive, and pharma. Others, like health care and construction, are on the cusp of great change.

How can business leaders manage all of this? The overwhelmed chief executive officer may be trying to keep on top of the disruption to the business model, the chief information officer could be bogged down in keeping systems up to date, while the chief marketing officer is focused on maintaining connections that digital media has transformed.

## *A vital hire*

To be successful, digitally transformed companies should invest in leadership to help them win returns from their technology investment. A chief digital officer (CDO) can be a vital hire to ensure that the mindset, values, and behavior of an organization keep pace with technological progress.

First and foremost, companies need to have the right digital strategy for their business, and that means interrogating the business model. Leaders will need to assess exactly how “digitally mature” the business already is and develop a road map for change. They will have to identify the right culture, one that empowers and facilitates this revolution. They will need to take an

in-depth look at organizational design because a company's structure, processes, and management are all too often overlooked.

This is where a chief digital officer can be a key partner to the CEO. His or her broad role is to coordinate and integrate the digital strategy and ensure the whole business prioritizes digital.

## *Challenges the CDO faces*

How does the CDO do this? We looked at the challenges the CDO faces in the context of AlixPartners' executive leadership attributes.

**1. Strategic Driver.** The CDO needs to explain how a digital transformation will help the organization meet the challenges of a mobile-first world, digital partnerships, and new forms of competition. The aim is to build a consistent experience for customers across different lines of business in order to produce network effects for the enterprise. Typically, the CDO will look across departmental and corporate boundaries to solve large-scale problems. This person will be at ease as a culture broker, establishing a single vision that spans businesses and technologies. She'll also be the active champion who gets everyone on board to execute that vision.

**2. Talent catalyst.** In a highly competitive, boundary-free market for talent, where high achievers move easily between industries, the CDO will need to attract the best. She'll need a sharp eye to spot potential in this new digital profession. To ensure digital capability is built across the organization, the CDO needs to inspire interest, make digital learnings accessible, and influence her peers to give up some of their training budget. That is why developing a strong personal brand as an innovator will be key to her success.

**3. Change Navigator.** The CDO will be an internal disruptor and a challenge to the status

quo. If he does his job right, he will invariably ask some stakeholders to give up power, pushing even supporters of change to move faster than they wish, and asking people to step into the unknown and even sacrifice today's revenue on a promise of a better future. The interpersonal savvy required to sell this level of change while maintaining the trust required to make the change happen is particularly high. Without it, the CDO will become marginalized and ineffective.

**4. Relentless Executor.** The CDO can't afford to be a think tank. She needs to be seen as someone who gets things done. Much of this will be done through others, so, again, influencing peers to adopt strategies or pilot new digital processes will be critical. To prove her legitimacy inside the organization, she must harness a strong personal brand as an innovator. The CDO needs to have a measurement mindset and track the ROI of the digital portfolio.

**5. Culture Carrier.** All leaders need to embody the values, principles and personality of the business. The challenge and unique requirement of the CDO is that he will have to embody the culture of the *future*. The CDO needs to be willing to hold to unpopular views, show resilience to criticism, and push forward in a way that shows respect for the past. In order to be effective, he will have to build a culture of speed, empowerment, and transparency.

**6. Adaptable Learner.** The CDO works in a highly changing, evolving world. She needs to keep learning to stay current with the digital world — and be willing to learn from her mistakes.

He or she will need to have the right personal traits: they'll be an influencer and persuader, with the empathy to understand how difficult change is, and the political savvy to push it through.

### ***Finding a CDO***

How to find this stellar person? Surprisingly, the CDO will not necessarily need to have a technology background. She may have been a chief information officer, or have worked at a major strategy firm. Many chief digital officers have a marketing background. More important is experience of managing transformation and understanding how people react to change. The CDO will also be skilled at balancing goals: in the short term, he will have to get things done, while also maintaining his focus on the three- to five-year time horizon.



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It won't all be smooth sailing. The design of the whole organization will come under the spotlight. The CDO may be perceived as interfering in "business as usual," and veteran executives may have trouble accepting a new C-suite role. Every executive will need to accept digital KPIs (key performance indicators), not just the CDO, and there may be resistance to this. It may mean a change in thinking, and a move towards a continuous mindset rather than an annual one. The CDO can't be expected to deliver transformation alone: her appointment must be part of a CEO mandate for the whole company.

So far, the CDO role is not universal, but their numbers are increasing and many high-profile companies like Starbucks, GE, and McDonalds have appointed one.

Companies that have nailed the fundamentals and then enhanced their business with the latest technological advancements are achieving great results. Research by MIT has shown that successfully digitally transformed companies, with strong leadership, are 26% more profitable than their peers.

Strong leadership is crucial in driving this transformation and as the digital revolution accelerates, your CDO is a valuable co-pilot. He or she would be a vital partner to the CEO and to the board — and it could be an appointment you can't afford not to make. ■

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First Quarter 2017  
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