

THE RISE OF THE CHIEF DIGITAL OFFICER

The biggest change in businesses globally over the last decade, bigger still than the effects of an economic downturn, relates to IT. The revolution in computer hardware and architecture that began in the 1980s has now been superseded by the beginnings of a software revolution, the likes of which we have never experienced before. Furthermore, the onset of the digital era is resulting in massive changes to the way in which organisations operate and generate revenue. According to data recently released by Gartner, the global information technology research and advisory company, almost 90 per cent of corporate investment in technology over the next ten years will be made outside of IT. That's a four-fold increase from the turn of the millennium, and much of this change is being driven by companies digitizing their revenues and their services. The convergence of social media, mobile technology, cloud and big data is requiring a total rethink of corporate strategic plans.

Digitizing customer-facing segments of the business is resulting in marketing budgets moving away from analogue to digital. Additionally, sales, customer services and public relations are reevaluating how they can effectively communicate with clients in order to improve customer retention. Delivering an outstanding customer experience in this new and developing digital era has become a strategic imperative.

Organisation challenges

Yet it is not just the customer-facing areas of the business that are affected by this need to digitize. Human Resources, finance, R&D, procurement, logistics and others are all undergoing radical change as organisations begin to recognise the full impact of a robust, dynamic flow of data, knowledge and information across business interests and through social activity streams.

To add to these challenges, the boundaries between corporate and consumer technologies are disappearing. Management is increasingly allowing employees to use their own personal devices in the workplace – devices such as smartphones, laptops, tablets etc. These applications are being used to share knowledge more rapidly within the company, track ongoing projects and make corporate information systems more accessible to employees. Whilst this is having a positive impact on the business as a whole, it is presenting a conundrum to the traditional corporate technology department.

Previously, Chief Technology Officers (or Chief Information Officers) controlled what software and hardware were used for work purposes. Today, that has changed. Choosing technology has become more egalitarian as employees get a say in what they want to use. According to David Hsu, Associate Professor of Management at The Wharton School, technology can't be pigeonholed as either corporate or consumer.



"There is a convergence in consumer and business applications. The boundaries are gone."

The importance of this development is that the CTO/CIO is no longer the one holding all the cards when it comes to decisions about technology and issues relating to digital developments. The interesting point here is that it is now the enterprise which is becoming the driver of IT rather than IT being the driver of the enterprise. Employees are driving innovative disruption and changing the balance of power.

So what does this mean for IT departments? Are they becoming redundant? There are a number of considerations here. First, corporate technology is not the same as personal technology. With developments such as wireless networks, the cloud and big data there are important issues to be addressed in relation to security, data integrity and prevention of data loss, connectivity and geographical location of the relevant hardware. Furthermore, the CTO/CIO's role is a back-office function that includes, amongst other things, enterprise resource planning and IT infrastructure, as well as maintaining older legacy applications and integrating and managing new and innovative technologies. So, no, the IT department is not becoming redundant. However, the digital era has definitely brought about a need for change because digital falls outside the technology remit of the CTO/CIO. Digital covers a broader set of issues that are predominantly customer-facing; front office not back office. So the IT department will need to learn new, customer focused skills to deal with a customer who expects IT to be his servant not his master.

*David Dumeresque
of Tyzack Partners
examines the increasing
importance of this role.*

New competencies

To ensure companies achieve a competitive advantage in the digital evolution, a different set of competencies and business-related expertise is now required. With skills that embrace IT but lie outside of the IT arena, the position of a Chief Digital Officer is gaining in importance and is being championed by many executives at the senior level. Indeed, Gartner predicts that by 2015, 25 per cent of organisations will have a CDO.

With the significant advances digital has created in the business environment, what competencies and experience should Chief Executive Officers be looking for when appointing their new Chief Digital Officer? Unlike any other position at the executive table the CDO is one who must be able to comfortably wear many hats. Given that the CDO's remit is essentially customer-focused, both internally and externally, he or she will be responsible for evaluating and monitoring the strategic value of social media networks, the corporate digital footprint, online marketing and customer services, data analytics and seamlessly interweaving digital strategies with business strategies.

Furthermore, the CDO will be the principal digital conduit between the CTO/CIO and the heads of other departments. Essentially the driver of the CTO/CIO, the Digital Director must be able to effectively disseminate how digital innovation impacts on marketing, recruitment, sales and finance. This is crucial because, despite the growing necessity for a closer collaboration between IT and leaders of customer-facing areas (such as marketing and customer services) to improve the customer



experience, there remains a lack of confidence and sense of alignment with the IT department.

First and foremost, the CEO should be looking for an experienced mid-level or a senior executive who is both a highly practical and accomplished businessperson and a visionary with entrepreneurial flair. He or she should have functional expertise (sales, marketing) and broad leadership and influencing skills. Digital experience is crucial, with e-commerce and transactional expertise, online marketing and social media expertise, and, depending on the industry sector, transformative expertise (for example, media companies moving from analogue to digital). They will also need to have significant experience of the technological world (front-end, not back-end), but they don't need to be an IT specialist.

Delivering an outstanding customer experience is going to require someone who has the skills to integrate social, mobile and big data into all business functions throughout the organisation. Since this transcends any individual area within the organisation, it will require a CDO who has a single-minded focus coupled with a team mentality to work closely with others. He or she must, therefore, be able to build relationships across all levels and functions of the organisation, from the boardroom to the factory floor.

With the increase in connectivity and the advent of smartphones and tablet computers, customers now have significantly greater control of the discovery, research and purchase processes. They demand a constant stream of fresh information and want the ability to buy wherever, whenever and by whatever means that satisfy their needs. This requires that the CDO be agile and creative on all fronts, but particularly technology, infrastructure and content. Consumers are easily able to identify crass off-the-shelf experiences and automated solutions, so the CDO needs to be skilled at delivering real creativity, experiences that will satisfy end-users and retain them as valuable customers.

As more and more Digital Natives enter the workforce, (and conversely the Digital Immigrants retire) as well as becoming potential customers, the role played by the Chief Digital Officer in the C-Suite will increase in importance. However, this is not to be confused with a declining role for the Chief Marketing Officer or the CTO/CIO. Digital technology is simply a means to an end, albeit a very important one. The fundamental corporate issue is the need to understand and fully connect with customers (by whatever means) to create new business opportunities and new revenue streams. Everyone in the C-Suite has a role to play in achieving that. One of the biggest challenges corporations are currently facing is finding the right people to put in charge of the digital helm. The number of organisations now looking to recruit a Chief Digital Officer are starting to outstrip supply, particularly in Europe and the USA. As a consequence recruiting CEOs may need to be flexible, certainly in relation to cultural fit, and they need to act quickly when suitable candidates are identified ■