

## The chief digital officer: bringing a dynamic approach to digital business

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Over the last 40 plus years, businesses have benefitted from substantial innovations in computer technology. Today, the revolution in business computer hardware and architecture has virtually come to an end and we are now witnessing the dawning of a new era: the beginnings of a software revolution. This transformation will not only change established paradigms, it will also fundamentally change the relationships between people and business, political and economic structures. This is not to say that hardware is dead. Indeed, it is continuing to evolve as seen with developments in smartphone and tablet technology. However, its importance in the business setting is declining as software is rapidly gaining in importance.

The significance of this change will be seen in how the corporate agenda reflects the new business environment. Until now, it has been the IT department, in conjunction with hardware vendors, that has controlled and driven that agenda. However, in the new digital future, users will dictate what the software does for them and it will not be the IT department telling them what they can have. Instant messaging (IM) has replaced e-mails as the preferred method of internal communications for many, and the advent of the “App” culture and user-generated content has fundamentally changed the balance of power.

Additionally, with management increasingly allowing employees to use their own personal devices in the workplace to increase productivity and mobility (smartphones, laptops, tablets etc.) the IT department is no longer in the driving seat.

One of the principal catalysts of change is the increasing role of Generation Y and the Millennium Generation as employees and consumers. Having been born and raised in the digital era, they are the driving force to incorporating social networking and allied methodologies into the business environment. Key to corporate survival is effective communication (both internal and external) and employees across the business enterprise are demanding the tools that provide them with the ability to communicate rapidly with individuals or groups, regardless of their location. Unified communications technology being developed today provides an internal platform that can unify all communications into a single digital view. It can be multifaceted – voice, video or a shared web-based platform with document sharing and instant messaging.

So if the enterprise is becoming the driver of IT rather than IT being the driver of the enterprise, what is the future for the IT department? With the role of technology changing dramatically, chief information officers (CIO) need to recognise that a different set of skills is now required. Within their departments they must develop a more holistic view of the organization’s requirements (rather than concentrating specifically on technology management) and apply creative technology solutions that will optimize critical competitive business processes. The digital environment is bringing all kinds of new challenges and opportunities to prominence.

Inasmuch as there is a definite need for change within the IT department, digitizing the enterprise requires a skill set that lies well beyond IT. Today, delivering an outstanding customer experience has become a strategic imperative, yet despite the growing necessity

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for a closer collaboration between the heads of IT and leaders of customer-facing areas of the business to improve the customer experience, there remains a lack of confidence that IT can do the job, often leading to frustration and disconnect.

The challenge of capturing the full value that social technologies will provide requires businesses to transform their organizational structures, processes and even their cultures to become “extended networked enterprises” that connect well internally, and equally well externally with customers and stakeholders (Chui *et al.*, 2012). Additionally, the demands of a digital world require organizations to be both growth oriented and cost conscious at the same time. Investing in growth today followed by a period of consolidation later (as was common with early business models) is no longer viable since the pace of market change will ensure the organization gets out of sync (McDonald, 2013). Achieving these mission-critical objectives requires someone whose skill set incorporates a customer-centric focus, significant business and team management experience, consummate change leadership skills and a deep understanding of social technologies. That individual is the chief digital officer.

The concept of a chief digital officer is gaining in importance as organizations begin to recognise the full impact of a robust, dynamic flow of data, knowledge and information across business interests and through social activity streams. Yet whilst advances in technology will play a vital role for companies going forward, digital technology should not be confused with “IT” technology. Even though a company’s digital business is a technology intensive business, it is seen by customer-facing departments within the enterprise as being rooted outside the back-office function of the IT department. This is one of the reasons why the position of chief digital officer is being championed by many senior executives. They see the CDO as someone who can bring the whole of an organization’s digital footprint under one roof and provide purposeful interface between the “client” and the “geek”.

The competencies of a chief digital officer are also quite different to those of other executives. The CDO’s remit is customer-focused technologies (the “customer” being both internal and external), so being charged with delivering an outstanding customer experience requires someone who has the skills to integrate social, mobile and big data into all business functions throughout the organization. This can cause some confusion regarding the roles of the CIO and the CDO. However, because of their customer-facing, revenue-generating role, the CDO is ideally placed to drive the digital agenda and to be the conduit between the IT department and all other departments.

This, of course, leads to another issue. To whom does the CDO report? It’s an interesting question because as organizations move their budgets away from analogue to digital, digitizing their customer services in order to achieve greater client retention and looking to develop new revenue streams through digitization, virtually every client-centric budget will become inextricably linked with a digital technology budget. And as we know, corporate technology budgets are the jealously guarded domain of the CIO and the CFO.

However, chief marketing officers, amongst others, will rightly point out that they have a key role in the development of the corporate digital strategy. Furthermore, they will argue that the IT division needs to put greater emphasis on ensuring that policies and procedures are in place to respond effectively to the potential threat of cyberattacks and to defend against social media “mercenaries”, rather than getting involved with the customer-facing strategic direction of the company. IT needs to be the “enabling” department, serving the needs of the revenue generating requirements of the organization as a whole.

Whilst it could be simplistically argued that since the CDO’s position focuses extensively on digital technology, the position should report to the CIO. However, because technology is a means to an end (albeit an important means) this would be fundamentally the wrong solution.

The CDO is responsible not only for the development of corporate digital strategies, ensuring the organization keeps pace with changing technologies and consumer behaviour, but should also have total responsibility for the corporate digital footprint. His or her mission is also to understand and connect with customers (both internal and external) and to take

charge of crafting the experience those customers receive. These are fundamental issues that lie outside the IT department.

Furthermore, many companies view digital business trends as offensive strategic weapons, using the technology to build a competitive advantage in their existing business. Yet in one research report, investment discrepancies emerged across senior executive positions (including CEOs, CIOs and CFOs), suggesting that the management team may lack clarity or a consistent concept about the investments needed to support their digital business (McKinsey Global Survey, 2012). Again, these are issues that are at the front-end of the business (including the boardroom), not the back-end.

As an agent of change, it will be incumbent on the chief digital officer to ensure there is total clarity and consistency right across the enterprise in how the organization transforms into the digital age. As part of the business unit leadership and given the strategic importance of the position, the CDO should report directly to the Chief Executive Officer, with a position in the boardroom, or at least on the Executive Committee.

Looking forward, such is the growing importance of the chief digital officer that Gartner, the global information technology research and advisory company, predicts that by 2015, 25 per cent of organizations will have a CDO. To achieve competitive advantage in this new era of opportunity, a dynamic approach to digital business, one that requires speed and flexibility to create the most value, is required. A challenge for the CDO is to ensure that traditionally siloed functions, such as marketing, product development and IT, do not obstruct this process.

## References

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## About the author

David Dumeresque has over 25 years of experience as an advisor to a number of organizations including large multinationals to small owner-managed businesses. After five years practice in London and Paris with solicitors Slaughter and May, he spent some ten years in investment banking with NatWest Investment Bank, Scimgeour Vickers and Citicorp Investment Bank. He moved into executive search with Tyzack in 1991. A qualified solicitor, he is a graduate of the University of Durham and is a member of the Harvard Business Review Advisory Council. David Dumeresque can be contacted at: [david.dumeresque@tyzackpartners.com](mailto:david.dumeresque@tyzackpartners.com)