As digitization sweeps across China’s economy and transforms consumers’ expectations and behavior, companies in every sector are scrambling to keep up. They must reimagine customer experiences, win at e-commerce, and harness digital technology to reshape their operations and organizations.
To lead these efforts, many companies are appointing a Chief Digital Officer (CDO) or other C-suite digital executive. But finding the right person for this critical, complex role is not easy – and making the wrong choice could doom your company to irrelevance, or even extinction. We advise our clients to “look before they leap”: clearly define the outcomes the CDO will be expected to drive, the specific competencies they will need to achieve these, and the attributes they will need to succeed as leaders.

The digital age is here: ignore it at your peril

China’s rate of digitization is nothing short of remarkable. There are already 700 million people using the internet and social media, and roughly 100,000 new users joining each day. The fast-growing e-commerce market is estimated at over RMB16 trillion, equivalent to around 40% of global e-commerce sales.

A myriad of factors is driving this digital transformation: a young population, combined with high purchasing power, mobile penetration, literacy, education, and government infrastructure investment. Google, Twitter, Facebook, SnapChat and PayPal haven’t just been copied in China, but morphed and combined into a single, swift, interconnected platform – namely, WeChat. A Chinese consumer can use her mobile device to invite a friend to dinner, pick a socially-recommended restaurant, call to make a reservation, order a cab – and then photograph, rate, and pay for the dinner.

Companies are scrambling to stay ahead, knowing full well that falling behind in digital could mean losing out in the largest consumer market in the world. The digital age is already here, and companies ignore it at their peril – whether they are Western multinationals, Chinese multinationals, start-ups or state-owned enterprises.

Appointing a digital executive to lead the charge

Given the digitization imperative, many companies are asking: Who should lead the charge? Many are appointing a C-suite executive to define the company’s strategic direction in digital and lead a cross-functional transformation into a fully digital enterprise. The name may vary – CDO or Chief Information Officer, Chief Marketing Officer or VP-Digital – but the mission is the same.

Consumer-facing companies have been fastest to bring CDOs into the top team: according to a global survey conducted by the management consultancy Strategy& in 2015, over 40% of such companies had appointed CDOs in the C-suite. Across all industries, the survey found that less than 10% of companies had hired a new executive to lead their digital efforts, although many had appointed existing executives such as the CIO or CMO to drive their digital strategy.

The demands on CDOs and other digital leaders are steep. Digitization is reshaping the way companies engage with their customers, partners, and suppliers. It is also prompting a dramatic rethink of their internal practices, behaviors, and processes. CDOs must ensure their companies derive full value from
major financial investment in digital, as they spend more and more on digital technologies outside the CIO’s traditional IT domain. A recent global survey by PwC reported that such spending rose by 68% between 2014 and 2015, on top of a 47% increase the previous year.

Choosing the right candidate to lead digitization: four CDO archetypes

Given the urgency of digital transformation, companies might be tempted to rush into appointing a digital leader without fully defining the specific requirements and expectations of the role. This would be a mistake, as the competencies required for CDOs or equivalent roles differ considerably depending on each company’s strategic objectives, market context, technological readiness, and organizational structure and culture.

We recommend that companies carefully scope the role before seeking the right candidate – internal or external – to fill it. The first question to ask is: What are the digital trends disrupting our business and industry, and what are the transformational challenges our company faces as we work out a winning strategy for the digital age? With that context clearly articulated, they should then ask what the CDO needs to accomplish: Revenue growth? Better customer experience? Improved operational efficiency? Cost saving? New market entry? Or some combination of these outcomes?

The answers to these questions will help companies pinpoint the kind of leader they need to drive their digital transformation. We define four distinct archetypes of CDOs:

1. The Inhouse Intrepreneur. This archetype is typically seen in companies facing severe disruption, such as publishers, department stores, or manufacturing agents. This leader plays a hands-on role in reshaping their company's business model and driving continuous development of new digital technology. An Inhouse Intrepreneur is likely to build a team of cutting-edge data scientists, user experience and interface designers, or run a prototype lab. One example is the CDO of a multi-billion-dollar trading house headquartered in Hong Kong, who is creating seamless digital apps that customers can use to source any product – furniture, toys, apparel, shoes, beauty products, and more – from anywhere on the planet.

2. The Functional Digital Marketer, or customer and consumer advocate. This CDO assembles agile IT resources and talent to realize customer-centric innovation quickly. Several global consumer goods companies and quick-service restaurants (QSRs) have already established this role, as have China-based sports retailers to a degree. Some of these companies have given the CDO combined responsibility for e-commerce, digital marketing, and customer relationship management (CRM) – along with profit-and-loss (P&L) accountability. Others have kept e-commerce and digital marketing separate. Some Functional Digital Marketers have had great success, such as the CDO of a global diaper-maker with a large and profitable e-commerce business in China. Others have struggled to achieve impact – for example, non-alcoholic beverage makers have created highly popular digital marketing in China, but are yet to translate this into significant revenue and profit.
3. **The Technology Guru**, or innovator. This CDO is a master of big data and has a close handle on emerging technologies such as the Internet of Things. Their focus is on developing technology to improve the interconnectivity and efficiency of the entire business – from production to sales to after-sales support. This is a challenging role to succeed in, as the experience of several Asian consumer electronics manufacturers shows. For example, one Chinese appliance maker hired the best and brightest talent from US technology companies, but has yet to create products with consumer interface improvements that make a tangible difference to its corporate performance. The clock is ticking for this company: unless it leverages digital sufficiently to offset escalating domestic labor costs, it will lose its production-cost advantage.

4. **The Change Agent.** This CDO is empowered to transform and digitize their company, and leads a diverse team including strategists, marketers, and specialists in customer experience, supply chain, technology and data, organizational development, and HR. Given the empowerment required to achieve change, this CDO will typically report directly to the company’s global top leadership. For example, a few Western multinationals operating in China have appointed local CDOs with direct reporting lines to the global headquarters. But it is still surprisingly rare to see CDOs empowered to this degree.

**Where to find your future CDO: look for potential more than experience**

No matter which archetype of CDO a company is looking to appoint, finding the right person is likely to be a challenge. Because digitization is such a recent and fast-moving phenomenon, there are few if any experienced CDOs who can bring all the relevant skills and experience to the job. Moreover, demand for this talent far outstrips supply. We therefore advise companies to look for attributes in these not-quite-fully-knitted CDOs that show their potential to succeed in the role. These attributes include engagement, drive, insight, and – above all – curiosity. Once a new CDO is appointed, companies should invest time and energy in assessing, developing, and supporting their potential.

As an example of a high-potential leader who brings these attributes to life, consider the CDO of a QSR in China. She helped deliver one-third of the company’s annual e-commerce target within the first week of launch – and enlisted 45 million members in the first year of e-commerce operations. But this digital leader did not bring years of QSR operational experience or even digital marketing experience. Instead, she demonstrated levels of curiosity and insight about the consumer that far outstripped competitors. She engaged her leadership team, and overcame strong skepticism regarding the potential of mobile transactions. She demonstrated drive too – quickly building on a successful test offering of online orders to be picked up in-store, and expanding the offering to include home delivery.
conversations on leadership

For companies looking for a path to success in digital transformation, there are no quick or easy answers. You can start by asking the right questions – and the key is to shift from “How can we lead in our industry?” to “How are our customers’ needs and expectations changing, and what role can we play in this?” That will help you define the specific role that your CDO will need to play – and then find and develop the CDO with the right skills and attributes to lead your organization's digital transformation, achieve a step change in performance, and exceed consumer expectations.

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