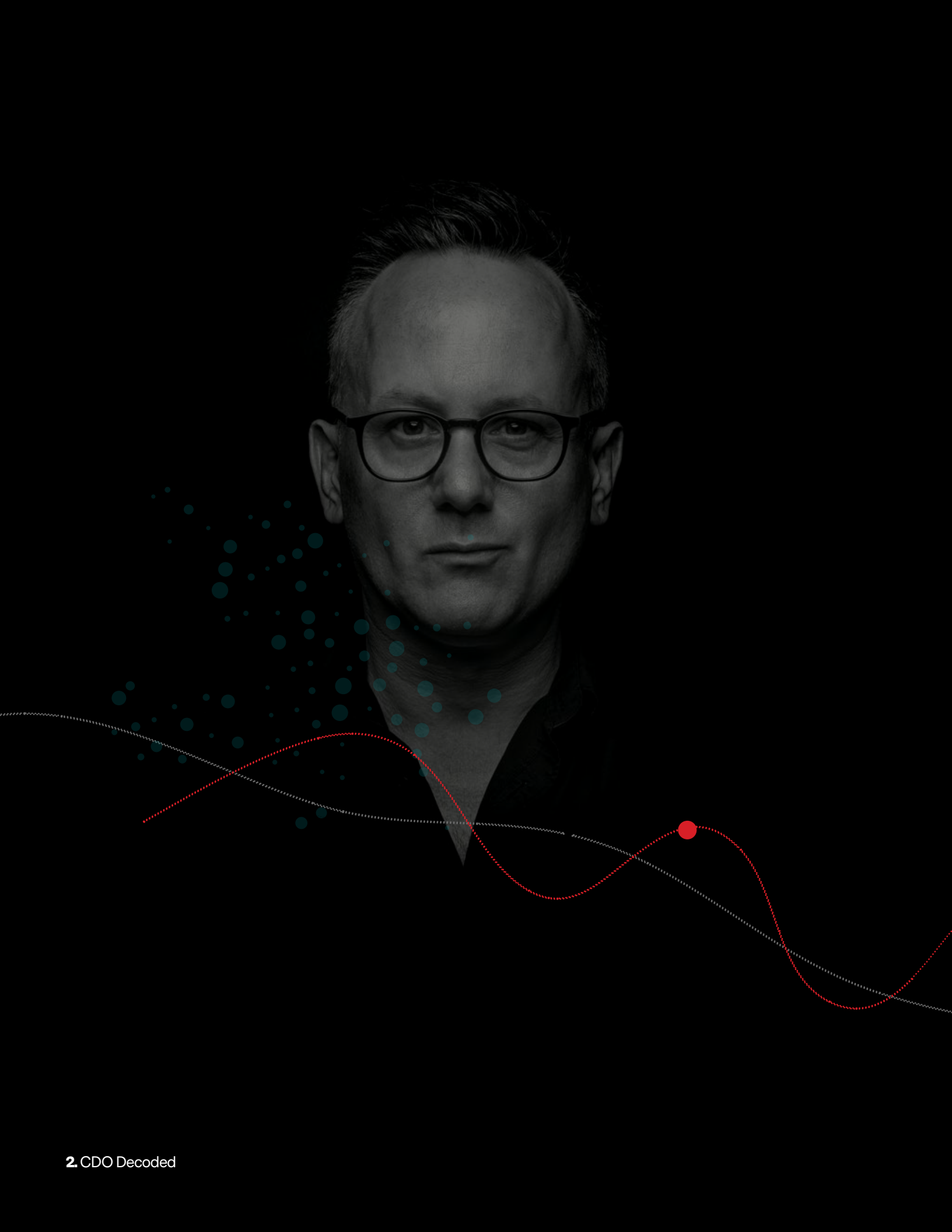




# CDO Decoded: The First Wave of Chief Digital Officers Speaks




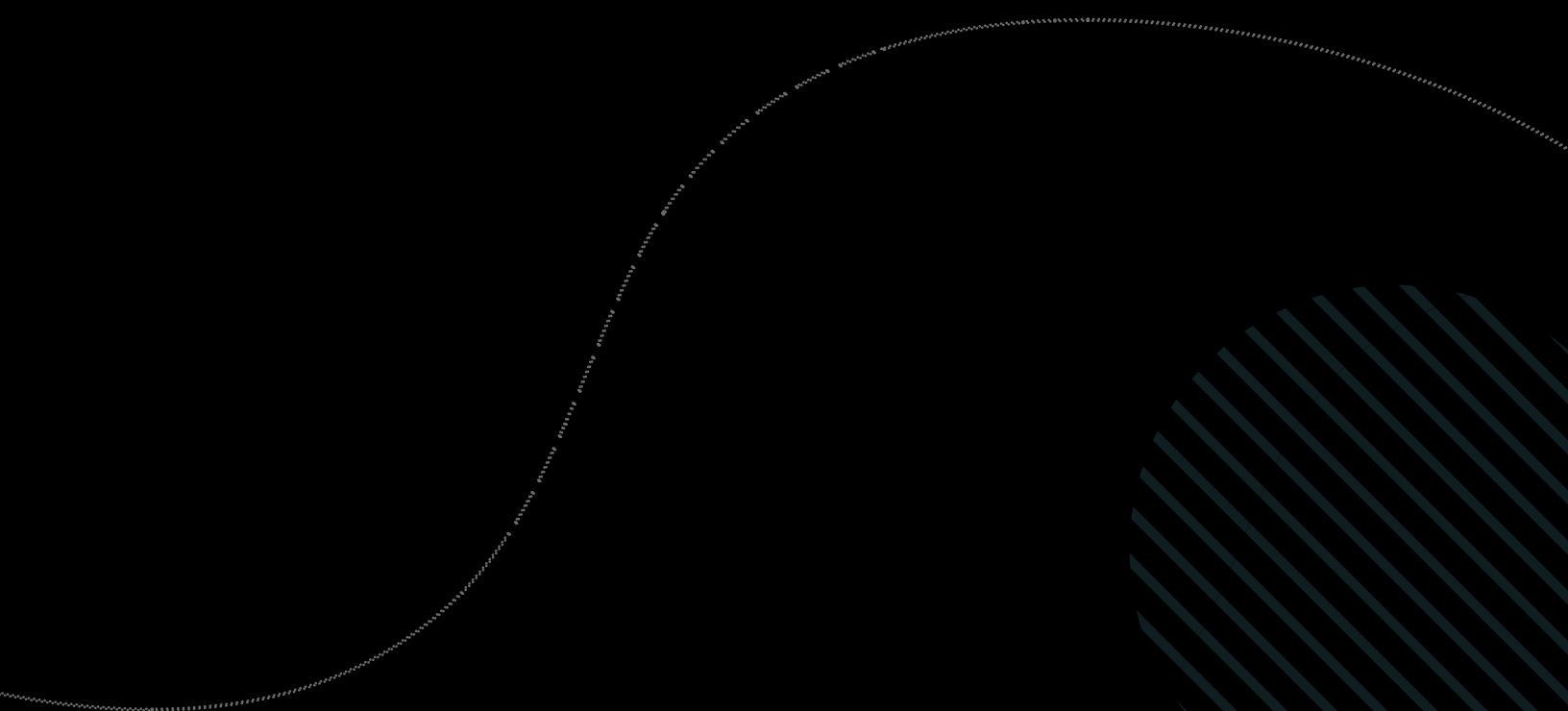
EgonZehnder





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# CDO Decoded: The First Wave of Chief Digital Officers Speaks

June 2019





The Chief Digital Officer is one of the newer titles in the C-suite and also one of the least understood. It's a role that evokes some sort of corporate magician who, with the help of sophisticated analytics and a lot of other tricks, transforms a company from old and unresponsive to fast-moving and tech-savvy, from analog to digital. It's also a role that legacy companies have created as they realize how far behind they are relative to startups. *Says Laura Merling, a longtime digital executive and strategic advisor, formerly at AT&T and Ford: "CDO is a role that jump-starts an organization."*

But what does it even mean to be a CDO? The answer is not obvious — not even to CDOs themselves, who are hired for a variety of reasons and with differing expectations. Some companies envision the role as an extension of the Chief Information Officer or the Chief Technology Officer, although its focus is rarely strictly on information technology and/or data security, and just one-third of the CDOs of the largest global companies come in with this experience. Other companies are seeking an internal cheerleader as they abandon practices and processes of an earlier era. Some CDOs have P&L responsibility; others don't.

Yet regardless of how the role is defined, the expectations placed on every CDO's shoulders are weighty. The success of this person may ultimately determine the survival of the entire organization, if the problems they are facing are urgent enough. So what has to happen in order for a CDO to make that transformational magic happen? And what kind of power and skills must that CDO possess?

These are only two of the many questions that we at Egon Zehnder have been hearing consistently since we launched our digital practice back in 1997. As the role has grown in scope and popularity, our deep relationships with clients have taught us that there is little consensus on what a CDO is expected to do — let alone what a CDO actually does — and little agreement

on how long the role will continue to exist. Beyond that, for many organizations, there isn't much understanding of which qualities and which environments breed success.

We at Egon Zehnder have been helping companies with digital transformation for a long time now, and it is striking to us just how many companies face the same challenges today that we witnessed years ago. To better understand why, we surveyed large-company CDOs around the world in December 2018, 84 percent of whom are the first to hold this title at their respective companies. We asked them to take us along with them on their professional journey, sharing everything from whom they report to, to their specific responsibilities, to how they actually spend their time. We heard from 107 of them in 20 countries and hosted 108 executives at nine different events around the world. Their responses have helped us decode today's Chief Digital Officer.

One clear signal we received was that CDOs are committed to and serious about having a real impact. They feel, in general, that they have been able to make a significant difference, and have an expectation of taking on even bigger roles in the future. They were also quite clear about the challenges they've faced — and what organizations should be doing to help them gain traction. Another finding is that the CDO role is, ideally, transitory — and should disappear once digital capabilities become embedded within the organization.

We hope you enjoy this report, which provides a unique look at the modern CDO — and ends with our talent-focused perspective on how to make digital transformation both real and sustainable.

**Lindsay Trout**  
Head, Global Digital Practice  
Egon Zehnder

# CDO Decoded: The Journey

## Who is today's Chief Digital Officer?

Today's Chief Digital Officer is, more than anything, a pioneer. A full 84 percent of the respondents to our survey are the first in their organizations to hold this title. This means that they are in brand new roles, establishing best practices and creating frameworks that they believe will lead to true transformation.

These CDOs are also fairly powerful within their organizations, with almost two-thirds (63%) of CDOs

reporting directly to the CEO. Almost the same number (64%) were outside hires — which suggests that many companies must import expertise and perspectives because they do not have the requisite skills in-house. Just over half of them are responsible for their own P&L (55%), meaning that just under half are not. And 65 percent of them are relatively new to the role, having been in it three years or less, demonstrating just how fresh this position is.

### Today's CDO:



Yet the composite above is just that. There are, we've learned, many, many different types of CDOs. Some lead technology decision-making; others run small creative teams. Apart from the title (and not even all of them are called CDOs), they don't have all that much in common — other than a clear mandate for change at a company in need of modernization. Says Venky Iyer, former Global VP, Digital Innovation at Diageo and now Chief Strategy Officer, Intent.ai: "I exist to transform the business."

**OUR TAKE /** Today's CDOs are creating and building the rubrics that will be used to assess digital progress in the future — rubrics that may have influence for years to come. They are fundamentally linked to the customer and therefore sit at the heart of any organization. Yet since many of them themselves are new to the role, much of what they are doing is experimental. Their varied backgrounds suggest differing objectives on the parts of the hiring

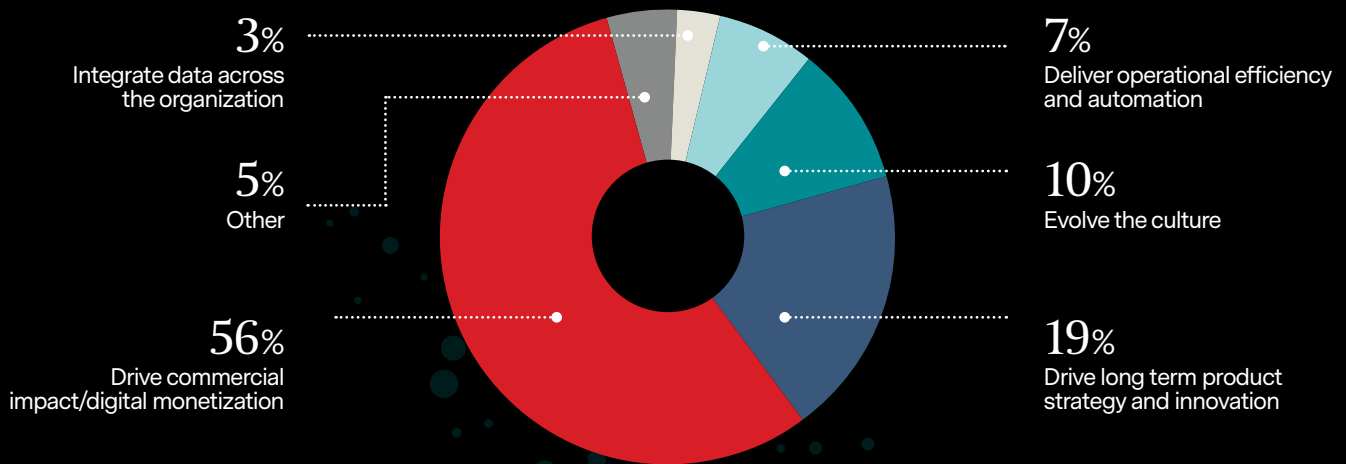
companies and differing perspectives on both the talents required and the expectations attached to their role. This means that it is absolutely critical for any company considering hiring a CDO to understand what its transformation needs are long before beginning the CDO hiring process. Even more important, the CEO and others must be prepared to actively and openly support that executive once he or she joins.

# What is the role?

Once we understood more about their backgrounds, we asked CDOs what they actually do. In answer to the survey question *Which of the following best describes your main remit?*, more than half of the respondents (56%) said their job is to drive commercial impact and/

or digital monetization. Another 19 percent said their main objective is to drive long-term product strategy and innovation, while 10 percent said they've been asked to focus on evolving the culture. Almost two-thirds (64%) said they have data scientists reporting to them.

## Which of the following best describes your main remit?



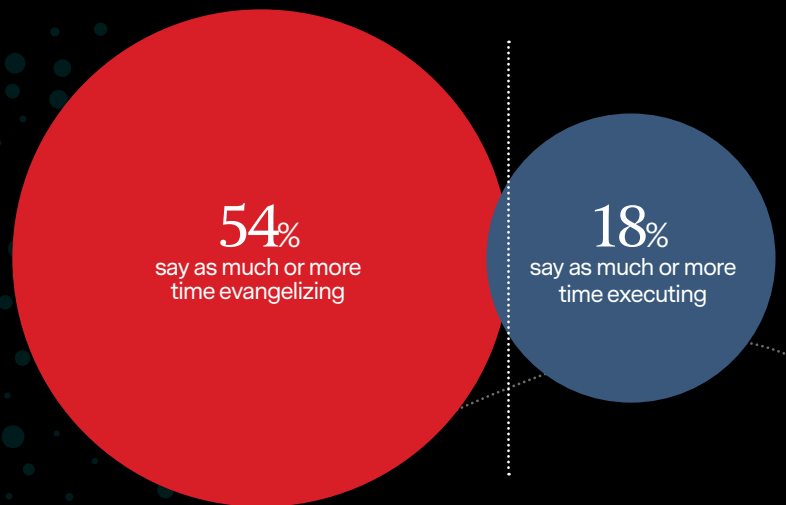
These answers suggest that the majority of CDOs in our survey are required to think with something of a short-to-medium term focus, given their need to deliver business results. But there are other CDOs that have been hired with an internal emphasis, one that values the longer-term evolution of the company. The tension between short and long-term goals can be hard to resolve without support from other members of the executive team.

What is clear is that hiring executives have very different expectations for the same role. It's very different from that of, say, a Chief Financial Officer, where the job requirements are relatively consistent

### Do you spend more time evangelizing and educating or more time executing?

across both companies and industries. A longer-term evolution, some CDOs have shared, is easier to achieve in a private company with less emphasis on quarterly earnings. One CDO of a large global company explained at a recent dinner that it took seven years to bring the digital plan to market, but by then the original team had long since departed. *Says another executive, Ogi Redzic, Vice President and head, CAT Digital at Caterpillar: "Where the company is in its tech life cycle determines the role."*

CDOs are also divided when it comes to their day-to-day responsibilities. One of the most interesting results of our survey came in answer to the following question:

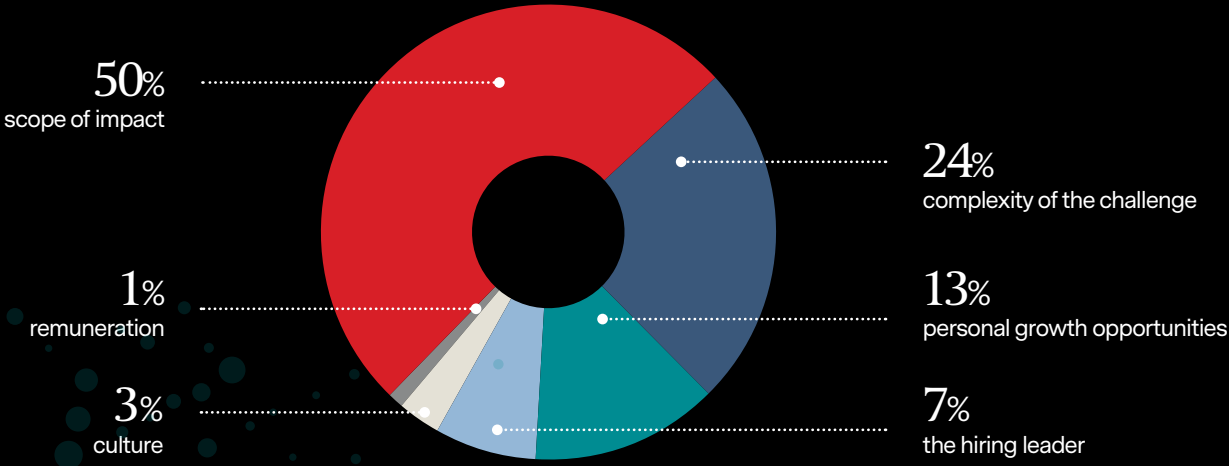


Despite the fact that almost the same percentage of respondents (56%) has a primarily commercial remit, 54 percent of respondents spent more time evangelizing, i.e. pushing for internal acceptance and change, than they did actually executing the strategy. The results suggest some differences between what CDOs were hired to do and what most of them actually do; only 18 percent said they spent more or the same amount of time executing as evangelizing — probably because only a quarter of these organizations were perceived as ready for digital transformation by the CDOs when they were first hired. *Explains Meri Rosich, Chief Data Officer for Asia-Pacific at Visa: "Digital transformation requires a clear call to action. Supported by evidence and data, it can have a transformational effect in organizations."*



And yet, execution — and the impact that comes from that — seems to have been the main reason the CDOs surveyed took the job in the first place. Their primary motivation, according to the below question, was the scope or reach of the job, the sense of what “could be,” followed by the challenge of its complexity. Only 3 percent mentioned culture as the most important factor in choosing to take the role, even though it is clearly a much bigger part of the role than anyone intended. What is clear is that the CDO position is being defined in real time. Says one: “It is 80 percent an organizational transformation role — not a technology transformation role.”

**What was your primary motivation for taking your current role?**



We also asked CDOs to give us one word that best summed up their most important measure of success. The word cloud below shows that “growth” is the most popular answer, followed by “digital” and then a combination of “revenues” and “sales.” It’s worth noting that “profit” barely appears, which supports

the idea that first-generation CDOs are more focused on building commercial opportunities first. Says Ravi Acharya, the former CIO, Medtronic Diabetes and Founder and CEO, Sahaaya: “If the role is about delivering 5-to-10 percent change or improvement, it’s just not interesting.”

**What is your single most important measure of success?**



**OUR TAKE /** Given that evangelizing — building internal support and alignment for digital transformation — is such an important part of the role, any company considering hiring a CDO must evaluate candidates on whether they have that ability rather than focusing entirely on execution and what they have already accomplished (although that, too, will eventually come into play). This requires a hard look at just how ready the organization is for change, and potentially refining the job specification itself in order to attract people with more expertise and interest in

culture and vision. It also requires considering the fact that in many cases transformation will take longer than the amount of time the original CDO will stay in the job — meaning that there may be more than one “CDO archetype” during the course of the journey. Says Rob Barger, Chief Digital Officer, Georgia-Pacific: “I should not exist in this role in five years.” We are already seeing second generations of CDOs with much more of a mandate to execute. Says another CDO at a top global consumer company: “They had the other CDO role before I got here. Now it’s about executing.”

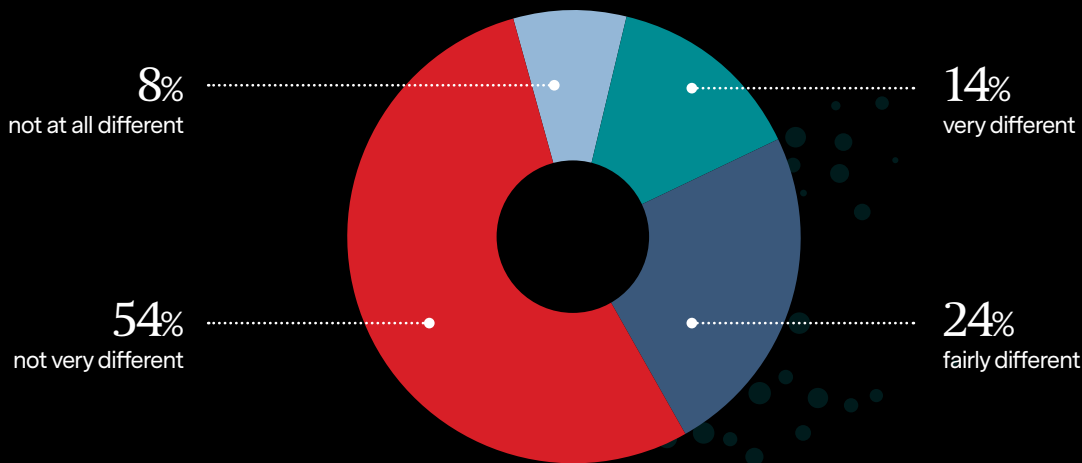
# Expectations vs. Reality



In this section, we asked CDOs to compare how their actual experience differed from what they expected it to be when they first accepted the position. Overall, they felt that the experience reflected what they had assumed — 62 percent said that it was not very or not at all different. Given the ambiguity of the role and the fact that most of these roles are pioneering in their

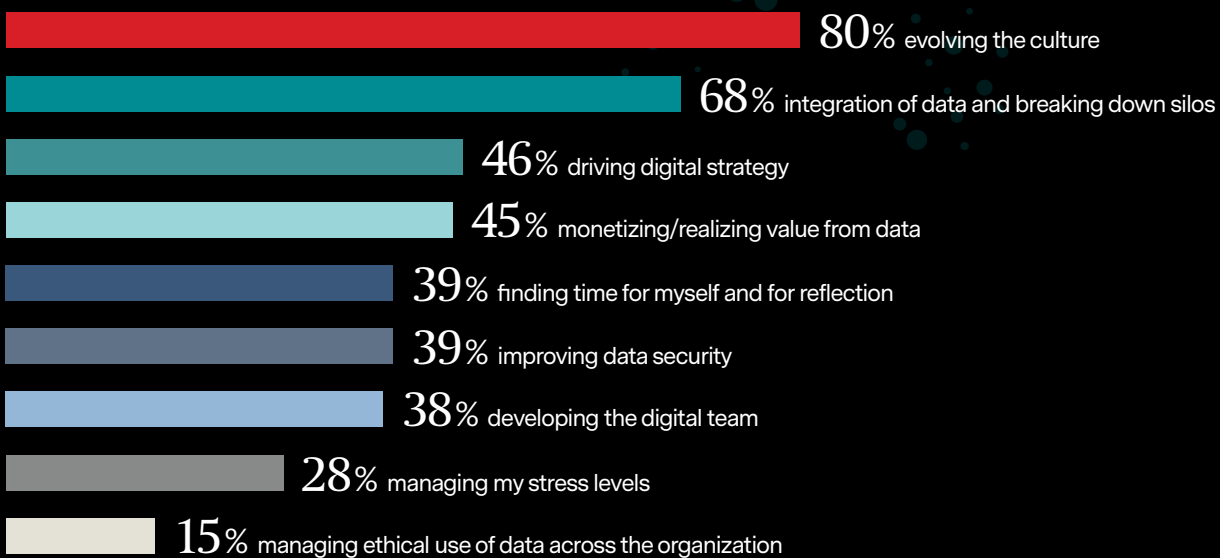
organization, this actually surprised us. It also gave us confidence that the work that we at Egon Zehnder are doing by trying to clarify the role itself is paying off. On the other hand, nearly two in five CDOs said the experience was fairly or very different than they had anticipated. And when you dive a bit deeper, further contradictions appear.

### How different is the actual role from what you expected?



### How do the following aspects of your role compare to your prior expectations?

more difficult/much more difficult than expected:



The most significant finding above is that CDOs are struggling to align themselves with the rest of their organization (or to align the company to their plan); incredibly, a full 80 percent of respondents stated that evolving cultures was more or much more difficult than they had previously believed. More than two-thirds (68%) mentioned that breaking down of silos was tougher than they had thought. This finding dovetails with other work we have done around leadership, such as our 2018 study “The CEO: A Personal Reflection,” ([www.egonzehnder.com/ceo-study-2018/highlights](http://www.egonzehnder.com/ceo-study-2018/highlights))

### What would you need to be more successful in your role?

“CEO direct support, translated into real decisions pushed onto the business units.”

“The ability to not only influence, but also lead execution... Additionally, a view to the midterm benefits of the transformation, versus very short-term expectations.”

which found that CEOs felt confident around their ability to do the “business forward” aspects of the job, but struggled with the cultural side of change. Says *Zia Zaman, Chief Innovation Officer at MetLife Asia*: “Culture is the foundation for a long-term strategy that drives commercial impact.”

To get a better sense of how to address this issue, we asked our respondents what they would need to be more successful in their roles. We list here some of the most compelling answers:

“More vocal and financial support from C-suite.”

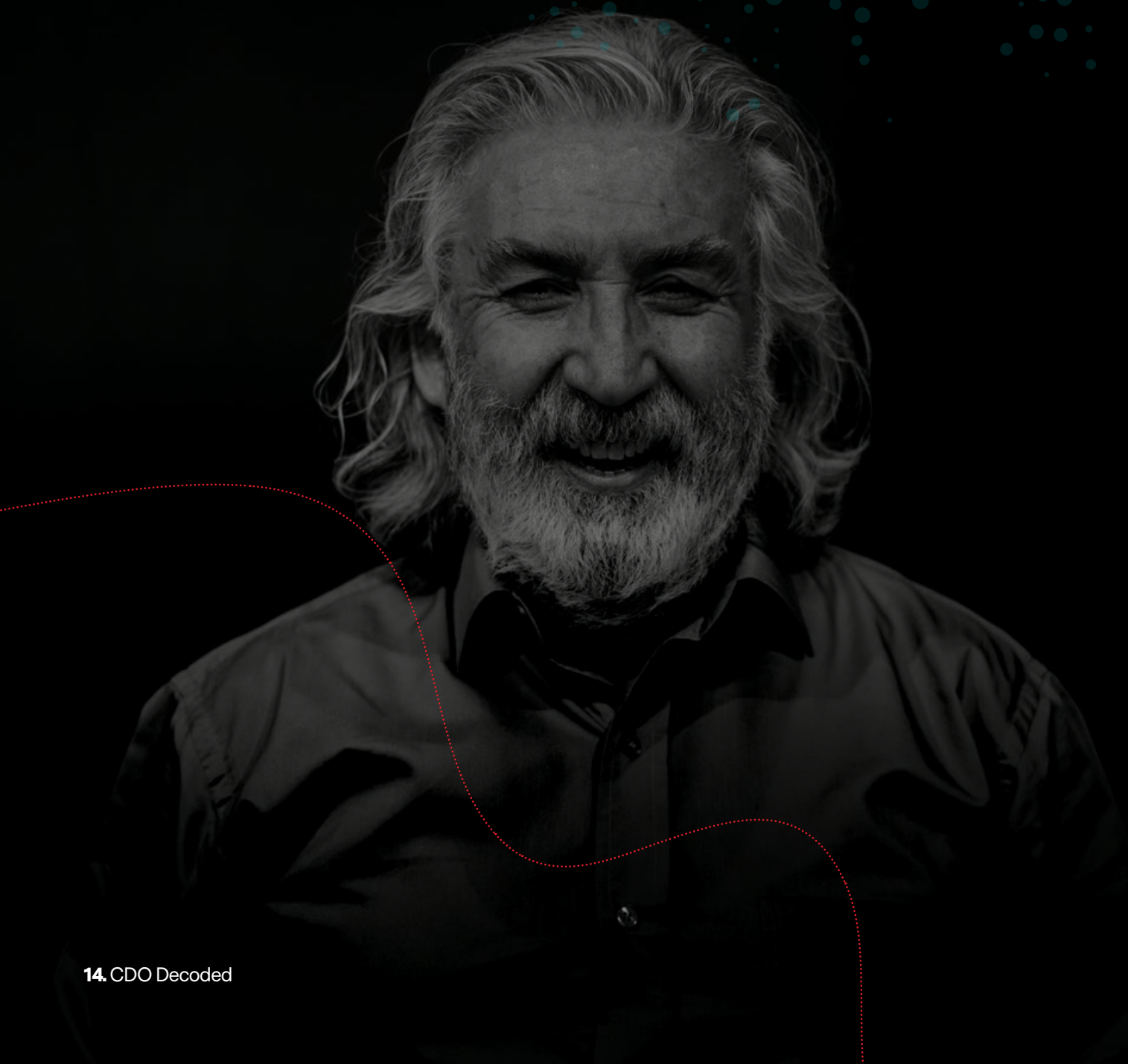
“Authority over resources, decisions and funding that matches accountability for delivering transformational results.”

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**OUR TAKE /** Our survey suggests strongly that culture is possibly the most important — and least considered — dynamic determining how much momentum a digital transformation effort can gain. It is critical to understand how open a company is to change before bringing in a digital transformation specialist. It’s also key to make sure that the CDO is supported in his or her

attempts to break down silos. At one global company, the CDO created a policy committee that assigns one person to each of the existing internal units (legal, compliance, finance, etc.) that can challenge norms and traditions. The above responses suggest that this is causing much frustration and may impede the ability of some CDOs to succeed.

# Executive Alignment

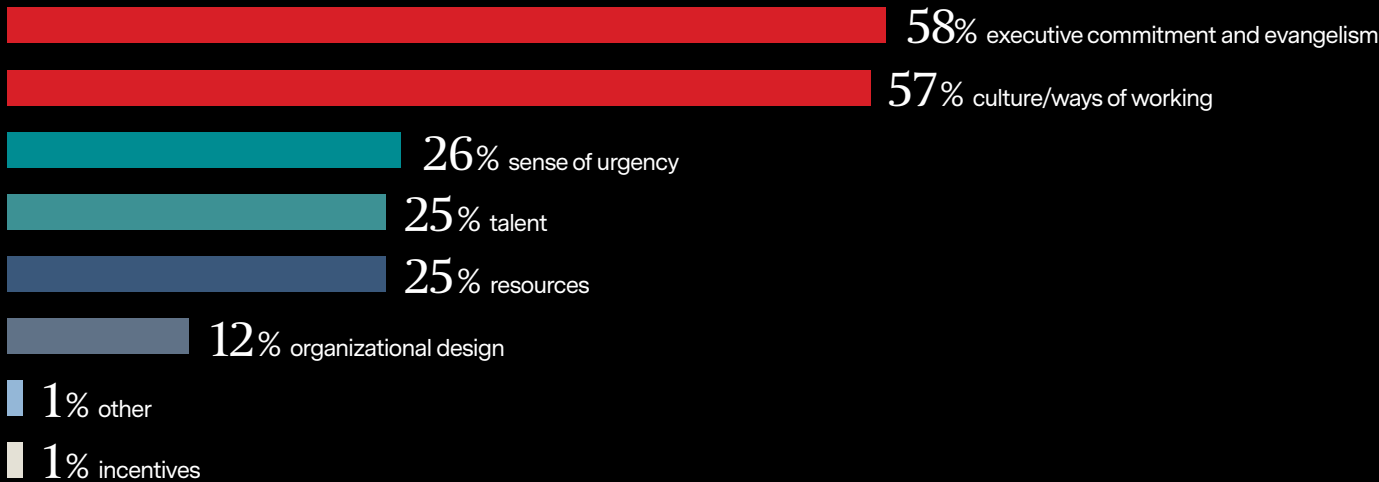




CDOs were very clear on how important it was to have the alignment of the C-suite and, in particular, the support of the CEO in order to be successful. In fact, executive commitment was the most significant factor determining whether or not the company would

make the digital transition, according to 58 percent of respondents, while 57 percent (respondents could choose two) said culture. Only 25 percent chose resources as one of the two most critical factors — a surprising result, given how critical investment can be.

**What were the two most critical factors to successfully move your company on its digital journey?**



There is some good news here: CDOs feel that they are, for the most part, getting this support. When asked whether their work is aligned with business leaders' measure of success, a full 85 percent said that they were either very or fairly aligned; 78 percent of respondents agreed that "there is a high level of executive sponsorship for my mandate."

And yet when we drilled down into the C-suite itself, things became more complicated. Sixty-four percent

said that their CEO was on top of the changes in their industry and the issues impacting the company, but just 40 percent said that their CFO was. What's more, only one-third (31%) of respondents said they felt that the P&L leaders in their organization were incentivized to innovate. Says one current CDO: "An aligned view across the leadership team...is critical to understanding the sense of urgency and true expectations of the position. Make this part of your interview process and prep work. Go in with your playbook."

### The P&L leaders in my organization are incentivized to innovate



### The CEO is on top of industry changes and the issues impacting the company



### The CFO is on top of industry changes and the issues impacting the company



Agree Disagree Neutral

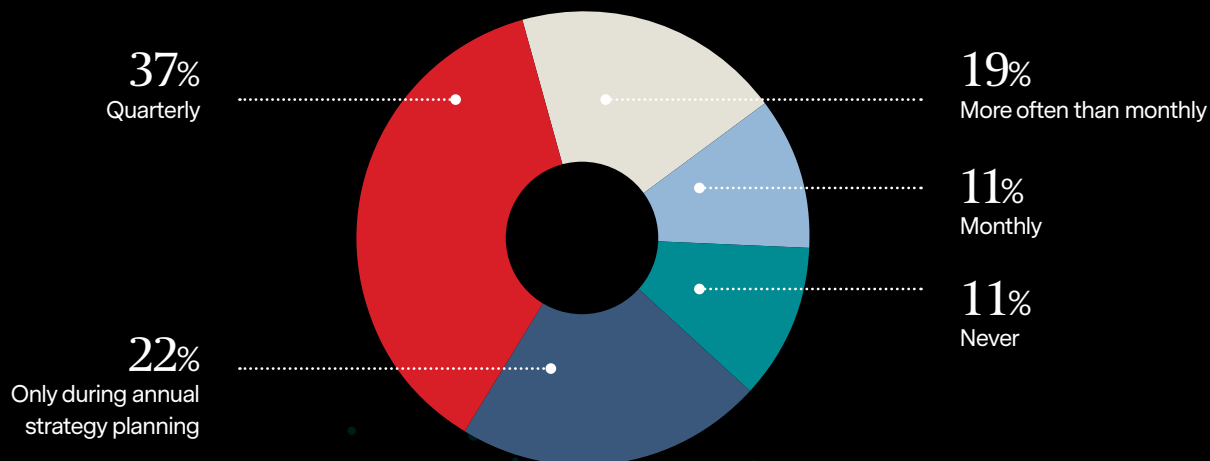


Although there is general satisfaction with the C-suite's support, there is something else going on when it comes to the interactions between the CDO and the board of directors. It is the board that oversees the strategy of the company, and digital strategy is one of the CEO's most important jobs. Yet many CDOs rarely meet with directors; one-third of them report

that they interact only annually or not at all. Says one: "You need board-level commitment because the progress will take five to seven years."

One CDO of a major global company accepted the buy-in from directors. "The interview process was fast," he says, "but I got to meet five board members and saw that they cared about this."

### How frequently do you interact with the board?



**OUR TAKE /** The relationship between CEOs and CDOs seems to be one of healthy support. Yet CEOs must also make sure that other executives have incentives to support the longer-term nature of the transformation. If they don't, it is not likely that they will be full partners with the CDO; in some cases, they may slow change. Says one digital executive based in Asia: "If business units are disconnected from the strategy, they might sabotage it."

When it comes to boards, there is a clear contradiction here; on one hand, CEOs are giving full attention and priority to the CDO's remit. But if this is a priority for the CEO, it should also, clearly, be one for the board. Boards must spend more time with the CDO than they currently do, must be more educated about a company's digital strategy, and they must hear it directly from the person responsible for overseeing that transformation. At Egon Zehnder, we have seen a significant increase in directors being hired for digital expertise. We feel that this contributes significantly to the CDO's success.

# Next Steps



One place where our CDOs responded consistently was in their belief that they have been able to make a difference, despite the fact that their expectations for the role have not always panned out.

Case in point: When we asked them how prepared their company was for digital transformation when they arrived, 75 percent answered either “not so” or “not at all” prepared. And yet when we asked how ready they were today, the answer was the opposite: 83 percent said it was either “very” or “fairly” prepared. Clearly, the CDOs, at least, believe they have had an impact.

When asked whether they would take this role again, knowing what they now know, the CDOs were quite positive, with 79 percent saying that they would do so.

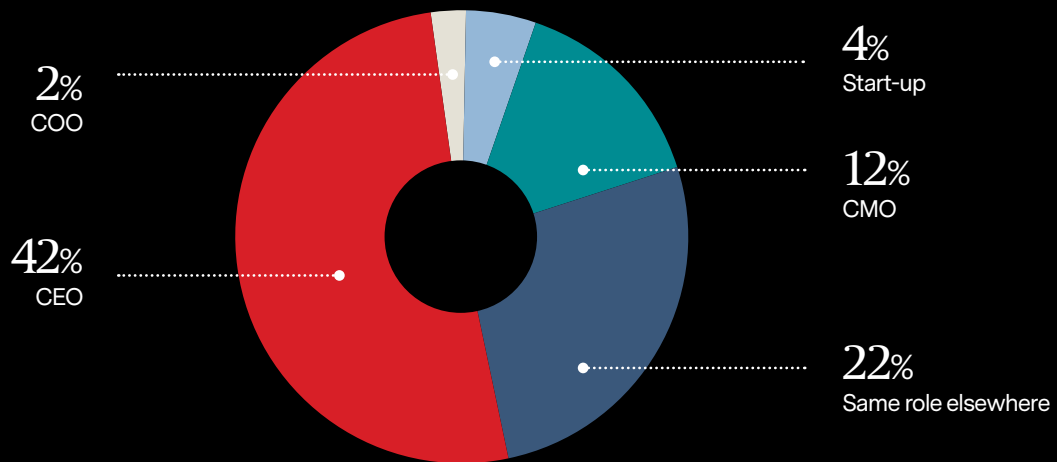
That confidence seems to be reflected in their thoughts about what comes next for them personally. A full 65 percent of respondents think that they will be in their current position in 12 months. Yet 62 percent of

those who said they did not receive sufficient support from the CEO and/or the CFO think that they will be elsewhere.

What comes next? Clearly, this group of pioneers does not see itself as only digital transformers, although 22 percent said they expect to take the same role again elsewhere. *Says one: “If you go through the journey of being a CDO and doing it again, you redefine the pace of change and know it needs to go faster.”*

Others are aiming higher, with 42 percent of CDOs saying they believed their next job would be Chief Executive Officer, despite the fact that until now very few large-company CEOs have come up through digital channels. Another possible reason for the lack of interest in continuing along the CDO path may be that many people think that the role itself may change or even disappear in the coming years, as digital becomes part of everyone’s responsibility and is no longer associated with only one executive title.

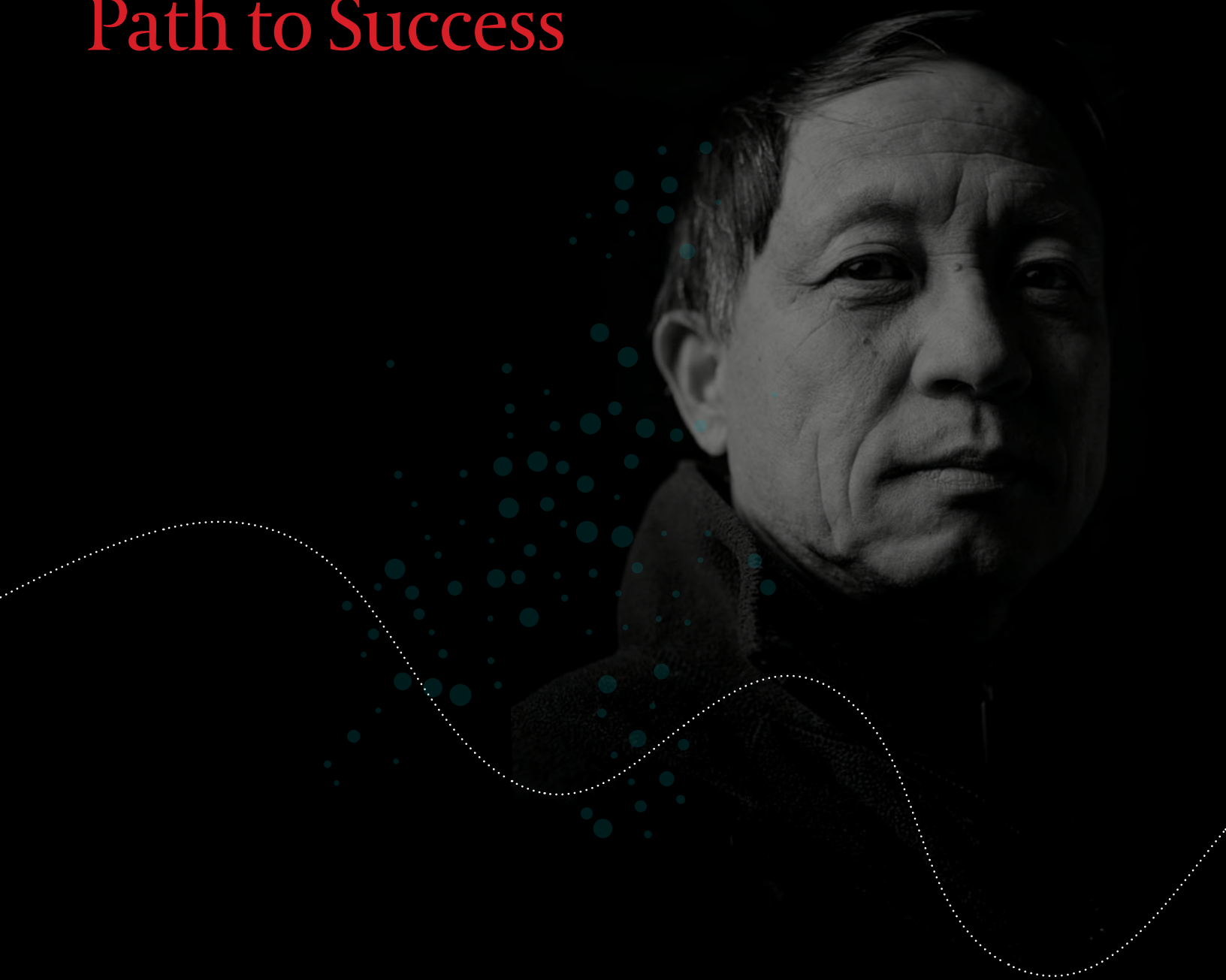
### What do you think your next executive role will be?




**OUR TAKE / CDOs are both in demand and hard to find:** Even the happiest ones are thinking about their next moves, and retention is challenging. If you are looking to hire an experienced CDO, keep in mind that your pool may be one-quarter the size of all potential candidates,

given the responses above. Make sure that the strategy is understood by other members of the C-suite in case of changes at the top. If you aren’t aligned with and supportive of the CDO, it’s much more likely that he or she won’t stick around for too long.

# Action Plan: the CDO Path to Success





There are several both long and short-term actions that companies can take to ensure that their CDO succeeds.

### **Hire Evangelists AND Executors**

Before preparing to hire a CDO, executives must take a hard look at exactly where their company falls on the digital transformation scale — and determine whether this job will require a lot of evangelizing and internal culture change before it can get to the execution stage. If that's the case, choose a CDO capable of rallying teams and expressing a vision. Consider, too, how both the CDO and the rest of the team should (and will) define success and what kinds of metrics make sense. Top executives — CEOs in particular — must embrace the mindset that culture is dynamic; it should evolve as priorities evolve. This is critical to a CDO's success.

### **Make sure that the C-suite gets it**

Our survey shows that most CEOs are attuned to just how important the CDO role is to the success and sometimes even survival of the company. Yet when it comes to other members of the C-suite — particularly CFOs and other P&L leaders who must respond to short-term financial pressures — the opposite is true. Not only must the CEO express solidarity with the CDO; he or she must also ensure that the rest of the C-suite supports and understands the role as well — even if, as is likely, it requires significant investment. It must be done actively, by designing incentives that promote collaboration. And it must go beyond the C-suite: Middle management is where inertia can set in. *Says one CDO: "You have to take middle management along the journey or they'll sabotage you."*

### **Connect the CDO and the Board**

Because many CDOs meet infrequently with the board of directors, the group charged with executing the overall strategy of the firm often hears about the transformation indirectly or not at all. This is a huge mistake, equivalent to a board in danger of being hacked never communicating with its Chief Information Security Officer or other top IT executives. If a firm is going through a digital transformation, that means that every aspect of its approach to business will, either immediately or eventually, become "digitalized." For a board to not understand how this is working — or not working — could determine whether the company ultimately succeeds.

We have found that one way to encourage this is by appointing a new director who is digitally proficient. In any case, all CDOs should have regular exposure to the board, which means much more than once per year.

### **Give the CDO freedom to build a strong team**

Transformation takes time — and getting the right talent into the organization does too. A CDO must move quickly at first and needs support from the Chief Human Resources Officer, Investor Relations, and others to bring in or reassign roles as quickly as possible. If a team is working across functions, that may require embedding people within more traditional businesses rather than keeping them separate. Many CDOs build teams that are a combination of new talent and expertise and legacy, with the aim of connecting the new agenda to the values and core business model of the past. It's a real challenge: If a CDO doesn't have the authority and the support needed to work both across and within the various functions of the company — and to make changes within those areas, even though they are led by another executive — then the transformation itself will come to a halt.

### **Measure on revenues, profits, and transformation**

Digital progress means using key performance indicators and other metrics that may be very different from the traditional ways of measuring success. So CDOs must have the right to develop and use their own benchmarks, even in businesses that they are not in charge of. *Says one CDO: "One of my biggest challenges is that I'm asking for digital KPIs in core businesses. If you only look at financial results, you don't really know what's going well or badly in a subscale business model."*

### **Digital is About the Customer**

The way companies interact with and think about customers has changed forever. But many companies have not yet come to terms with this, which is why they hire a CDO. This is why transformation must come from the outside in as much as the other way around. Make sure that any CDO brought in has direct access to customer outreach and works carefully with sales and marketing — even if they have different short-term goals.

Thank you for reading this study.

To learn more, please visit [www.egonzehnder.com/cdo-decoded](http://www.egonzehnder.com/cdo-decoded)

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## About Egon Zehnder

Egon Zehnder is the world's leadership consulting firm, sharing one goal: to transform people, organizations and the world through great leadership.

We know what great leaders can do and are passionate about delivering the best leadership solutions for our clients.

As One Firm, our more than 480 Consultants in 68 offices and 40 countries bring our individual strengths to form one powerful collaborative team.

We partner closely with public and private corporations, family-owned enterprises, and non-profit and government agencies to provide Board advisory services, CEO search and succession, executive search, executive assessment, leadership development and organizational transformation.

We offer a range of integrated services to support our leadership consulting work, such as: our investment in Sinequanon (SQN), a firm that uses AI and advanced analytics to improve workplace culture and performance, and our strategic alliance with Mobius Executive Leadership, the London and Cambridge, MA based leadership development firm which delivers customized executive development programs at the CEO and executive levels that enable breakthroughs often described by participants as "life changing." In addition, we have partnered with Paradox Strategies, the consulting firm co-founded by Harvard University Professor Linda Hill, to develop the Innovation Quotient (IQ), a proprietary culture diagnostic based on Hill's research that helps clients better understand the degree to which their cultures enable – or inhibit – their ability to innovate.

We share a commitment and pride in doing work that contributes to successful careers, stronger companies and a better world.

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