CX NETWORK

What is the Role of the Chief Digital Officer in a Saturated C-Suite?
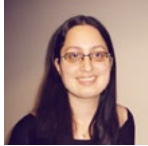
AUGUST 2016 MARKET REPORT

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About the Author

Zarina de Ruiter graduated with a BA in Journalism in the Netherlands, before embarking on a global journey, working in offices from North America to Australia, and landing in the United Kingdom in 2010. She worked for a magazine publisher and TV producer in London for four years, growing the digital presence and brand awareness of business and consumer titles, in addition to ad hoc work on print publications. She is the Editor of CX Network, where she produces a range of premium-level content for senior customer experience, service, insight, digital and marketing leaders. You can contact her on: **Zarina.deRuiter@iqpc.co.uk**
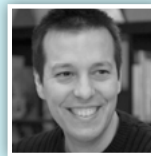
About the Contributors

This report includes insights and comments from the following digital and customer experience leaders:
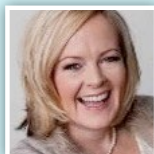
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Introduction

The digital revolution hasn't only changed the tools, processes and channels organisations use, but it has fundamentally changed the way they do business and interact with their customers. Rather than having an isolated digital strategy to ensure you stay ahead of the rapid changes within the market, a need has risen for digital leaders to take on this responsibility and ensure a digital mind-set is engrained across all levels of the organisation.

And so the Chief Digital Officer (CDO) role was born. But where do they fit within a perhaps already saturated C-suite, containing Chief Executive Officers, Chief Marketing Officers, Chief Information Officers, Chief Finance Officers, Chief Operating Officers, Chief Technology Officers and more recent functions such as Chief Customer Officers, Chief Innovation Officers and Chief Amazement Officers?

> *If you're not a digital native and yet the biggest issue for your company is digital transformation, then step down and let someone else who has that experience do it for you."*
> **Philippa Snare, EMEA Global Business Marketing Director, Facebook**

In this report, CX Network and CDOs from the likes of Travelex, Time Out and the Ministry of Justice, look at the way the CDO role has developed in recent years and what their key responsibilities within organisations are today.

The Changing Role of the CDO

The role of the Chief Digital Officer is one that is relatively new with almost 80 per cent of CDOs having been appointed since 2012[1]. And it is still growing, with the number of CDOs doubling from 1,000 in 2014 to 2,000 in 2015 and expecting to reach 2,500 by the end of this year[2]. During this time their responsibilities have grown from implementing digital tools and processes through to being in charge of an entire organisational transformation. In addition to focusing on new digital channels and technology, their strategy now also includes moving digital from a silo to being a key part of a business' DNA and ensuring top-to-bottom cultural change to match this changing mind set.

While European organisations are hiring CDOs faster than companies in other regions, over 40 per cent of global CDOs are part of the C-suite. The majority come from a marketing, technology or sales background[3] and with elements of digital marketing and IT being key parts of the CDO role, organisations could assume that the CDO responsibilities can be split between their current Chief Marketing Officer (CMO) and Chief Information Officer (CIO) to give digital a C-suite representation. However, to achieve a true digital transformation you need to hire a digital native rather than merging existing roles and responsibilities.

Philippa Snare, EMEA Global Business Marketing Director of Facebook and former CMO of Microsoft UK, explained: "You need to get a digital leader at the top at a very senior level. If it's a Board of Directors, appoint a CEO who has come from a native digital world and hire at the very top of the organisation. Using technology and digital services, or understanding them, isn't a skill you can learn. It's either something you've grown up with and it's native to you or it's not. In a harsh way, if you're not a digital native and yet the biggest issue for your company is digital transformation, then step down and let someone else who has that experience do it for you."

That doesn't mean that the CMO and CIO don't influence the digital strategy, but there should be collaboration rather than them solely shouldering the digital change organisations are looking to achieve.

Rizwan Khalfan, Chief Digital Officer of TD Bank Group, told Deloitte Digital[4]: "All three of us [CDO, CMO, CIO] sit at the same table and report to the same person, which is a great start in focusing us on collaboration, partnerships and using our expertise to drive what's right for the customer. There is some overlap, but we all share the same objectives, so that helps resolve issues and move things forward."

[1] http://www.strategyand.pwc.com/media/file/The-2015-chief-digital-officer-study.pdf
[2] http://www.forbes.com/sites/falgunidesai/2016/06/13/the-many-faces-of-the-chief-digital-officer/#31e3f9167ada
[3] http://www.strategyand.pwc.com/media/file/The-2015-chief-digital-officer-study.pdf
[4] http://www.deloittedigital.ca/chief-digital-officer

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The CDO Leads Innovation and a Digital Transformation

The CDO is at the forefront of digital changes within the market and they're constantly looking at the latest tools and technology, or developing their own, to support existing and new initiatives and propel the organisation forward through innovation and change.

In our Global State of Customer Experience report[5], which provides an in-depth insight into the trends, challenges and investment priorities of customer experience, service and marketing leaders globally, digital transformation was revealed as an important focus within the majority of organisations.

> *Digital is not done by any one part of the organisation, digital has to become the DNA of an organisation and has to join up horizontally."*
> **Phil Pavitt, Global CIO, Specsavers**

Throughout the remainder of 2016, many of those surveyed are planning to move their business from a non-existent or pre-deployment level of digital transformation to an established or advanced stage. This is a big change in a relatively short space of time, and the number one thing cited that would help these businesses reach that next level of digital transformation was having buy-in from cross-functional teams.

This where the CDO's expertise in driving an organisational transformation really comes into its own. Working closely with the CMO and CIO, the CDO already has an established relationship with other teams within the business and an overview on how they can implement this change across teams. And with a culture change often being a part of their role on top of a digital change, they are already looking at transforming all levels of the business.

Phil Pavitt, Global CIO of Specsavers, agreed and said: "Digital is not done by any one part of the organisation, digital has to become the DNA of an organisation and has to join up horizontally. In our case it has to be the IT team and the marketing team, it has to be the team that services the customers, the retail team, you have to work together and it can be a slightly uncomfortable alliance to get that right.

"At Specsavers we appointed a Digital Marketing Lead and an IT Lead together, on the same day. The Marketing Director and I interviewed each other's candidates because we saw how important it was to be joined up. That horizontal working is true for most organisations that want to get digital right."

Of course driving this transformational change is easier said than done, so Sean Cornwall, CDO of Travelex, has some advice for CDOs looking at implementing this:

"When you're rethinking your operating model, you're really thinking about many things. You're thinking about culture and what needs to change there, you're thinking about process and what needs to change there, you're thinking about the end-to-end customer journey across all your products and services and how those need to change in such a way that they move with the changing customer behaviour. And it's about rethinking your entire organisation: the organisation design, your talent, your people; all of those things.

"There are a few key things you really need to think about when driving this transformation. The first is to absolutely make sure you have the buy-in and feel support over the long-term, because this is not a short journey, it is a multi-year endeavour, from shareholders, the Board and the rest of the C-suite. The second is, be very precise and deliberate about what is separate and what is integrated. Fundamentally it is about speed and ability to execute."

The Missing Ingredient for a Successful Chief Digital Officer in a Saturated C-Suite? People

Written by David Macmillan, SVP Global Sales at Jive Software

Digital transformation is reshaping the way we live and work, how we buy products and services, and what we expect from our daily interactions.

A January PwC[6] survey found that no other single trend, including demographic shifts and global economic power dynamics, came as close as digital did in capturing CEO's attention. Yet most companies aren't even close to where they need to be with their digital strategies. Although nearly nine in ten organisations see digital transformation as a competitive opportunity, an almost identical proportion admit to not having the necessary skills to compete[7].

Digital transformation is more far-reaching than just technology. Are at the heart of digital evolution. The essence of digital transformation comes down to how people's digital behaviours are changing, and this is where Chief Digital Officers and their organisations can gain competitive advantage.

Harnessing the collective intelligence of employees, partners and customers is a critical success factor for digital transformation and should be factored into the Chief Digital Officer's strategy. Success lies in putting people at the core of transformation by enabling effortless communication and collaboration. When done right, it means combining both the internal and external activities of people, applications, machines and/or 'things' into a borderless business ecosystem, or network, that is available across all devices and on demand.

An effective transformation strategy requires a prepared and motivated workforce that achieves operational excellence, delivers unique value to customers, realises financial results and meets stakeholder expectations. Regardless of the technologies or work streams being transformed, the most successful initiatives are those that are 'people-centric' in nature: either centred around transforming the employee journey, the partner/supplier journey and/or the customer journey.

In order to keep a focus on people, organisations should follow these key steps in their digital transformation strategies:

1. Communicate the Direction
- Set and align on missions and strategies across the C-level suite and cascade this throughout the organisation
- Evolve the organisational structure to include new roles that support emerging business models
- Develop expert communities, inspire thought leadership, drive culture and enhance communication effectiveness.

2. Onboard, Engage and Retain the Right People
- Improve employee engagement and talent management
- Retain tacit knowledge, and attract and retain quality resources
- Improve on-boarding and training

3. Build Efficient Processes
- Streamline and optimise operations management processes
- Improve processes that enhance customer value such as marketing, customer selection, acquisition and retention
- Enhance processes such as R&D and those that improve the environment and health & safety of communities

4. Provide Access to Relevant, Contextual Knowledge and Information
- Manage explicit knowledge
- Reduce information silos
- Improve industry knowledge by increasing usage of the knowledge base (internal and external)

5. Provide the Right Tools for the Job
- Improve the use of existing technology, research emerging technologies and overlay it with strategy
- Consolidate 'stove pipe' systems and integrate existing business systems
- Provide the right tools for the job, support mobility and, crucially, align business and IT

6. Deliver Unique Value
- Improve CSAT scores and nurture customer relationships
- Increase customer value and build loyalty and brand reputation
- Develop and strengthen partner networks / third-party relationships

Click here for more on the top initiatives that push a business towards digital maturity

[6] https://www.pwc.com/gx/en/ceo-survey/2016/landing-page/pwc-19th-annual-global-ceo-survey.pdf
[7] https://www.capgemini.com/resource-file-access/resource/pdf/the_digital_talent_gap27-09_0.pdf

People are the catalyst for your digital transformation

Reap the benefits when you focus on your people
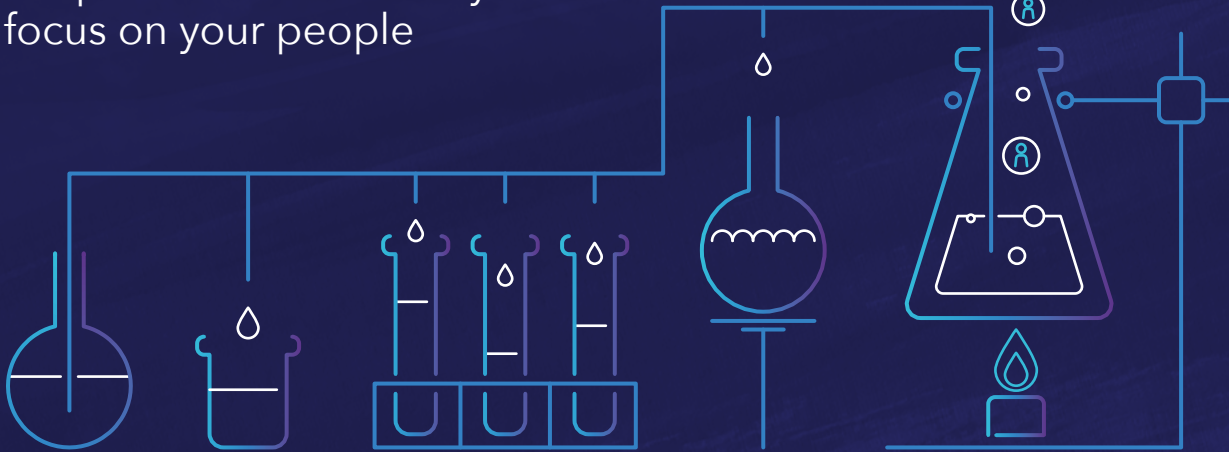
When you're responsible for the success of digital transformation initiatives, you can't focus solely on technology. People are the driving force in transforming your organisation. When they can collaborate in real-time, and when they're not restrained by outdated systems, they are more engaged, more productive and more invested in the future. Give them the right tools and they will do amazing things.

Successful digital transformation strategies harness collective intelligence of employees, partners and customers. It combines both internal and external activities of people, applications and machines.

New digital business models are emerging for companies with mature digital transformation strategies that enable them to engage these communities. This is where you can gain competitive advantage.

When your people have the right tools they achieve more and drive lasting change.

Download our interactive PDF to see how people can power your digital transformation:

http://jive.to/iPDF-iqpc

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The CDO Drives a Customer-Centric Culture

As we've established, in addition to driving the digital transformation, the CDO is also in charge of a cultural change within the business. Not only by making digital a more integrated part of the company culture, but by ensuring that the customer is always front of mind, even when there is a digital tool or channel between the organisation and the client.

The CDO is the internal customer champion and drives their customer-centric mind-set through the entire business, changing established cultures and improving customer experience, loyalty and retention. One way they drive this change is through digital initiatives that help create a closer customer connection, but they also focus on a wider organisational change where the customer is at the heart of the business strategy.

The CDO ensures "you always have the customer in the room – not the customer of today, but the customer you're going to have tomorrow," Faisal Masud, CDO at Staples, told the National Retail Federation[8]. "That's not just from a digital perspective, because there's no such thing as a customer only buying from a physical store."

On the topic of cross-company customer-centricity, Arif Harbott, Chief Digital and Information Officer at the UK Ministry of Justice, added that inadvertently it attributes to the collaborative aspect mentioned earlier on this this report: "The most important thing we do is that we focus on the user. If you focus on the end person that is using your system and you solve their needs it is much easier for people to rally around a common mission and a common purpose.

> *Right from when the [digital] team was built three years ago, we started with a user needs philosophy; it's woven into our very DNA."*
> **Arif Harbott, Chief Digital and Information Officer, Ministry of Justice**

"If your fundamental mission is to make someone's life a bit better, it is much easier to collaborate because you feel a real sense of purpose and urgency to fulfil that mission. Right from when the team was built three years ago, we started with a user needs philosophy; it's built into our processes and assurance, it's on the walls, in our dialogue and in our language. It's woven into our very DNA."

"It's about really emphasising the customer and putting the customer at the front of everything that we do," Sean Cornwell from foreign exchange company Travelex said. "For us at Travelex this has meant moving from a transaction-led business, where we didn't focus on building that long-term relationship with our customer, to where we do and it's all about that. That is fundamental. It's about making sure that narrative and the priorities are consistent. Everything from your business strategy to how your store staff feel and live and breathe, it needs to be consistent so the organisation really walks the walk."

> *The CDO ensures "you always have the customer in the room – not the customer of today, but the customer you're going to have tomorrow."*
> **Faisal Masud, CDO, Staples**

A 2015 PWC study showed that consumer-orientated organisations are more likely to have a CDO in place.[9] Whether the fact that these businesses are consumer-orientated meant that they hired a CDO, or that the CDO's strategy led to a bigger customer focus, the research does not explain, but in any case there is a clear correlation between companies having a CDO leading at the top and having a customer-centric mind-set.

[8] https://nrf.com/news/growing-number-of-retailers-are-putting-chief-digital-officers-the-drivers-seat
[9] http://www.strategyand.pwc.com/media/file/The-2015-chief-digital-officer-study.pdf

What Do These Responsibilities Mean in Practice?

So driving a digital transformation through innovation and leading a cultural change for greater customer-centricity are the two main merits of the CDO role, but what do they mean in practice?

Dave Cook is the CDO of media company Time Out and said: "There are five main areas we have under the digital umbrella. The first is innovation and R&D, the second is product development (which includes UX and design), the third is technology, the fourth is data & analytics, and the fifth is internal IT.

"From a digital strategy point of view there are three main areas. We look at audience (both growth and engagement), digital revenue and diversifying that away from pay and display type revenue, and the third area is around efficiency within the business and how we can make it cheaper to acquire, produce and distribute our content.

> *The role of the Chief Digital Officer in the C-suite varies by organisation, but what is common between all of them is that the role is a catalyst for change.*" **Sean Cornwell, CDO, Travelex**

"The CDO is partly a teacher, so you come to the table with experience most of your peers don't necessarily have. There is also a bit of an advisor role and finally it is also the challenge. People get used to the way things work and part of the CDO role is to challenge that and ask the difficult questions to transform a business."

Arif Harbott, CDIO of the UK Ministry of Justice, added: "We passionately believe that we can use digital technology and service design to fundamentally transform the relationship between the citizen and State. So I'm responsible and accountable for citizen-facing services and also the cultural transformation within the organisation to make sure that we are moving towards that objective.

"Our main initiative is Digital Justice, which is about transforming the end-to-end justice system and make it better for citizens, giving them access to swifter, fairer justice, and also for civil servants to make the processes much more efficient, so that we can deliver justice more efficiently."

> *The CDO is partly a teacher, so you come to the table with experience most of your peers don't necessarily have.*"
> **Dave Cook, CDO, Time Out**

Finally, Sean Cornwell from Travelex, said: "My responsibility as the Chief Digital Officer is to drive the business transformation and to help take us from a transaction-led business to a customer-led business, which is fully tech enabled and data-led. It's about building digital-first products and services for our customers that can be the growth engine for the future.

"The role of the Chief Digital Officer in the C-suite varies by organisation, but what is common between all of them is that the role is a catalyst for change. Often a CDO is brought in because of frustrations from the CEO and the Board, and an inability to drive change from within. Other members in the C-suite are understandably too pre-occupied by the status quo and running things, so you need that catalyst role."

Conclusion

To really capitalise on the digital revolution disrupting the landscape, organisations need to look at having a digital leader in the C-suite. The role of the Chief Digital Officer isn't just to add this new digital discipline to the executive team, it's one of fundamental change.

Having a CDO taking on this responsibility shows a willingness to learn and adapt, and ensures that the business:

1 Moves to the next level of digital transformation

2 Is constantly evolving, driven by new digital initiatives and innovations

3 Creates a customer-centric mind set where the customer is at the heart of the business strategy unities.

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Top Tips: How CDOs Can Keep Their Customers at the Heart of Their Digital Strategy

We've spoken about the role of the Chief Digital Officer in the C-suite, but when focusing on digital tools and processes how can CDOs ensure they keep their customers at the heart of that change? We asked our customer experience and digital community for their top tips for achieving that.

"The most important thing is to talk to your customers and spend time with your customers every month, quarter, multiple times per year. If you do that it'll be top of mind and everything flows from that."

Sean Cornwell, CDO,
Travelex

"There's a rising imperative for every department that directly interacts with customers to focus on deepening engagement. Digitalising the customer experience by providing a community for them to interact enables you to gather and act on valuable data and insights to provide a seamless experience, increasing their loyalty and driving profitability for your company. The biggest reason to make digital transformation a priority isn't because it's trendy; it's technology's impact on the bottom line."

David Macmillan,
SVP Global Sales,
Jive Software

"Do not get caught up in the language; digital means many things to many people. Ultimately it's about the customer journey, call it what you will, making that journey easier and doing things on that journey that the customer wants to do, allowing them to manoeuvre themselves around you and your product. Whatever you do with digital, don't get caught up in the language and don't follow other people. Find out what your customer wants and then serve your customer."

Phil Pavitt, Global CIO,
Specsavers

"We started from the business objective and asked ourselves what we wanted to achieve. Loyalty? Cross-sell? Retention? Then you build back and say: How can our tools, digital and training have a positive impact on this? Of course the next key thing is that you need people. Everybody always talks

about technology and the processes, but you need the people that are able to do it. When you get these things clear, nothing can go wrong.

Andre Guyer,
Head of Global Transformation,
Zurich Insurance Group

People overcomplicate it. Becoming customer--focused is really, really, easy. When I was at Morrisons I went out in the vans, I sat in call centres and I read emails. And in the justice system? Go and visit a prison, a court, or sit in a police station and go and read some of the correspondence that comes in. Don't overcomplicate it; small little steps and it's very, very easy."

Arif Harbott, CDIO,
Ministry of Justice

"Actually use the products you create; there is a big difference between testing and using. I try and encourage all of my team to use the products we create, which includes reading the magazine, using the website and downloading the apps. I think it is really important that we don't just rely on third-party consumer research or user testing, but that you actually use the products yourself. That is my biggest tip."

Dave Cook, CDO,
Time Out

About CX Network

CX Network is an online resource for customer experience professionals providing value-rich content such as industry reports, customer trends, best practice, latest industry news, interviews with CX leaders and so much more! Our focus on the content that matters to customer experience leaders most, allows us to cut through the white noise that surrounds this ever-changing subject, and makes us the primary resource for CX executives to turn to.

By joining our network you will receive expert commentary, reports, and resources developed by and for experiences customer experience professionals and industry insiders. With a growing membership and global portfolio of events, CX Network ensures you keep your finger on the pulse by delivering practical and strategic advice to help you achieve your business goals.

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