The rise of the Chief Digital Officer

Key considerations for driving digital growth from the C-suite
PEOPLE HAVE AN ALMOST INSATIABLE DESIRE TO ADOPT INNOVATION THAT DRIVES CONVENIENCE IN THEIR LIVES. SO WE COULDN’T AFFORD TO SIT BACK AND SAY, WE HAVE LEGACY SYSTEMS. WE’VE GOT TO BE CONNECTED TO THE CUSTOMER AND MOVE WITH THE CUSTOMER AT THE SPEED THE CUSTOMER WANTS.

- RIZWAN KHALFAN
CHIEF DIGITAL OFFICER, TD BANK GROUP (CANADA)
FOREWORD

When I was first asked to review this paper, I was excited to see Peter engage the issue head on. This is a topic that is long overdue for discussion – particularly in light of the ambiguity and contention that surrounds the definition of a Chief Digital Officer (CDO). As this paper took shape, I was reminded of a summit I attended 18 months ago with a group of 50 top CDOs in Silicon Valley. The first hour of the session was a vigorous debate about what a CDO is, should be or could be. My observation and conclusion at the time was that there is no “one size fits all” definition that can be applied to this still emerging role. That said, despite the discomfort of the session, I honed my own understanding of the role and what appeared to be the emergence of three types of CDOs.

THREE TYPES OF CDOS

1. **Ex-agency**
   Traditional interactive marketing leaders that view digital as “digital marketing” and engagement with the customer.

2. **Digital transformation strategists**
   Change agents chartered with the reinvention of their organizations (e.g., in media and entertainment).

3. **Technologists**
   Those who view digital primarily from an enterprise perspective – most often reporting to the CIO.

Coincidentally, each of the three camps appeared to cluster around certain industry sub-sectors or similar business types. The interactive marketing CDOs tended to be associated with consumer packaged goods companies that primarily create products and market them. The enterprise IT group was more focused in heavy industries such as manufacturing, oil, healthcare, etc., and the full-blown digital transformation CDOs were in “mega-bang” sectors like media, high tech and even retail, where business models were being turned inside out by digital.

So, my take away from that conference and dozens of subsequent market discussions is that the most important factors when defining or describing a CDO are the following:

- Industry/sector (the type of company)
- Their “digital” charter (digital transformation, digital marketing, or digital enterprise)

This paper should be used as a guide for organizations where digital is a critical part of the business strategy. Business models and engagement are getting more complex with the ongoing proliferation of mobile, social, web, wearables, etc. This necessitates that we contemplate who the steward of that ongoing transformation needs to be and whether they occupy a seat in the ‘C’ suite.

Mike Brinker
Global Head of Deloitte Digital
In 2013, Deloitte published a report on the impact of digital disruption across 18 industries called *Digital disruption: Short fuse, big bang*. At that time, we predicted 13 of those industries would face significant risk of disruption by 2017 as a result of the sustained growth and penetration of digital technologies. With some hindsight, we believe the primary drivers of our predictions were right. However, despite even our boldest declarations, we may have underestimated the impact of digital as the pace of change and adoption for both consumers and businesses has continued its meteoric rise.

Let’s start by applying a definition of digital – we see it this way:

Digital represents the channels end users must be able to access to facilitate transactions and interactions that are beautiful, efficient and superior in experience, leveraging a combination of mobile, social, analytics, cloud and emerging exponentials (e.g., sensing, artificial intelligence, drones and crypto currencies).

Anytime. Anywhere. Any device.

The definition of ‘end users performing transactions and interactions’ can be applied broadly to include:

- Shoppers buying a product
- Bank customers managing their accounts
- Employees accessing work and personal information via intranets
- Business partners transacting purchase orders and payments (B2B)
- Staff using enterprise systems to perform their job
There is no shortage of statistics that support digital’s increasing prominence, but let’s consider at least a few:

100 billion connected devices expected by 2025, leading towards a trillion sensor ecosystem

In the last 2 years, we’ve seen 9 times more data created than in the entire history of humanity

1 billion digital natives will join the workforce in the next 7 years

These statistics are forcing (or should at least motivate) organizations to craft strategic plans that recognize this pace of change and materially increase their focus on digital capabilities. These capabilities are not simply limited to what users should be able to do, but must also include new approaches to identify, prioritize and design solutions. Capabilities like user-centred design, design thinking and customer journey mapping are all part of what it takes to not only create outcomes, but to also create experiences.

FIGURE 1. THE RISING TIDE OF CHIEF DIGITAL OFFICERS

It is therefore not surprising that rapidly changing customer expectations and the corresponding investment in digital is making way for a new seat at the executive table: the Chief Digital Officer (CDO). A recent report by the CDO Club (yes, there is something called the CDO Club) projected a significant lift in the number of CDOs for 2014, as shown in Figure 1. Considering the relative standing start in 2010, this rise of the CDO is both compelling and telling.
Digital has evolved significantly over the past 15 years, both in terms of what organizations have been able to offer customers as well as in the way it has become a significant value driver for the bottom line (both in cost savings and revenue uplift). In the mid-1990s, when the Internet began to emerge, online was very much a novelty where functionality was limited as well as being constrained by the networks and hardware available.

As the decade was coming to a close, digital leaders (who were typically in the IT group) were distracted by Y2K with investments pivoting to avoid the feared Armageddon of two digits (00). At the turn of the century, these same groups became consumed by the time, effort, cost and corporate attention required to implement enterprise resource planning systems. We can skip over 2008 but suffice it to say, the mantra was financial survival.

Today, however, is a different story. A compelling convergence is happening where the digital strategy of many organizations is fast becoming the corporate strategy. No longer just another tool in the marketing toolbox, digital is becoming the foundation of entirely new ways of doing business as well as giving rise to entirely new businesses.

This evolution of convergence can be seen in the progression of titles and roles as it relates to digital (Figure 2).
While the role of CDO is becoming more common, it is not yet so pervasive as to be considered part of the club – we do see this shift as imminent, however.

Today, more boards and executive teams recognize that driving digital transformation is part Chief Marketing Officer, part Chief Information Officer, part Chief Strategy Officer and part Chief Executive Officer. As an enabler who complements the mandates of their peers, the CDO has the unique ability to unite an executive team.

CDOs think holistically about how a company’s strategy is executed across all digital channels. They own and drive digital strategy throughout the organization to help business unit leaders unlock value. In support of our case for a CDO, we have identified the value which the role can bring to others at the table (Figure 3).

**FIGURE 3. THE CDO ENHANCES THE REST OF THE C-SUITE**

**CEO**

Be the catalysts for the transformation and innovation agenda of the CEO.

**CFO**

Drive better outcomes to the bottom line. With the right mandate and direction, digital becomes an enabler to save money and drive new revenue. Either way, gross margins can rise.

**CMO**

Support the shift from transactional marketing to engagement served up through social, mobile, search and wearables.

**CSO**

Support the strategic direction of the organization by creating new opportunities to enter new markets, drive new opportunities and change the direction of the company.

**CIO**

Build a complementary team of technical resources with new skills, new outputs and time to value. CDO = front end; CIO = back end

**COO**

Enable operational efficiencies in the organization. This includes digitizing internal operations as well as creating end user tools that can lessen the burden on contract centre resources.
Ironically, we see the current role of CDOs and their teams as temporary. For many industries, digital will become so infused with the business that it will make no more sense to have a separate leader and separate team than it does now to have a Chief Email Officer. This temporary title inflation will soon be followed with a title deflation that sees the digital team become a non-strategic operations group managing content, platforms and apps. Even more provocative is the notion that the CDO will be the presumptive heir to the CEO throne as digital business becomes more prominent and complex.

“FOR MANY INDUSTRIES, DIGITAL WILL BECOME SO INFUSED WITH THE BUSINESS THAT IT WILL MAKE NO MORE SENSE TO HAVE A SEPARATE LEADER AND SEPARATE TEAM THAN IT DOES NOW TO HAVE A CHIEF EMAIL OFFICER.”
GATEWAYS TO THE CDO

If your organization has plans to open up a chair to the proverbial table, there are three logical but separate paths to move someone into this role.

**GATEWAY 1 | ELEVATE A NON-EXECUTIVE DIGITAL ROLE**

Elevate the current head of Digital (Director or VP) to the C-suite. This path recognizes digital as a prominent part of the organization and declares to everyone that decisions on strategic priorities, market moves and product plays will include digital.

**GATEWAY 2 | CENTRALIZE FRAGMENTED CAPABILITIES**

Where digital resources are fragmented, converge into one team with a single leader. Also known as “lift and shift,” this model would centralize digital resources to operate in a more coordinated and singularly minded way. This path is often typified by the proliferation of digital resources and investments across the organization where the benefit of a single strategy and path is sub-optimized.

**GATEWAY 3 | CREATE SOMETHING NEW**

This path is the boldest and most drastic. Even today, digital is treated by most organizations solely as a channel. This is because legacy businesses already deliver products and services through traditional channels. Creating something new could be as bold as forming a new entity that delivers business outcomes exclusively through digital channels (mobile, social, web, wearables). This dramatic shift can take multiple forms, including:

- Building a challenger brand that operates as a competitor to the legacy business; and/or,
- Creating an autonomous team internally that supports lines of business but also has some semblance of a profit and loss.

**SELECTING A DIGITAL BUSINESS MODEL OFFERS A CHANCE TO DETERMINE A CDO’S INFLUENCE AND AUTONOMY**
Each of these options represents a progressively greater level of transformation and should be considered within the context of your organization’s situation.

**TABLE 1. GATEWAY TRANSFORMATIONS AND BENEFITS**

<table>
<thead>
<tr>
<th>Gateway</th>
<th>Degree of transformation</th>
<th>Key benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elevate</strong></td>
<td>Moderate</td>
<td>• Low degree of friction and organizational disruption</td>
</tr>
<tr>
<td>Move existing leader and team up in the organizational hierarchy</td>
<td>Operations and structure remain largely unchanged. Status of the team rises.</td>
<td>• Makes a statement that digital is working well and should be elevated in importance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Key performance indicators and measures would become tighter with greater visibility</td>
</tr>
<tr>
<td><strong>Centralize</strong></td>
<td>High</td>
<td>• Positions digital as a highly important part of the business</td>
</tr>
<tr>
<td>Move resources into a centralized operation</td>
<td>Material shift of resources from different parts of the organization into what will become a new entity.</td>
<td>• Places the accountability of the channel under the leadership of a single team with a single individual</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Allows digital to operate within the existing structures of the organization</td>
</tr>
<tr>
<td><strong>Create</strong></td>
<td>Very high</td>
<td>• Digital is unquestionably the future</td>
</tr>
<tr>
<td>Develop an entirely new entity where one does not exist today</td>
<td>Dramatic shift to the entire business, not just digital as a capability.</td>
<td>• Breaks monolithic structures of the organization by moving digital to be the prominent channel for facilitating transactions and interactions with end users</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Can be the innovative edge of the parent business – i.e. where something works, move it into core operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Creates a new revenue model</td>
</tr>
</tbody>
</table>

A high degree of transformation sounds appealing, but may bring challenges. For example, it can radically change a business unit’s *raison d’être*, upsetting reporting structures and affecting careers. Without the right leadership, the enterprise’s own “immune system” can resist, spelling potential disaster – as names like Kodak, Borders, and Tower Records remind us.

Selecting a digital business model offers a chance to determine a CDO’s influence and autonomy. It helps answer such questions as: “Where will digital sit?” and “What is digital’s mandate?”
THE CARE AND FEEDING OF DIGITAL TALENT

The pace of change wrought by the digital economy has placed special emphasis on the quality of talent. More than technology or strategy, digital talent often determines an organization’s rate of digital growth. In part, this has to do with talent attracting itself. Organizations that hire, or “acquire-hire,” a core of top digital talent can become a magnet for other top performers. The reverse is also true.

Many traditional organizations struggle to adapt their workplace culture and policies so that they are enticing to these workers. Digital talent has its own patterns of behaviour, its own tools and its own ways of evaluating the quality of work. Consider how millennials and digital natives evaluate what makes a place worthy of their presence:

<table>
<thead>
<tr>
<th>Traditional work environment</th>
<th>Ideal digital work environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed outcomes</td>
<td>Trial and error</td>
</tr>
<tr>
<td>Detailed business case</td>
<td>An idea</td>
</tr>
<tr>
<td>PC</td>
<td>Mac</td>
</tr>
<tr>
<td>MBAs and engineers</td>
<td>Design college</td>
</tr>
<tr>
<td>Suits</td>
<td>Jeans and sleeve tattoos</td>
</tr>
<tr>
<td>Desks</td>
<td>Collaborative spaces</td>
</tr>
<tr>
<td>8 am – 5 pm</td>
<td>Value-based outcomes</td>
</tr>
<tr>
<td></td>
<td>(whenever it happens)</td>
</tr>
<tr>
<td>7-10 years of experience</td>
<td>3 years of experience</td>
</tr>
</tbody>
</table>
To make the role of CDOs and their teams work, the broader organization must determine whether they are ready to hire and manage the modern digital worker. In the pursuit of achieving a digital culture, CDOs must initiate some rather innocuous conversations about what the organization is in fact willing to do, such as:

1. Design non-traditional office spaces – perhaps even away from the ivory tower.
2. Hire for skills like design and research, even if the individual has limited business experience.
3. Embrace the point of view of someone with a diploma in Interactive Design instead of a university degree.
4. Adjust dress code policies to accommodate those who choose to wear jeans and have exposed tattoos.
5. Reconsider traditional process-oriented paths to outcomes that are less structured but more visual.

It’s just as important to know what you are not willing to do. If something is just too much of a stretch then you need to consider how you will deliver digital – outsource, spin off, or partner.
A CONVERSATION WITH RIZWAN KHALFAN
CHIEF DIGITAL OFFICER, TD BANK GROUP (CANADA)

Rizwan Khalfan is responsible for setting the strategic direction for all online and mobile activities at TD Bank, while building a better and more integrated digital customer experience. Mandates also include partnering with business units across the organization to strategically invest in transformational digital capabilities and experiences for our customers and our employees. Prior to this role, he was responsible for delivering the technology strategies and development supporting the North American ATM, phone and online/mobile channels.

1. What attributes would you say are most important to being an effective CDO?
   The ability to influence others by empowering them with the insights and information they need to do their jobs and evolve through digital transformation. It is critical to find and develop ‘digital champions’ who can adopt, advocate and introduce new outcomes through digital. Of course, each part of the organization will only be able to change at a pace that is right for that particular unit.

   As a digital leader, I am responsible for empowering my partners with the right insights and information so they can elevate what they’re good at to be even better.

2. Can you explain TD’s digital evolution?
   People have an almost insatiable desire to adopt innovation that drives convenience in their lives. So we couldn’t afford to sit back and say, we have legacy systems. We’ve got to be connected to the customer and move with the customer at the speed the customer wants.

   At TD, it always starts with the customer: What does a customer want? How do we want to deliver our promise of service and convenience in the digital world? And then what else should we be doing beyond creating legendary digital experiences?

   We knew the rest of the organization (marketing, product, etc.) would have to
come together to deliver an effective digital strategy. We undertook a dynamic, multi-stage process that started with consolidating resources, investing in talent and recruiting the best, regardless of geography or industry.

We made some adjustments to our existing culture to help an entirely new class of talent fit in to the bank as a high-performing team and aligned the organization with the innovation community. Finally, we adjusted the architecture of our delivery model to quickly deliver game-changing innovations to customers by getting stakeholders such as designers, developers, product managers and others to sit together and co-create with real-time feedback.

3. What has made the role of CDO at TD successful?
At TD, the CIO, CMO and CDO all sit at the same table and report to the same person. That’s a good start for collaboration and partnership. It brings the respective expertise to the table and drives outcomes that are right for the customer. We’re unique in that way – and the value it has created has been tremendous.

While there is some overlap, especially when it comes to digital marketing or digital technology capabilities, because you’re at the same table, your objectives are the same and it’s much easier to resolve issues and move forward.

As CDO, do I step into a marketing and/or technology role? Yes. But vice-versa, this is the same for the CMO and CIO to step into the digital/technology and digital/marketing role respectively. There has to be close collaboration between the three.

4. What unifies the C-suite at the table?
I would say a commitment to ensuring our customers receive the same level of satisfaction at every interaction with us, no matter if their experience is in person at a branch or through their smartphone.

5. Do you see the role of CDO becoming obsolete in time as the bank becomes more and more digital?
This will vary depending on the organization. At TD, I see the impact of the role growing, if not the role itself. Our corporate strategies have to evolve around the customer and, to do so, digital is a given to deliver our promise of service and convenience. Digital is prominent in our plans: it impacts our investment strategy and must be considered in everything we do.
GETTING STARTED – A 90-DAY ACTION PLAN FOR NEW CDOS

So you’ve been named the CDO – what’s next? Regardless of your path to the position or the mandate you’ve been given, a newly appointed CDO should be ready to generate momentum on day one by adopting a 90-day action plan.

As a guide, we have laid out a sample set of goals that can lead you to that milestone.

PREP WORK

- The board and CEO need to determine what kind of CDO the organization needs
  - Ex-agency type to drive a channel centralized to “digital marketing” and engagement with the customer
  - Digital transformation strategist who will aggressively spearhead reinvention and change
  - Technologist who will ensure the platform and architecture is in place to enable innovation
- Establish the gateway:
  - Elevate an existing leader
  - Centralize an existing team
  - Create an entirely new entity

“REGARDLESS OF YOUR PATH TO THE POSITION OR THE MANDATE YOU’VE BEEN GIVEN, A NEWLY APPOINTED CDO SHOULD BE READY TO GENERATE MOMENTUM ON DAY ONE BY ADOPTING A 90-DAY ACTION PLAN.”
DAYS 1-30 | SET THE VISION

Within the first 30 days, a new CDO should:
- Understand the business goals and objectives of all stakeholders it will serve
- Know where in the organization digital capability exists
- Establish explicit alignment on enterprise priorities (e.g., reduce costs, improve the customer experience, elevate the brand)
- Develop a hypothesis for the digital vision

BY DAY 60 | A NEW CDO SHOULD:

- Have assessed the capabilities of digital resources
- Possess a deep understanding of the organization’s digital maturity as it relates to mobile, social, technology, customer analytics and business processes
- Establish the structure for the new operating model:
  - Build an empire
  - Build a core group and source strategically
  - Skip the challenges of cultural transformation and partner for capability
- Create a communication plan for rolling out the new plan and digital direction that will motivate the business

BY DAY 90 | LOCK PROGRAM AND EXECUTE

- Have a fully integrated portfolio of digital projects approved and in-flight across the organization
- Transition in full swing for adopting the new operating model
- Secured funding for a 12 to 24-month period
- Communicated and evangelized the plan
FINAL THOUGHTS:
BEING “PROACTIVELY REACTIVE”

As the digital habits and behaviours of end users continue to evolve, what we call the “new normal” will be redefined again and again. Organizations will find it increasingly difficult to be proactive as trends are increasingly dictated to them, not by them. Reacting is not necessarily bad – especially if the organization has invested in a foundation that permits it to act nimbly and quickly. Being “proactively reactive” requires the organization to have the right leadership, operating model, governance, people and technology.

All organizations should prepare for a time – now or soon – when digital is not merely part of your business, but is your business. Those who start early and transition aggressively will be well positioned to drive powerful digital growth, create value, and play an exciting and increasingly significant role in shaping their digital future – a future that should be led by a Chief Digital Officer.
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Peter has worked with organizations in Canada and across the globe, where he is sought after for advice on transformation topics such as:

• Digital channel strategy (mobile, social, web, exponentials)
• Digital operating model design
• User experience design

“I CREATIVELY ADVISE CLIENTS ON HOW TO GROW AND INNOVATE THEIR BUSINESS LEVERAGING DIGITAL TECHNOLOGY.”
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*We imagine, deliver and run the future.*
ENDNOTES


2 Ismail, Salim, Michael Malone et al. *Exponential organizations: Why new organization are ten times better, faster, and cheaper than yours (and what to do about it)*. Diversion Books. 2014.


