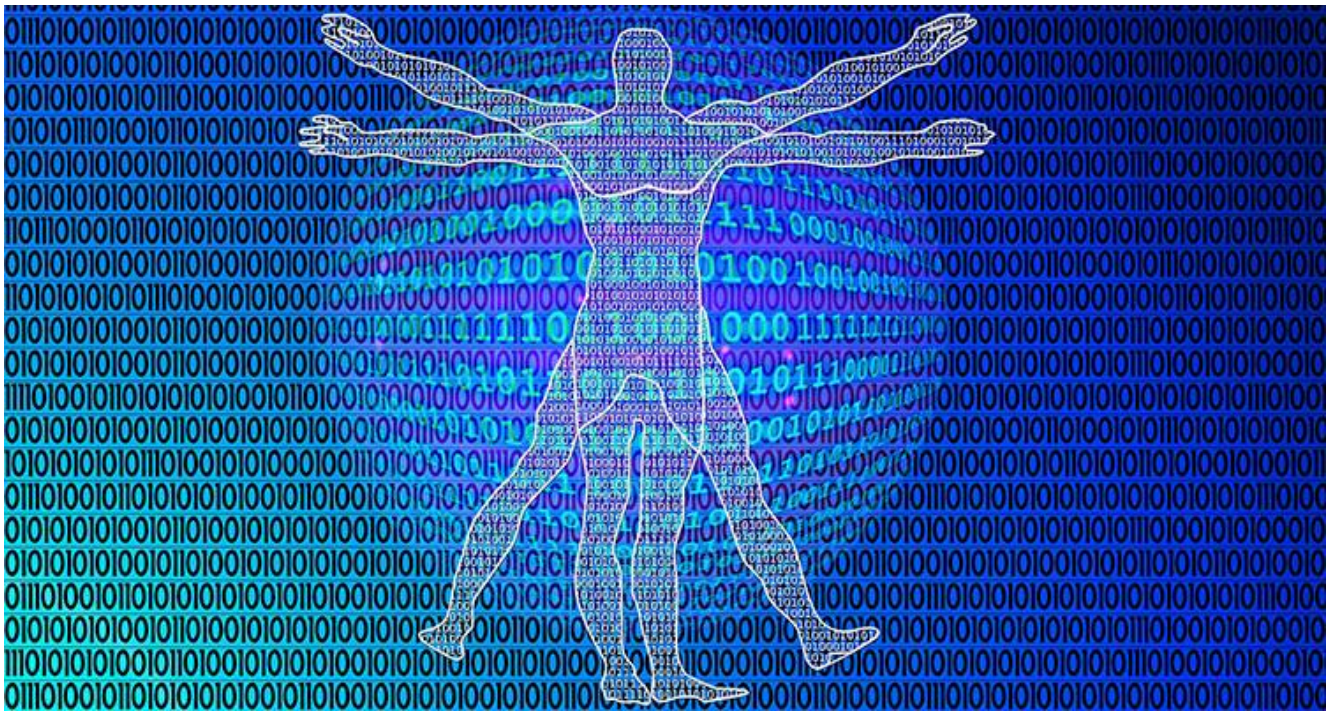


## The CDO: driving digital transformation

**If your company doesn't have a Chief Digital Officer now, it may very soon. But even as the CDO title is catching on, the job is evolving. IESE's Sanja Tumbas analyzes the new role of these institutional entrepreneurs.**



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Domino's Pizza has a Chief Digital Officer (CDO). A busy one. Domino's says its emphasis on digital innovation has helped it reach an estimated \$5.6 billion in global digital sales. That includes more than half of its total U.S. sales, which now come from one of 15 digital ways to order -- via tweets, texts, smart TVs, wearable devices and more. The company is currently testing pizza delivery using self-driving vehicles.

Leading digital transformation is an increasingly important job, even -- or maybe, *especially* -- in industries not traditionally associated with technology. Little wonder, then, that the CDO club is growing: 19 percent of the world's 2,500 largest public companies have appointed a CDO, according to PricewaterhouseCoopers. PwC also found that *most* of those CDOs (60 percent) were hired in the past two years alone.

So what do all these newly minted CDOs do? And how do they distinguish themselves from the IT professionals down the hall? Research by IESE's Sanja Tumbas, along with Nicholas Berente and Jan vom Brocke, analyzes this emerging role. Based on interviews with CDOs in 35 organizations in various industries, Tumbas et al. describe how CDOs generate new revenue streams, experiment and establish a direct digitally supported relationship with the customer. These executives are carving out space in their organizations using three main approaches: (1) grafting digital initiatives to existing business units, (2) bridging or linking distinct functional units and (3) decoupling and insulating digital initiatives from traditional units to achieve something new.

The research suggests that CDOs' success is rooted in their ability to navigate corporate bureaucracy. They strive to unite disparate business and technology functions. When successful, a CDO is a transformer-in-chief, articulating, developing and leading innovation via digital technologies.

### **Transformer-in-Chief**

The study distinguishes a CDO from a Chief Information Officer, Chief Technology Officer, or anyone in the IT department. The difference is not just semantics. While a CIO may focus on building transformational platforms within their organizations, a CDO must look beyond the boundaries of their industry to bring innovation back to the firm.

Organizations in virtually every sector are interested in digital innovations to apply to their processes, products and marketing. But businesses that were not born digital are often held back by slow-moving organizational processes, as a growing body of research shows. A CDO tries to change this by working across various departments, including marketing, human resources, and IT.

Yet because new technologies have historically fallen under the jurisdiction of the CIO, working on digital transformation often causes internal tensions. CDOs entering an organization may define their job in contrast to the CIO, often with initial power struggles.

### **CDOs Build Consensus**

For an organization, CDOs are meant to be change-leaders. They see themselves playing a central role in building bridges and building consensus. Digital transformation requires close collaboration across an entire organization. As one CDO said in the study: "You always need a translator... IT guys speak a certain language and marketing guys speak a certain language. When you put them in the same room, they really don't understand each other."

However, as an emerging role, the new CDOs find they must work to gain legitimacy. Decoupling or buffering their pet digital initiatives from other existing units can be an effective strategy to highlight their work, according to interviewees. Yet this approach can brand CDOs as "lone warriors," an identity which is difficult to sustain over the longer term, as digital capabilities must be infused throughout the organization.

CDOs are finding it useful to leverage the legitimacy of established organizational practices. But they must also create a new domain to free themselves from innovation-hindering departmental tensions. With three main approaches, and many variations, the pioneer CDOs are carving a new path for organizational innovation.

Is your company looking for someone to drive digital transformation? Are you considering hiring or promoting someone to join the ranks of these institutional entrepreneurs?

### **Methodology, Very Briefly**

The researchers collected data during June to October 2015 and from October to November 2016. They interviewed 35 CDOs from a variety of industries. Interviews centered on three open-ended questions: (1) Why did the organization create the CDO role? (2) What are the activities of the CDO office? (3) What are the outcomes associated with the CDO role? These initially formulated research questions were tentative and allowed for the emergence of additional relevant topics.

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