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Why CIOs May Morph Into the Chief Digital Officer



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Guest Contributor

Gartner predicts that by 2015, about a quarter of all companies will have created a new seat at the senior executive table—the *Chief Digital Officer*. Gartner’s prediction is based on the major transformation underway as companies are digitizing both their sources of revenue as well as their services.

The research group said this is happening because “organizations are digitizing segments of business, such as moving marketing spend from analog to digital, or digitizing the research and development budget.” Also, Gartner says, organizations are digitizing how they service their clients, in order to drive higher client retention. Thirdly, it says, they are turning digitization into new revenue streams. As a result, of these changes, every budget is becoming an IT budget, and the *Chief Digital Officer* is becoming a logical addition to business leadership.

I had not heard much about the *Chief Digital Officer* until I read about Gartner’s prediction [<http://blogs.wsj.com/cio/2012/11/18/why-cios-may-morph-into-the-chief-digital-officer/>]. But, the more I’ve thought about it, the more I like the concept. *Chief Digital Officer* succinctly captures the future direction of the CIO role.

“Chief information officer (CIO), or information technology (IT) director, is a job title commonly given to the most senior executive in an enterprise responsible for the information technology and computer systems that support enterprise goals,” is how Wikipedia defines CIO.” While accurate, this definition feels somewhat dated.

Like many others, I have been writing about the evolving role of the CIO [<http://blogs.wsj.com/cio/2012/11/18/why-cios-may-morph-into-the-chief-digital-officer/>]. Earlier this year I looked at the role of the CIO along two major dimensions, one dimension focusing on whether the activities are operational vs. strategic, and the second on whether the activities are internally vs. externally oriented. Four major CIO roles resulted from this 2 x 2 framework.

But, when I started reading about the *Chief Digital Officer* concept, I realized that my framework for the evolving role of the CIO is way too complicated and perhaps somewhat backward looking. There is perhaps an implicit assumption in my analysis that you can continue to be a

company's overall CIO while focusing primarily on managing its IT infrastructure and computer systems, something that I increasingly believe is not the case.

The digital revolution keeps accelerating, with no sign of slowing down. Just about everything seems to now be digital. At an IBM sponsored conference last year, NY Times columnist Tom Friedman gave an excellent talk where he said that over just the past few years we have gone from a world that was *connected* or *flat*, to a world that is now *hyperconnected*. We have transitioned from the *connected* economy of PCs, browsers and web servers to our increasingly *hyperconnected economy*, at the nexus of which you find four major reinforcing and interdependent forces: social, mobile, cloud and information.

IT is now everywhere. Today's CIO has to deal with these major forces, as well as with an IT infrastructure that not only includes the *classic* enterprise systems and networks, but also digital consumer technologies of all sorts, sensors used in all kinds of *smart solutions*, digital voice and video communications and on and on and on.

According to Gartner, 12 years ago 20% of IT spending was outside the CIO organization. Now, IT is becoming integrated into every nook and cranny of the business, used in just about every single function and department, and connecting to every stakeholder inside and outside the institution. This trend will only accelerate as our economy and society are going increasingly digital. As the digital revolution continues to impact every single aspect of the business, Gartner predicts that by the end of this decade, 90% of IT spending will take place outside the classic CIO organization.

The *Chief Digital Officer* is essentially the senior executive responsible for helping the organization transition into the 21st century digital economy and digital society. Here is how Russell Reynolds, one of the world's top recruiting companies, describes the The Rise of the Chief Digital Officer:

"The challenges and opportunities for businesses in this digital age are enormous. Companies need to be fleet-footed to keep pace with changing technology and consumer behavior. Business strategies now must be seamlessly interwoven with ever-expanding digital strategies that address not only the web but also mobile, social, local and whatever innovation there may be around the corner. To help meet these challenges, companies are increasingly looking for a Chief Digital Officer (CDO) who can oversee the full range of digital strategies and drive change across the organization."

What does it take to become a CDO? According to Russell Reynolds, in addition to experience with digital technologies, you need a number of different skills, including e-commerce and transactional expertise; online marketing and social media expertise: and transformative, i.e., analog to digital, product and technology capabilities.

"Importantly, the CDO is not only a digital guru but also a seasoned general manager ... The role frequently is transformational so change management experience is important, either in turnaround or fast- growth situations. In addition, as many companies increasingly have global customers and employees, international experience is key. Therefore, CDOs will need to appreciate that adoption of technologies across a business' jurisdictions will vary. In other words, one size does not fit all."

CIOs and other IT leaders should be well positioned for the evolving CDO role, but only if they view their position as leading the broad use of digital technologies across the business. They

need to continue to play a major role in managing the use of IT in the daily operations of the company, as well as in exploring ways of improving the IT infrastructure and all IT-based processes. But, as the top information technology experts in the company, they should also work closely with all other senior executives to help them design, build and support their increasingly complex products and services. In addition, as companies look to grow their businesses by developing all kinds of cloud-based services, they should also play a major role in helping to identify and build up these new IT-based business opportunities.

“The Chief Digital Officer will prove to be the most exciting strategic role in the decade ahead, and IT leaders have the opportunity to be the leaders who will define it,” said Gartner Distinguished Analyst David Willis at the Symposium/ITxpo 2012. “The Chief Digital Officer plays in the place where the enterprise meets the customer, where the revenue is generated and the mission accomplished. They’re in charge of the digital business strategy. That’s a long way from running back office IT, and it’s full of opportunity.”

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