



## Do companies still need a Chief Digital Officer?

Published 3 April 2024 in [Innovation](#) • 6 min read

# Do companies still need a Chief Digital Officer?

Published 3 April 2024 in [Innovation](#) • 6 min read

**A dedicated CDO can offer substantial benefits in steering digital transformation, fostering innovation, and achieving competitive advantage. But organizations should assess whether these objectives can be met through the existing executive structure. Do you really require this unique role to supercharge your business**

## **strategy?**

A few months ago, I attended a small networking event in Switzerland. During the introduction round, one of the participants introduced herself as a “Recovering Chief Digital Officer.” I was initially surprised but could relate after working in the field for years.

The position of Chief Digital Officer (CDO) emerged over a decade ago as companies across various sectors wrestled with digital transformation; the CDO was often seen as the catalyst but also the orchestrator of this change, driving innovation and ensuring that digital strategies align with business objectives.

Today, as digital capabilities become more integrated into companies’ core competencies, the necessity of a dedicated CDO role can be questioned. However, the rapid advancement of artificial intelligence (AI) technologies and AI’s transformative potential across various business functions have made digital strategies more crucial than ever.

Lately, I seem to have bumped into many former Chief Digital Officers – and many have taken on new roles in different companies: A few have been hired as CDOs within new companies, some are now Chief Technology Officers (CTOs), and others are CEOs in start-ups. Most CDOs I know, including myself, have a tenure of two to three years within a company. The tenure is not surprising – it comes with the role and would mean that the initial catalyst role was successful. But this has opened another question: Do companies still need a CDO?

## **The case for a dedicated CDO**

In industries where digital technology disrupts traditional business models, I believe a CDO can provide the leadership necessary to navigate these changes. A fast and strategic answer to an industry disruption will need a strong focus on digital transformation. Well-known examples in the media and entertainment industry are companies like The New York Times and NBC Universal, which have leveraged CDOs to transition from print and traditional broadcast models to digital-first approaches, resulting in revitalized business models and new revenue streams.



In industries where digital technology disrupts traditional business models, a CDO can provide the leadership necessary to navigate these changes

In some companies, the CDO acts as a catalyst for innovation and fosters a culture that embraces new technologies and digital practices. A good example here might be Domino's Pizza: By prioritizing digital innovation, they introduced a wide range of digital ordering options and, with that, more revenue. This shift, driven by digital leadership, has positioned Domino's as a leader in the fast-food industry in terms of digital engagement.

The well-known and relatively common challenge in large organizations is the existence of silos that hinder cross-functional collaboration. This was probably the most common scenario I have encountered, but the CDO can bridge these gaps by ensuring the corporate digital strategy and digital initiatives are aligned across departments.

## **The case against**

As digital technology becomes omnipresent, there's an argument that digital strategy should be integrated into every business unit rather than centralized under a single executive. This approach helps to empower leaders within their departments, and in some cases, this accelerates digital integration.

The responsibilities of a CDO often overlap with those of Chief Information Officers (CIOs) and CTOs, leading to confusion and redundancy. I have experienced that in some companies, the roles and responsibilities of a CDO have been absorbed by these, suggesting that a separate CDO may not be necessary (anymore).

I have also heard a lot of criticism that the CDO role is short-term and focused on driving immediate digital transformation. Once digital practices are established, the need for a CDO often diminishes. We have seen this in companies like Starbucks, which phased out

the CDO role after achieving significant digital milestones.

But of course, the decision as to whether a Chief Digital Officer is needed in your company is likely not made based on the listed pros and cons. Evaluating each company's situation is also essential, as this will be a key driver.

---

**“Today, as digital capabilities become more integrated into companies’ core competencies, the necessity of a dedicated CDO role can be questioned.”**

## **Situations that might tip the balance in favor**

**Low digital maturity:** Organizations at the beginning of their digital journey can undoubtedly benefit from a CDO. In this situation, the CDO can provide the leadership and vision required to set the digital agenda, establish foundational digital capabilities, and drive significant cultural change.

**Highly regulated industries:** In sectors such as finance and healthcare, where digital innovation must be balanced with stringent regulatory compliance, the CDO can be vital in navigating these complexities. In the banking sector, CDOs have been instrumental in developing digital banking services that comply with regulatory standards while meeting customer expectations for convenience and security.

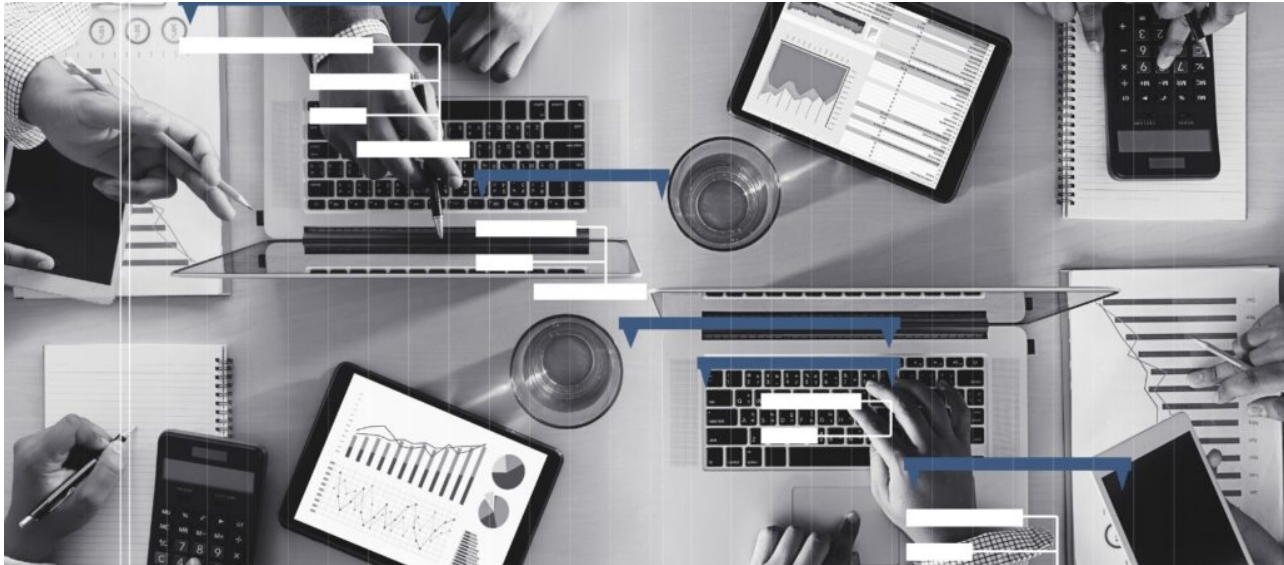
**Dynamic and highly competitive markets:** In industries where digital innovation is a critical competitive differentiator, for example, biopharmaceuticals, marketing and digital advertising, or e-commerce and technology, a dedicated Chief Digital Officer CDO will help companies stay ahead of rapid market changes and emerging technologies.

## **Situations where a CDO may not be needed**

**Mature digital enterprises:** Companies that have already integrated digital strategies into

their core operations and have a digitally savvy leadership team. In these organizations, business unit leaders can effectively lead digital initiatives deeply integrated into the company's overall strategy.

**Small and nimble organizations:** Startups and smaller companies, inherently more agile and less siloed, will likely not need a CDO role. In such environments, the agile decision-making process and the natural integration of digital strategies into all aspects of the business are probably already within the company's DNA.



As digital technology becomes omnipresent, there's an argument that digital strategy should be an integral part of every business unit rather than centralized under a single executive

## **And so... yes or no?**

It depends. The decision to appoint a CDO depends on a company's specific context, including its industry, digital maturity, and strategic goals. While a CDO can offer substantial benefits in steering digital transformation, fostering innovation, and achieving competitive advantage, organizations should assess whether these objectives can be met through the existing executive structure or if the unique role of a CDO would help to supercharge their business strategy.

I'm also now seeing more and more companies having a Virtual Chief Digital Officer, a title used for a temporary or interim CDO who is jump-starting the digital journey on a 6 to 12-month assignment. For some companies, it seems an efficient and successful solution. Reflecting on it, I see that this might be just the right solution to get started or re-focus the digital journey.