How to Choose the Right Digital Leader for Your Company

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Michael Wade and Nikolaus Obwegeser

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“Therere’s ns no queesttion an annyymmoorre if digiital is ts thhe fe fuutturre. I. I think ik itt’s cs clelear tr to eo evverybbooddyy. Th. Therere ie is ns no ro resiessttaannce tce too mmoovve in te in thihis dirs direeccttioion; in; itt’ms moorre he hoow faw fasst wt we ce caann mmoovvee.”

—Bart Leurs, chief digital transformation officer, Rabobank

Digital disruption is close to the top of the agenda in many boardrooms today, but who should lead the charge? Many companies are assigning the task to chief digital officers (CDOs). Yet, finding the right candidate is not easy and tenures tend to be short. Throughout late 2018 and early 2019, we analyzed the career paths of 508 CDOs, examined more than 1,000 survey responses from CDOs and other digital leaders, and interviewed 42 of them from across 28 countries and a broad range of industries to gain a better understanding of the position.

Our findings suggest that success in the CDO role is highly influenced by two factors: competence and credibility. Competence is an umbrella term for the combination of digital knowledge, skills, and experience. Credibility is the belief within an organization that a candidate can achieve the stated objectives.

Whether to hire a CDO from inside or bring one in from the outside is an important decision. Organizations often think that competence and credibility can best be combined in an external candidate. Out of the 508 CDOs in our career path
data set, 70% were hired from outside the organization. For example, the CDO of German insurer ERGO Group said that he was hired specifically for his digital competence and experience, which the company thought would help build the initial trust and credibility required to do his job well. 

But is it really that simple?

The relatively short average tenure of CDOs — a mere 2.5 years, according to our data — suggests that other factors are at play. Striking the right competence-credibility balance depends largely on how the role of the CDO is defined in a particular company. Indeed, we found that CDO roles and responsibilities differ widely among organizations. At one extreme were those that placed an emphasis on tactical areas like digital marketing or technology. At the other end were roles that described a cross-functional and rather ambiguous focus on digital strategy and transformation. Although external candidates can bring critical digital competence and experience to organizations seeking a better digital footing, they may struggle to build credibility for necessary organizational change.

Low Role Ambiguity

Many CDOs we identified were given roles that were relatively low in ambiguity — in other words, the scope of their responsibilities and objectives was clearly defined. These CDOs tended to focus on one of two areas. The first revolved around marketing, communications, e-commerce, customer engagement, and product development. Digital executives with this focus tended to come from advertising and creative industries with backgrounds in digital marketing. The second focus area is technology, particularly the digital tools, systems, and software underpinning an organization’s information technology landscape. For these CDOs, a more technical education background and work experience in corporate IT functions were common.

Suggesting that these roles are low in ambiguity is not meant to understate the challenges they entail. Indeed, marketing or IT-focused CDOs routinely tackle tasks that are extremely difficult to manage. While these tasks may be challenging, however, they tend to be relatively low in cross-organizational or cross-functional complexity. These CDOs largely control their domains, and their main challenges are intra- rather than inter-organizational.

For CDOs in these roles, the need for digital competence — knowledge, skills, and experience — is extremely high. Without it, they cannot tackle the deep domain-specific nature of their position.

High Role Ambiguity

A second type of CDO is hired to deliver relatively high-ambiguity objectives, such as defining an organization’s digital strategy or executing its digital transformation. These objectives can be nebulous, and the means to achieve them are usually not well-specified. The CDO of a U.K.-based oil and gas service company said that the broad scope of her role made it difficult to define what a positive outcome would look like. In such situations, newly hired CDOs often have to spend a considerable amount of time to develop their own job descriptions, including defining outcome goals and success measures.

This type of transformation role can be severely complicated by organizational resistance, especially if the organization is performing well. Diego De Coen, CDO of tobacco giant JTI put it this way: “You cannot tell a general manager, who is a very powerful person, to do things in a certain way. As long as they are successful, they do things in their own way, with their own investment.”

In such situations, therefore, CDOs need to get results through influence rather than through formal authority. We found this to be true even in cases where they had the commitment and support of top management.

Consequently, building internal credibility is paramount for these executives. Without credibility, the CDO can quickly become marginalized or ignored within the organization, with his or her chances of success diminishing significantly.

To Hire Internally or Externally?

We find that the decision to hire a CDO from inside or outside the organization is linked to the ambiguity of the
role. (See “Role Ambiguity and CDO Performance.”) Low-ambiguity roles, such as those focused primarily on digital marketing or IT, require high levels of digital competence but only medium levels of internal credibility. By contrast, CDOs with high-ambiguity roles require very high levels of internal credibility. While digital competence is still necessary, it factors less in their overall success.

For example, Kamel Ouadi was hired externally, thanks to his marketing expertise, to take over the role of general manager in charge of digital transformation at Puig, the global fashion and fragrance company. His role is clearly focused on the marketing side of digital transformation and holds little ambiguity: managing media channels, conducting market intelligence, and generating new insights into consumer behaviors.

By contrast, Charlotte Lindsey-Curtet, director of digital transformation and data for the International Committee of the Red Cross (ICRC), was hired from inside the organization specifically for her internal credibility — her ability to navigate such a complex institution — rather than, as she said, for “knowing the substance of everything [digital].”

For high-ambiguity CDOs, knowing how digital technologies fit into the business landscape makes the difference between failure and success. Internal politics are a constant hurdle for any transformation effort. High levels of unwritten rules embedded in invisible structures, sometimes constituting a shadow organization, can make tangible results hard to achieve. We found that internal candidates tend to have an inherent advantage in these situations due to their deep knowledge of rules, structures, and contexts that are hidden to outsiders.

For example, integration of analytics tools, a high-ambiguity task, will normally fail without complementary changes to processes, incentives, and people. While both internal and external candidates may possess business transformation experience, internal candidates will have a better understanding of the specific business dynamics of the organization due to their prior tenure within the organization.

### Striking Balance in CDO Hiring

Choosing the best digital leader will become increasingly important as more companies feel the impact of digital disruption. And while digital competence and experience are necessary, we find they are not always sufficient.

Although the data shows a clear preference for appointing external CDOs, a more nuanced consideration of the digital transformation challenge suggests that internal candidates should not be overlooked. Externally hired CDOs with high levels of digital competence tend to perform better in low-ambiguity roles that focus on marketing or technology, while internally hired CDOs who have high internal credibility perform better in high-ambiguity roles, such as transforming a company or defining digital strategy.

Striking the right competence-credibility balance is essential to success in a digitally disruptive world.

### About The Authors

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Role Ambiguity and CDO Performance

- **External candidate**
  - Advantage
  - High relative importance
  - Well-defined tasks, that is, digital marketing

- **Internal candidate**
  - Internal credibility
  - Low relative importance
  - Loosely defined tasks, that is, digital transformation

**Digital competence**
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