



THE FIVE STAGES OF THE CHIEF DIGITAL OFFICER— AND WHY THEY OFTEN FAIL

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- 21% of large public firms employ a Chief Digital Officer, or CDO.
- The average tenure of a CDO is 31 months, shorter than other C-suite roles.
- Despite initial support for the CDO, research suggests many companies set up the CDO to fail.

The trendiest C-suite role for the past few years has almost certainly been the Chief Digital Officer, or the CDO. The number of CDOs has grown from a few hundred eight years ago, to tens of thousands today. Research from PwC suggests 21% of large public firms now have a CDO.

However, there is some evidence to suggest the role's attraction is dimming. PwC's findings show CDO hiring rates peaked in 2016, and growth has slowed significantly over the past three years. Our own research reveals the average tenure of a CDO is 31 months – the shortest of all C-suite roles – and this number is falling. Further, more than three-quarters of them leave the company immediately after their tenure as CDO.

Working with many CDOs over the past five years, we have concluded they are, by and large, competent, motivated and experienced, with a strong mix of knowledge and skills. By this reckoning, their high rate of failure is confusing.

However, as we look more closely at CDOs' stories, a noticeable pattern begins to emerge, with five distinct stages.

Stage 1: The Chief Digital Officer

It all starts with the entry of the Chief Digital Officer. More than 70% of CDOs are hired from outside the organization. They typically enter the organization with a great deal of excitement and optimism. They are placed in high roles, usually reporting to a senior executive, sometimes the CEO. They are given extensive responsibilities to lead the digitization and transformation of their organizations.

As one CDO told us, "It was a new role that was created within the company. And it was created because the COO wanted to better understand what was going on with the digital space at our company and within our industry. He knew that things were going on, but there was no oversight. There was no direction. There was no strategy within the company to deal with digital."

Expectations, in other words, are high.

Stage 2: The Chief Dazzling Officer

Quite quickly, the Chief Digital Officer transforms into the Chief Dazzling Officer. They become a fixture at all-hands meeting and corporate events, where they make presentations about the state of digital disruption. They typically show examples of how digital giants have disrupted industry after industry, with the strong suggestion that "we are next."

The Chief Dazzling Officer's presentations are impactful, and pulses race upon seeing the potential of a vastly different future. In addition to internal events, the Chief Dazzling Officer is invited to industry conferences, participates in panel discussions and becomes the darling of the communications team by regularly speaking with journalists.

The Chief Dazzling Officer creates a lot of buzz for the upcoming digital transformation, building on new and cool digital technologies. Business units and other C-level executives show public support for the transformation.

In the words of one CDO, “Everybody is talking about digitization. So, you will not find a single manager in a big corporation who would say, ‘I think digitalization is stupid’. You wouldn’t do that, because digitization is the name of the game at the moment.”

Stage 3: The Chief Disconnected Officer

After an initial stage of euphoria, the excitement starts to wane and reality sets in. The Chief Dazzling Officer slowly shifts into the Chief Disconnected Officer.

The enormous scope of the transformation challenge becomes progressively clearer. Efforts to organize and consolidate digital projects are interpreted by the responsible teams as meddling. Lines of business who initially signaled support begin to withdraw. The Chief Disconnected Officer finds calls are not answered as quickly, and meetings are rescheduled, then cancelled. Efforts to centralize certain digital initiatives are politely but firmly rebuffed.

Invitations to external events still pour in, while invites to internal meetings start to dry up.

According to one CDO, “I have tried to be an enabler, and that’s hard, because we’re quite a siloed organization and we’re moving to something which cannot be siloed, with digitization. So, I think that is the biggest challenge for me and my team, because everybody feels that the work that we do should be done by them. So, how do we engage and make sure that it’s seen as a partnership internally, as we go forward, and that we have no intention of developing or building stuff that the institution doesn’t want? It’s a new role with a transversal, mandated leadership. We haven’t had something like that in the organization before.”

Another added, “You cannot say to a general manager who is a very powerful lady or a powerful man, to do things in a certain way. As long as they are successful, they do things in their own way, and they do things with their own investment and cannot be forced for instance, to get to a central digital hub to do a digital initiative if they don’t feel that that is the right thing to do.”

Stage 4: The Chief Depressed Officer

Initially, the Chief Disconnected Officer is not deterred by a bit of organizational resistance. It’s to be expected in any transformation initiative. Yet as times passes, the situation gets worse, and the Chief Disconnected Officer devolves into the Chief Depressed Officer. Even while some projects start to show positive results, no one is listening anymore. At some point during this phase, it becomes clear the transformation is failing to deliver expected results. Wins are isolated and removed from the core business. As a result, the digital transformation team is cut back, partially integrated into other functions, like IT, and ambitions are scaled back.

Key executives, like the CIO, CTO, COO and commercial leaders, disassociate themselves from the Chief Depressed Officer, who becomes a hard-working but ultimately sad and isolated figure within the organization. Parallel digital projects pop up outside the Chief Depressed Officer’s purview.

In the words of one CDO, “So, for the moment, I'm not involved anymore to see the solution being implemented within the company. It will still be the digital baby that is growing up, but it's not me or my team managing these implementations.”

Another CDO told us, “It's less about digital than transformation. And transformation is not welcome anywhere because it's a big change. Nobody wants to change because you are changing ways of working, behaviors, sometimes territories. The fear is a very important component of our role. People fear change.”

Stage 5: The Chief Departed Officer

It is only a matter of time before the Chief Depressed Officer becomes the Chief Departed Officer. Best wishes are exchanged, and regrets are shared. The CDO puts on a brave face as he or she leaves, but the failure of the role is evident to all. The team is disbanded; some are reassigned, but many leave the organization. Follow up is minimal.

The organization moves on.

While these stages do not fit all cases, they appear across industries, geographies and company sizes. Failure is not inevitable, but remarkably common. PwC found that one-third of CDOs left their positions in 2018. In many cases, CDOs do not fail because they are unqualified, unmotivated or incompetent. They fail because they are set up to fail.