

CDO versus CIO – a non-zero-sum game

How a fruitful tension can be created from the imminent conflict between CDO and CIO

Digital units – savior of innovation?

In recent years digital business units and subsidiaries have been booming across industries to set up organizations for the digital future: the aims of the new units are widespread, from development of new digital business models to building up of digital expertise, application of new working models and enforcement of external collaboration. But in order to create long-term benefits, the digital units need to interact effectively with existing functions and business, which will often have conflicting interests and working principles.

CDO and CIO – the wild one versus the brakeman

A prime example of conflicting interests is the roles of Chief Digital Officer, typically head of the digital unit, and Chief Information Officer head of the IT department.

The CIO, with the aspiration to be a reliable business partner and innovation driver, is typically responsible for efficient operations. His organization requires deep business understanding and strong IT know-how, and ensures efficiency and resiliently running systems. The CIO organization ensures the revenues of today.

The CDO, on the other hand, typically has the ambition to create the new revenue sources of the future, sometimes even in competition with the core business, and drive digital transformation in the company. His organization follows new organizational principles to achieve high speed. The nature of this role often implies only temporary existence of new organizational designs, in order to reintegrate or sell businesses or functions in the long term.

Both roles have different ambitions on several topics, leading to multiple areas of potential conflict: responsibility for IT, the role of IT in digitalization, interaction with business units, degrees of freedom and data-sharing policies are just a few.

While this conflict can often be perceived as hindering both units in their core tasks,

The CDO



The CIO

Striving for E2E responsibility	Guard of integration
IT at the core of new business models	IT as an enabler for business needs
Full freedom for IT	Keeper of standards
Open data, Open API, sharing	Guard of safety, security, IP

it does not need to be eliminated by definition. Instead, constant balancing of targets and activities is required.

Orchestrator CIO

While successful models can look different (From the combination of CDO and CIO in one entity to a very strong CDO role that manages its own IT), we believe the core responsibility to orchestrate the interface for both belongs to the CIO. His role is suited to orchestration for several reasons:

- **Multi-speed IT:** The CIO needs to manage several speeds of IT development anyway. The above conflict is already built-in in his “kingdom”.
- **Enterprise IT architecture:** The CIO always needs to be responsible for the overall IT architecture. The integration of everything is more important than ever in times of data analytics and seamless workflows.
- **“Play zones” and integration:** The CIO needs to define a “zoned” area in which the CDO is able to act with as much freedom as possible. Yet both need to make sure digital innovation can be integrated with existing core business in the long run.
- **IT resource integration:** The CDO typically has his own resources to develop and launch digital solutions. Those need to be integrated into an overall IT development / operating model that allows for two-speed IT.
- **Mutual inspiration:** The CDO organization can give valuable impulses and lessons learned to the CIO organization, yet a transformation can only be won together.
- **Digital flexibility:** The IT architecture defined by the CIO needs to proactively address “digital flexibility”.

Coupling of roles’ competences with process steps and maturity



Independent from the concrete organizational design, we recommend aligning the orchestration of competencies along the process steps of solution development and the solutions’ corresponding maturity:

- **Analysis:** The CDO has full freedom and no limits.
- **Ideation:** The CDO has full freedom, but a CIO architect is already part of the team to ensure later integration.
- **Prototyping:** CIO architects are part of the team, if later integration is desired.
- **All following steps:** Areas with focus on core business become co-controlled with CIO-defined architecture and “digital freedom”.

Fruitful tension through well-balanced roles and collaboration

When organized in the right way, the above-described tension between CDO and CIO can, in fact, create a fruitful environment for innovation – instead of hindering it. To create a successful set-up, Arthur D. Little recommends three things that need to come together:

- **Well-defined organization set-up**
- **CIO has to take and live the role of an orchestrator**
- **Dynamic roles coupled with process steps and solution maturity**

Author: Markus Huebner

Contact:

Volker Pfirsching
 Partner, ADL digital
 +49 175 5806 104
 pfirsching.volker@adlittle.com