MEET THE CHIEF TRANSFORMATION OFFICER: 8 KEY TASKS FOR THIS NEW ROLE

SOME COMPANIES ARE CREATING A NEW C-SUITE ROLE – CHIEF TRANSFORMATION OFFICER. THE MANDATE: DRIVE CHANGE AND GROWTH

By IMD Professor Michael Wade and Tomoko Yokoi
In recent months, the Global Center for Digital Business Transformation (DBT) observed a flurry of appointments for a new senior leadership position: the Chief Transformation Officer (CTO).

What is the Chief Transformation Officer?

Not to be confused with the Chief Technology Officer, the CTO’s most common mandate is to harness organizational change to drive new growth. Both luxury retailer Neiman Marcus and logistics group UPS appointed their first-ever CTOs this past November, with mandates to commercialize new ideas, spearhead growth initiatives, and facilitate change management. Another US retailer, JC Penney, followed in January this year by appointing its first CTO – responsible for developing the company’s strategic initiatives as it aims to overhaul its 116-year-old business.

While such positions are not entirely new, digital transformation leadership positions are growing due to the acceleration of digital disruption across all industries. According to DBT Center research, more than 75 percent of executives now believe that the impact of disruption on their industries is major or transformative, compared to only 27 percent in 2015. Our data shows that the pace of digital disruption is rapidly accelerating, and executives are feeling its impact more acutely.

Are CTO appointments an appropriate response?

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If the CTO role is strongly supported by the highest levels of business and vested with the responsibility to mobilize organizational resources and enable connections, we believe the CTO can be instrumental in driving fundamental transformational change. Given the highly complex structures of mature organizations, the CTO role is particularly effective within the context of large and mid-sized companies as a synergy creator.

Large and mid-sized companies currently face two challenges amid disruptive competition. The first is that they are saddled with cost structures and value chains from an earlier era. These structures and value chains prevent them from competing effectively.

The second challenge stems from an organization’s level of organizational entanglement – which can lead to unintended consequences that are often the bane of transformation programs. As one executive learned the hard way: “You wouldn’t think that making a simple change, pulling this lever here, would make 10 other things explode behind me.”

This is where the CTO, as a synergy creator, can be instrumental.

The role facilitates a connected approach to transformation, taking into account the highly networked nature of organizations. The CTO takes traditional organizational resources such as people, data, and infrastructure and puts them together in a cross-functional way to encourage them to embrace a networked model for execution. It is an approach that considers important elements such as a company’s go-to-market model, how it engages stakeholders, and how it is organized. It mobilizes resources to achieve the company’s aims in a holistic way.

8 key CTO tasks

For the CTO to successfully mobilize resources and enable connections, he or she should be prepared to directly facilitate or oversee the following tasks. These tasks were derived from interviews with more than 1,000 practitioners who have implemented a connected approach to transformation.
1. Customer journey mapping

Understand the impact of the customer journey with mapping and analysis. As Cynthia Stoddard, CIO of Adobe, describes, “You need to continually look at yourself and be innovative, and say, ‘How do I connect with the consumer better? How do I make their journey smoother?’”

2. Business model design

Develop insights into customers’ expectations and what they will pay for. This includes a solid foundation in competitive intelligence with an understanding of how disruptive competitors are creating value for their customers.

3. Business architecture

Map the company’s nodes and connections – its resources and their relationships. With an overview of which individuals and teams do what, CTOs can better orchestrate the necessary resources when change is needed.

4. Capability assessment

Assess the availability and readiness of resources within the organization. By identifying capability gaps upfront, CTOs can prioritize investments to close the gaps.

5. Communications and training

Develop and scale a compelling narrative that conveys why a company needs to transform. Complement it with stakeholder education at all levels of the organization.

6. Incubation and scaling platforms

Provide enabling platforms, including data orchestration, that drive scale. At Swiss industrial giant ABB Group, a key enabler for driving change at scale is its innovative “ABB Ability” platform, which is composed of a suite of protocols and technologies that work in harmony across ABB’s different products and services.

7. Internal venture funding

Assume the role of internal venture capitalist. Set up a fund that is ring-fenced for efforts that promote cross-functional outcomes. As Frederic Herren of SGS, a global testing provider, wryly remarks, “No one listens to a cost center. You’ve got to have financial means to be an attractive business partner.”

8. Agile ways of working

Incorporate agile ways of working to accelerate transformations. Promote experimentation and learning and embed it in execution and company culture. Says ING’s CTO, Roel Louwhoff, “We can’t do transformation in the regular way, not just moving from waterfall to agile, but we actually need to be completely encompassing. We need to understand how the business is running, what our challenges are, and how we bring all of this together.”

If your organization has recently appointed a CTO, work to build a strong rapport between this role and division and functional leaders, including the CFO, CIO, and COO. Ultimately, the goal of a successful transformation is to mobilize in a way that creates business outcomes on multiple fronts and to do this continuously.
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