Why we need to hire a Chief Digital Officer, now

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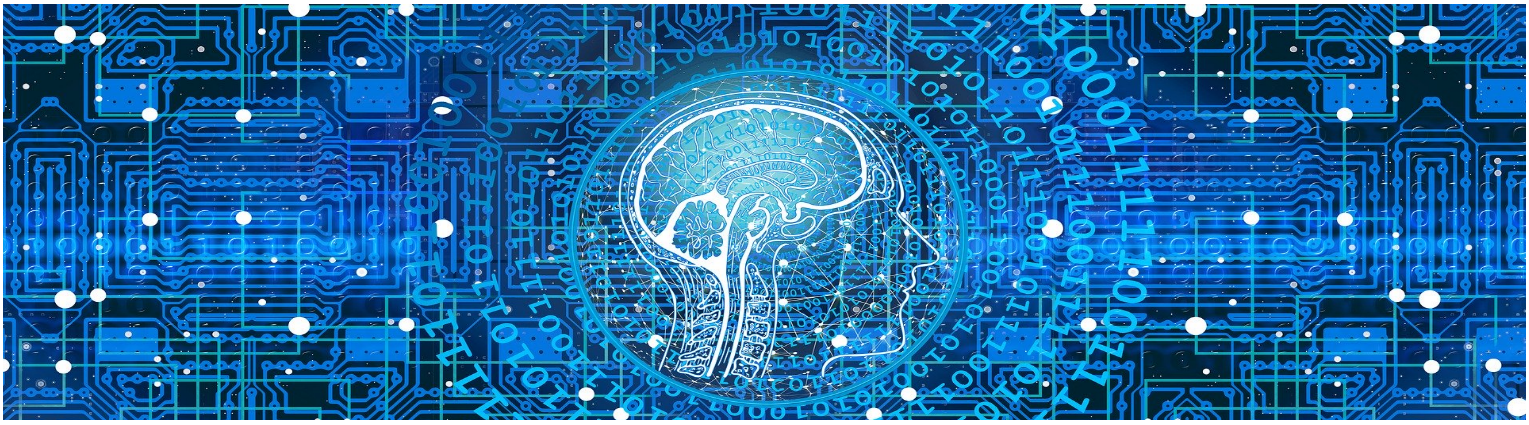

For firms to survive the next 12-24 months, and emerge stronger, they will have to be agile and nimble to capture emerging opportunities, as well as 'meanly lean' to ride out the financial stress. Digital technologies can enable both agility and reduced cost base. These technologies are already 'out there' but require a dedicated, full-time CDO to stitch a cohesive approach. And, NOW is the time to on-board a CDO.

Next 12-24 months is crucial to survival

Over the past few weeks, we have been speaking to CFOs and business leaders across sectors – uniformly, the belief is that recovery will be long-drawn and spread over the next 12-24 months, with several up-down cycles in that time period, characterized by following seven changes:

1. **Weak and unpredictable demand at industry level**, but possibly, the individual, agile ones witnessing spikes
2. **Changed customer requirements**, with heightened value consciousness
3. **Increased "no-touch" or contact-less buying**, applicable to both B2C and B2B
4. **Erratic supply chains,** due to weaker suppliers, labour unavailability, inability to cater to shifting demand patterns
5. **Increased work from home (wfh)**, supported by newer wfh tools
6. **Stressed financials for most sectors**, forcing firms to severely restructure their cost base and save
7. **Intriguing M&A opportunities**, as some firms get fatigued responding to these ever-changing requirements and become targets for the stronger ones

Firms will need to simultaneously increase inward-focus to tackle the operational challenges and outward-focus to stay connected to the market changes, while adjusting to the wfh ways of working within the firm and the broader ecosystem. In other words, organizations need to be **agile** and **meanly lean** to emerge stronger. This is an unexpected challenge, but equally, an unexpected opportunity as well.

Digital technologies will be key to infusing the required agility and lowered cost base

Driven by necessity, every firm is going back to the basics, cutting costs and trying to survive. Focus is on reducing the organization's cost profile, in terms of people cost, inventory cost or leakages, and making the organization agile by way of reducing process complexity, accessing real-time data, driving faster decision-making and energizing people.

A key component and enabler, to achieving both of these objectives – lower cost base and much improved organizational agility – is digital interventions.

As we will see in the below paragraphs, digital technologies can simultaneously reduce cost and deliver improved quality, and can thus help the early, effective adopters to move ahead of the pack.

Technologies are already 'out there'

Opportunities to leverage digital interventions abound in every industry and typically, we see examples around key cost or value drivers – for e.g., labour in real-estate, R&D and field costs in pharma. The necessary technologies are already out there but need to be adapted to specific use within the company and deployed. And, these opportunities are available both on the market-facing side as well as on the inward operations-facing side of the business.

For instance, in the case of construction industry, robots for wall plastering or wall painting are already available, both globally and in India.

A Hyderabad-based start-up called Endless Robotics has developed a robotic solution which paints 15,000 sft/day as opposed to the typical 1,000 sft/day that manual painters can deliver – a 15x productivity improvement (Endless Robotics estimates), with at least 50% lower costs (our estimates). Based on configuration, it can be made to check the paint coat quality in real-time and make corrections, to deliver a quality which is above beyond manual painting, a perfect case of much lowered cost AND much higher quality.

Similarly, Okibo from Japan has a wall plastering robot that can plaster walls faster while delivering smoother walls and squarer corners. These are not one-off quirks, as a quick check on Alibaba shows 1700+ entries for wall painting robots, with prices ranging from $1500 to $10,000 per robot.

Similarly, drone applications for faster and cheaper inspection are already available, with several Indian start-ups working with project firms on creating and delivering live solutions on project sites throughout the countries. Indian start-ups include the likes of Garuda UAV, Skylark Drones and Airpix.

By no means are these limited only to one or two industries. Our conversations with CDOs indicate the widening usage of digital interventions in manufacturing and shop-floor operations including, for recipe optimization, in-line inspection and testing, manufacturing process control and condition monitoring. Examples include using AI/ML based solutions for real-time weld quality improvement in a pipe manufacturer, IoT-led SPC in a FMCG major, rapid prototyping using 3D printing solutions, block-chain led innovations to cold chain movement, remote monitoring of plant, 'digital service mandi' and several other such implementations.

Like-wise, in retail industry, digital solutions like digital trial room that use a smart mirror to allow customers to virtually try on clothes, will likely become an important tool in covid era to reduce customer anxiety and the labour associated with folding the tried-out clothes and returning them back to the shelves. Like in other cases, the smart mirror debuted in ~2014 and is already in the field but the unique circumstances in the covid world will drive consumer acceptance and help to break barriers.

Digital is not only about cost, it opens up new revenue streams also

Smarter consumer products (e.g., smarter fans, floor cleaning bots) are the more visible manifestations of the ability to leverage digital for new revenue streams. Even in the case of industrial products, digital has the ability to open up new revenue streams. Smarter industrial assets require monitoring and assessment of the constant stream of real-time data flowing from the asset and who better than the asset manufacturer to intelligently assess the data? Digital control rooms to track the asset performance and provide real-time inputs are helping boost revenue streams, often providing a stable revenue stream amidst fluctuating and unpredictable asset sale cycles. Digitization of existing, legacy assets on the field is another such revenue stream. Shifting business models (e.g., from asset sale to pay-per-use or subscription) require effort, but have the potential to disrupt market shares.

As ‘digital’ transitions from the ‘exotic’ to the ‘common-place’ rapidly, newer revenue opportunities that are not apparent today, will open, but then one will have to adopt the exotic today, to be in play for these future opportunities.

Solutions are already available, but may need customization

This case of technologies and solutions being readily available, repeats itself in other industries – whether they are in B2B or B2C, across manufacturing and services.

For instance, the wall painting robot (above example) is primarily designed for indoor use, best suited for large continuous walls. Using it to paint the smaller, discrete walls in a residential complex may need customization. Similarly, making it suitable for painting exterior walls will require customization, possible by working with these start-ups and solution providers.

Similarly, the drone inspection is largely for outdoor use, but converting it to indoor use will require customization. These require working with the vendors and ecosystem to develop new solutions from the existing ones, and deploying them on the field.

India is known for frugal innovations and it is the frugality in digital that we need to pursue as well. Simpler automations that optimally blend automation with manual input rather than going for full-on autonomous solutions are the need of the hour – such blended solutions can still deliver multi-fold productivity improvements but without driving up investments. Preserving investments will be key in a fund-constrained environment that is likely to prevail over the next 12-24 months.

Digital work ahead is a lot, organizations need a dedicated CDO

Deploying the digital solutions are not simply a question of sourcing a vendor.

To begin with, every CXO has a fuzzy idea of what digital is and can be, and evolving a roadmap will require digital immersion for the entire leadership team. Beyond that, when interventions are rolled out, very often, in small and large measures, these need to be backed by organizational changes – for example, setting up a Central Monitoring Station to capture the new revenue streams from smarter products, will require creating a new team, new capabilities (e.g., data science, mobile apps) and new investments, in addition to partnering with technology vendors.

In most cases, the changes required might be smaller (e.g., digital in-line inspection) but without the organizational tweaks, these interventions will fail. And this calls for a dedicated CDO rather than a part-time capacity. Assigning these responsibilities to the existing CIO or Head–IT, or even repurposing these functions into a full-time CDO will very likely not work.

We need someone who can understand the business value drivers, has a broad understanding of technologies and is able to work with the CXO team, to drive judicious tapping of digital opportunities.

Organizations need CDO today rather than tomorrow

An organization's response – agility while responding to fast rising opportunities and risks, and frugality while responding – will be key. It is widely expected that the next 12-24 months will see a good number of existing players in every industry will give way to nimbler rivals. Simultaneously, in the broader market, newer start-ups and solutions keep emerging, which need to be harnessed. In this fight for survival and supremacy, digital is an essential component and requires dedicated, full-on thrust. As with any new function, if the firm is setting up digital function for the first time, it would take a few months for the function to start coming together, after the CDO comes onboard. Given this, the sooner an organization is able to bring the CDO on board, sooner the journey will start.

Conclusion

- Next 12-24 months are going to be demanding a lot from each organization – be agile, be cost focused, manage disruptions to operations, heed to safety concerns, preserve capital yet invest, and the list goes on
- In this battle for managing multiple pulls, digital interventions can provide a huge fillip – digital can lower cost AND deliver agility
- Digital may sound exotic and fanciful, but the technologies are already out there. Adopting them to deliver results will most likely require someone full-time to explore options and customize them to frugally deliver
- Repurposing an existing Head-IT or CIO into a CDO may seem like an easy option but not the right one – a CDO, first and foremost, needs to be a business person, with a technology bent of mind and in a large number of cases, an independent function aside of IT
- A CDO function will need time to ramp up and become operational – the sooner you have a CDO on board, the better the competitive advantage in the crucial months ahead

About Resource Bridge

Resource Bridge is a specialized executive search firm with offices in Mumbai and Chennai, with exclusive focus on 4 leadership roles – CEO, CFO and Finance Leadership, CTO/CDO and Head of Strategy.

Lata leads the Technology Hiring Practice, helping clients find the right CDO, CIO and CTO for their organizations. Chhavi and Ram are partners in the CEO Practice and Head of Strategy Practice, and contribute to CDO hiring from time to time.

To know more about how we can help you with the CDO search, reach out to mona@resource-bridge.com.

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