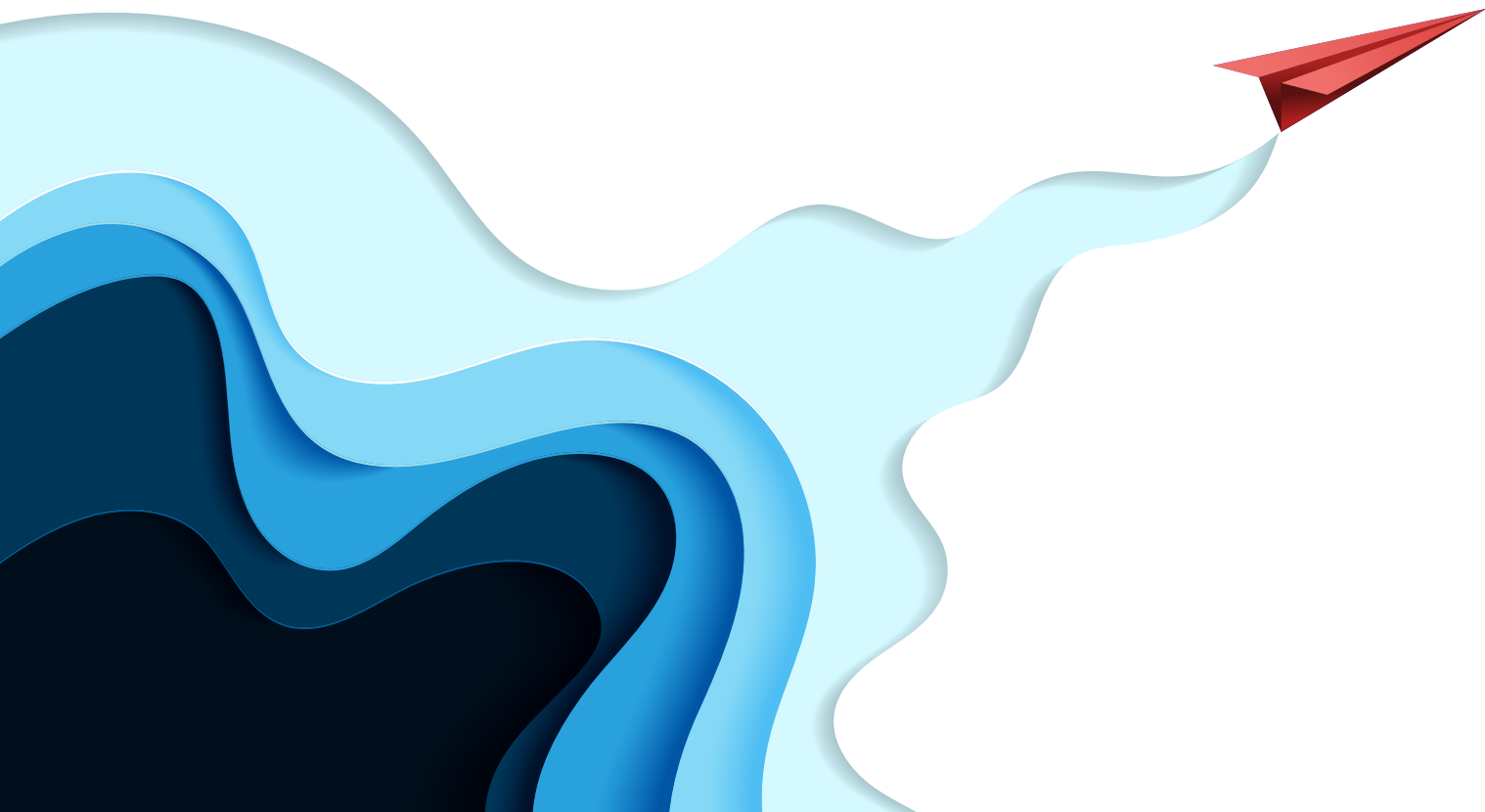


The digital-value guardian: CEOs and digital transformations

The CEO is ultimately the only one who can shape and guide a successful digital transformation. Here's the playbook.

by Eric Lamarre, Kate Smaje, and Rodney Zemmel



An inconvenient truth for businesses undertaking digital transformations is that without focused and active CEO commitment, there is almost no chance of success. That's because a digital transformation is a business-model reinvention that requires different functions across the organization to work together in new ways, and can happen only through large-scale investments in building an entirely new set of capabilities. The only person who can make that level of sustained change happen is the CEO.

Our work on digital transformations with more than 100 large incumbent companies over the past ten years has shown that there is a playbook for success to guide CEOs in focusing their interventions.

1. Reimagine value and be clear about how to get it

The point of a digital transformation isn't to become digital; it's to generate value for the business. Successful CEOs are able to look past their current business to reimagine where transformative value is possible. They spend a lot of time visiting companies and keeping up with trends and emerging business models. That helps them see what's possible and look at their own assets with fresh eyes.

They also focus transformation efforts on domains—a complete core process or user journey, such as opening an account. As many as 80 percent of successful interventions in struggling transformations are based on refocusing it on a domain.¹ Domains are self-contained entities that control every step in fulfilling their function, from beginning to end. This guards against the all-too-common pitfall in which a digital transformation devolves into a disconnected set of activities that don't add up to substantive change. In tandem with the company's

top team, the successful CEO works through all the most important elements of a transformation at the domain level—talent, tech and data, operations—to produce a detailed road map for action.

2. Make your company attractive to top talent

Successful CEOs help their organization address the role of corporate culture and purpose in attracting and keeping exceptional talent. While money is important, those with top digital skills also want to hone their craft on cutting-edge technology and solve problems they perceive as meaningful. The CEO can drive changes in the company's culture and processes to appeal to them, work with the CHRO to create flexible career pathways where they can grow their skills and progress professionally, and—perhaps most crucial—develop and communicate the company's higher purpose.

3. Become a tech and data business

Digital CEOs recognize that data and technology are core competitive differentiators, and they run their business that way.

The most successful CEOs prioritize tech and data in two ways. First, they obsess about how to apply tech and data to solving business problems or finding new opportunities. In this regard, we've found it important for CEOs to monitor the allocation of technology spend to digital efforts as a leading indicator of tech's impact on the transformation. Second, they make organizational changes to ensure tech and data are embedded in the business. CEOs shouldn't tolerate a structure where "the business" sets requirements on which IT must deliver. Rather, they should follow the lead of successful digital companies and develop an operating model where technology and business collaborate on developing and delivering digital products and services.

¹Tim Fountaine, Brian McCarthy, and Tamim Saleh, "Getting AI to scale," *Harvard Business Review*, May–June 2021, hbr.org.

4. Build for speed

Speed matters in digital, and the CEO can set the tempo in many ways, such as through more frequent allocations (of talent and funding, for example) and reviews of progress against the road maps. The best-performing companies, in fact, review data, share findings, and reallocate talent more often than their peers.²

But the most challenging CEO task is fomenting a culture that values doers and small teams of top people. A small team of exceptional people working in agile ways delivers significantly more impact than an army of average talent. CEOs are successful in developing this working model when they simplify funding, clarify governance and decision rights, and put in place clear goals but give teams the freedom to determine how best to deliver on them.

5. Promote adoption across the enterprise

Making digital “stick” at scale is challenging because of the knock-on effects, which require the business to continually recalibrate and realign to capture all the available value, something only the CEO can do. For example, when a company creates a new e-commerce solution, it needs to train sales reps, shift incentives and rewards for online and offline sales, and redesign its supply chain. For this reason, it’s crucial for the CEO to ensure that business owners, not just the digital and technology leaders, are accountable for the adoption of digital solutions and the delivery of the targeted value. A rule of thumb is that for every dollar spent on digital, another dollar should be spent on adoption.

To help make these interventions, successful CEOs have a clear view of what metrics to track as well as a process for tracking them easily and reporting on progress. The CEO of one major financial-services institution insisted that all progress for digital programs be tracked in one tool so that he could follow progress daily and intervene immediately where there were anomalies.

One mistake CEOs make is that they address adoption and scaling issues only well after the digital transformation has begun. Successful CEOs, in contrast, are as passionate about adoption as they are about strategy. They invest time up front in making sure that the people actually using the solutions—from customers to employees on the front lines—have a clear voice in the development process.

Digital is not a destination; it’s a permanent state of operating based on learning and adapting faster than the competition. But that can happen only if CEOs act as digital guardians of their business’s transformation.

For a deeper look at how CEOs can lead their digital transformations, read “The CEO’s playbook for a successful digital transformation” in Harvard Business Review, on hbr.org.

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²“The new digital edge: Rethinking strategy for the postpandemic era,” May 2021, McKinsey.com.