

The Temporary CDO

An Interim Consulting Approach



How a "temporary CDO" can help to implement the digital transformation process within a company efficiently and while conserving resources

SUMMARY *The Internet of Things, Smart Factory, Industry 4.0, Advanced Automation – the sheer breadth of terms now used to describe digitalization shows that the process of digital transformation is bringing about fundamental changes in business models and corporate processes. Regardless of their size or the sector they operate in, in the long term German companies will be unable to avoid placing their structures and business models on a digital footing. Some firms may have coped very well with the process of transformation to date, but the great majority of companies are still far away from the digital finishing line.*

The reason for this is that digitalization is frequently introduced inconsistently right from the start, since companies often lack the necessary organizational requirements: both in terms of their personnel and also on account of their lack of know-how. The consequences of this may be fatal and, ultimately, may even entirely undermine companies' competitiveness. The interim use of a CDO can help to prevent this scenario. Unlike in the case of the "traditional" consulting approach, an interim manager directly puts into practice the digitalization strategies which have been developed at a theoretical level. In other words, the CDO puts together an experienced team which is able to get to work straight away and can "autonomously" forge ahead with the company's digitalization. In this way, an organization can not only conserve its own resources and employees; above all, companies can thus also already develop their own digital structures in parallel. This saves time and thus plays a crucial role in significantly accelerating the digital process of transformation.

Challenges

Everyone is talking about digitalization. Since the outbreak of the COVID-19 pandemic, if not before, the majority of German companies have realized, with a greater or lesser degree of pain, that they will need to digitalize their internal structures and business models if they are to succeed on the market on a long-term basis. Some of them have been able to invest in their digital evolution even during the crisis. Others either lack the necessary resources or else simply feel that the process of digital transformation makes excessive demands of them. This is particularly apparent in the small and medium enterprise (SME) sector: According to the current 2020 digitalization report for the SME sector from the KfW investment and development bank¹, more than a third of SMEs have not

implemented any digitalization projects at all to date. But why are so many firms struggling with the process of digital transformation? The reasons for their hesitation are complex and require a precise analysis.

In principle, the topic of digitalization is extremely complex and the underlying process is anything but trivial. The introduction of digital workflows or the changeover of individual business divisions is far from the end of it. If digitalization is to realize its full potential, every department within a firm must be fully transformed: from production via sales to logistics. Precisely for this reasons, appropriately structured preparations and a clearly defined approach are essential – but that is a hurdle which many companies are currently not yet able to overcome. Many organizations merely see the additional and sometimes complex project work involved as representing

a huge burden. And firms frequently experience considerable difficulties in identifying the appropriate resources either in-house or on the free market for the rapid development of the digitalization team which this requires. In addition, it must be clearly said that nor is the implementation of individual digitalization models on its own sufficient – on the contrary.

With just a few small steps, it is possible to get the process of digitalization started efficiently and as cost-effectively as possible!

The rapid pace of digital innovations ensures a continuous need for action which goes beyond the scope of a mere project. This means that only by implementing a consistently digital optimization process can a company's

¹ <https://www.kfw.de/PDF/Download-Center/Konzernthemen/Research/PDF-Dokumente-Digitalisierungsbericht-Mittelstand/KfW-Digitalisierungsbericht-2020.pdf>

situation be improved in an orderly manner, while meeting its specific needs. To be sure, digitalization is not a task which can be accomplished from one day to the next. But that means that it is all the more important to tackle the challenges early on and with maximum commitment. Otherwise, companies even risk losing market shares and their competitiveness.

An interim consulting approach can help to avoid this scenario and to tackle the challenges involved in a professional manner. This is presented below.

Solutions

For a company which is planning to digitalize, it is first of all important to be aware that, thanks to the interim approach, the development and design of a digitalization program and the setup of the internal organizational structure can be tackled in parallel. The advantage of this is not only that a transformation can be more rapidly implemented. Above all, the company will have the opportunity to pursue the ongoing development of its own organizational structure in a targeted fashion, without this delaying its digitalization project. Haselhorst Associates' action-oriented team of consultants will design the overall digitalization project together with the companies involved and make available the necessary team resources.

STEP 1 | Initiation: The Status Quo and a Digital Readiness Assessment

Before the digitalization program can even get started, it is first of all necessary to reliably discuss and evaluate the technological status quo and the possibilities for a company's digital transformation. By means of targeted expert interviews as well as internal and external analyses, the CDO can identify an organization's level of maturity in relation to technologies, systems, data and structures, competences, resources and its culture within a very short period of time. On this

basis, the findings can then be compared with current market standards and state-of-the-art solutions – the gap will serve as a useful indication of the need for action and of any investments which may be required. A company's capacity for adequate digitalization, its "operational readiness," is of course a key precondition here.

STEP 2 | Digitalization Strategy and Fields of Action

A digitalization strategy combines intelligent products and services as well as marketing and sales with process optimizations and automation – with the consistent use of IT.

The use of an interim CDO and their team will enable companies to realize the advantages of digitalization in a rapid and targeted manner, with a limited level of risk.

The key areas of action for a company's digitalization can initially be identified by means of trend and competition assessments as well as SWOT analyses. Once the CDO has drafted a strategy on this basis, this will serve as a framework for the development of a digitalization road map. As well as various projects and measures, this encompasses planning of the time involved and the costs and benefits (business case), together with a definition of the project organization. Ultimately, all of the program, project and sub-project goals can thus be identified and developed.

STEP 3 | An Organizational Structure for Digitalization Teams

The digital transformation generally results in a need for action whose scope goes beyond a standard project. But what is the best way to integrate a digitalization team within an organization? Depending on a company's level of maturity as well as the individual goals for a digitalization program, the first priority is to develop concepts for the organizational structures and work-

flows. In addition, workforce planning is carried out for the in-house digitalization team, along with a partner and supplier strategy.

STEP 4 | Program Management und PMO

A large number of innovative projects can be derived from a digitalization strategy. It is essential to establish a program management system in order to ensure their success. The potential integration of agile methods (SCRUM, Design Thinking) and the involvement of IT suppliers alone make very high demands of the management. In order to successfully get to grips with these demands on a long-term basis, it may be appropriate to have the external team of consultants take care of the internal project management strategy (PMO) for a short while longer. This team will then continuously monitor the specific progress made and handle the management accounting for the program budget. Once all of the defined goals have finally been achieved, the PMO will gradually initiate the handover to the internal digitalization team.

Potential and Added Value

Flexibility, conservation of resources and precisely calculable costs: With the interim consulting approach, companies can place the process of organizing the digital transformation in experienced hands. The "temporary CDO" plays a key role in helping organizations to optimally implement their digitalization process – without disrupting their other business processes in any way. The core priority is to ensure that a company's operational capacity remains intact at all times.

The management consulting firm Haselhorst Associates GmbH, seated in Starnberg, specializes in restructuring, strategic consulting, profit improvement as well as all-round concepts for smart cities and the digitalization of companies. This team of internationally experienced consultants produces tailored solutions for its clients – from the analysis phase via project planning to supervision of implementation.

The development of digitalization strategies for companies and for towns, cities and public authorities is a further business segment which it has added over the past few years. In the smart city sector, together with municipal utilities and public authorities Haselhorst Associates develops forward-looking concepts for digital public services. Haselhorst Associates published extensive studies on the development of smart cities in Germany in 2018, 2019 and 2020.



Dr. Jörg Schumacher has been a partner at Haselhorst Associates since 2011. He has many years of experience of consulting for top-level management and has supervised a large number of international organization-related projects as an internal consultant and line function manager. He has managed several restructurings of DAX-listed corporations for Haselhorst Associates with great success, including reorganizations in France, Portugal and Italy. Dr. Schumacher developed Haselhorst Associates' Digitalization business segment and manages extensive digitalization initiatives for major clients with global operations.

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