Aligning Technology and Customer Functions in the Post-Pandemic Paradigm

"Every company is a software company." Or at least according to Forbes in 2011, and this was not by any means the first eye-catching headline in the market. Technology companies and sector verticals are converging rapidly: retailers are now ecommerce platforms, traditional automotive companies are experimenting with autonomous vehicles and telematics software, primarily holding a digital bank account is no longer considered quirky, and physicians are a mere Zoom call away.

To advance technology, organizations initially focused their efforts on innovation (to meet disruption head-on) and customer functions (to build out omnichannel and digital go-to-market strategies). Organizations began to remove the divide between their digital programs and traditional IT delivery systems by consolidating them into a single technology operating model.[1] In 2018, 18% of technology leaders said their companies had either converted their digital and IT teams to a single operating model or developed a fully digital model; by 2020, this number had almost doubled.[2] However, organizations are quickly realizing that this is not enough. Simply creating a single technology operating model does not necessarily build the right customer activation platforms, nor does it guarantee a streamlined integration. Technology and customer functions are often misaligned as platforms are opportunistically created. Furthermore, digital complexity is creating confusion; organizations are uncertain how to embed digital capabilities and discern what type of technology leader is needed, often hiring a flashy technology leader without additional thought to scope or structure.

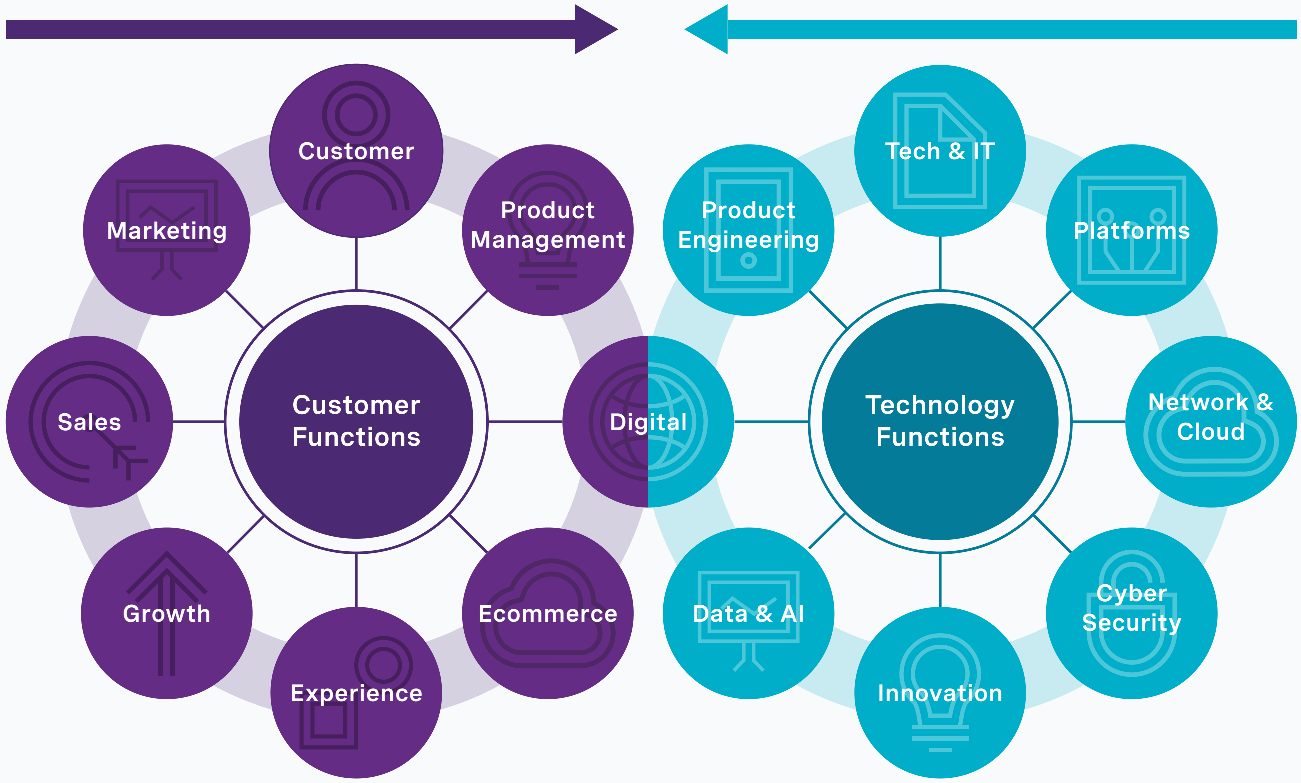
A deeper, more complex, and intentional integration is required today, one that simultaneously considers structure and talent, to ensure that customer and technology functions partner effortlessly and design a frictionless end-to-end customer journey for increasingly sophisticated customers.

Organizations need to implement an appropriate structural archetype, aligned to their business model, that ensures cross-functional connectivity across the customer lifecycle, from technology and digital solutions to product offerings, marketing, and sales. This connectivity will enable flatter, faster teams to prioritize creativity, speed, and accountability - three non-negotiables for innovation and technological advancement.[3] In determining the right structure, it is also important to simultaneously discuss roles and responsibilities and streamline reporting lines. This means focusing accountability on one or two prominent leaders, instead of having an array of executives with overlapping remits, causing teams to answer to multiple bosses.[4] Go-to-market leaders are key here; these leaders need to harness their unique perspective on customer demands, behaviors, and digital platforms and champion cross-functional connectivity across the broader organization.

To understand how technology and customer functions can be advanced meaningfully, Russell Reynolds evaluated market-leading organizations, distinguished in their technology structure, customer-activation capabilities, and/or go-to-market digital platforms. The analysis highlighted four structural archetypes, each with a distinguishing balance of power between core considerations: a technology-weighted model, a consumer-weighted model, an equally-weighted model (between technology and consumer), and a product-weighted model. Each structural archetype has its own talent implications around accountability and role responsibility spanning a spectrum of core expertise, including the chief information officer (CIO), chief technology officer (CTO), chief digital information officer (CDIO), chief technology digital officer (CDTO), chief digital officer (CDO) or multichannel leader, chief digital marketing officer (CDMO), or chief marketing officer (CMO) or brand leader. These structural archetypes are continuously shifting with the business landscape; organizations that initially began with the technology-weighted model may have evolved to an equally-weighted model, depending on consumer demand and business strategy. Roughly a third of the organizations included in this analysis have since shifted their model in the past four months. Using the concept of balance of power, with an agile culture, organizations will be able to better integrate technology and customer functions.

> What leaders feared…is that their companies were organized for a world that is disappearing—an era of standardization and predictability that's being overwritten by four big trends: a combination of heightened connectivity, lower transaction costs, unprecedented automation, and shifting demographics.[5]
>
> **Organizing for the Future: Nine Keys to Becoming a Future-ready Company, McKinsey & Company**

Figure 1: Integration of customer and technology functions



In the customer functions, there has been an influx of new roles. Over the past six months, 17% of appointments were to newly created roles in a given organization, such as chief growth officer, chief customer officer, or chief revenue officer. As digital transformation becomes a top priority for organizations, leaders are forced to not only have front-end capabilities but also the ability to understand data, analytics, and back-end systems more fluently.

In the technology functions, single leaders are taking on the remit of all technology and digital from data, security, engineering, and IT to digital customer touchpoints and occasionally digital product development. This requires customer-centric leaders capable of stepping up to a leadership role, often sitting on the executive committee and reporting into the CEO. The titles of these roles are almost irrelevant, with the difference between CIOs, CTOs, CDOs, and any combination of the three dematerialising over time.

> 50% of chief customer officer appointments over the last six months were to newly created roles.[6]
>
> **The Pandemic has Created New Opportunities for Customer-Centric Leaders, Russell Reynolds Associates**

Core structural archetypes

Russell Reynolds proposes using the concept of balance of power as organizations discuss the realignment of functions to flatten the hierarchy and streamline accountability. The balance of power between technology, consumer, digital, and product most commonly take place in one of four core ways:

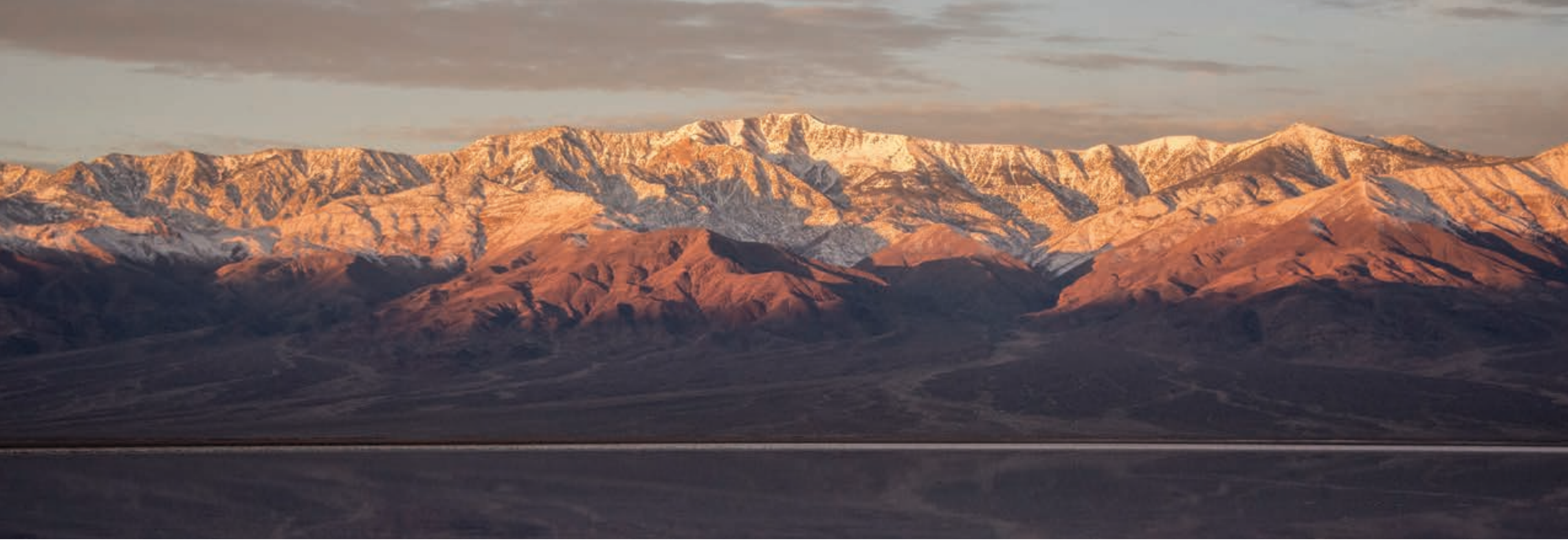
1 **Designing a technology-weighted model:** The technology remit expands into the areas of product, advanced analytics, and enterprise transformation, subsuming what would have been the chief digital officer role.

2 **Designing a consumer-weighted model:** The customer remit is combined with digital to make a holistic customer focused role, looking at channel strategy, digital touchpoints, customer experience, and ecommerce.

3 **Designing an equally weighted model:** A leader is brought in to better connect technology and customer functions, or to own a digital P&L.

4 **Designing a product-weighted model:** An optimized model for pure technology organizations and digital platform.

	Tech and IT	Digital and Product	Customer & go-to-market
CATEGORY 1	Technology and digital leader		Customer leader
CATEGORY 2	Technology leader	Digital and customer leader	
CATEGORY 3	Technology leader	Digital leader	Customer leader
CATEGORY 4	Technology leader	Product leader	Customer leader



Designing a technology-weighted model – the technology remit expands into traditional chief digital officer territory.

This structure is increasing in popularity due to the elevation of the technology role and the increased importance of technology to company strategy. The technology leader has an expansive remit covering IT, technology and engineering, data management and occasionally analytics, product management, and digital. The role is then supported by a marketing officer who is brand and creative focused, and who may or may not sit on the executive committee. The tech role almost always sits on the executive committee, reporting into the CEO.

Pros

- Technology is housed under one accountable leader
- Brings IT and platform technology closer with product development and the customer experience
- Reduces friction between digital, product, and technology teams
- Strong voice for cultural transformation

Cons

- Difficult to find a fully holistic tech leader capable of running IT/tech and digital with a customer focus
- Complex to combine internal remit of CIO with external duties of CDO
- Customer role limited to branding and creative

Core examples

	Tech and IT	Digital and Product	Customer & go-to-market
Nike (Chief Information Digital Officer; Chief Marketing Officer)	CIDO	CIDO	CMO
Ikea (Chief Digital Officer; Chief Creative Officer)	CDO	CDO	CCO
Ford (Chief Information Digital Officer; Chief Marketing Officer)	CIDO	CIDO	CMO

Other examples

Company	Roles	Tech and IT	Digital and Product	Customer & go-to-market
Carrefour	**Carrefour** (Executive Director E-Commerce, Data and Digital Transformation; Executive Director Communication	E-Comm., Data, Digital		Communi-cations
Reckitt Benckiser	**Reckitt Benkiser** (Chief Information Digital Officer; Chief Customer Officer)	E-Comm., Data, Digital		CCO
Bosch	**Bosch** (Chief Technology Officer & Chief Digital Officer; Board of Management position for Sales and Marketing)	CTO & CDO		Sales & Marketing
Intuit	**Intuit** (Chief Technology Officer; Chief Marketing Officer)	CTO		CMO
Heineken	**Heineken** (Chief Digital Technology Officer; Chief Commercial Officer)	CDTO		CCO

> The digital transformation is not a goal in and of itself, and it is so much more than technology. We are transforming our business: We are exploring potential new offers to customers, new ways to bring our offers to customers, and new ways to operate our business. In order to be successful, digital needs to be embedded in every aspect of IKEA.[7]
>
> Inside IKEA's Digital Transformation, Harvard Business Review

Designing a consumer-weighted model – the customer remit expands into traditional chief digital officer territory.

As the least common of the structural archetypes, this structure sees a combined marketing and digital function, or a holistic omnichannel leader sitting on the executive committee. This role owns all marketing from digital/performance to brand as well as all go-to-market strategy, customer experience across both digital and physical touchpoints, sales, and product management. In this archetype, the marketing organization is more centralized with one leader reporting into the CEO as opposed to having the marketing function distributed across business lines and regions. The technology leader may have a more expanded remit, but is largely internally focused on covering IT/tech, business services, and/or operations.

Pros

- Strong commercial and customer focus.
- Opportunity to bring in highly customer-centric talent to support the customer strategy
- Well placed to build a direct-to-consumer offering

Cons

- Customer leader reliant on technology function
- Technology is often buried in the organization structure

Core examples

Unilever (Chief Enterprise Technology Officer; Chief Digital Marketing Officer)

Audi (Board Member for Procurement and IT; Board Member for Marketing and Sales)

Target (Chief Information Officer; Chief Marketing & Digital Officer)

	Tech and IT	Digital and Product	Customer & go-to-market
Unilever	CETO	CDMO	
Audi	Procurement & IT	Marketing & Sales	
Target	CIO	CDMO	

Other examples

Starbucks (Chief Technology Officer; Chief Marketing Officer)

Dixons Carphone (Chief Information Officer; Group Omnichannel)

L'Oreal (Research & Development and Technologies; Chief Digital Marketing Officer)

	Tech and IT	Digital and Product	Customer & go-to-market
Starbucks	CTO	CMO	
Dixons Carphone	CIO	Group Omnichannel	
L'Oreal	R&D and Technologies	CDMO	

Designing an equally-weighted model - leader is brought in to better connect technology and customer functions, or to own a digital P&L.

This structure allows for deeper expertise of each area but has the downside of splitting accountability at the executive level. Most commonly, the technology leader will own IT & technology, engineering teams, and in telecoms, sometimes network infrastructure. The "middle" leader - often a chief digital or product officer - will focus on customer facing technology and digital products / digital touchpoints. The marketing leader then acts as a brand and channel leader. Typically two of the three roles sit on the executive committee. The technology leader may report into a COO or CFO, given its smaller remit, although this is becoming less common. Russell Reynolds analysis showed that in 2020, approximately 40-45% of all FTSE or Fortune 500 technology officer leaders sit on the executive committee. In the last 18 months, this percentage has doubled to 85%, highlighting the elevation of the role.

Pros

- Increases depth of expertise in both technology and customer functions
- Strong representation of technology, digital, and customer on the leadership team
- Dramatically increases talent pool, and the number of opportunities to promote or hire diverse talent

Cons

- Multiple accountable leaders likely with overlapping remits
- Lack of coordination and no single voice and vision for tech/digital in the organization
- Prone to cause tension between teams, leading to misalignment

Core examples

		Tech and IT	Digital and Product	Customer & go-to-market
BED BATH & BEYOND	**Bed Bath Beyond** (Chief Information Officer reporting into the Chief Operating Officer; the Chief Digital Officer; Chief Brand Officer).	CIO	CDO	CBO
Walgreens Boots Alliance	**Walgreens Boots** (Chief Information Officer ; Chief Digital Officer; Chief Marketing and Customer Officer)	CIO	CDO	CMCO
Cigna	**Cigna** (Chief Enterprise Officer ; President, Government and Solutions ; Chief Marketing Officer)	CEO	Government & Solutions	CMO

Other examples

		Tech and IT	Digital and Product	Customer & go-to-market
Marriott HOTELS · RESORTS · SUITES	**Marriott** (Chief Information Digital Officer; Chief Product Officer; Chief Brand and Marketing Officer)	CIDO	CPO	CBMO
Constellation Brands	**Constellation Brands** (Chief Information Officer; Chief Strategy Growth Digital Officer; Chief Marketing Officer)	CIO	CSGDO	CMO
SEPHORA	**Sephora** (Chief Information Officer; eCommerce Officer; Chief Marketing Officer)	CIO	eCommerce	CMO
AIG	**AIG** (Chief Information Officer; Operations and Digital Officer; Corporate Communications)	CIO	Operations & CDO	Corp. Communications

85% of top technology leaders appointed to FTSE or Fortune companies last year sat on the executive committee

Designing a product-weighted model: An optimized model for pure technology organizations and digital platform.

Pure technology organizations and digital platforms have adopted a model in which the development and management of the digital product is split between a technology officer and a product officer. The combination typically consists of 1) an engineering focused chief technology officer with the remit to build platforms and products, 2) a chief product officer to handle product management, strategy, design, roadmaps, and customer experience, and 3) a brand and creative orientated chief marketing officer. The CTO and CPO are almost always on the executive committee. In larger organizations, the CTO is often supported by an internally focused engineering leader (vice president) on the senior leadership team. Sixty-five percent of the technology sector's customer appointments last year were CMOs or chief revenue officers - suggesting that these are more growth enabling mandates than customer experience, which would likely be held in the product remit.

Pros

- Allows for specialist product talent with industry knowledge (while the technology lead can be an engineering athlete)
- Allows the product leader to focus on more user-oriented tech (e.g. design and UX)

Cons

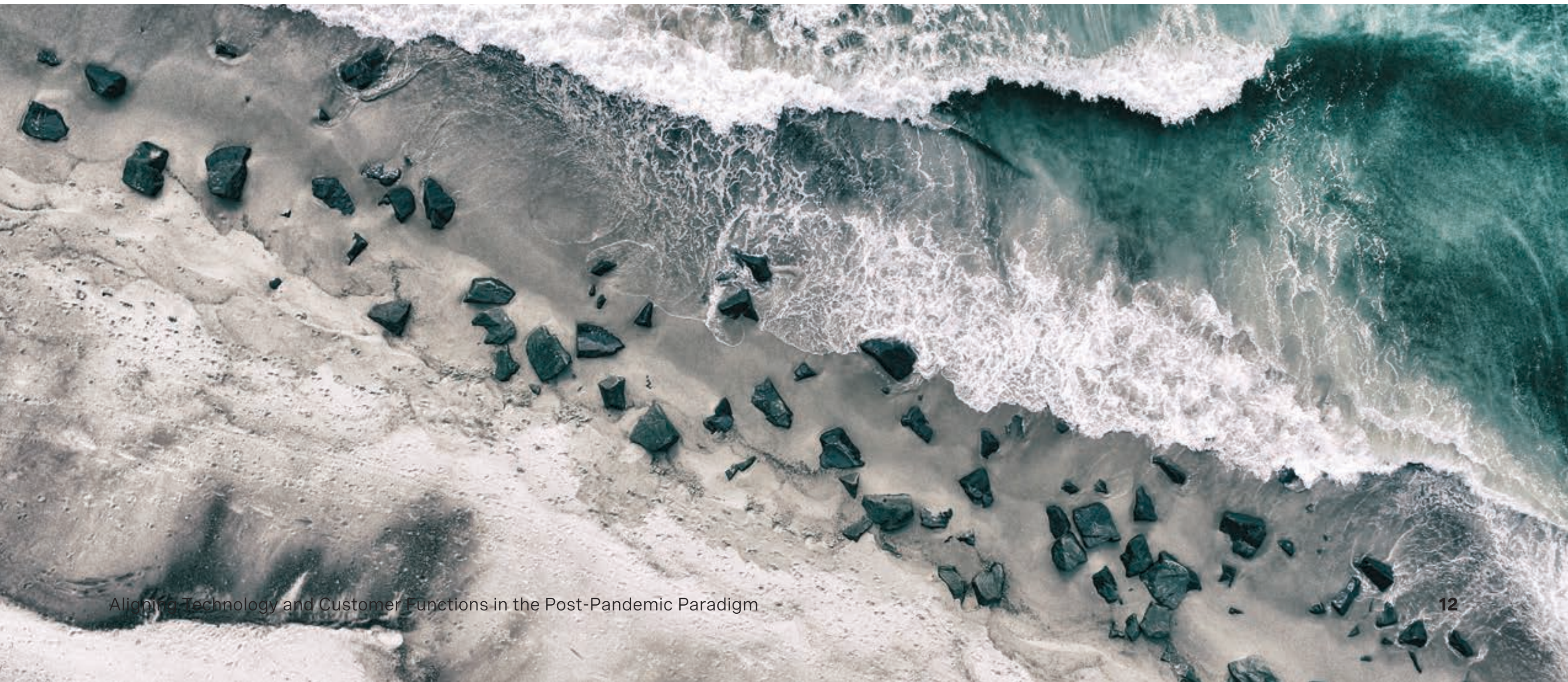
- Roles need designing to minimize overlapping remits
- Can create tension between product and technology if they are not equal seniority
- Customer role may be limited to marketing

Core examples

		Tech and IT	Digital and Product	Customer & go-to-market
UBER	**Uber** (Chief Technology Officer; Chief Product Officer; SVP Marketing)	CTO	CPO	Marketing
facebook	**Facebook** (Chief Technology Officer; Chief Product Officer; Chief Marketing & Analytics Officer)	CTO	CPO	CMAO
PayPal	**PayPal** (Chief Technology Officer; Chief Product Officer; EVP Chief Strategy, Growth and Data Officer)	CTO	CPO	Growth & Data

Core examples		Tech and IT	Digital and Product	Customer & go-to-market
airbnb	**Airbnb** (Chief Technology Officer; Chief Product Officer; Global Head of Marketing)	CTO	CPO	Marketing
mastercard	**Mastercard** (President, Operations & Technology; Chief Product Officer; Chief Marketing & Communications Officer)	Tech & Ops	CPO	CMCO
Showpad	**Showpad** (Chief Technology Officer; Chief Product Officer; Chief Growth Officer)	CTO	CPO	Growth
NETFLIX	**Netflix** (Chief Operating Officer & Chief Product Officer; Chief Marketing Officer)	Engineering	COO & CPO	CMO
nitro	**Nitro Software** (VP Engineering; Chief Product Officer; Chief Marketing Officer)	Engineering	CPO	CMO
	Stock X (Chief Technology Officer; Head of Product; Chief Marketing Officer)	CTO	Product	CMO
coinbase	**Coinbase** (EVP Engineering; Chief Product Officer; Global Head of Marketing)	Engineering	CPO	Marketing

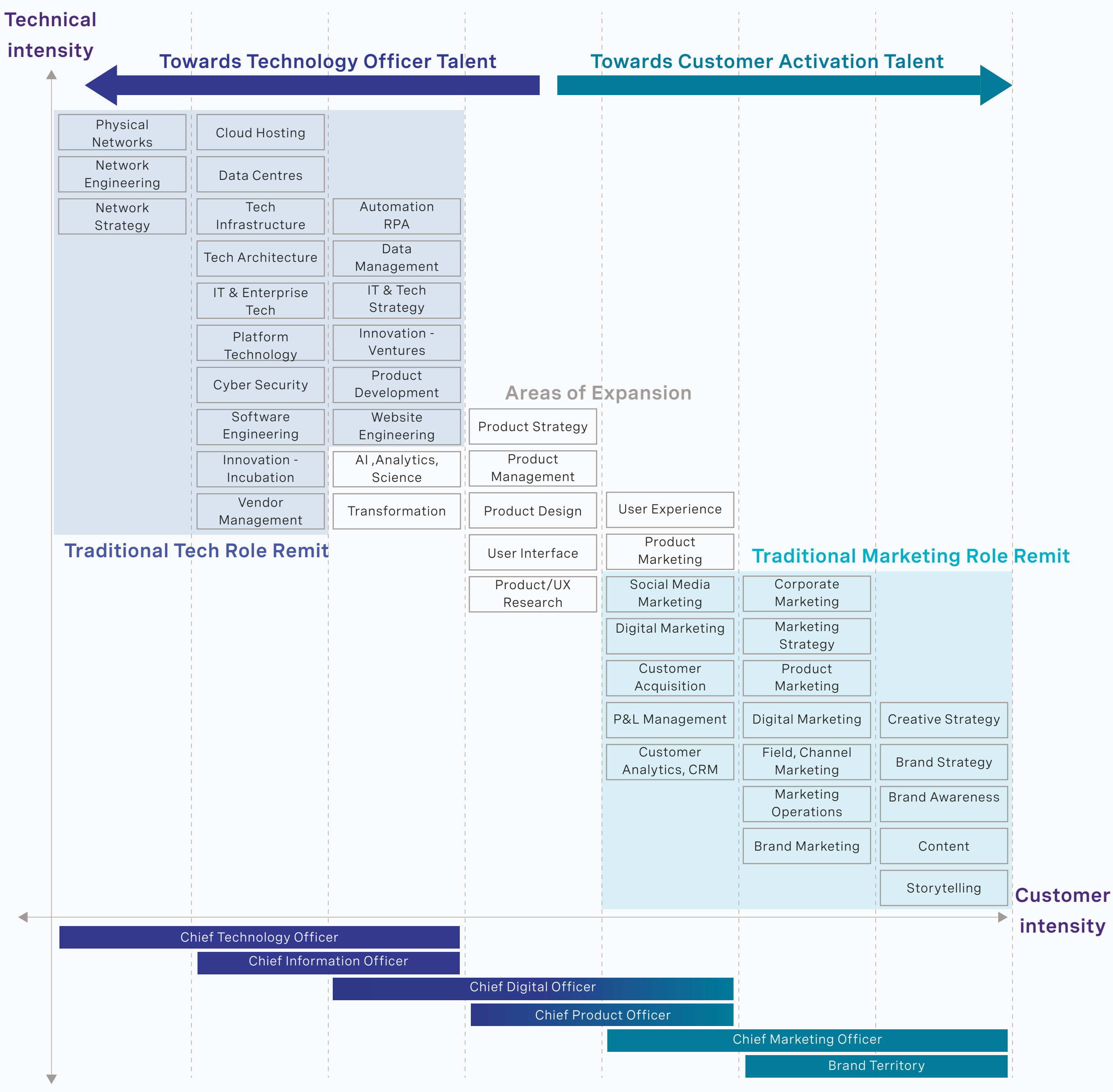
In 2020, a third of the technology sector's go-to-market appointments were for marketing officers (33%) and chief revenue officers (32%).



Spectrum of talent considerations

As the right structural model is being identified and built out, talent archetypes also need to be taken into consideration. It is important to crystallize on which roles are needed and what the scope of each role is (see Figure 2). Traditional technology roles encompass data and analytics, data management, cyber security, and/or software engineering; emerging customer activation roles spearhead brand awareness, storytelling, and marketing platforms and operations. New areas include product design and strategy, customer analytics, user experience/interface, ventures, and/or P&L management - these competencies can be shifted to the left or right to fall under the chief technology officer, chief product officer, chief market officer, or a new role, depending on the business model, organizational design, and reporting lines.

Figure 2. Talent competencies along the technology-customer activation spectrum



There is no one-size-fits-all solution; organizations need to be intentional and thoughtful around what capabilities to prioritize, and what type of leader brings the right skillset and comfort with change management. Russell Reynolds has identified considerations to prioritize as organizations navigate this process (see Figure 3). Organizations should understand the unique impact of each role and the spectrum of core expertise that falls under each position. This knowledge allows the organization to engage in informed discussions, not only internally with key stakeholders, but also externally in the market with candidates.

Figure 3. Identifying the right tech-enabled go-to-market leader

Technology leader

Customer leader

Technology and Digital Leader

Digital and Customer leader

Product leader

Digital leader

CIO or CTO	Hybrid: CDIO, CTDO or similar	Chief Product Officer	CDO or Multichannel	Hybrid: CDMO	CMO / Brand Leader
Competentices					
• Integrates front/back-end technology • Builds new platforms and products for growth • Transformation of IT infrastructure • Innovates with technology; deploys automation	• Brings end-to-end perspective • Focuses technology around the customer • Balance of technology experience and commercial DNA • Draws together the technology and commercial functions	• Connects technology with the customer • Acts as technology voice of the customer • Diplomat between tech & and customer functions; relationship builder • Focuses innovation around CX and digital touchpoints	• Drives consumer demand • Acquisition, conversion and retention focused • Customer experience orientation • Builds bridges between customer and front-end technology	• Operates at the intersection of digital and traditional marketing • Owns P&L and drives customer engagement • Deep relationship with technology leader	• Leads marketing strategy • Excellent storyteller • Brand builder • Delivers on content and creative strategy
Spectrum of core expertise					
• Engineering leadership • Platform and technology architecture • Enterprise transformation • Cloudification • Data management	• Product development and management with CX experience • Engineering leadership • Platform and technology architecture • Data management	• Customer experience • Digital revenue creation • Product management (UX/UI) • Data, insight, and analytics • Product strategy • Occasionally product / digital M&A	• Performance marketing (SEO, PPC, SEM) • E-commerce execution • P&L management • Data, insight and analytics • CRM, loyalty, net promoter score • Product management (UX/UI)	• P&L mindset/management • Traditional & Digital marketing (SEO, PPC, SEM) • CRM • Corporate marketing • Marketing operations • Martech	• Brand awareness and activation • Corporate marketing • Channel marketing • Content and creative • Digital marketing • Social media • Media and measurement

To respond to sophisticated customer needs, integrating technology and customer activation functions is an imperative; the question is no longer if and when, but how. It is important to strategically and intentionally discern what the right balance of power is, between technology, consumer, digital, and product, in order to drive meaningful growth and innovation. Organizations can advance their go-to-market platforms by customizing a core structural archetype to business models and growth strategies and focusing on the most relevant section of the technology-customer activation talent spectrum.

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About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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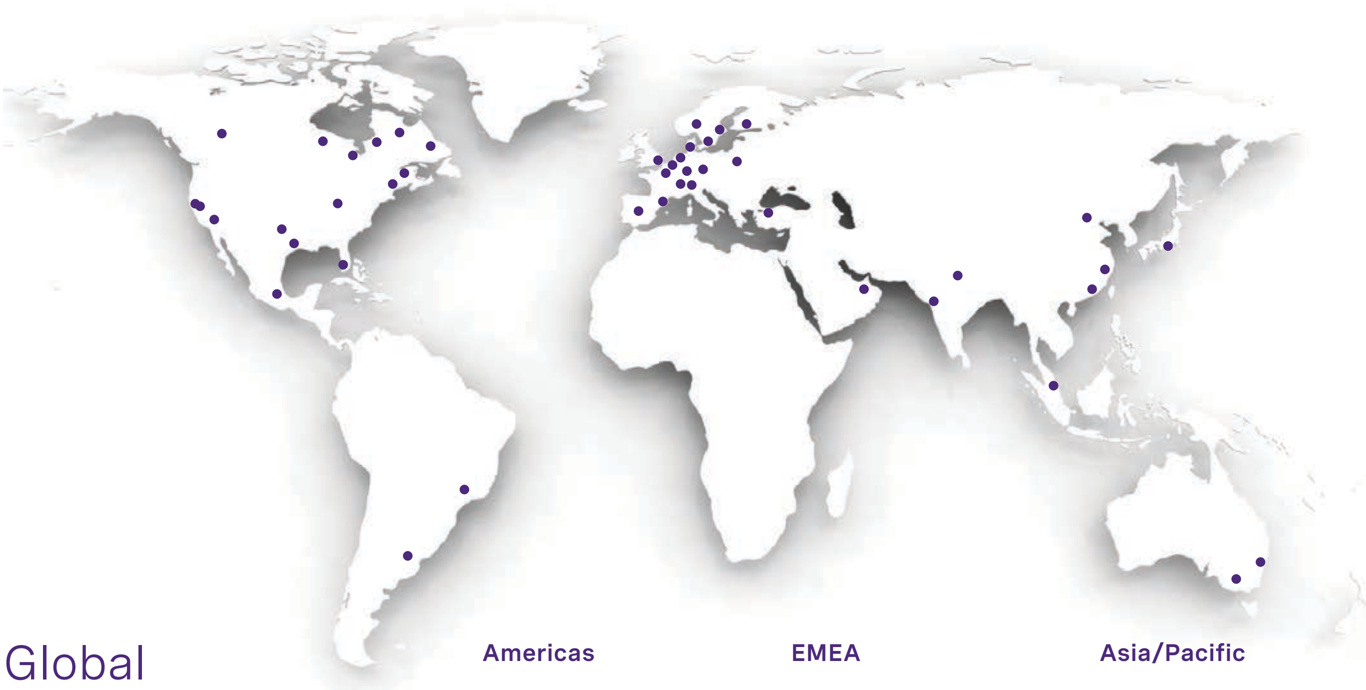

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