

# Prophet

## What do CFOs have that CMOs don't?

*By Scott Davis, Senior Partner (pictured) and Francisco Pinedo, Senior Associate at Prophet.*



We have to admit: as marketers we can be good at many things; but marketing ourselves is not one of them. Time and time again in the race to occupy the CEO seat, CFOs win.

The current financial crisis provides another proof point, as many companies are following the CFO's advice instead of focusing on the needs, preferences, and behavioral patterns of their customers.

They are cutting costs (including marketing budgets) without considering the potential long-term consequences on their brand.

Thus, while CFOs are increasingly becoming the CEO's right hand, we are watching the CMOs struggle to get a seat at the table.

Why is this happening? How can we turn it around? The answer is simple – CFOs have a “P&L mindset.” And marketers need to get it too.

Having a Profit and Loss (P&L) mindset means having a deep understanding of and/or hands-on experience with what it takes to run a business line and deliver the numbers. It's critical for marketers to develop or sharpen if they expect to advance from being order takers or sales supporters to enterprise-wide, visionary leaders.

By developing a P&L mindset, CMOs can communicate with the CEO in his or her own language, leaving aside -at least momentarily- concepts such as “brand awareness” or “intent to purchase.” Instead, they use terms like “EBITDA” or “Economic Value Added”; terms that come naturally to the CFO.

Thus, CMOs are empowered to act upon their knowledge of the customer and drive growth through the launch of new products, services, programs, and pricing strategies. They can engage in one-on-one discussions with the CFO, contrasting the resources that they need with the expected increase in their gross margin, and explaining (with numbers, of course) that these are not expenses but rather attractive investments.

As marketers, how can we develop a P&L mindset?

First, we need a complete understanding of the business we're in and how we make money. As obvious as this may sound, many marketers don't understand, for example, how it is possible that a very profitable line of products can start generating losses by slightly modifying the way their company assigns fixed costs.

How are we supposed to enter into discussions with a CFO if we don't understand where our operating profit comes from?

We need to master our P&Ls and decode the way our accounts are affected by decisions that are made inside and outside the Marketing department. We will know we have conquered this stage when we start being consulted or at least informed before any changes that affect our P&L are applied.

Next, we need to change the way we communicate to reflect our P&L mastery and elevate the dialogue by taking it to a more strategic and integrated level. To do this, we will have to stop talking about the need to increase the marketing budget, and replace it with a discussion on how to achieve common business objectives through a customer lens.

This allows us to increase interactions with other functional areas like Finance, Logistics, or Sales and create internal partnerships and alliances, while extending our credibility within the organization. As soon as we are able to show top management small wins in the P&L as a result of these increased interactions, we will have overcome this second stage.

Finally, it is vital for us to understand that we will not be able to get here alone. If we want our marketing teams to develop a P&L mindset, we need to align performance evaluations and rewards systems with the company's key objectives.

A brand manager may understand and even manage according to a P&L mindset, but if he or she is ultimately evaluated and rewarded according to market share growth, he or she isn't incented to develop and execute strategies focused on what the organization really needs.

Furthermore, in proposing this organizational change, we will finally get the CEO's attention, who will understand that we are aligned with her objectives and will start to listen more closely.

Both CMOs and CFOs have to play a role in our organizations' strategic growth discussions. When marketers are left behind, the company underestimates the power of our brands, the value of our markets, and the value of our greatest asset – our customers.

Making important decisions without these considerations can be dangerous; especially considering the effects could last well beyond this crisis. We can avoid this, but in most cases, we will have to make the first step. Let's place the marketing function where it really belongs – at the top, helping lead the C-suite discussion.

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