



Be proactive in hiring
your company's next CMO.

Lay the Foundation for CMO Success

By Terry H. Grapentine and David Dwight

In the recent *Marketing Management* article, "CMO Leadership for the 21st Century," (September/October 2008, 14-20), Daniel M. Ladik and William B. Locander paint a bleak picture for chief marketing officer (CMO) longevity. They point to a study that found an average tenure of 26 months for these marketing leadership positions across all industries—dipping to 23 months among the top 100 consumer-branded organizations, and plummeting to 12 months in the food industry.

Many articles focus on the challenges CMOs confront (e.g., understanding and impacting the quickly evolving media environment) and how CMOs can perform their jobs better (e.g., becoming more effective leaders)—with most providing valuable ideas to improve CMO performance.

But organizations must address more fundamental undercurrents that affect CMO performance and ultimately moderate how well CMOs are able to confront marketing challenges and lead their organizations. Without attention to these issues before hiring the CMO, the best candidates will fail.

These undercurrents are related, broadly speaking, to (1) cultural ideology, (2) the CEO and (3) organizational infrastructure. The organization's core values, which serve to nurture marketing efforts and inspire organizational commitment, must support the mission of the CMO. The firm also needs a CEO who is customer-driven, states the vision of this new position and plans for its sustainability. And finally, it's essential to have the right corporate organization, people and employee motivation systems in place.

Certainly, the CEO must hire a competent CMO, and the CMO must master many “how-tos.” But building this office on a ship that is not structurally sound to begin with often leads to its sinking—say in about 26 months.

Ideology

The culture of an organization can significantly affect CMO effectiveness. In *Built to Last* (Harper Business, 1994), Jim Collins and Jerry I. Porras sought to identify and examine factors affecting cumulative stock return performance among a selected sample of companies from 1926 to 1990.

One aspect of culture is an organization’s ideology—core values to which employees aspire. Consider the following pairs of companies: 3M vs. Norton; General Electric vs. Westinghouse; Johnson & Johnson vs. Bristol-Myers Squibb; and Marriott vs. Howard Johnson. The pairs all started in similar industries before 1950 and initially were among the leaders in their fields. Over the firms’ lifetimes, however, the former companies’ stocks outperformed that of the latter’s. The authors call these visionary companies.

One common denominator among the visionary companies is that they express and act on their core values. These values serve to rally the troops, inspire employees to excellence

■ Exhibit 1

Values of selected visionary companies

| Companies | Example values |
|-------------------|---|
| 3M | Innovation: “Thou shalt not kill a new product ideas.” |
| General Electric | Improve the quality of life through technology and innovation. |
| Johnson & Johnson | The company exists “to alleviate pain and disease.” |
| Marriott | “Make people away from home feel that they’re among friends and really wanted.” |
| Merck | “We are in the business of preserving and improving human life. All of our actions must be measured by our success in achieving this goal.” |
| Sony | Respect and encourage each individual’s ability and creativity. |
| Walt Disney | To bring happiness to millions. |

Source: *Built to Last*, pp., 68-71

CEO advice: If you are hiring your first CMO, be prepared to focus on something other than profits if you want to be profitable.

CMO advice: Don’t let yourself be hired by a company whose core values—stated or implied—do not support the marketing function.

and instill a cult-like dedication toward membership in the company. Exhibit 1 is an abbreviated list of core values from companies that Collins and Porras examined in their book.

These core values are more than pious platitudes. “The visionary companies more thoroughly indoctrinate employees into a core ideology than the comparison companies, creating cultures so strong that they are almost cult-like around the ideology,” according to *Built to Last*. Selected examples of these firms’ actions include employee training at Disney University, permitting 3M technical employees to spend 15% of their time on projects of their choosing, and Motorola’s “six sigma” quality standards.

Why are core values such an important prerequisite for a CMO’s success? Because if they do not exist, short-term financial goals—such as making next quarter’s numbers—will trump long-term marketing investment. This is supported by one of the book’s major findings. Visionary companies put their values ahead of profits and, over the long run, are more successful and profitable than the comparison companies. The result is a kind of catch-22 irony: By not being greedy, you get rich.

The CEO

Customer driven. The CEO must be a firm believer in the marketing concept, which “holds that the key to achieving ... organizational goals consists of the company being more effective than competitors in creating, delivering and communicating customer value to its chosen target markets,” according to marketing guru Philip Kotler (*Marketing Management*, Prentice Hall, 2000). This contrasts with

EXECUTIVE briefing

The average tenure of a CMO is slightly more than two years. Management articles tend to focus on the how-tos of succeeding in the job, but more attention needs to be paid to promoting CMO achievement before the position is even created. The authors contend that top management needs to examine firm ideology, CEO marketing philosophy and beliefs and the extent to which the organization is truly committed to this pinnacle of marketing functions. Being proactive will greatly boost a new CMO's chances for success.

the build-it-and-they-will-come principle, which many finance- and manufacturing-driven companies subscribe to.

Few, if any, mass markets exist anymore. The most successful companies target specific segments of consumers and align their products' marketing mixes to these segments. We live in an age where a consumer can purchase custom-designed running shoes! Consequently, the CEO must believe in the marketing concept's corollary—market segmentation—and not give it short shrift in the marketing and consumer insights' budgets that invariably will support various CMO initiatives.

It might seem like we are preaching marketing 101, but a true belief in these concepts has implications for sustaining the CMO position over time. In short, a CEO should not expect CMO success without truly and enthusiastically believing in and understanding marketing. It doesn't require a graduate degree in marketing, just an understanding of what marketing is, believing in it and supporting it. Consider the comments of A.G. Lafley, president of Procter & Gamble:

"So we expanded our mission to include the idea that 'the consumer is boss.' In other words, the people who buy and use P&G products are valued not just for their money, but as a rich source of information and direction. If we can develop better ways of learning from them—by listening to them, observing them in their daily lives, and even living with them—then our mission is more likely to succeed." ("P&G's Innovation Culture," from global consulting firm Booz & Company's www.booz.com).

Many CEOs find it difficult to explain the difference between marketing and sales. "The aim of marketing," says Peter Drucker "is to make selling superfluous. The aim is to know and understand the customer so well that the product or service fits him and sells itself" (*Management: Tasks, Responsibilities, Practices*, Harper & Row, 1973).

A CEO's belief in marketing can be indicated by a company that embraces some kind of ideology—and acts on it. All the visionary companies that Collins and Porras discuss in their book, in varying degrees, hold to an ideology that reflects the marketing concept. "Nordstrom: Service to the customer above all else. Procter & Gamble: Product excellence. Sony: To experience the sheer joy that comes from the advancement, applica-

CEO advice: You probably believe in marketing if you have said to yourself, "I need a CMO." You probably don't if someone has told you that you need a CMO.

CMO advice: Examine how the company you are considering has tangibly acted on a sincere belief in the marketing concept.

tion, and innovation of technology that benefits the general public. Wal-Mart: We exist to provide value to our customers."

CMO vision. First, the vision must clarify what the shared organizational need for the CMO is. CMOs often work in matrix organizations and frequently interact with other marketing and sales functions. Presumably, the CMO will add value to these other functions beyond what they can do without a CMO. What is that shared value? It might lie in centralizing and managing (in part or whole) other functions, such as customer relationship management (CRM), the Web or consumer insights services. The position may also serve in a consulting capacity to other departments or division.

Second, the CEO must communicate the vision of the CMO to the organization, defining the CMO's accountabilities and responsibilities and contrasting them with the tasks and responsibilities of other functions and divisions—especially the divisions' marketing and sales functions. This is especially true in a diversified company if the CMO will be interacting with other independently run corporations, their presidents and marketing/sales organizations. An ARCI (accountability, responsibility, contributor/consulted and informed) chart is a valuable tool here.

Third, the vision implies priorities, and the priorities of the CEO and CMO should be in alignment. Recent research suggests that they often are not. Based on data from The Conference Board ("CEO Challenge 2004: Perspectives and Analysis," by Esther V. Rudis), the top five CEO priorities are: (1) speed, flexibility, adaptability to change; (2) sustained and steady top-line growth; (3) customer loyalty/retention; (4) stimulating innovation/creativity, enabling entrepreneurship; and (5) tight cost control.

In contrast, a 2004 Booz Allen Hamilton (BAH) study of

marketing organizations found that the top five marketing priorities of organizations are: (1) developing branding guidelines, (2) counseling divisions, (3) sharing best practices, (4) developing capabilities and (5) driving growth.

Clearly, we can't expect CEO and CMO priorities to be identical—but they shouldn't be so divergent! "When there is lack of clarity in expectations between the CEO and the CMO," says Andrew Tipping, author of the BAH study, "that confusion rolls down into the organization. You can't start without clarity and suddenly have crystal clarity as you go through the organization. At the event-manager level, it's important to work with meaningful and consistent measures so that members know they're working on the right priorities and that their effort is being usefully focused" (<http://www.exhibitoronline.com/corpevent/article.asp?ID=740>).

Finally, the CEO needs to define the CMO's authority to act. Is the CMO only an adviser? Can she or he only make decisions affecting immediate reports? Or will the CMO play an active role in helping an organization or diversified company manage its brand portfolio?

CEO advice: Write down your vision of the CMO and elaborate on how the CMO will interface with other "chiefs" in the organization.

CMO advice: Read it.

Sustainability. Promoting a CMO's success requires a marketing-oriented CEO who is willing to "pony up" and invest in the CMO concept. The company likely will need to allocate significant funds for primary marketing research (especially market segmentation and new product concept studies) and CRM initiatives. When completed, additional funding will be required to modify or change the marketing mix of various product platforms. We have seen many examples where CMOs were hired without such budgets. It's as if the CEO is thinking, "Once we get the CMO hired, he or she will figure out what we need." But because the CEO never envisioned the additional resources required to support the CMO from the get-go, these budget requests either get refused or cut to levels that weaken the ability to act on research studies' findings. It's like purchasing a new vehicle for a long trip, and making no provision for fuel or maintenance.

Another requirement for promoting CMO success can be summed up in two words: Be patient. Different industries pass through different marketing "seasons," which combine to create a yearly business cycle. For example, in the boating industry, marketers pass through the following seasons: planning, marketing to channel members (boat shows and original equipment manufacturers/dealer visits), taking orders, manufacturing and shipping product, follow-up support and service. The CMO needs to pass through several of these cycles, as part of the "learning curve" to discover how a firm's marketing

efforts can be optimized—with our experience showing most CMOs need two to begin formulating and implementing their ideas. Yet among the top 100 consumer-branded organizations, average CMO tenure is just 23 months.

CEO advice: Recognize that the office of CMO entails a significant investment in money and time.

CMO advice: Join an organization that is committed to supporting your office over the long haul.

Infrastructure

Organization. The CMO resides in the corporate suite, yet the position serves many functions and/or strategic business units (SBUs). The CMO may interact with research and development, manufacturing, consumer insights, distribution, sales, and other departments. In holding companies, the number of these interactions is multiplied by the number of independently run profit and losses in the parent company.

For the CMO to do his or her job, partially or fully centralizing some marketing functions might be required. The functions fit for centralization are skill-set, rather than industry- or channel-dependent. If there is a section in the Yellow Pages with consultants and/or service firms for the function, it can be centralized.

For example, centralizing consumer insights and customer relationship management (CRM) may produce highly desirable results. This may especially be true for CRM if a major portion of its marketing activities are Internet-based and opportunities for cross-selling among the SBUs exist. For now, we suggest that centralizing at least parts of these functions under the CMO achieves several tactical and strategic benefits.

Tactical benefits derived from having all or parts of these functions managed under one roof are: (1) improved economies of scale, (2) standardization of processes and procedures and (3) reduced costs derived from having third parties bid on larger portions of subcontracted services. The latter can especially be true for CRM and Internet programs.

Strategic benefits result primarily from having the CMO lead and manage certain cross-functional or division initiatives. Examples could be managing a CRM program that crosses divisions, or working with a sales force to market and sell products and services that cross divisions.

In some companies, different independent SBUs serve a similar market (e.g., different vehicle brands within General Motors). The CMO could be responsible for conducting consumer insights studies (e.g., market segmentation studies) that help the parent company manage its brand portfolio across SBUs. This is an example of a strategic service that the CMO can provide the CEO—applying marketing to corporate strategy, and helping segment the market for SBU strategies.

In summary, the organizational structure of a company before a CMO has been hired vs. afterward can be quite different. Projecting what these changes could look like before hiring the CMO can be difficult, but the CEO needs to raise these issues with appropriate senior-level executives prior to hiring a CMO to foster organizational commitment.

Additionally, these discussions need to compare how the decision-making authority of the CMO differs (in scope and power) from other functions in the organization. Top managers may not be able to anticipate all the different ways a CMO may interact with the organization over time. The nature of some interactions and the CMO's authority likely will evolve. Nonetheless, the earlier these issues are raised and examined before launching the CMO position, the better.

CEO advice: Think about how the CMO will interact across different organizational functions, and which skill sets might be centralized under the CMO's purview.

CMO advice: Brainstorm with the CEO about how the CMO may influence the company's organization, and how selected marketing functions may be centralized under the CMO.

Organizational commitment to the CMO. A natural friction exists between marketing and many other organizational functions. Marketing is about tomorrow's profits, and because of "multicollinearity"—multiple marketing programs occurring at the same time—it is often difficult to measure a marketing initiative's return on investment. Contrast this with the engineering mindset (build it and they will come) or operations' mindset (nothing new) or the finance department's mindset (prove it to me by showing the incremental dollars). The CEO must understand these potential disagreements and discord, and be prepared to challenge them.

For example, there is a political push and pull found in many organizations between marketing and sales. Properly managed, this tension can be healthy and help balance long- and short-term goals. Vigorous debate between marketing and sales can result in an improved understanding of customer wants and needs, better competitive intelligence and more rapid response to opportunities and threats. But sales might perceive the CMO as a threat if he or she wants to implement recommendations of a market segmentation study that affects the sales department (see Terry Grapentine and Randy Boomgardden, "Maladies of Market Segmentation," *Marketing Research*, Spring 2003).

Assume this: An organization has a strong sales-driven culture that believes its retail channel plays an important role in the consumer's decision process. Sales management holds significant sway over all commercial decisions, and has a long history of close relationships with the company's channel partners.

Into this situation, add a CMO. Among the findings of the segmentation study are issues related to how distributors, dealers and other "centers of influence" affect consumer behavior. Further assume a key finding of this research is that a large segment of consumers, previously perceived as heavily retailer-influenced, are in fact self-sufficient in their decision process.

From this finding, the CMO may suggest a strategy that sales activities should be shifted from retailers to consumers. They might also recommend cutting down on advertising and sales promotions directed at the retail channel—targeting more resources directly to the self-sufficient consumer instead.

While the marketing management team may be receptive to the CMO's recommendations, resistance is likely from those responsible for managing the sales function. "How can you recommend we reduce our commitment to good old Joe? Don't you remember when he saved the day (or quarter) when we needed someone to step up and take a big order? Have you no loyalty?" Sales is usually relationship-based. Meanwhile, marketing is more scientific and theory-based. Soft and hard don't always go well together.

CEO advice: Make provisions to avoid friction between the CMO and other organizational functions. Be prepared to master the soft in order to drive the hard.

CMO advice: Visit with other chiefs in the organization. Avoid companies whose department heads are skeptical of marketing.

People. The quality of the people supporting the CMO will influence his or her success. With a new CMO, the CEO will expect increased performance from the consumer insights department, Internet services, CRM, product and/or brand managers, the sales department and the like. Therefore, two critical questions need to be addressed: Does the organization have the right caliber of people to support the new CMO? And will the CMO have access to the organization's best and brightest to support this new function?

As we know, getting the right people in an organization is a journey; it's never totally achieved. What is not so obvious, however, is hiring, training and nurturing the kind of employees that buy into the organization's values. If you go to work for Procter & Gamble, you'd better believe in product excellence; for Sony, you should be a pioneer; for Disney, cynics need not apply. That is one of the salient characteristics of visionary companies and, we suggest, a requirement supporting a successful CMO.

According to Collins and Porras, "In 11 out of 18 pairs [of companies examined], the evidence shows stronger indoctrination into a core ideology through the history of the visionary company than the comparison company. In 13 out of 18 pairs,

the evidence shows greater tightness of fit through the history of the visionary company than in the comparison company—people tend to either fit well with the company and its ideology or tend to not fit at all (“buy in or get out”).”

CEO advice: Create an environment in which employees believe in the company’s core values, and allow your CMO to bring in stars from other parts of the organization.

CMO advice: Visit every nook and cranny of the company to find the best people yourself—don’t accept orphans.

Employee motivation. Effective CMOs are change agents, and change cannot be successfully achieved in an organization without motivating employees to bring it about. In *Work and Motivation* (Jossey-Bass classics, 1995), Victor Vroom describes his expectancy theory of motivation.

In most organizations, creating, developing and delivering products to consumers is a matrix organization function. For example, in the food industry, functions such as research and development, manufacturing, marketing and sales need to work together to bring about the creation of a new product.

How do these functions and employees respond to the demands or requests of a new CMO? Having an organizational structure with clearly defined lines of authority and functional roles is a good start. Still, employee reward systems might end up thwarting CMO initiatives.

Consider a situation in which several independent SBUs interact with a CMO in a diversified company. Some SBU employees may be frustrated with having a direct line of responsibility to their SBU supervisor and a dotted line of responsibility to the diversified company’s CMO. Vroom points out three components of employee motivation that can spawn conflict between the CMO and dotted-line reports: (1) effort-performance linkage, (2) performance-reward linkage and (3) the value of rewards.

Frustration associated with the effort-performance linkage asks the following question: “Will an increase in effort lead to an increase in performance?” If an employee is serving two “masters,” will responding to a CMO’s request adversely affect an employee’s performance as perceived by the employees’ direct-line supervisor? If so, the employee may not be motivated to serve the CMO very well.

Frustration associated with the performance-reward linkage begs the question: Assume that increased effort produces increased performance, will the employee be rewarded? Typically, reward structures are affected more by one’s direct-line accountabilities than to a dotted-line responsibility to a CMO. Therefore, increasing one’s effort to help with a CMO initiative may not be rewarded—diminishing employee motivation to work with a CMO.

Finally, frustration may be associated with employees’ perceived value of the rewards that they receive when serving a CMO. If SBU employees who have dotted-line responsibilities to a CMO are indeed rewarded for serving that officer, will employees value those rewards? Rewards can be extrinsic (promotion, money, free time and benefits) and/or intrinsic (satisfaction, perceived self-worth). If such employees primarily receive extrinsic rewards when serving their immediate supervisor, but only intrinsic rewards when serving the CMO, motivation to work on CMO initiatives may be diminished.

Employee reward systems do not have to be highly complicated. For example, extrinsic rewards can be based on how well an employee serves both the SBU and the CMO. It’s just that these reward systems need to be explicitly stated and understood before the CMO is hired.

CEO advice: If hiring your first CMO, appropriate employee-reward systems will not be in place to support the CMO office. Work with other chiefs in the organization to change or modify how employees are rewarded in support of CMO initiatives.

CMO advice: Make sure your CEO is aware of these issues and that senior levels of management will address them within the first 12 months of your tenure.

The Three-Legged Stool

The CMO is supported on a three-legged stool. One leg is the firm’s cultural ideology, another is the CEO’s marketing philosophy and vision, and the third is an organizational commitment to the head marketing office.

If any one of these legs is weak, the CMO will fall. Admittedly, we don’t live in a perfect world. If corporations waited until they perfected the ideal three-legged stool, CMOs would never get hired. The key to developing a structurally sound foundation supporting this office is, at minimum, understanding and addressing the issues we discuss in this article before hiring your first CMO. ■

About the Authors

Terry H. Grapentine is former director of consumer insights, Brunswick Corporation and owner of Grapentine Company, Inc., Ankeny, Iowa. He may be reached at tgrapentine@gmail.com. **David Dwight** is vice president, global marketing, sales and integration, at Cummins MerCruiser Diesel, Charleston, S.C.

He has an undergraduate degree in engineering from Rensselaer Polytechnic Institute and an MBA from the University of Colorado. He may be reached at david.dwight@yahoo.com. The authors wish to thank Dianne Altman Weaver for helpful comments and suggestions.