



CMO Impact Study: 9 Key Learnings

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Background

To date, understanding how the role of the CMO impacts firm performance has been limited. This study was designed to generate insight into whether the CMO role—and its structure—positively or negatively affects a firm's success and, if so, how.

Analysis is based on a total of 814 surveys. The survey was conducted throughout summer/fall 2013. Of all respondents, 71% were CMOs (head of the marketing department) and 29% held other executive-level positions. The analysis was based solely on the CMO responses and compared the top 20% of firms in terms of marketing capability—defined as the ability to leverage marketing resources to drive firm performance—to the bottom 20%. The results that follow are from analyses that compared the two quintiles across different aspects of the CMO's role (e.g., responsibility, tenure, job fit). The objective was to determine whether there was a difference in the CMO role between the top- and bottom-performing firms in terms of marketing capability development.

Of the CMOs who took the survey, the median number of years in the position was three. The median number of years of experience as a CMO (across all firms they've worked for) was six. Fifty-eight percent of the CMOs reported directly to their CEOs, while another 34% had one level between them and their CEOs. Fifty percent of the firms have had only one CMO during the past 10 years; however, 29% have had three or more.

Overall Learnings

- 01. Marketing Matters:** A firm's marketing capability has a positive and significant relationship with overall firm performance. This has been demonstrated through a meta-analysis conducted by Krasnikov and Jayachandran (2008) and is further corroborated by this research. However, whether the CMO impacts a firm's marketing capability (and, therefore, overall firm performance) had not been explored. This research helps provides some answers.
- 02. Marketers Managing Marketing Yield Better Results:** CEOs can choose to allocate such activities as e-commerce, digital, CRM, pricing, branding, and corporate strategy to any number of C-level executives. In general, the top-performing firms have allocated greater ownership across more marketing-related activities to the CMO than the bottom-performing firms. When CEOs allocate greater responsibility for marketing activities to marketers (CMOs), their firms tend to develop a stronger marketing capability.
- 03. Greater CMO Status Is Associated With Stronger Firm-Level Marketing Capability:** The top-performing firms have CMOs who have achieved a higher perceived status relative to their C-level counterparts in the bottom firms. This suggests that greater scope/ depth of responsibility, plus greater perceived importance, is positively related to a firm's marketing capability. Intuitively, this makes sense. A CEO is more likely to achieve better marketing performance by allocating more marketing responsibility to the CMO, as well as ensuring the CMO has the requisite status in the top management team to be able to garner needed resources and cooperation.
- 04. The CMO Matters:** Interestingly, CMOs in the top-performing firms tend to have more prior experience in strategic planning and less staff/service experience than CMOs at bottom-performing firms. This suggests that as marketers climb the ladder, they ideally will want to seek out experiences beyond staff/service roles to strengthen their knowledge and skills so they are more prepared to take on a C-level position.
- 05. CMO Tenure And Experience Matter:** Greater CMO tenure (number of years in a position) and greater overall experience as a CMO (aggregate number of years as a CMO) are associated with better firm-level marketing capability. Again, this intuitively makes sense, indicating that overall experience within the firm—and experience as a CMO—can aid in better performance. This also suggests that high CMO turnover can inhibit the firm's marketing capability development and performance.

- 06. Fit Matters:** Top-performing firms have CMOs who believe their skills, knowledge, and experience are a better "fit" with the needs and requirements of the job. While the skills required for CMO jobs differ, it is important to match the skills required in a particular role with those of a CMO to better enhance firm performance. While obvious, it's apparent that variance exists across firms and CMOs in their ability to effectively match skills with position needs.
- 07. Clarity Of Expectations Yields Better Marketing Performance:** Top-performing firms have CMOs who are clearer about their expectations than their counterparts at bottom-performing firms. This learning is key. A lack of clear and explicit expectations impacts overall CMO and marketing capability performance. The CMO and CEO jointly own this. The CEO needs to do a better job of articulating expectations up front, and the CMO needs to lead this effort if expectations are unclear by negotiating clarity and transparency of expectations.
- 08. Firm Philosophy Has A Significant Impact On CMO Impact:** Market orientation is the degree to which the entire firm is focused on the customer and external environment. A significant relationship exists between those firms that achieve better marketing capability and those that have a stronger market orientation. The degree to which the firm believes in serving the customer and addressing marketplace needs impacts whether the CMO can be effective. As a result, when a CMO interviews for a specific position, he/she needs to determine whether the firm is highly market-oriented (e.g., CPG firms) or less market-oriented (e.g., focused on internal activities, such as engineering and technology). For instance, prior to bankruptcy, Kodak was criticized for being R&D-centered and not market-oriented. JCPenney has been attacked for its recent spate of strategic errors, with some considering this an example of being firm-focused rather than customer-focused. When a firm is "self-centered" rather than "customer-centered," it becomes more difficult for a CMO to deliver results. This is likely because the CMO's expertise is in understanding the external environment and leading program development to take advantage of such insight. When the external environment is not a key area of focus to the company, the CMO's expertise becomes less valuable.
- 09. Size Matters:** A relationship exists among the size of firm, the scope of CMO responsibility, and the perceived importance of the CMO role. Large-firm CMOs (organizations with more than \$5 billion in sales) tend to have more narrow responsibility than their small-firm counterparts (organizations with less than \$500 million in sales). Large-firm CMOs also have less responsibility for key P&L impacting activities, such as distribution, product development, sales, and corporate strategy. However, large-firm CMOs perceive that the CMO position has greater status/importance (relative to the COO and CIO) in their firms than do their small-firm counterparts. When picking a firm to work for, size can create a potential trade-off between the scope of responsibility and the potential status.

About the Researchers

About Kimberly A. Whitley

Kimberly A. Whitley is currently an Instructor at Indiana University's Kelley Business School, and will join the faculty at the University of Virginia's Darden School of Business in summer 2014. Previously, Whitley spent nearly 20 years in senior marketing and general management positions and is a three-time CMO. She writes a monthly blog for CMO.com ("CMO Matters"), is a Forbes contributor, and has published in Ad Age, The CMO Council, PeerSphere, The Marketing Science Institute, Chief Marketer, and HBR.org. Whitley has also presented at a variety of conferences and events, including the CMO Club, the CMO Exchange, the Marketing Forum USA, the American Marketing Association's Educator's Conference, and the Academy of Management Conference. She attended the U.S. Air Force Academy, received a B.A. in Psychology and Business Administration from Eureka College, an MBA from the University of Arizona, an M.S. in Marketing from Indiana University, and is currently completing her Ph.D. at Indiana University.

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