

The CMO/CIO Organizational Alignment Mandate

White Paper at a glance:

Chief information officer reporting relationships continue to be distanced from the strategy function. The marketing function is experiencing this same distancing from strategy. However, the two functions should be on the leading edge of strategy, rather than the receiving end.

Part 1

The topic of aligning the IT agenda with the business agenda has spawned literally hundreds of articles and certainly sensitized the IT community regarding this issue. Despite the progress made regarding the alignment issue, CIO reporting relationships continue to be positioned at a distance from the CEO and strategy function. A comparable trend appears to be occurring with the Marketing function. The CMO position is experiencing this same distancing from strategy. These two functions should be on the leading edge of strategy formation rather than the receiving end. Organizationally, this is a source of dilution few organizations can afford, yet it is unlikely to change unless these two functions can demonstrate a clear contribution to the CEO's agenda. In this regard, the CMO and the CIO may be more effective working together than separately.

An Odd Association?

The first thought that the title of this article may bring to mind is what an unusual pairing, a Chief Marketing Officer (CMO) and the Chief Information Officer (CIO)? The next logical association would be to recognize the need for CMOs to justify or otherwise rationalize their function's spending and the dependence on IT systems (CIO) to support such an effort. Although it is true that CMOs are under considerable budget scrutiny, the thrust of this article is to address the dilution of influence of Marketing and Technology on organizational strategy and offer some suggestions as to how to create a framework that will leverage the potential of these functions and thereby increase organizational alignment and performance.

Marketing, IT, and Alignment

There is a common management mindset such that when the words *organizational alignment* are spoken, there is an immediate association with the IT function. Obviously, there is a legacy of misuse and misdirection that supports this association and there are reams of literature that address how to correct the situation; however, the reporting relationship of the CIO remains removed from the center of power and strategy.

Ironically, the CMO position is gravitating to a similar position. Despite a history of Marketing leading the direction of the company; current trends are strikingly similar to the plight of the CIO. Consider the parallels in the two positions:

- CMOs and CIOs are reporting to executives other than the CEO.

- In most cases the CMO and CIO are not members of the board or even part of the executive committee.
- The Marketing and IT budgets often deal with extended time horizons and impact results in a manner that may be viewed as intangible.
- Marketing and IT have their own language and concepts that are not understood by other functions.
- The Marketing and IT budgets often eclipse other functional budgets in terms of expense and capital expenditures. For these reasons, there is increased pressure to justify spending. However, justification involves extrapolating into the future with minimal near term visible results.
- In general, with an organizational emphasis on near term results, the CMO and CIO are not viewed as *the go to people* to make it happen.

Thus, though it can be argued that these two functions are among the most strategic within the whole organization, they are increasingly isolated from the seat of influence where they can have the greatest impact.

Part 2

Part 1 of this two part series made the case for linking the characteristics of the IT and Marketing functions and their mutual exclusion from the creation of corporate strategy. Part 2 identifies a lynchpin framework that the CIO and CMO can collectively use, to effectively establish their rightful positions at the strategy table.

Is the Answer ROI?

Most management pundits argue that the answer for Marketing and IT is to demonstrate connectiveness through a demonstration of ROI. From the perspective of fending off the challenges of the CFO at budget time, ROI may work; however, ROI does not address the alignment or connectedness issue. The CEO must be able to connect the dots between his/her agenda and the actions of Marketing and IT in both the short and long run. Likewise, the other peer functions must sense (moreover experience) a common feeling of pain and commitment.

For many in the Marketing community, the answer is Brand Equity and ROI. Certainly, Brand recognition and the power of the brand are intuitively appealing but these concepts are difficult to measure as a component of the whole purchase rationale and experience (impact on customer behavior). Therefore, from a non-marketing function perspective, it is difficult to rally around the abstraction of brand attitudes and perceptions. Likewise, ROI is often dependent on forecasted impact which has its own aura of credibility much less utility.

Thus, the discipline of ROI is certainly a positive step toward creating a sense of accountability relative to the decision making process; it does not address the

issue of alignment or influence; all it does is to introduce a sense of constraint as opposed to contribution.

In Search of a Lynchpin

The most logical common ground for the CMO and CIO is in the area of Customer Relationship Management (CRM). The obvious follow-up to this starting place would be marketing Automation which is an application that is designed to help the marketing function to more efficiently plan programs and assess the corresponding ROI. Success in this area can build the relationship between the CMO and the CIO and can generate some slack from the CFO relative budgeting, but it is unlikely to create much visibility outside these perspectives. Even if it does receive visibility it is likely to be viewed as justifying one's actions as opposed to pulling the organization forward..

The more central and relevant issue is the customer. In Business To Business (B2B) transactions, marketing may be viewed as relevant only in the context of promotions, leads, and literature. Typically, the other functions view these contributions as follows:

- Promotions
 - May not be timed to match other strategies and needs.
 - Promotions may produce customer behaviors that negatively impact the other functions (e.g. spikes in demand that add pressure and costs to operations and customer service).
- Leads
 - Leads are often considered unqualified (not a decision maker and/or questionable decision timeframe) by the Sales function; this translates into essentially zero follow-up.
- Literature
 - Because the Marketing department is structured into product groups, literature communicates product attributes versus solutions. Customers are seeking solutions and the Sales function must improvise proposals that address customer needs.
 - Product literature tends to be general (30,000 feet) or detailed (3 foot level) and therefore does not address an audience of mid-level people who are often decision influencers if not the buyers. The Sales function must again improvise to create relevant literature and value arguments to obtain access to decision makers and influence their decision process.

For the CIO, the customer facing functions may be operating with systems that limit flexibility, require many work arounds, have slow response times, and/or have data integrity issues. These limitations can impact the ability to scale operations and/or improve the customer interface.

For these reasons, the customer facing functions may not have warm feelings for the CMO or the CIO. To be credible, the CMO and CIO need to be seen interfacing with customers in a listening and learning mode. Any help that these functions can derive that will make them more productive and improve profitability will be well received. Key issues (B2B) revolve around the topics of:

- Who (customer attributes) is buying and why do they buy?
- Who is not buying and why?
- The customer's buying process and who are the players (decision makers and influencers)?
- What type of solution is being sought and how does it fit with the customer's competitive strategy?
- What supplier policies or performance drives them nuts?
- Opportunities to work more closely together?

What should emanate from these discussions is a clearer definition of how to help the customer facing functions to communicate and deliver a value proposition that will drive revenue and profitability while improving competitive strength. The sales organization should receive tools and programs that help them relate to the myriad of buyers and influencers they must deal with and the other functions receive system and policy support that makes the organization easy to do business with. These types of changes will reduce the height of the walls of the functional silos and set precedents for working together. Moreover, progress in this area will position the CMO and CIO as clearly directing their efforts to eliminate impediments that impact revenue, margins, and profitability plus foster sustainable performance (music to the CEO).



About The Author

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Mr. Petersen is the author of seven books:

- *High-Impact Sales Force Automation: A Strategic Perspective*
- *CRMS: ROI & Results Measurement*
- *CRM Leadership and Alignment in a Customer Centric World*
- *ROI: Building the CRM Business Case*
- *CRM Best Practices: Self Assessment*
- *Making CRM An Operational Reality*
- *The Profit Maximization Paradox: Cracking the Marketing/Sales Alignment Code*

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