

How To End the CMO Revolving Door Syndrome

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Table of Contents

Executive Summary3
The Dilemma3
Background5
Do We Need a CMO?5
The CEO's Mandate6
A Reality Check7
The CMO Charter8
The CMO and Marketing Operations9
Moving Forward9

Executive Summary

North American management has a history for popularizing new concepts and then demonizing them with the same energy when they appear to not deliver the spectacular results originally promised. The Chief Marketing Officer (CMO) is becoming a poster child for this phenomenon and is in danger of becoming more road kill on the highway of discarded management ideas. There is a pattern involved here, that must be broken to achieve the benefit that originally spawned the CMO idea.

The first step to breaking the pattern is to recognize that a CMO is not a rock star or a senior vice president of marketing with a fancy new hat. The CMO is a partner with the CEO in terms of the creation and execution of strategy. This position is critical because the market, media, and customer environment are becoming too complex; CEOs and their boards need insight and ideas that pertain to business models and not necessarily to brands. The reality is that most marketing executives have not pursued a career path that qualifies for this role.

On the other side of the spectrum, CFOs are concerned about the economic value of marketing spend. The irony of these twin needs is that it suggests that the CMO is bipolar and can simultaneously deal with macro and micro issues (assuming the knowledge to do both). To accomplish both objectives, the CMO needs a chief of staff similar to the role one often finds within Sales as a Sales Operations position. In this manner, both needs are served without dilution of focus.

Thus, to end the revolving door, the strategic purpose of the position must be recognized and serve as a basis for hiring. A CMO charter document must be created and serve as a source for setting expectations. The CMO must be supported by a chief of staff representing Marketing Operations to complete the balance required for the position.

The Dilemma

During the past twenty years there has been a continuous flow of management concepts and ideas that have been popularized and then die from over use or misuse. Most of these concepts were born out of competitive necessity; for example, Total Quality Management (TQM) was driven by competition with Japan and more recently, Customer Relationship Management (CRM) emerged as the e-Commerce and other Internet applications empowered buyers with key competitive information. Typically, each management concept is introduced with great fanfare and a not so subtle suggestion that it is a silver bullet for a common concern facing business today. The result is always predictable, improvements are sporadic at best and business settles down with some vestige of the original concept.

How to End the CMO Revolving Door Syndrome

The notoriety surrounding the relatively newly minted title of CMO has all the attributes of another management fad. What constitutes a CMO position remains fluid and the turnover rate suggests that success also remains elusive. Compare this with CRM which has been around for over ten years and remains undefined while success is reported at less than fifty percent.

Certainly there is ample reason for senior management to be concerned about the health and effectiveness of the marketing function. This is an era of unprecedented competitive pressure. Competition can arise virtually overnight from anywhere on the globe. Customers have become sophisticated shoppers with buying processes that involve many touch points and channels; some of which the company has little control over. Emerging markets represent great promise, but marketing techniques and positioning that work in the domestic market may translate poorly into the new markets. Meanwhile, the explosion of new sources of media, challenge the effectiveness of print and television thereby compromising historical rules of thumb that guided marketing mix in the past. Given the size of historical marketing expenditures and the need to leverage every resource available to the company, senior management is looking for assurance that their marketing efforts are being optimized. Therefore, senior management is searching for leadership that can effectively navigate this complex and ever changing environment.

Senior management often has a clearer picture of the symptoms of change rather than the cause and effect of change. Lost market share, eroding margins, missed forecasts, and profit crunch are the reality of shifts in the marketplace; but how do these translate into marketing leadership and direction? In this regard, a senior level marketing executive has great intuitive appeal and therefore a CMO position is established and a new person is hired. Unfortunately, no one knows exactly what this new person needs to do and what type of track record is appropriate, so the tendency is to hire someone with classical marketing skills. The result is typically dissatisfaction with the value add of the individual and/or the creation of meaningful results. For some organizations, the priority was one of having a better handle on effective use of resources whereas for others, there is a disconnect with the ability to leverage business. After, a period of two years, the incumbent leaves by invitation or out of frustration and a new search is initiated. According to executive search firms, fifty percent of the CMO searches are for replacements. Thus, the CMO position becomes a revolving door; and the challenges facing the company continue unabated.

The revolving door phenomenon exacts an enormous price on the organization in terms of actual and opportunity costs:

1. The cost of hiring and firing.
2. The cost of productivity lost by changes in leadership.
3. The cost of staff turnover associated with changes in focus.
4. Continued deterioration of one's competitive position

5. Waste of marketing resources that are misdirected.
6. Loss of credibility for the CMO position no matter who is hired.
7. Erosion of company image due to the revolving door.

As will be presented in this white paper, the CMO position implies a great many things to different organizations and it is enormously wasteful to hire the wrong resource for the wrong reasons.

Background

It can be argued that the CMO position was spawned back in the 1970s when high profile marketers created high impact campaigns for the consumer goods industry. Their success made them virtual rock stars and they were given the mantle of CMO. Unfortunately, these individuals tended to move on to the challenge of the next company. This phenomenon has a counterpart in the annals of CEOs where individuals have turned companies around and achieved similar rock star status. Despite the recognition that this single handed turnaround is a rare occurrence and can be a liability; there remains in everyone a yearning for the miraculous solution.

In the latter portion of the 1990s and early years of 2000, there appeared what could be described as the perfect storm in marketing:

- CRM was birthed with the promise of better management of the customer experience.
- The Internet matured and offered new distribution options and empowered the customer with access to unparalleled sources of product and price information.
- Cable TV offered consumers the ability to choose channels based on their interests and in some cases, commercial free.
- The Internet became a source of entertainment.

With the collapse of the tech bubble, organizations needed to retrench and there was (and still is) a desire to better understand the return on marketing investment. This desire is manifest in establishing a ROI for the marketing spend. This pressure has only increased with the evolution of social networks and the complexity of consumer and industrial purchasing processes.

To unravel all of this complexity and to chart an appropriate course, senior management is seeking leadership in the form of a CMO. Unfortunately, the landscape is filled with hype in every direction and this complicates defining the role much less setting reasonable expectations.

Do We Need a CMO?

In the last decade there has been a cry for Chief Customer Officers (CCO), Chief Revenue Officers (CRO), Chief Security Officers (CSO), and before that we had the era of the Chief Technology Officer (CTO) and Chief Information Officer

(CIO). Some of these titles are created by the industry in the hope of elevating their particular issues within the user community while others reflect concerns about realities in the marketplace. Perhaps by design, the hype in the literature has a tendency to create expectations in marketplace. All of the visibility given to the CMO role has created an expectation or desire within the marketing environment to hold this title. So whereas a VP of Marketing or Senior VP of Marketing would have been the ultimate goal of professionals, the new gold ring is CMO. This may appear as a trivial point, but it is important in trying to sort the hype surrounding the position. Customer Relationship Management (CRM) offers a relevant parallel. CRM represents a set of applications that address the productivity and process needs of customer facing functions such as sales, marketing, customer service, help desk, and field service. The applications are integrated with a common database and analytic capabilities. CRM is designed to be an enterprise application. As with any productivity technology, there was a cry for a proof that it was effective. Both vendors and the literature responded with case studies where CRM was effective. However, when one examined these cases more closely, it was evident that they typically applied to the use of applications in one function. Is this really CRM?

So if the responsibility of a CMO is really equivalent of a VP or Senior VP of marketing is that really a CMO or does the title infer a different level of responsibility? To take a case in point, assume that the expectation is to establish a ROI for marketing spend and to explore the use of new sources of media, does that imply the need for a CMO position? Even if the position implies the coordination of marketing activity across SBUs does that elevate the position to CMO versus Senior Vice President? Similarly, does the role of emphasizing the voice of the customer experience within the organization elevate it to C-level?

What should elevate the position to C-level status is the responsibility and authority granted in the context of the organization's business model and strategy. In this context, business model is meant to pertain to how the organization adds value to its target segment(s) and the sources of generating revenue. Since these issues (business model and strategy) transcend the organization and involve board level contact, a C-level title is merited. This definition avoids trivializing the position and creates a context which is in synch with the issues that confront organizations today.

The CEO's Mandate

In the vast majority of cases, the creation of a CMO position is driven by a CEO mandate. One would assume that the idea for a CMO is driven by the twin circumstances of need and suggestion. Demands for innovation and growth become married to conversations with peers and board members who refer to the possibility of a CMO position. The idea has intuitive appeal because most CEOs do not have a marketing background, marketing and sales represent a huge portion of the budget, and there is a dire need for growth. Armed with this

rationale, the CEO proceeds with making this position a key aspect of his strategy with subsequent support from the board.

To gain better insight regarding the types of issues that keep the CEO up at night, The Conference Board publishes an annual report that identifies CEO priorities and concerns for the upcoming year. The last available report is based on a survey and interviews conducted in 2007. The top ten challenges articulated by CEOs based on that survey are provided below in rank order according to greatest concern:

- 1 Excellence in execution 38.4%
- 2 Sustained and steady top-line growth 36.8%
- 3 Consistent execution of strategy by top management 31.8%
- 4 Profit growth 28.4%
- 5 Finding qualified managerial talent 27.2%
- 6 Customer loyalty/retention 26.3%
- 7 Speed, flexibility, adaptability to change 25.4%
- 8 Corporate reputation 23.7%
- 9 Stimulating innovation/creativity/enabling entrepreneurship 18.7%
- 10 Speed to market 18.2%

Though today's list might reflect the cost of energy and the need to protect the environment, there is reason to believe that the above challenges remain top of mind. All of these challenges link to marketing at some level; thus it is no surprise that CEOs are drawn to the need for a CMO role. At the same time, the CMO's tenure becomes based on CEO expectations and satisfaction.

A Reality Check

With more countries, more customer segments, more media, and more distribution channels, companies are waging a battle with complexity. Marketers and marketing can no longer rely or manage on the basis of the things they control (4 Ps); marketing strategy must embody organizational strategy. The organizational functions must adapt to the reality of the marketplace as opposed to internally focused, easy to measure productivity metrics. The CEO must be able to rely on someone who understands the complexity of the market and can draw insights from it to create meaningful and cost effective strategies. This means establishing business relationships with partners, customers, and sometimes competitors to create new value and opportunity in the marketplace. The CEO needs an internal partner to evolve strategy and articulate it to the organization. Strategies must embrace new business models and build reputation as opposed to simple building of brands.

These realities are reflected in the following list of desired CMO traits as created by the CMO Council:

- Strong business acumen and boardroom stature

- Strategic long-term view; essential confidante to the CEO
- Consensus builder and inspired leader across functional areas
- Polished, articulate and confident communicator
- Communications and advertising campaign prowess
- Inherent customer sensitivity and staunch defender of user experience
- Exceptional measurement and analytical capabilities
- Deep channel understanding and program expertise
- Deep domain knowledge of the company's market
- Sales organization intimacy, credibility and experience
- Ability to look across the organization and tie all disparate pieces together
- Financial management rigor, competencies and discipline
- Product design, development and manufacturing group synergies
- Technology/Internet expertise in specifying and deploying solutions

Also recognize that these attributes could easily fit the characteristics of a CEO or COO; if one had these attributes would he or she be interested in the CMO position unless it had a clear career track to the COO or CEO position? Further, how likely is it that one would find such a person within one's particular industry? The other issue of high relevance is that the incumbent by necessity has a career path that includes sales, operations, general management and ideally experience in a developing country. This generates a number of conclusions:

1. Search firms should not be concentrating on marketing candidates who have not had other operational experience.
2. No matter who the candidate is, it is likely that they will need support from other areas to create a full spectrum of knowledge.
3. Companies should be examining their career path strategies to start growing this talent internally.

If these attributes and positioning of the role of the CMO are correct, then organizations must develop a recruitment and change management strategy to minimize the risk of failure and subsequent turnover because the implied costs are too great.

The CMO Charter

A CMO charter positions the CMO's role and responsibilities in providing leverage for the company's success. A shared vision of the CMO's role, within Marketing and among the other organizations throughout the company, creates momentum, reduces redundancy, and strengthens the position's strategic capability. Accordingly, the CMO charter creates a common framework across each division and each region relative to strategy and marketing. The framework lays the foundation to address current challenges of knowledge flow and smooth hand-offs of deliverables, inbound channels for establishing customer requirements, silos of marketing effort, and synergistic roles for the functional areas of Product Marketing, Marketing Communications, Field Marketing, and

Sales, Customer Service, and the operational functions within across the company. The CMO charter also includes areas of authority, criteria for success, and the tools necessary to achieve success.

The charter should be considered a starting place for the search for a CMO. As indicated in the previous section, it is likely that each candidate will bring a unique set of knowledge and skills to the position and therefore the charter will need to be honed after the CMO is hired.

The CMO and Marketing Operations

This white paper justifies the CMO's C-level status on the basis of its role in setting and orchestrating strategy. Given this emphasis, the incumbent is likely to have a diversified background. However, regardless of the incumbent's experience base with marketing there will be a need for a "chief of staff" of marketing who will embody marketing operations. Marketing Operations provides the organizational glue that enables the function to work seamlessly and coherently. For example, Marketing Operations provides the infrastructure and policies that are necessary to coordinate marketing activities. Another aspect of Marketing Operations is to assure that marketing spend and marketing mix are based on solid financial terms and that the function operates with a performance dashboard that is consistent with organizational strategy. Typically, the Chief of Staff also manages day to day operational interfaces with other functions thereby allowing the CMO maximum bandwidth to support strategy development.

The combination of a CMO and a Marketing Operations Chief of Staff is synergistic in that most organizations are struggling with complexity and accountability. If the CMO has to deal with both issues simultaneously, one area will be addressed at the detriment of the second or worse yet neither will be effectively addressed.

Moving Forward

This white paper has presented the prohibitive cost associated with excessive turnover in the CMO ranks. To change the current course, we need to carefully assess what aspect of this position truly merits C-level positioning. It has been suggested that given that the position is created through a CEO mandate and given today's priorities, it is most useful for the CMO to participate in the development of and execution of strategy. This role justifies the C-level status and the qualities desired in the incumbent. To further define the role so as to reduce turnover, it was suggested that a charter document be created to guide recruitment and serve as a reference for managing expectations across the organization. Lastly, it was suggested that the CMO be supported by a Chief of Staff representing Marketing Operations. This enables the CMO to concentrate on strategy while ensuring that the marketing function is operating on the basis of accountability and best practice.

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Complexity tends to freeze decision making; it is only when we gain insight that we can connect the dots and gain competitive advantage. The CMO is potentially the source of that insight, but only if the right person is selected. The charter document stands as a vehicle to truly bridge the needs of the organization. The investment in time may be painful but when compared to the opportunity cost of making and supporting the right decision, it becomes inconsequential.