

From the Desk of...

Martin Roll
Business & Brand Strategist

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The Chief Marketing Officer's New Boardroom Role

The Chief Marketing Officer (CMO) has become one of the more commonly talked about corporate designations in recent years. Given the tremendous marketing potential offered by new media and the proliferation of distribution channels, companies have begun to realise the huge potential that marketing has in guiding strategies at the corporate level. Yet, not many companies have a senior marketing representative in their C-suite. Is the role of a CMO a mere hype or do companies need a CMO?

Why do companies need a Chief Marketing Officer?

As the business landscape evolves, marketing also evolves into an organisation-wide strategic discipline. Given marketers' knowledge of the customers, it is imperative that the CEO and the corporate board have a representative of the customer to continually educate them. Additionally, companies need a strategic CMO to benefit from:

- **Aligning marketing with the corporate business strategy:** Newer technology, powerful channel partners and empowered customers have made the competition highly intense and marketing a very involved and strategic discipline. Marketing can no longer be confined to the 4P framework. Marketers, with their in-depth knowledge about markets and customers, should act as a major resource for strategy formulation. In all issues of corporate strategy – what markets to compete in, what segments to target, what entry mode and strategy to adopt, which partners to strategically ally with – marketing offers substantial information. In order to convey these holistic perspectives, it is imperative that marketing is represented by the CMO in the corporate boardroom who can speak to the directors and the CEO in their language. A classic example is the iPhone from Apple. Given the tremendously successful iPod and iMac, Apple could have become complacent. But the marketing acumen of the executives recognised the need to constantly excite the customers. Further, they built their growth strategies on satisfying

the unmet needs of the customers. As such, marketing has played a crucial role in guiding Apple's corporate strategy.

- **Connecting the corporate boardroom with the customer:** As Peter Drucker said, the only two functions of any organisation are innovation and marketing. Irrespective how innovative a company is, how committed the employees are, or how competent the top management is, unless the company connects with the customer, success will be elusive. Top management should constantly evaluate their strategic decision in the context of customer feedback - what do customers value and how can the customers help the company in co-creating value.

The CMO plays a crucial role in constantly updating the boardroom and the CEO about the latest customer preference and how well aligned the corporate resources are to meet those evolving customer needs. Companies such as Levis Strauss, Sony, Toyota, Nike and Singapore Airlines are some of the pioneering companies which manage to constantly feel the pulse of their customers. As such, marketing takes on a central role in guiding the corporate strategy of these companies by having the top management team and the CEO regularly updated about their customers and markets.

- **Creating a customer centric organisation:** Given the innumerable choices that customers have, ensuring long term customer loyalty and sustainable competitive advantage becomes highly challenging. The difference between

the successful companies that achieve those objectives and those who fail is the corporate orientation. Customer-oriented companies design and operate every aspect of the company with the customer in mind. To build a customer-centric organisation requires the concerted effort of all functions within a company, along with every employee, becoming a customer champion. These issues deal with organisational culture, organisational structure and corporate policies. The CMO can influence the boardroom and the CEO to implement measures which allow them to build a customer-centric organisation. Banyan Tree Hotels and Resorts is a classic example which showcases such a customer-centric philosophy. The founder has managed to instill a culture that allows constant interaction between marketing and other functions with the company. Such an emphasis has resulted in world class resorts that always manage to delight the customers.

From this discussion, it is evident that CMOs are strategic requirements of any corporate boardroom. But in spite of such a significant role played by the CMO, companies have not completely embraced the concept. Let us discuss some of the main challenges faced by CMOs which make them vulnerable to some degree of skepticism in the boardroom.

Challenges faced by the CMO

The challenges faced by the CMO are problems increasingly faced by the marketing discipline of late. It has been long argued that one of the fundamental challenges undermining marketing credibility and threatening its standing within a company - and has even threatened the very existence of the discipline as a distinct entity - is marketing's failure to quantify its outcomes and justify investments in marketing activities.

The three main impediments in this regard are: (i) relating marketing activities to long-term effects; (ii) separation of individual marketing activities from other actions and (iii) use of purely financial methods for justifying and benchmarking marketing investments. As such, CMOs are not given the opportunity to participate in the strategic decision making of the company. Two such daunting challenges are:

- **Measuring marketing outcomes:** Marketing fundamentally differs from other functions within a company like finance or operations in a couple of aspects. As marketing deals with people, their attitudes and eventual behaviours, they are not as predictable as a machine

process. As such, there can be a considerable time lag between marketing actions and their intended outcomes. Furthermore, measuring these outcomes will have to involve both financial and non-financial metrics. Given these underlying challenges, it is often difficult for the CMO to convince the top management of marketing's ability to competently allocate resources and significantly contribute to the company's growth.

- **Explaining marketing's centrality in a company:** Many companies continue to equate marketing with advertising and sales. But marketing has long evolved from being a tactical departmental function to an organisation-wide strategic discipline. Given marketers' knowledge about customers and other stakeholders, marketing plays a central role in leveraging the internal capabilities. But to assert such a central role within any company, marketers should be able to understand the different aspects of the company, its strategies, its resources and its limitations. Marketers are usually engrossed in their own jobs and fail to leverage their centrality in a company. CMOs face an immense uphill task in educating and convincing the C-suite of their capabilities and their rightful status.

The CMO and the corporate boardroom

Given rather strong antipathy towards marketing within any company, and especially within the top management team, CMOs should keep up-to-date and optimally utilise every resource at their disposal to address some of the fundamental complaints against marketing.

- **Leveraging new media:** Even as the Internet and other new media channels continue to challenge many of the fundamental ways of doing business, they also offer some tremendous advantages hitherto not within the reach of companies. As a majority of companies compete to create an online presence, they also should establish structures in their websites that would help measure many marketing variables. Software allows companies to track their customers' footprints, the stickiness, i.e. the amount of time a customer stays on your website, the click-through-rate of online advertisements, effective optimisation of layout design and feel to measure changes in attitudes and behaviours and so on. These tools can be effectively leveraged by the CMOs to begin the process of quantifying marketing outcomes. These early experiments also allow companies to gradually design their own set of useful metrics. Such an essential first step

not only brings credibility to marketing, but also allows marketers to make a strong impression with the top management teams and the CEO.

- **Internal training:** In order for marketing to rise up to the boardroom level, marketers should be able to thoroughly understand the strategic imperatives of the company across functions and be able to speak the boardroom language. This can be achieved through formalised internal cross disciplinary training. Such a training system would allow marketers to understand the dynamics of corporate strategy and also enable marketers to effectively leverage collective internal resources towards ensuring profitability and optimal results.

This article raises some very fundamental questions about the way that companies should be run in the future. The role of marketing within a company is going to become even more central as managing customer interactions and 'co-creating value' becomes the building blocks of any corporate strategy.

In the future, the CMO will emerge as the strategic connection between the corporate boardroom, the top management team, the CEO and the customer. Companies should offer the CMO the requisite status and power within their company. Furthermore, companies must create an organisational structure where CMOs can guide the company's vision and mission by integrating the myriad functions within the company. The time is not too far away from when the success of the company will depend upon the strength of its marketing and the CMO.

Asia has an unprecedented opportunity to elevate marketing to the boardroom level so that the CMO can take center-stage in shaping and executing the corporate strategy, leading to better shareholder returns.

About Martin Roll and The Insight Bureau

Martin Roll is a leading global expert on leadership, strategy and branding. As a business strategist, he advises top executives and corporate boards across the globe, including several companies in Asia and the Fortune 500 list worldwide. He facilitates business leaders on bold thinking for future strategies.

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www.insightbureau.com

Tel: +65-6300-2495

engage_us@insightbureau.com

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