Are CMOs the Next CEOs?

• For years, CMOs have battled with CFOs and CIOs for the chance to occupy the CEO desk. Traditionally, the CMOs lost.
• Cloud computing has changed everything, enabling consumers to buy anything, anywhere, at any time.
• Marketing officers now need a totally different, and up-to-date, skill set.
• To be seriously considered for the CEO role, CMOs need experience in more areas of business than just marketing.
• The jury is still out on CMOs who recently became CEOs at large companies.
Arriving in the corner suite traditionally meant that a leader had spent years in a company’s finance, operations or logistics division. Year after year, executives paid their dues and worked their way up. They learned, and then honed management and leadership skills, gained P&L experience, and often captained an operating division of their company in order to be ready when the CEO role opened up. Little attention was paid to the qualifications of CMOs when a CEO position needed to be filled.

Cloud computing, however, changed everything, and marketing officers who understood, followed and worked to get ahead of the changes in consumer demand—and who invested time and budget dollars in data analytics—began to clearly understand their customers.

**New Paths to the CEO Desk**

The path to the CEO’s desk has traditionally included a stint as CFO, COO or CEO at a smaller segment of a company. Running an operating division, understanding the P&L, incorporating technology and information and, to a lesser degree, understanding customers and trends from the marketing and advertising perspectives, have for years been the qualifications that corporate boards have used to select new CEOs.

Until recently, many CMOs were not viewed as CEO material because they had never been accountable for the bottom line. The resulting lack of P&L responsibility and fiscal knowledge hampered their advancement. But business has undergone such dynamic change in the last several years that the stock of CMOs is rising. Perhaps no one is closer to the consumer than a company’s CMO—and that has changed the path to the top spot at some consumer-facing companies.

In the past, marketing was hard to measure, and a switch in direction or a new tack in strategy took months to quantify. Instead of heading a sizable team, marketing officers often had a small team and relied on outside agencies’ assistance in executing initiatives. The marketing head wielded the budget for certain projects, but success was often difficult to gauge. Did the outside agency execute exceptionally well or was it the CMO’s guidance that resulted in success (or failure)?

Unable to show measurable results, CMOs often had a hard time convincing boards that they were qualified to be CEO.

Marketing has been traditionally viewed as a creative and art-dominated initiative to increase brand awareness or customer involvement. But a lack of metrics and technology made it particularly hard for marketers to show how customer retention, campaign effectiveness and new lead generation impacted profitability or revenue growth. Unable to show
measurable results, CMOs often had a hard time convincing boards that they were qualified to be CEO.

The nature of the marketing beast may also have affected their prospects for the top job. Often, a marketing specialist is recruited and hired to perform a specific task—improve customer engagement,

Some CFOs work as the CEO’s right-hand person for several years before being considered for the top spot.

reinvigorate a particular brand, or create a new strategy for growth, for example. The task may take a year to plan, a year to implement and execute, and almost a year to measure in terms of impact. In many cases, the marketing officer then moves on to another company.

So, CMOs who hope to compete with CFOs for the top slot often find themselves at a great disadvantage because of their relatively short tenure at a company. A CFO may have spent 10 to 15 years positioning him- or herself at a company, building relationships, accomplishing tasks and leading teams in positions of increasing responsibility along the way—all the while being highly visible to senior leadership. Some CFOs work as the CEO’s right-hand person for several years before being considered for the top spot. Additionally, in many cases, CMOs are tied to CEOs, so if there is a change at the top, the new CEO may replace the old CMO with someone he or she knows and has worked with before.

**Business NOW Requires a Different Skill Set**

Just five years ago, social media, mobile and cloud computing forever changed the corporate landscape. Social media impacted how consumers engaged with brands and products. Buyers now told peers about the quality of the products they bought—and instant bashing of poor-quality goods took on a new scale. Within minutes, a million people could be told about a good or bad experience via Twitter. Buyers purchased anything they wanted, any time they wanted, anywhere they wanted, via their mobile devices, sometimes even when they were standing in line to check out at a competitor’s store.

A new and different skill set is needed in this age of digital business. Marketers no longer simply buy prime-time network advertising. News cycles do not exist. Communication is instantaneous. Gone are many of the broad-based image and agency-executed initiatives, and in their place are many smaller, direct marketing thrusts. The Internet, social networks and daily, if not hourly, interaction with customers are the hallmarks of digital business today. Consumers use smartphones, tablets and wearable devices to seek information, share information and explore new ideas, places and products, usually while on the go. The customer drives everything, and on his or her own terms.

Caren Fleit, Senior Client Partner and Leader of the Global Marketing Center of Expertise at Korn Ferry, said that “only 7% of companies earned an excellent customer experience rating” in a recent study by the Temkin Group. Fleit continues:

As companies wake up to this huge disconnect and make improved customer centricity a priority, it often falls to the marketing leader to drive this transformation agenda across the customer journey and the enterprise. In order to help guide their organization...marketing leaders must drive organizational alignment and break down functional silos like never before. This implies very different leadership skills and an ability to think about the business much more holistically....CMOs who are successful at driving this change are well positioned to take on additional responsibilities and ultimately, even a CEO role.

Another difference in today’s environment is that millennials are making marketing directors think in a
totally different way. Speed has become the highest priority, and Internet apps need to work seamlessly, flawlessly and quickly to ensure that customers are not disappointed—because when they are, they often immediately vent via comment boards and social networks, sometimes within seconds. Consumers have very little patience, and a poorly functioning app can lead to lost sales, loss of market share to competitors and complaints that millions of others will read.

The business world is more technology driven than ever, and marketing heads must process information differently than they used to. Data analytics now provides detailed information about customers, sales trends, opportunities, cycle times and revenue, which can be used to inform marketing efforts. CMOs are expected to not only focus on all aspects of marketing, but also to think about new products, services and analytics, and anticipate what will come next.

As marketing-oriented technology and software programs improve, budget dollars will shift from the CIO’s bailiwick into the CMO’s. Marketing chiefs will be able to hire more and specialized staff that are much more in touch with social networks and interactive technology systems. CMOs worth their salt will use these and every other means to increase their visibility as viable candidates for the executive suite and the boardroom.

CMOs are expected to not only focus on all aspects of marketing, but also to think about new products, services and analytics, and anticipate what will come next.

Technology is not the only thing changing the face of business. Customer segments are changing daily, and marketing officers are searching daily for more data analytics and customer research in order to keep pace. Baby boomers are aging. Food is changing as healthy eating influences store choice, product selection and manner of preparation. Government legislation regarding healthcare is changing the way consumers react to a variety of products and services. The unconventional purchasing power and style of millennials is changing commerce.

Some CMOs will not be able to make the transition to the new business reality. Many experienced marketing heads do not understand the depth of the changes in the business world and, so, will be unable to keep up with the pace of continued change. Decades of knowledge and knowing what used to work will be insufficient.

Steps for Success

The changing face of business means many marketing officers are now enjoying a longer tenure with their company, which allows them to develop a different kind of relationship with the CEO.

Today, many CEOs have their own Twitter accounts, which they use to keep abreast of customer reactions, monitor the competition and connect with customers.

Smart CMOs understand that the CEO can be a distinctive and positive face of the company, directly affecting customers’ perceptions. A few years ago, Ford’s head of social media connected then-Ford CEO Alan Mulally directly with a person who had tweeted, “I’m a Volkswagen/Audi guy and I’m driving this new Edge Sport and I think it’s pretty cool.” The Ford marketer asked the tweeter for his phone number, and had the CEO call him. The man was still taking the test drive when he received a call from Mulally, thanking him for considering Ford’s Edge Sport. Today, many CEOs have their own Twitter accounts, which they use to keep abreast of customer reactions, monitor the competition and connect with customers.

CMOs hoping to make the transition to the CEO role also know that the technology-driven customer relationship presents them with a unique opportunity to interface with board members. But they must provide a thorough and detailed understanding of the customer to the entire organization, not just to the boardroom.

Smart CMOs understand that the CEO can be a distinctive and positive face of the company, directly affecting customers’ perceptions.
CEO and board. A focus on the customer decision journey helps the entire company develop a clear picture of behaviors and moments of influence on purchases.

Accordingly, CMOs need to interact with as many different departments as possible. They must show leadership in varying roles and areas beyond marketing to ensure they learn and understand other parts of the business, and ask questions of everyone in order to broaden their knowledge base and get a big-picture perspective of the business. Having a say in the leadership of the company is critical, as it gives CMOs the opportunity to help with strategic planning and bring the customer perspective into planning activities. Gaining global experience does not hurt, either.

CMOs must also create a marketing blueprint that details how marketing will deliver against the company’s business goals. Such documents specify what gets done, by whom, in support of what, over what time period, and they make connections among marketing activities, target goals and corporate business goals. Blueprints also specify how manufacturing will support the volume increase that marketing will spur and how sales forces will be staffed and trained to handle new product launches.

In the end, CMOs must have a track record of success in moving the profit and reputation needles in a relatively short period of time. Generating timely results is important because many CMOs still have shorter tenures than other C-level executives do at a company, and because there is a perception that marketing is not a solid training base for the CEO role.

Making the Case for CMOs as CEOs

As business has changed, CEOs have begun to see that marketing experts, with the right business acumen and skill set, can make the transition to the CEO suite. A recent Korn Ferry study of 125 executives found that 34% of those surveyed said they think their CMO could be a likely CEO candidate. An article in The Wall Street Journal summarized Caren Fleit’s thinking on the subject: “The new breed of CMOs who are more focused on delivering measurable business results across the company, as opposed to focused just on branding and communications, are actually in a better place today to become CEO. Today’s CMOs are often tasked with using data to better understand the customer and drive measurable business results, making it easier to quantify the impact of a CMO’s work.” The article goes on to quote Fleit: “Marketers who can break down silos and think of the enterprise in a holistic way and have everything they’re doing integrate into the rest of the organization...they are in a great position.”

In the end, CMOs must have a track record of success in moving the profit and reputation needles in a relatively short period of time. Generating timely results is important because many CMOs still have shorter tenures than other C-level executives do at a company, and because there is a perception that marketing is not a solid training base for the CEO role.

The new breed of CMOs who are more focused on delivering measurable business results across the company, as opposed to focused just on branding and communications, are actually in a better place today to become CEO.

Execution, implementation, operations and strategic planning are the areas of expertise a CMO must master in order to be considered for a CEO position. Only the very best CMOs will get a look from CEO recruiters—and there is still a gap between experienced CMOs who are nevertheless behind the curve regarding technology and consumer changes and younger CMOs who have a deep understanding of the digital business, but fewer years of experience.
Not an Impossible Task

Although difficult, it is not impossible for a CMO to become a CEO. In March 2015, former branding chief of McDonald’s Steve Easterbrook was named CEO of the fast-food giant. Campbell Soup named Denise Morrison, its former chief customer officer, as CEO in 2011. In 2012, Mercedes-Benz USA promoted VP of Marketing Stephen Cannon to CEO and rival Audi USA named CMO Scott Keogh as its President (with the responsibilities of a CEO). In 2013, online retailer Gilt recruited Citigroup CMO Michelle Peluso as CEO and in 2014, former director of marketing operations Ben van Buerden became CEO at Royal Dutch Shell.

These highly visible hires have been under scrutiny. Their impact will be measured over time, and their effect on business and profit will go a long way in determining whether other CMOs receive similar opportunities in the future. If these CMOs-turned-CEOs prove unable to accomplish specific goals, however, board members may decide they have made the wrong choice and revert back to the traditional ways of developing and choosing CEOs.

Conclusion

In the past, businesses chose new CEOs from the ranks of those who had financial or operational experience and had shown leadership in a variety of corporate roles. But the changing face of business and CMOs’ increasing responsibility in terms of improving market share and corporate profit—as well as thoroughly defining their company’s customers—has boosted the stock of some CMOs, and boards are beginning to consider them for the top spot at many companies. The increased use of data analytics and newly defined skill sets will help determine which CMOs have the skills and qualifications to move into the CEO suite.
Deborah Weinswig, CPA
Executive Director—Head of Global Retail & Technology
Fung Business Intelligence Centre
New York: 917.655.6790
Hong Kong: 852 6119 1779
China: 86 186 1420 3016
deborahweinswig@fung1937.com

Filippo Battaini
filippobattaini@fung1937.com
Marie Driscoll, CFA
mariedriscoll@fung1937.com
John Harmon, CFA
johnharmon@fung1937.com
Aragorn Ho
aragornho@fung1937.com
John Mercer
johnmercer@fung1937.com
Shoshana Pollack
shoshanapollack@fung1937.com
Kiril Popov
kirilpopov@fung1937.com
Jing Wang
jingwang@fung1937.com
Steven Winnick
stevenwinnick@fung1937.com

HONG KONG:
10th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 2470

NEW YORK:
1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

LONDON:
242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

FBICGROUP.COM