Blue Paper

CMO tenure:

Slowing down the revolving door

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NASCAR drivers beware. The role of today's chief marketing officer (CMO) is fast becoming one of the riskiest jobs in North America. In the corporate world, where job security always is in question, we have witnessed firsthand the increasing and alarming trend of CMOs going through the revolving door of jobs quicker than other senior-level executives.

It's jarring to note that the average tenure for CMOs at the top 100 branded companies is just 22.9 months. Compare this to CEOs, who are in their positions, on average, for 53.8 months. Based on our data, only 14 percent of CMOs for the world's top brands have been with their companies for more than three years — and nearly half are new to the job over the last 12 months. Burger King, Coke, Allstate, Circuit City, Avon, Revlon and Yahoo! are just a handful of notable companies that recently recruited a new CMO.

With such high turnover numbers and a shortage of industry-focused executives — coupled with the continued importance that marketing will play in the business world — companies need to quickly determine how to slow down the CMO turnover rate.

At Spencer Stuart, we understand that an executive's ultimate success hinges not only on the skill set and competency fit, but also on the critical cultural match. We recently analyzed the performance of the world's top branded companies and the marketing executives who occupy these oftentimes volatile positions to determine what is driving this trend and, most importantly, establish what top marketers, CEOs and other senior-level management team members can do to stop the CMO revolving door.

Tenure by industry (in months)

INDUSTRY	CMO	CEO
Apparel	10	229
Food	12	47.5
Telecommunications	15	37.1
Health/Beauty	18.2	38
Hotels	19.3	40
Retail — Apparel	19.4	52
Aviation	22	10
Restaurant	22.5	37.3
Life Sciences	24	34
Automotive	25.6	46.4
Beverage	25.8	48.1
Retail — Department/Mass	26.2	60.8
Retail — Other	26.3	32.5
Retail — Home Improvement	28.5	65
Media	29.3	17
Technology	29.9	74.7
Financial Services	34.8	45.4
AVERAGE	**22.9**	**53.8**

Impact on business

Hiring and promotion failures come with a lofty price tag for any company — recruitment, training and severance packages all factor into the costs associated with short tenures. However, companies that often replace the top marketer face even deeper financial pitfalls related to time out of market, changed strategic direction and continuity of equity enhancing plans.

Many times, a new CMO sends the current advertising agency into an unproductive frenzy when they, upon joining a new company, immediately question their predecessor's strategy. If the agency isn't immediately fired (which often happens), an incredible amount of time is spent on the re-education of the new CMO — oftentimes as much as three months. Also, because advertising campaigns are tangible, new CMOs have a tendency to quickly look to the creative for a change in direction. Clearly, these knee-jerk course corrections, designed to demonstrate that the CMO is making an impact, are not only expensive propositions, but, more importantly, force the consumer to accept yet another brand positioning.

"The practical reality is that if you're a sophisticated marketer, you are aware that advertising is less and less important in your overall marketing mix. However, the conundrum is that advertising is the most visible. This is why people tend to migrate towards fixing the advertising even though other broader customer experience problems may exist," says Joe Tripodi, who joined Allstate as CMO late last year.

In addition, bringing in an outside "hired gun," especially on a regular basis, can demoralize the more junior marketing professionals on the team. Typically, the new CMO is just the tip of the iceberg. Many times, one of the first things a new CMO wants to do is to re-organize and bring in his or her own team. Not only does this send employee productivity out the window as young marketers attempt to politically showcase their worthiness, but perhaps even worse, bringing in a new CMO raises legitimate questions about the career path for the company's emerging marketing talent.

Factors driving this trend

Over the last decade, the overall complexity and sophistication of the marketing function has grown by leaps and bounds. The top marketing executive, once only responsible for launching new advertising campaigns and crafting the annual promotional calendar, now oversees a wide array of integrated marketing and communication activities. Today's CMO is no longer buried deep within the hierarchal layers of an organization; rather, they are front and center in driving corporate strategy. Yet given this elevated status of the function and its leaders, why are marketing executive tenures shrinking? What are the real factors driving this trend?

Many have argued that the job security of a CMO is inexplicably linked to that of the CEO. When a new CEO joins an organization, he or she often brings in a new management team. Or when a company is struggling, a CEO may choose to lay blame at the CMO's feet. While these factors do contribute to a number of CMO changeovers, our numbers show the CEO-CMO connection is not the main cause for the current trend in the abbreviated CMO tenures. Our research, in fact, uncovered the exact opposite. At companies such as Kellogg, IBM, Anheuser-Busch, Verizon and American Express, the CEO has served significantly longer than the CMO. Within the food industry alone, the CEO tenure is 47.5 months, compared to an astounding 12 months for the CMO.

Based on our experience, the most common cause for such short marketing tenures is grounded principally in expectations — both from the perspective of the CEO as well as the peer group to the CMO. If these executives do not share similar expectations of the marketing organization with the CMO, chances for CMO failure are increased. And when there is the added pressure from shareholders, the media and boards of directors for nearly instantaneous results, the differences in expectations can cause major strife within the organization.

"Despite the importance of the marketing function, it isn't uncommon to find, when you move to a new company, that some of the key executives won't truly understand the role of marketing and, as a result, expectations between the marketer and those executives aren't aligned," explains Carter Cast, CMO of Walmart.com. "For example, the marketer may want to better understand the customer purchase experience by digging into customer service issues, only to find that other executives might question why he or she is doing that. To some executives, marketing might just be defined as advertising or marketing communications."

Tripodi, who joined Allstate following a long career as CMO of MasterCard, Seagram & Sons and The Bank of New York, further explains that there is a disconnect between the skills required of today's CMO and those of the past. Just because a marketer was successful in the 1980s, where big image and even bigger advertising ruled, does not mean he or she will be a good fit today, when successful marketing requires a much more complete, integrated approach. Companies, in turn, must carefully define the skills that are needed for their strategic marketing needs.

But it is not only the organization's off-kilter expectations that contribute to high CMO turnover. It's not unusual for marketing executives to over-promise what they will be able to deliver in the marketplace prior to fully understanding the business strategy and operational issues. At Spencer Stuart, we sometimes encounter silver-tongued, incredibly polished marketing professionals who are skilled at marketing themselves. The good news is that you can, in fact, calibrate future results based on an executive's historic track record, often conducted by competency-based interviewing and thorough third-party referencing and fact checking.

In addition to mismatched expectations, a poor cultural fit is another major force behind CMO turnover. Cast explains that "companies that have strong cultures tend to spit out people that don't quickly integrate into that culture. If a marketing executive thinks he or she is going to be successful in a completely different environment, but isn't prepared to take the time to get a handle on the culture and watch, listen and learn about what the company values and then assimilate into that culture, then he or she is going to face major challenges."

As Ben Kline, the new CMO for Leo Burnett, explains, "many companies are asking the CMO to be the ultimate change agent, yet most aren't prepared to give the new marketer enough time to be truly effective. The best situations are when the companies' senior most leadership paves the way for the innovative thinking of the new CMO. In order to be successful, an entire cultural shift needs to be unveiled in unison with the newly appointed executive."

How CMOs can improve staying power

While there will be situations which clearly are out of the control of the CMO, such as a change in CEO leadership, there are actions that CMOs can adopt to increase their chances of experiencing a more successful tenure.

Where CMOs have prospered the longest and, in the end, been most successful, it is clear that it simply was a great cultural fit. Spencer Stuart counsels candidates to employ an equally stringent set of assessment tools on the company as the company may be using on them. When feasible, speaking with either the former CMO or even other former senior executives is an ideal way to get a handle on the company's strategic direction and reputation when it comes to marketing. "The first thing is to really understand what engines are driving P&Ls. Once you understand this, reflect on your position and see how marketing can drive the business even further," says Steve Horn, former CMO of Coca-Cola Enterprises.

A new CMO, or marketing executive even considering a career move, should conduct significant homework in regard to the company's culture. "I did my homework pretty well from the very beginning of the interview process. That's a great time to gather a lot of information about the challenges the company faces and, in particular, the challenges you are going to face," says Cammie Dunaway, CMO of Yahoo! since November 2003.

Dunaway also stresses the need to question prior practices. "You have to go in with the attitude of questioning everything and not relying on past assumptions or conventional wisdom. It's the one chance you have to ask all of the basic, naïve, but sometimes very telling questions," she says. Another best practice is to find the people within the organization who represent the "gold standard" — the values, skills and leadership you're looking for — and promote them. This strengthens your position within the organization and often yields increased loyalty.

However, Kline stresses that a new CMO will be well served to stay positive regarding the company's previous efforts — both internally and externally. "Don't simply assume that your predecessors work was way off base. Agency partners too, should be equally welcoming to new ideas, as this is not the time to be defensive. Particularly during those early days with a new CMO, keeping the lines of communication open is critical."

CMOs need to spend the first 60 to 90 days assessing what they want to do and then pick two to three things that really will make a difference in both the short- and long-term. It is critical for a CMO to establish realistic goals over the course of two years. Even when CMOs and the top management teams share the same expectations, CMOs who are unable to clearly articulate their goals and then post results in a public scorecard will make themselves a target for elimination.

"A CMO is not an island. There has to be a clear understanding of the role of marketing throughout the organization and it has to be articulated. CMOs have to build bridges to other parts of the organization to enable shared success. Marketing is definitely an important part of any company, but it's only one part," says Tripodi.

Those lucky enough to surpass the industry average tenure share a number of common tendencies. Not surprisingly, most successful CMOs are confident (able to drive change and counter pushback), persuasive (able to sell their ideas across the organization), charismatic (likeable and worthy of following) and, importantly, incredibly driven as the demands of today's CMO are not for the faint of heart. When Cast joined Walmart.com as the senior vice president of marketing, he went to great lengths to meet with all key internal constituents in Bentonville in order to understand not only their perspective of the marketing function, but also what their hot buttons were.

What companies can do

Clearly, the biggest disconnect for today's CMO role is tied directly to misaligned expectations. Spencer Stuart advises both clients and candidates to formally review the mission on the front end. As discussed, while much of the responsibility lies on the shoulders of the CMO, there are many things that CEOs and management teams can do to help the CMO succeed — starting with establishing support throughout the company prior to the new CMO's arrival. And because marketing means different things for different companies, the definition has to be clearly understood prior to hiring the new executive.

Once realistic expectations are agreed upon and communicated throughout the upper echelon of the organization, companies need to allow the new CMO to do his or her job. When the CMO is truly an officer of the organization, someone who has direct responsibility for the function and is empowered in the decision-making process, there is a greater chance of success.

Following the first 100 days, CEOs need to continue to provide ardent support. Following her long and successful career with Frito-Lay Company, Dunaway's biggest concern at Yahoo! was the extremely dynamic environment. To remain proactive, it is important for her to communicate regularly with the CEO and COO, checking in to ensure that marketing's focus is aligned with the company's strategy, "because you don't want to get too far down the path and find that the priorities have changed."

Conclusion

Although the survey data paints a pretty gloomy picture for the livelihood of today's top CMOs, faith should not be lost. The CMO function no doubt will continue to act as a major driver in a company's growth and serve as a talent pipeline for tomorrow's CEOs.

Given Wall Street's sustained interest in the building of powerful global brands, the current rollercoaster ride will continue into the foreseeable future. Those companies that recruit best-in-class marketing talent need to exhaust not only the skill-based competency assessment, but also identify a strong cultural match.

All great marketers know that building a world-class consumer brand requires patience, nurturing and a distinct, consistent message delivery over time. Perhaps companies and Wall Street need to take a similar stance while grooming tomorrow's top CMOs?

"Given the 23-month average tenure of the CMOs in the study, it is clear that just when a new CMO is getting settled in, they are immediately under the gun," says Kline. "Companies are not allowing for any kind of learning curve or experimentation. They're not allowing for failure in order to get success, and that is deadly."

That said, success or failure will continue to sit squarely on the CMO's shoulders. Those who take the time to truly learn the company's strategy, build allies across the organization and listen to both consumers and customers, will have a greater chance of surviving the CMO revolving door.

About the author

GREG WELCH — CHICAGO

Greg Welch brings nearly 20 years of consumer packaged goods industry experience to the firm's Consumer Goods & Services Practice. He joined Spencer Stuart in 1998 following a successful career in sales and marketing. In his last role prior to Spencer Stuart, Greg was customer vice president for sales and integrated logistics at Nabisco Foods. Additionally, he brings previous experience in field sales, trade marketing and classical brand management with Colgate-Palmolive, Bristol-Myers Squibb (Drackett) and Nestle Foods Corporation.

Greg's areas of focus include consumer goods manufacturers, restaurants and a broad range of retailers. Greg has led senior marketing searches for a diverse client list including companies like Hallmark Cards, Albertson's, Hershey, Sears, Yahoo!, Allstate, Jim Beam and Ciba Vision.

Greg has performed more than 80 searches since joining the firm and is one of the world's top performers in senior-level marketing management assignments. He has been featured on CNBC television and is the creator of the highly acclaimed "CMO Summit." Greg is a member of the Association of Executive Search Consultants and the American Marketing Association, as well as being an active board director of both Springboard, a nonprofit organization that improves the lives of inner city youths, and TCG, a private organization that designs and implements non-qualified executive benefit plans.

Greg holds a bachelor's degree from Indiana University and is a Cornell Food Executive program graduate.

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