

The Debating Group



A Parliamentary forum for Media and Marketing Debate

Before the Debate, the Rt Hon Cheryl Gillan MP, President of the Debating Group, led a minutes silence in memory of the victims of the massacre the previous week.

Are CMOs the natural choice for Chief Executive?

“In an era when CMOs are challenged more than ever previously to deliver to the bottom line of businesses, our role as the internal glue between core divisions has never been more critical. And it’s for this reason that we, not the CFO, are best placed to become the next CEO”. These were the words of Sarah Speake, Consultant and former CMO of Clear Channel. She was speaking for the motion ‘In an increasingly customer-led world, CMOs, not CFOs are the natural choice for Chief Executive”, at the Debating Group debate held on 27 March 2017 at the House of Commons. The Debate was sponsored by The Chartered Institute of Marketing and chaired by Greg Mulholland, Liberal Democrat Member of Parliament for Leeds North West.

In arguing that CMOs, not CFOs are the natural choice for future Chief Executives, Sarah Speake, pointed to the wording of the debate ‘in an increasingly customer-led world’, and the role of the CMO in this. No business is sustainable without a loyal customer base. She reminded the audience of the CIM definition of marketing: ‘The management process responsible for identifying, anticipating and satisfying customer requirements profitably’. Marketing’s role has always been to drive profit to the bottom line and this is still the case. Sarah Speake sees any businesses’ customers as both actual customers and internal stakeholder ‘customers’. She suggested that CMOs deliver on that by building teams of experts to change positively and future-proof the businesses.

She set out the core premise of senior marketer’s roles, which has not changed. It is still about engaging the customer with the right message in the right context at the right time. This is done by staying curious about the customer; about the competition; about advances in marketing tools that can be scrutinised; about how marketers can innovate to stay ahead of the game in their respective industries; about brand perception (for customers and potential employees). This is as true for B2B brands as for B2C brands.

The marriage between sales and marketing needs to exist harmoniously. In the absence of a CMO, *not* a CFO, sales (i.e. ‘the business’) would have no leads...sales would have no CRM and customer segmentation strategy. Without a CMO, sales would have no content to engage both existing and potential customers. This also means that the CEO and fellow Board members would have no story to share externally with customers, stakeholders and the press.

Increasingly, as CMOs consider the value of CRM, marketing automation tools; AI-driven algorithms to drive customer insight; data privacy as GDPR regulation looms; programmatic and automated trading platforms etc, arguably the CMO’s partnership with the CIO becomes *the* most important

relationship to develop and foster. Sarah Speake cited a CMO who is actively recruiting talent with IT skills to join marketing; equally his CIO colleague is recruiting more marketing talent, particularly if he/she possesses solid data and analytics experience. This change in recruitment strategy leads to a complementary relationship that is not only mutually beneficial to the teams in question, but to a changed world in which companies are better placed to be deliberate in their business and digital strategy, innovation and execution, according to PWC's Digital Global IQ survey 2015.

Sarah Speake went on to discuss CMOs' partnerships with other divisions within their organisations, which forge an obvious career path to the CEO role.

Compliance and legal knowledge are critical to the CMO's role. Whether in knowing what's possible for and with customers (e.g. service level agreements; corporate legalities), or indeed in engaging in relationships with new suppliers. Procurement, another CMO concern, is about money and centred around driving cost efficiencies wherever possible. It is therefore naive to think that the CFO is the only core stakeholder responsible for budgets and P & L. CMOs own their own budget, and as Board members are also responsible for the profitable running of the organisation, not just their own piece of it. CMOs have to, *and do*, understand the numbers because they are responsible for an increasingly large amount of data, about the customer, about the market, about the competition. Research conducted across 115 publicly traded companies over a 12-year period by Germann, Ebbes and Grewal showed that companies with a Board level CMO are 15% more profitable, because they are responsible for profitably driving business growth through customer acquisition and retention.

Discussing what attracts future employees to a business, Sarah Speake pointed out that how a business is perceived is often initially determined by online search results. The brand, the language and the positioning of an organisation are the responsibility of the CMO. How well-equipped employees are at speaking consistently and on-brand about the business and its products or services is the responsibility of the CMO.

Sarah Speake proposed some alternatives to the meaning of CMO, to represent marketing's wealth of experiences as the glue, with a very deep understanding of every single function within a business: Chief Motivator; Chief Mindblower; Chief Measurement Officer; Chief Mantra Chanter; Chief Matchmaker; Chief Multitasker; Chief Mover; Chief Mindset shifter; Chief Milestone-maker, Chief Money-maker.

Marketing has all these roles and all these responsibilities.

Management By Accountants

Opposing the motion, **Rick Payne, Leader of the Financial Direction Programme, Institute of Chartered Accountants in England and Wales**, argued that there is no doubt that in the UK, a finance background is more likely to get you the top job than a marketing background. Robert Half's 2016 CEO Tracker shows that 55% of CEOs have a background in finance and indeed half of these are qualified accountants (23%). This compares with around 15% from marketing backgrounds. More worrying, reflecting on similar statistics, the ex-Director of Research at the Chartered Institute of Marketing (David Thorp), said that marketers have shifted closer towards the communication end of the spectrum, effectively ruling themselves out of the C-suite.

In the USA the story is not quite as clear, but, according to Forbes in 2011, about 30% of Fortune 500 CEOs spent the first few years of their careers developing a strong foundation on finance. For sales and marketing it is around 20%. The CEO roles are not just in financial services, but in some of the most well-known and valuable brands in the USA. Indra Nooyi, CEO of Pepsico, was CFO from 2001-2006 before being appointed CEO. She also features regularly on lists of the most powerful women in the world. McDonalds is currently being turned around by ICAEW accountant Stephen Easterbrook. The largest marketing group in the world, WPP, is run by the former CFO of Saatchi &

Saatchi, Martin Sorrell. The market and other stakeholders more often take the view that they want CFOs to step up to the CEO roles rather than the CMO.

Of course, Rick Payne acknowledged, it depends on finding the right person for the right job and sometimes this might be the CMO. “One of our strengths is being objective about this....I came across the marketing journalist Mark Ritson recently saying “I wish more marketing journalists had an MBA. Come to think about it, I wish more marketers had an MBA. Because there are moments when I look at my own discipline and their complete ignorance of marketing theory and I despair”.

Rick Payne considered generalities, averages and probabilities. On average, why does it make sense for an excellent CFO to become the CEO as opposed to an excellent CMO?

Looking at a typical career path for a chartered accountant in the UK, the ICAEW aims to attract a diverse range of people into the profession, and this is increasingly the case as it seeks to expand apprenticeship schemes and the A level intake. One great strength of the UK accounting profession is that whatever degree you have taken you can still pursue a professional accounting qualification. Accountants can have language degrees, engineering degrees and even marketing degrees. It is a global profession where people can take their skills from country to country using the common language of accounting. The language of marketing seems much less global. The big global accounting firms such as Deloitte, EY and PWC, which by the way are hugely successful businesses built and led by accountants, are able to attract the brightest and best and operate rigorous selection processes. They also recruit in large numbers and so on the balance of probabilities, there is bound to be many people with the qualities necessary to become entrepreneurs and CEOs.

The training as an auditor is rigorous. ICAEW’s exams are challenging and cover a broad business syllabus including ethics, strategy and marketing, as well as deep financial knowledge. Rick Payne cited a leading academic’s quip “what is the UK MBA – Management By Accountants”. Each trainee also has to be assessed by their firms on the all-important CEO skills of communication, problem-solving and team working. This intense three years of studying while working full-time also requires levels of energy, resilience and discipline essential for CEOs.

Many then leave accounting practices to join a business and take on a broad range of finance jobs. In all these roles, everything ultimately has some form of financial impact – you cannot build a successful career in finance without understanding the business as whole and developing relationships with managers in other disciplines including the marketing department. The CFO of M & C Saatchi World Service has described himself as ‘Chief Networking Officer’.

Rick Payne asked, “Who is usually the only other executive on the main board?” The CFO. Who is usually the right hand man or woman of the CEO? The CFO. Who is out there, marketing the company to banks and investors? The CFO.

Importantly as CFO you are used to dealing with the competing demands of all aspects of the business and trying to reach objective decisions about what is best for the organisation. When the Chief Marketing Officer is pushing for a massive increase in marketing spend, while the Head of Operations is crying out for more capacity and the IT department is saying the infrastructure is about to collapse, it is the CEO and the CFO who have to balance these debates and arrive at a balanced decision.

Rick Payne conceded that there are great CMO who step up to CEOs. “But do you actually want them to? Do you want their creative energies depleted by having to take on enormous governance responsibilities? Do you want them getting bogged down in board level issues around risk management, cyber-security, keeping the lights on and on and on?”

The focus on customers has always been essential to business success. And the fact is time after time CFOs are the ones who successfully take on the CEO role. Their professional training and the CFO role give them the skills, experience and the credibility which on balance give them the edge over CMOs, both today and in the future.

Consumer-centric perspective

Seconding the motion, **Maria Heckel, Marketing Director, Chartered Institute of Marketing**, argued that though traditionally the CFO or COO has become the next Chief Executive, the rise of the consumer-led economy and shift to digital business is changing the way that organisations need to operate and as a consequence, the requirements for the leadership of our businesses.

We have seen transformation in many sectors as globalisation and digital transformation have reshaped the landscape heralding the disruption of many traditional business models with the likes of Uber, Airbnb, Purple Bricks, driven largely by consumers and business customers who are demanding a more responsive and personalised experience.

Management boards are now looking not just at how to drive top line growth, but are also focused on digital transformation, innovation, rapid change and the creation of differentiating customer experience that is going to drive consumer loyalty and organisational value. And this is changing the skills that they are looking for in the CEO who will deliver these challenges for them.

A survey carried out by PWC in 2015 highlighted the key skills needed for a CEO to be successful in today's changing business environment:

- Strategic vision, with the ability to see around corners and identify trends to stay ahead of the competition;
- The ability to cope with ambiguity and constant change – working to unclear goals and outcomes and driving constant renewal inside their organisation;
- Agility in making decisions, being flexible and open to testing and measuring new ways of doing things;
- Being at ease with technology to adapt to changing circumstances, and to stay close to consumers and influencers.

Maria Heckel asked, “Who does that sound most like to you? The CFO or the CMO?”

The role of the CMO has transformed in recent times. Despite the breadth of the marketing role and despite the 4 Ps of Marketing.

Marketers may traditionally have been seen as largely creative and focused around driving brand awareness rather than for their business acumen but the shift into digital business has changed everything and CMOs who have really embraced this have found ways to increase sales and revenue.

In the past, marketing's Achilles heel was its ability to measure and prove the impact of marketing activity on business outcomes and performance – to demonstrate that all-important return on marketing investment (and for it not to be seen just as a cost). But technology and data have made it possible to link marketing activity and initiatives to business outcomes and performance. They also take marketing beyond just ROI and allow a real understanding of the customer.

A different skill set is needed in this age of digital business where online business, social networks and daily, sometimes hourly, contact with customers are the hallmark of business. Customers are now driving their relationship with businesses on their own terms and no one is closer to the customer than the CMO – and that is changing the path to the CEO role in an increasing number of consumer-facing companies. Many industries are increasingly seeing the CMO as an attractive CEO candidate.

In a recent study from the Economist Intelligence Unit, 75% of marketers said they will be responsible for the end to-end experience over the customer's lifetime. This ownership of the customer experience has also heralded in a new sense of empowerment and influence as CMOs have become strategic members of the C-suite.

Now, more than ever, CMOs are being seen as the business drivers of the organisation – stepping fully into the strategic space the marketing definition occupies – and that senior leadership has high expectations for them to own growth strategies and revenue generation. This is being born out in a growing number of CMOs being appointed to the top job.

In March 2015, Steve Easterbrook, McDonalds’ branding chief, became CEO of the fast food giant which was facing its biggest sales slump in more than a decade. The fast food giant looked to its Chief Marketer to engineer a corporate turnaround. Nearly two years on, sales are rising again, profitability and share prices are up. Whilst McDonalds still have challengers, the market has confidence that Easterbrook can stay abreast of consumer trends in this fast evolving industry from both a digital and food perspective and continue to steer McDonalds to grow sales and profitability. Maria Heckel gave other examples of marketers who have taken charge of major high profile companies in recent years:

- Denise Morrison, formerly Chief Customer Officer, CEO Campbell’s Soup
- Dave Lewis at Tesco, after making his name at Unilever for turning around faltering brands
- Stephen Cannon, formerly VP of Marketing, CEO Mercedes-Benz USA
- Scott Keogh, formerly CMO, President Audi USA
- Ben van Buerden, formerly Director of Marketing Operations, CEO Royal Dutch Shell
- Chris Beard, formerly CMO, CEO Mozilla
- Maria Heckel herself spent several years with TUI (Thompson) Group under two CEOs with a marketing background. The current CEO Dave Burling also has a marketing background.

CMOs are being increasingly being charged with driving organisational transformation and creating results. As part of a survey looking at the growth of CMOs moving to the CEO role Korn Ferry highlighted that marketers are reinventing business models and creating new go-to-market strategies. They are tasked with the strategic agenda to drive value for the business and its shareholders, aligning teams, marshalling resources and driving change to achieve the objectives of an organisation – and that is exactly what a CEO is tasked to do. 53% of business executives polled by Korn Ferry said their current CMO could one day become CEO.

David Shrank of Deloitte Consulting has commented on this developing movement: “the role of the CMO has changed dramatically in recent years, and this new breed of CMO is being shortlisted for the top spot and whilst the trend may be in its earliest stages, as the CMO continues to own the customer across all channels – as well as the data that drive the business – the CMO quickly becomes a logical person to own the company’s growth agenda in the CO role”.

One of the key challenges for the CFO in today’s consumer-led world is what a Korn Ferry survey of the global Forbes 2000 in 2015 identified as the ‘right brain gap’. CFOs tend to be more left brain centred with clinical analytical decision-making skills. They found that only 13% of CEOs had moved into their position directly from CFO roles. Whilst the CFO is often the number two executive in an organisation with a critical role in reporting what has happened and explaining the financial aspects of the business, to expand their leadership role to CEO, CFOs need to become more comfortable developing strategy, becoming more agile, dealing with employees and customers; inspiring others and asking decisions when there are no black and white answers. The ‘out of the box’ thinking and creative problem solving that today’s CEO needs does not come naturally to most CFOs. The report goes on to say that to become the next CEO, the CFO needs to develop operational experience to move from just creating the P & L to taking on ownership and accountability for delivery of those numbers. This is something very familiar to the CMO.

To be successful organisations need great partnerships and collaboration between the C-suite leaders and the role of both the CMO and CFO are critical to business success. But in today’s consumer-led world where globalisation and digital technology are driving constant change and innovation it is the CMO who is best placed to lead their organisations. CMOs are ready to become corporate change

agents, to lead and communicate the vision gained from an unrivalled customer-centric perspective; driving the development of next generation products, services and business models that fundamentally transform the business and grow the bottom line.

House of Commons

Seconding the opposition **Ian Ailles, Director General, House of Commons**, stated that he had started life as a CFO. His background was in the travel and tourism industry and he pointed out that the CEO of TUI when it merged with First Choice was a financier, and this was a customer-focused company. Ian Aillies joined Thomas Cook in a financial role, but oversaw a subsequent split between services and travel and the company was sold to two separate buyers. The split was the result of interaction with investors and provided shareholder value.

Ian Aillies went on to Club 18-30, a company with a high profile, known for its edgy advertisements. He was a finance person in a world of marketing, but drove sales and increased company income. In his subsequent career, e.g., at Wyndham in the USA, his task was to drive brands forward and provide value for shareholders.

There are still a few accountants in the Monty Python mould, but increasingly financiers have rigorous and comprehensive business acumen. 55% of CEOs in this country are ex-CFOs. Google, a consumer-led company, is driven by numbers. Here the skills of marketers have taken on the skills of financiers.

A career in accountancy means great diversity. Ian Aillies pointed out that it is a great privilege to work in the House of Commons. His task is to motivate teams to enable them to have the best possible approach to their work. He sees himself as a conductor. It is not a marketer job, but one providing public service. He oversees 3,000 employees and 18,000 pass holders. (He pointed out that there are 20 accountants in the House of Commons and of the 603 all-party groups, not one is devoted to marketing and advertising). The position requires attention to detail, and overseeing of costs. It is notable that The House of Commons has recently introduced a Customer Programme, but it has not got a CMO.

Discussion from the floor

Supporting the motion:

- The contributor questioned whether the world is increasingly customer-led. He suggested that industry and commerce has been customer-led for some time. He was pleased to hear that finance is coming into marketing. Financial control and management accounting are essential to marketing. Strategic thinking is the key to business.
- The contributor argued that there was no marketing in multinational companies in the '70s. Everything was diverse and years were spent bringing everything together. CFOs were appointed to the Board and the bottom line was God. Companies are usually formed by entrepreneurs, but most companies are now run by accountants. However, things have changed; Companies have got to think of new markets. Marketing is now more important than in the past and therefore so is the CMO – ultimately the CMO will reach CEO level.
- The contributor suggested that the Accountants spend too much time looking at the past and history. We have to look forward. Every company is going through a measure of transformation.

The CFO is essentially a right-hand man.

The opposition had put forward three fallacies:

An appeal to tradition

There are far more former CFOs than CMOs at CEO level

An appeal to anecdotal evidence.

Does the role shape the person or the person shape the role? The world has changed: what are the top qualities needed to succeed today?

- It is not historical that industry is customer-led.
- The contributor suggested that careers are now more ambiguous. Marketing careers are available in the financial sector. There will be greater meritocracy in the future.

Undecided

- Who is the best CEO depends on the context of the company.

Summing up

Summing up for the Opposition, **Rick Payne** stressed that the Accountancy profession is shaping and responding to the environment. It looks hard at competition. Anita Roddick once said “Running a company on market research is like driving while looking at the rear view mirror”. Accountants do look ahead. They are increasingly conscious of artificial Intelligence; Big Data, Data Science. CFOs move across companies: they have a rounded education which teaches self-awareness, critical thinking, and understanding risk. They have a rounded discipline and the skills to step up in marketing companies.

Rick Payne asked the audience to have the courage not to vote with their tribe!

Summing up for the motion, **Sarah Speake** commented that two figures had been given for the number of CFOs who are now CEOs – 50% and 55%. She was concerned about the numeracy of CFOs!

She stressed that CEOs have to have a level sense of diversity and the need to speak the right language. Financiers are essentially left-brain thinkers and companies of tomorrow need right brain thinking.

The opposers have talked about historic situations. We are talking about the CEOs of tomorrow, of 20-30 years time. Customers are now moving with their feet. CEOs need the ability to be agile in this world, to quash any negative customer feedback.

Of course, the role and function of the CEO depends on the sector and person involved. But they must have the ability to work with ambiguity; to be willing to challenge the status quo and to test new ways of doing things. New technology has opened new ways to do business: data analytics and Big Data enable us to check our brands and deliver what our customers demand.

The result

The motion was carried.

Next debate

The next debate will take place on **Monday 22nd May 2017** sponsored by the Internet Advertising Bureau. For more details contact Doreen Blythe, Debating Group Secretary, e-mail: doreen.blythe22@btinternet.com