When does having a chief marketing officer drive firm value?

Narendra Bosukonda, Ph.D.,

Assistant Professor of Marketing, Persis E. Rockwood School of Marketing

College of Business, Florida State University.

Purpose

The purpose of this study is to develop a comprehensive theoretical model explaining the association between CMO presence and firm performance. Identify the organizational and environmental conditions under which having a CMO has a positive effect on firm performance

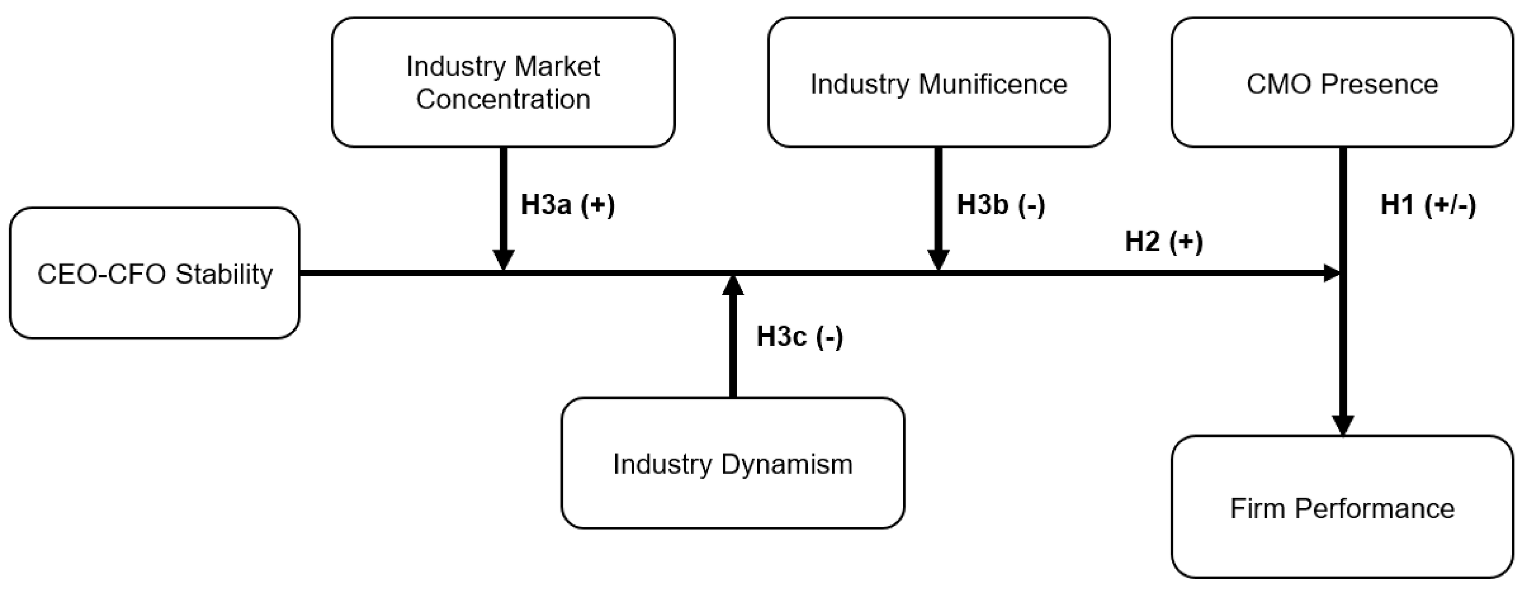
Background

- Extant marketing research lacks strong theory explaining how CMO presence impacts firm outcomes and hence we find mixed empirical evidence between CMO presence and firm performance (Germann et al. 2015; Nath & Mahajan 2008;)
- While studies have empirically examined the effect of CMO presence on financial performance, the field lacks a concrete theory explaining why and when a CMO's presence should drive firm performance.
- Studies have not offered a theoretical explanation about organizational and environmental factors that determine how CMO presence effects firm performance.

Our work

- Drawing from theory of solidarity we propose that CMO needs support from fellow top C-suite executives to design and execute a growth strategy that enhances firm value. This is possible in firms with a stable CEO-CFO team as CEOs play an integral role in formulating strategy and CFOs are responsible for funding necessary to implement these strategies.
- We introduce the construct of CEO-CFO stability, an organizational factor that positively moderates the association between CMO presence and firm performance.
- We identify three external environmental factors, industry market concentration, munificence and dynamism and how they amplify or attenuate the moderation effect of CEO-CFO stability.

Conceptual model



Hypothesis

H1: CMO presence does not have a significant association with firm performance

H2: The effect of CMO presence on financial performance is higher for firms with higher CEO-CFO stability

H3a: The moderating effect of CEO-CFO stability on the association between CMO presence and CEO-CFO stability is amplified in industries with high market concentration

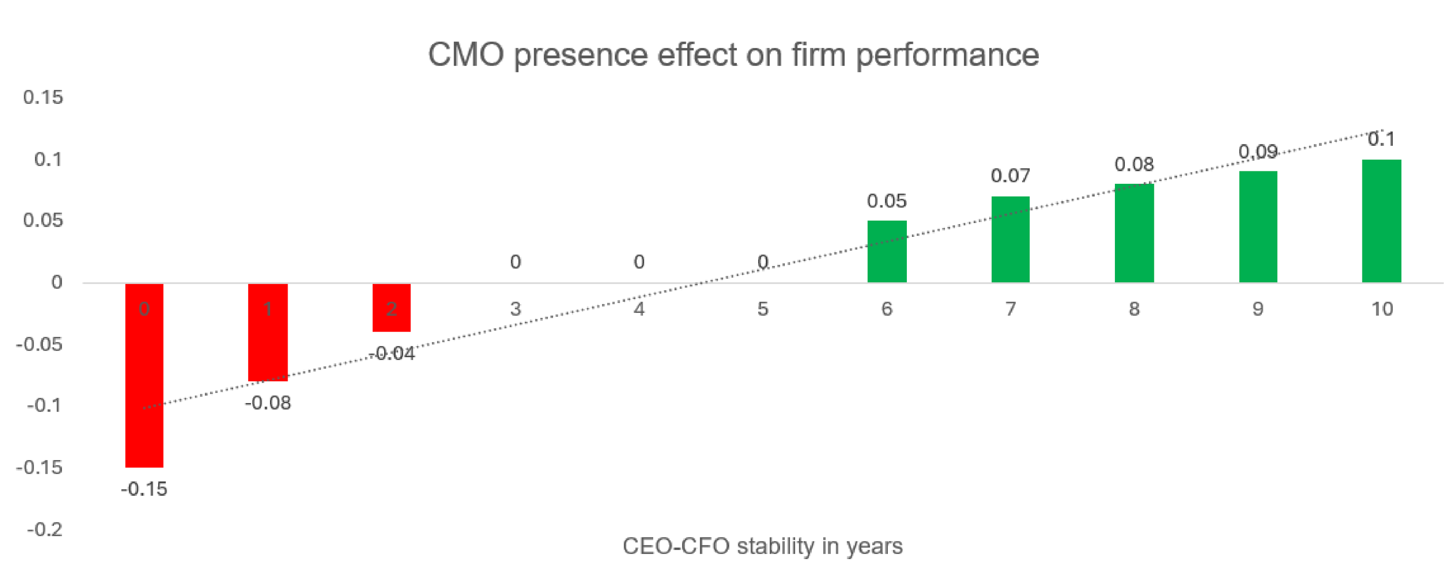
H3b: : The moderating effect of CEO-CFO stability on the association between CMO presence and CEO-CFO stability is attenuated in industries with high munificence

H3c: The moderating effect of CEO-CFO stability on the association between CMO presence and CEO-CFO stability is attenuated in industries with high dynamism.

Data and Methods

- Using Secondary data sources such as COMPUSTAT, Execucomp and Firm annual and proxy filings, we collected data on 802 large publicly listed US firms from 2000-2024. Our final sample included 9045 firm-year observations.
- We use a fixed effects regression model to test H1, H2 and H3a-H3c.We use two stage least squares regression approach to correct for endogeneity due to time varying unobserved factors. We use peer firm's CMO presence as an instrument.

Results



CEO-CFO stability	CMO presence effect	Market concentration		Munificence		Dynamism	
		Low	High	Low	High	Low	High
Less than 3 years	-	N.S.	-	-	-	-	N.S.
3-5 years	N.S.	N.S.	N.S.	N.S.	N.S.	N.S.	N.S.
6 years and above	+	N.S.	+	+	N.S.	+	N.S.

CMO presence effect: - negative, + positive, N.S. not statistically significant

Discussion

- We observe a null effect for CMO presence on Tobin's Q. However, we find support H2, H3a-H3b.
- We find that the longer the CEO and CFO are together, CMO has a higher impact on the financial performance of the firm, specifically we find that when CEO and CFO are together for less than 3 years, 3-5 years and more than 6 years CMO effect on firm performance is negative, null, and positive, respectively.
- We find that CMOs have more impact in industries that are highly concentrated, industries where the average growth rate is low and industries that are less dynamic.
- In future we plan to examine the mediating mechanisms such as strategies orientations through which CMO presence and CEO-CFO stability can drive firm value.

References

- Nath, P., & Mahajan, V. (2008). Chief marketing officers: A study of their presence in firms' top management teams. *Journal of Marketing*, *72*(1), 65-81.
- Germann, F., Ebbes, P., & Grewal, R. (2015). The chief marketing officer matters!. *Journal of Marketing*, *79*(3), 1-22.