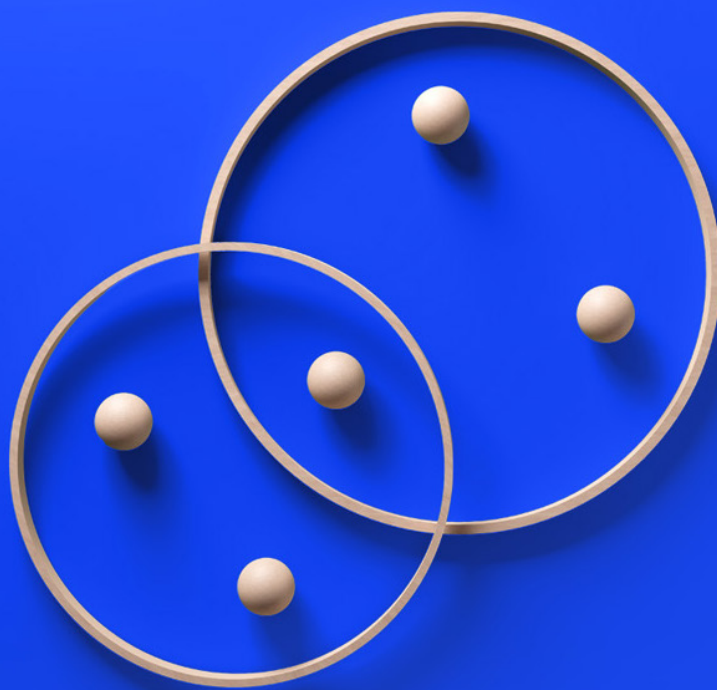


Growth, Marketing & Sales Practice

The power of partnership: How the CEO–CMO relationship can drive outsize growth

Amid a challenging macroeconomic environment and rapid change, CEOs are searching for the next engine for growth. The answer may be right in front of them: a redefined and reinvigorated relationship with their CMO.

by Marc Brodherson, Jennifer Ellinas, Ed See, and Robert Tas



In today's uncertain economic climate, growth can be hard to achieve and maintain. In fact, one in four companies doesn't grow at all, and only 10 percent of S&P 500 companies have reported revenue growth above GDP for more than 30 consecutive years.¹ Growth doesn't happen by accident; growth leaders need to actively choose to grow and intentionally create strategic distance from their peers.

To better understand what is happening inside the C-suites of high- versus low-growth companies, we conducted a survey, with input from the Growth Council and board of the Association of National Advertisers (ANA), and had conversations with more than 100 people in C-level growth roles (chief marketing officers, chief growth officers, etcetera) and 21 CEOs from B2B and B2C companies of all sizes and across multiple industries. We found that the relationship between CEOs and CMOs,² particularly how they jointly defined marketing's role and remit to shape growth strategy, was highly correlated to their companies' performance. CEOs who place marketing at the core of their growth strategy are twice as likely to have greater than 5 percent annual growth compared with their peers.

Realizing the full potential of marketing, however, is not as simple as the CEO looking over at the CMO and saying "go." The big challenge is building the right dynamic between CEOs and CMOs. We've written before about how CMOs can better deliver growth. Yet we still found an opportunity for CEOs to engage more deeply with their CMOs and other growth leaders to more effectively work together to unlock growth. By developing a clearly defined C-level growth role that has marketing at its center, building conviction in modern marketing methodologies, and measuring what matters, CEOs can reinvigorate their relationships with marketers.

In this article, we discuss the current state of the partnership between CEOs and their CMOs, and we identify pain points and opportunities for CEOs to fully engage in and harness marketing to grow their companies.

Pain points CEOs and CMOs face in delivering growth

Our research highlights three disconnects CEOs and CMOs can overcome together to ignite growth: murkiness in C-level growth responsibilities, the

CEOs who place marketing at the core of their growth strategy are twice as likely to have greater than 5 percent annual growth compared with their peers.

¹ "Choosing to grow: The leader's blueprint," McKinsey, July 7, 2022.

² We use the term "CMO" throughout this article as shorthand for a range of marketing leaders with CMO and other titles, including chief growth officer, chief customer officer, chief brand officer, etcetera.

underestimated potential for marketing to drive growth, and the misalignment of marketing measurement and business impact.

Unclear remit for the CMO

Traditionally, CMOs have been in charge of what's known as the 4Ps for customer interactions: product, price, place, and promotion. In response to the evolution of marketing, in recent years many organizations have added new marketing-adjacent roles to their C-suites, such as chief digital officers, chief customer officers, or chief growth officers. Companies have also distributed ownership over parts of the 4Ps to other functions, such as handing pricing responsibilities to finance departments. More than two-thirds of the CMOs we surveyed said there are two or more leaders in their companies who oversee marketing and marketing-related activities and sit on the executive committee reporting directly to the CEO (Exhibit 1). The result is a blurring of marketing's role and an overlap with other customer-related remits.

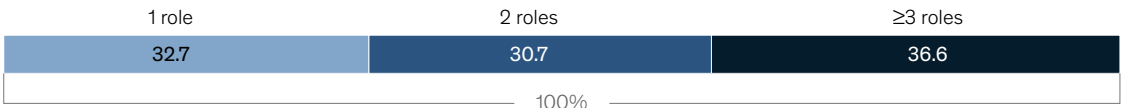
Growth requires ownership and accountability, yet the proliferation of these C-level roles in many companies means that CEOs can have multiple executives with sometimes ill-defined responsibilities for customers, growth, or both. As a result, when CEOs ask themselves who to turn to, it isn't always clear who's responsible for what. "Many times, CEOs turn to strategy or operational leaders versus the CMO for growth strategies," one CMO of a large health services company told us. "As a result, strategies can be more financially and analytically driven versus consumer led."

As CEOs distribute responsibilities for the customer to new roles and inform CMOs what *isn't* in their scope, they also sometimes neglect to tell them what *is*. That can create misalignment between CEOs' and CMOs' perception of marketing's role in creating growth. Our survey results bear this out. Nine in ten CEOs in our survey said they believe that marketing's remit is well defined. But when we asked them and their CMOs what the primary role of marketing is,

Exhibit 1

The vast majority of companies have multiple marketing-related roles that report directly to the CEO.

Number of growth- and customer-related roles at organization, % of CMO respondents



Examples of growth- and customer-related C-suite roles

- Chief brand officer
Chief commercial officer
- Chief creative officer
Chief customer officer
- Chief demand officer
Chief growth officer
- Chief marketing officer
Chief revenue officer

Source: McKinsey CMO Growth Research: CMO Survey, Apr 16–Jun 30, 2023 (n = 101)

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only half of same-company pairings gave the same answer (Exhibit 2). Without clear, top-down expectations, CMOs cannot effectively align time and resources to the CEO's long-term strategy.

To add to the challenge, in some cases, marketing doesn't even have a seat at the table. Based on publicly available information, we analyzed the executive suites of Fortune 500 companies and found that more than 40 percent of them don't even have a single growth- or customer-related role

among their CEO's executive committee. That means marketing or marketing-adjacent leaders can struggle to deliver when they are not part of the strategic conversation and may not have the opportunity to influence important decisions.

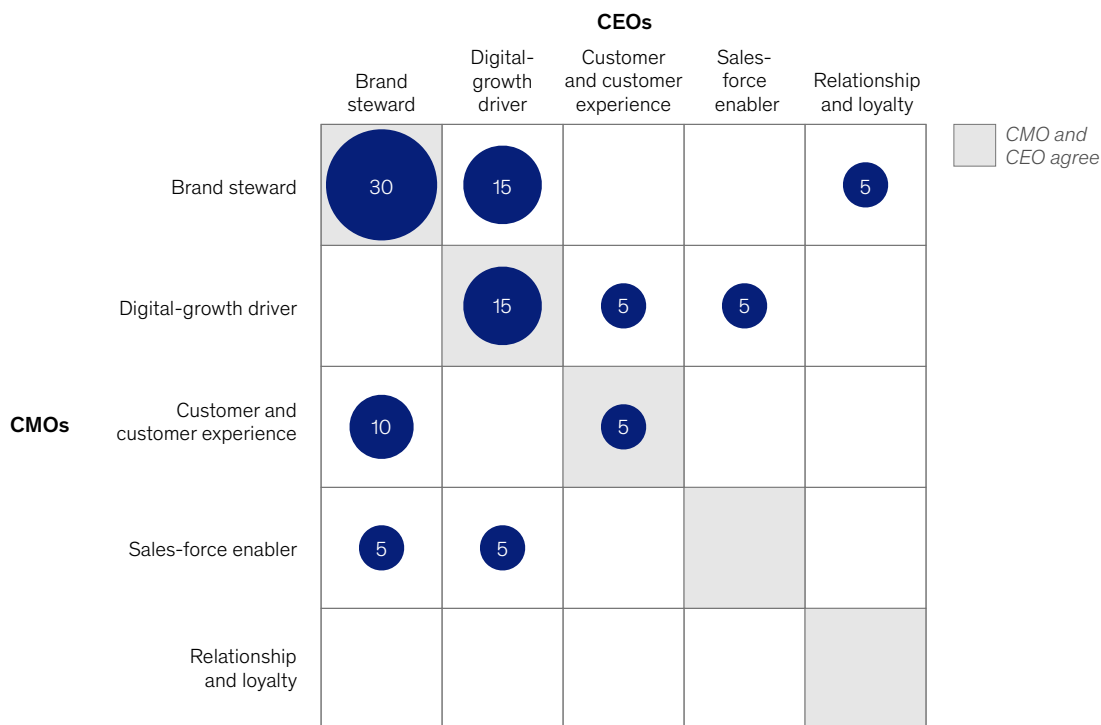
Underestimated potential of marketing to drive growth

CEOs and CMOs are also not always fully aligned when it comes to marketing's capabilities. Marketing has rapidly evolved into a multidimensional,

Exhibit 2

CEOs and CMOs are not always on the same page about the primary role of marketing in their companies.

Primary role of marketing in current organization,¹ % of same-company CMO and CEO pairs (n = 20)



¹Question: What is the primary role marketing plays in your current organization? Brand steward = marketing sets the North Star for the brand and its reputation and activates through advertising, PR, and marketing communications; digital-growth driver = marketing uses select digital tactics (eg, affiliate, search engine, and social media marketing) to drive business results, such as customer conversion and revenue; customer and customer experience = marketing's priority is to deliver a world-class customer experience, with influence over digital, product design, innovation, and customer insights; sales-force enabler = marketing enables sales by providing design support and other tools; relationship and loyalty = marketing focuses on strengthening customer relationships through targeted loyalty programs and personalized communications to ensure retention, cross-sell, and improve customer lifetime value.
Source: McKinsey CMO Growth Research: CMO Survey, Apr 16–Jun 30, 2023; McKinsey CMO Growth Research: CEO Survey, Apr 16–Jun 30, 2023

Forty percent of Fortune 500 companies don't have a single growth- or customer-related role in their CEO's executive committee.

technical discipline, and modern marketing has become increasingly complex.³ Consumer journeys have more touchpoints. Data is at the core of every marketing activity. And technical skills are now a must-have for marketing organizations. The number of strategies, tactics, tools, and levers available to marketers has grown exponentially, broadening the potential of what marketing can achieve. For example, according to our research, the number of martech solutions has doubled every year over the past five years, resulting in more than 11,000 solutions so far in 2023. It's a frenetic pace of change for even the most seasoned marketers and significantly more challenging for CEOs to keep up with since it is (rightly) not a part of their day-to-day work. If CMOs and CEOs aren't actively engaging with each other on a regular basis, the pace of change can outrun them.

There is a difference in perception about modern marketing capabilities reflected in responses to our survey question about modern marketing. When we asked about familiarity with tactics such as paid social, personalization, and advanced targeted strategies, about 50 percent of our CEO respondents said they feel comfortable with modern marketing. However, 66 percent of the CMOs we surveyed said their CEOs were *not* comfortable with modern marketing.

Contributing to this gap is the fact that most CEOs lack a marketing background. Based on publicly available data, we estimate that only 10 percent of

Fortune 250 CEOs have marketing experience, and only 4 percent have previously held a CMO-like role. In contrast, more than 70 percent of Fortune 100 CEOs have an operations or finance background. It stands to follow, then, that many C-suite members underestimate marketing's potential to create growth, despite the rapid growth in marketing capabilities.

Misalignment of marketing measurement and relevance to business impact

As the saying goes, "Not everything that can be counted counts, and not everything that counts can be counted." In the modern marketing era, CMOs can report endless key performance indicators (KPIs): cost per click, click-through rate, brand awareness, and so on. But metrics have different purposes, and CEOs are often not given the right measurement tools to evaluate marketing's performance and business impact. As a CMO of a large health services company told us, "The world has changed with data and technology that has enabled measurement. Marketers are speaking a complex language and drown CEOs and CFOs in data. But they need to answer the question: Why is this a good business decision?"

Sometimes CEOs feel they are missing the link between marketing measurement and business impact. On average, the CEOs responding to our survey feel that marketing metrics clearly tie to business impact less than 60 percent of the time. CEOs cannot properly manage their growth strategy

³ "Modern marketing: What it is, what it isn't, and how to do it," McKinsey, March 2, 2020.

without understanding a direct link between marketing measurement and business impact.

When CEOs and CMOs aren't focused on the same metrics, they aren't running to the same finish line. When we asked CEOs and CMOs of the same companies what their top three marketing metrics were, they only agreed half the time. CEOs are focused on business outcomes such as year-over-year revenue growth and margin improvements, while CMOs often report operational metrics such as brand awareness and recognition. It's imperative for CEOs and CMOs to prioritize the same metrics to ensure they are also working toward the same objectives.

Even worse than not understanding marketing metrics, many executives aren't convinced of their accuracy. Without credible measurement, CEOs can neither track marketing's impact on growth nor hold their CMOs accountable. As the head of marketing for a large retailer told us, "There's no consistent way to convey the value of marketing and what it is driving to help grow the business. There are a million ways to get to one number."

Engaging marketing as a C-level driver of growth

Underestimating the power of marketing during uncertain times could be a costly mistake. We found that the companies with CEOs who view marketing and branding as one of their top two growth levers are much more likely to experience growth than those who do not.⁴ B2C companies that prioritize marketing are three times more likely than those that don't prioritize it to have greater than 5 percent revenue growth. It's similar with B2B companies, where those that prioritize marketing are more than twice as likely to experience greater than 5 percent revenue growth.

To outperform and stimulate untapped growth, CEOs must clearly articulate the marketing function's role, build their conviction in modern marketing, and reinforce accountability by aligning the full C-suite on measurement of what matters to overall growth.

Develop the blueprint for the CMO's role

First, CEOs need to clarify with their CMO the marketing function's remit, with a clear sense of direction tied to long-term strategy. "CEOs need to clearly define the sandbox that everyone plays in, or it becomes a burden for everyone," a general manager at an international beauty company told us. "If there are no clear roles and responsibilities, someone can say yes to a request, but someone else can think it's his or her responsibility and say no."

CEOs should appoint a C-level growth role to bring together the focus on customer-centric growth across the C-suite. Growth requires the careful orchestration of multiple customer-facing levers—product, pricing, promotion, and many others—to serve the customer. The person tapped for this C-level growth role should serve as a general manager of growth, a convener with deep expertise in growth functions who thinks in terms of solving business problems.

The role of growth unifier might look different for different kinds of companies. For B2B companies that are more sales-focused, that growth unifier might be someone like a chief revenue officer. "As a B2B marketer, your job is not to just talk to your CEO about marketing decisions, but to discuss how your function drives growth for the other functions and the business," said the CMO of a large components manufacturer. "View your role as a business leader who happens to care for the function of marketing." For consumer-facing companies

⁴ As part of our survey, we asked both B2B and B2C CEOs to rank the order of importance of innovation, pricing and promotions, distribution networks, marketing and branding, and customer experience to their growth strategy. We then measured their top-line growth by looking at the publicly available three-year revenue compound annual growth rate for public companies, and by asking private companies what their revenue growth was in the past year.

where demand generation is key, CMOs will often be best positioned to be this growth unifier, given their deep understanding of the customer and their skill set as a collaborative influencer. Some common archetypes to consider when defining this role are sales-force enabler, brand steward, demand capture engine, or customer experience and personalization ambassador (Exhibit 3).

Integrating ownership over growth into a C-level role means that CEOs have one go-to leader who wakes up every morning obsessing about growth. And the evidence shows this delivers: of the Fortune 500 companies that are considered outperformers (with above-median revenue CAGR and above-industry median profitability compared with peers), 60 percent have marketing, customer, or growth roles on the executive committee. Companies with only one customer or growth role reporting to the CEO on the executive committee grow up to 2.3 times more than companies with multiple such roles.

CEOs must then set their growth leader up for success by providing the resources and budget required to execute growth strategies and giving them authority and autonomy within their clearly defined scope. By making the growth leader part of the executive committee, the CEO ensures that they will contribute to the core of the strategic-

planning process—providing input and advising rather than just observing. And when the CEO appoints a C-level integrated growth leader, it reinforces the company's commitment to growth in a strong signal to investors, customers, and strategic partners.

CEOs and CMOs must jointly build conviction in modern marketing

Once the CMO's role as growth leader is defined, CEOs should engage with their CMOs in the same way they do with other C-suite members. While looking at new cuts of a TV commercial might seem like fun, that's not the kind of strategic engagement CMOs need from the CEO. Rather than overindexing on operational or status updates, CEOs should prioritize their time with CMOs to better understand, pressure-test, and push how the CMO can contribute to the company's growth objectives and translate customer behavior into both opportunities and risks. "The number-one thing a CMO should do with their CEO is take them to talk to consumers. Let them listen to consumers on an in-home visit, go to a store, or do a shopping trip with a consumer," said a general manager at an international beauty company. "Not just one time. It has to be a habit" (see sidebar "How effective CEO and CMO partners regularly engage on growth").

Exhibit 3

CEOs can decide what kind of role they want their CMOs to play.



Sales-force enabler

Enables sales by providing design support and other sales tools; provides the long-term perspective and investment that complements sales organizations



Brand steward

Sets the North Star for the company brand and reputation, as activated through advertising, public relations, and communications



Demand capture engine

Uses omnichannel tactics—such as affiliate marketing, search engine marketing, and social media marketing—to capture customer demand



Customer experience and personalization ambassador

Delivers a world-class customer experience and strengthens customer relationships through targeted loyalty programs and personalized communications

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How effective CEO and CMO partners regularly engage on growth

Based on our interviews, it's clear that chief marketing officers (CMOs) want to engage their CEOs on the value of modern marketing and its potential for growth. They don't have to take a big swing; they can start with small steps. Several of the CMOs we interviewed regularly send their CEOs simple but rich articles about marketing strategy, data and analytics, and the latest innovations. A chief customer officer at a leading hospitality chain always has a one-pager that explains the company's martech

stack and shows it to the CEO whenever an opportune moment presents itself. Other CMOs bring their CEOs to key customer research activities, such as customer focus groups, agency media days, or even international marketing conferences.

From our conversations with the CMOs participating in our survey, we also gained insights into how CEOs can be the best partners to cultivate marketing-led growth. First, the best CEOs have patience; strengthening the relationship with their

CMOs is a process and takes time. Second, they are resilient. If they don't understand something, they commit themselves to learning. Finally, they are open-minded and agile. They understand how marketing is both an art *and* a science and has potential to create the next frontier of growth. Because of this, they push their CMOs' strategic thinking, asking tough, but not impossible, questions to propel their organization forward.

For CEOs to effectively engage on growth strategy, they also need to invest in themselves, allocating time to learn more about relevant innovations and shifting behaviors. CEOs have a trusted ally and expert teacher in their CMO. If they do not clearly understand how the marketing function is contributing to company value, they can engage with CMOs to build that conviction. "There's a lot CMOs can do to educate managers about the possibilities of modern marketing," said one former CEO at a Fortune 500 fintech company, who says he's learned a lot from CMOs. "My knowledge of modern marketing is a reaction to our marketing team's implementation."

Measure what matters to overall growth

This new engagement model also demands a better measurement framework for growth. CEOs must work with their CFOs and CMOs to outline a marketing measurement framework that shows impact—and is one that everyone understands. Optimal marketing measurement starts at the CEO level (for example, revenue growth) and cascades down. Marketing can ensure that operational KPIs required for managing campaigns clearly link back to the overall growth objectives (see sidebar "How Chipotle quantified marketing and improved performance"). "CEOs need a framework to engage

with their CMOs on marketing strategy," the CMO at a national retail pharmacy chain told us. "CEOs should first ask themselves: what outcomes—not activities—do I want from marketing? Then they should ask their CMOs: what are the best levers to achieve the outcomes? Why do you believe in these? What are the returns? Evaluate marketing in a way that's productive to the business and be open to the idea that marketing can generate value."

Deciding which KPIs to track is a critical first step, but it's meaningless if measurement methodologies are too opaque. CEOs should mobilize their top team to align on transparent marketing measurement that everyone agrees on. Finance and marketing should align on calculation methodology, setting targets, translating impact to the bottom line, and more. CEOs should require CMOs to collaborate with them and with CFOs to ensure alignment on ROI, as continuous collaboration will improve accuracy of marketing measurement and transparency of performance. This increased trust in metrics and a single source of truth dashboard for outcomes will make it possible for CEOs to rely on marketing projections in strategic planning and hold marketing accountable for growth.

How Chipotle quantified marketing and improved performance

When Brian Niccol was named Chipotle's CEO in 2018, he was one of the rare CEOs with a marketing background. One of his first priorities was improving the clarity, efficiency, and accountability of marketing spend. In his first earnings call, he went as far as to claim "the brand has been invisible." He expounded further in a 2021 interview with the *Harvard Business Review*, saying that when he joined the company, "Although Chipotle was spending \$150 million a year on marketing, its messaging wasn't very prominent."¹

To turn the ship around, Niccol hired a former colleague, Chris Brandt, as chief marketing officer (CMO), specifically citing his ability to innovate and use marketing to grow transactions and sales.

In an interview as part of our CMO survey, Brandt told us about how, in addition to improving Chipotle's branding, it was critical that he improved marketing measurement to truly transform marketing from a cost center with unclear impact to a core growth lever accountable for driving the top line.

Brandt worked closely with the finance function to identify the right metrics that would measure business impact and aligned on how to calculate them. Armed with new KPIs tying marketing investment to revenue, Brandt clearly and consistently communicated marketing's impact to the C-suite. "I don't think people spend enough time to align on the right metrics," he told us. "I am proactive about

sharing what we are doing and how we are driving ROI. I think that is very important to building trust and credibility and showing how marketing can generate results."

Today, he believes the entire C-Suite not only trusts that marketing creates growth but is also able to quantify—and hold him accountable for—the full extent of marketing's contribution. The efforts have paid off. By repositioning the marketing function as a credible and effective growth partner, Brandt was able to help Chipotle accelerate year-over-year top-line growth by three percentage points in the 2019–2022 period versus the prior three years, according to our McKinsey corporate performance analytics.

¹ Brian Niccol, "The CEO of Chipotle on charting a culinary and digital turnaround," *Harvard Business Review*, November–December 2021.

Our research is clear: companies that place marketing at the core of their growth strategy perform better. CEOs can no longer afford to underestimate marketing as their growth partner and can get started now with the following steps:

- Clearly define a C-level growth role with marketing at its center.
- Engage with CMOs to discuss the business's growth strategy and build conviction in marketing's role within it.

- Together with the CMO, define a clear cascade of business outcomes into marketing KPIs to ensure the strategy has a direct impact on the bottom line.

With this road map, any organization can reposition marketing so that it's at the core of its growth engine to capture the incremental sales potential of marketing-led growth.

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