

DECEMBER 2018



December 2018

Directors with Marketing Expertise Can Help Firms Grow

“When and How Board Members with Marketing Experience Facilitate Firm Growth,” by Kimberly A. Whitler, **Ryan Krause**, and Donald R. Lehmann (Journal of Marketing, 2018)

Research has shown that having a chief marketing officer (CMO) on the top management team has no effect on a company’s revenue growth, but few studies have considered the impact of marketing expertise at the highest level of the firm. Does having a marketing pro on the board of directors make a difference?

Researchers examined director biographies in all firms consistently listed on the S&P 1500 from 2007 to 2012 (a total of 12,106 directors across 1,091 companies) to identify board members with executive-level marketing expertise. They found that about 3% of directors fit that description and that 16% of boards had at least one such member.

Analyzing firm financial statements, they saw that having a marketing expert on the board was positively associated with revenue growth, in some cases raising it by nearly eight percentage points.

This effect was magnified under certain circumstances: when industry growth or the firm’s recent market-share growth was weak (conditions that should make boards more receptive to marketing input); when the CEO was also the board chair (presumably boosting management’s incentive to implement board recommendations); and when relatively few board members were CFOs (finance types are often resistant to marketing counsel because of the two functions’ differing organizational goals).

Follow-up interviews with CMOs, recruiters, and board members suggest that directors with marketing expertise achieve this positive effect by shaping meeting agendas and focus areas, steering discussions and decision making, and influencing the CMO and other C-suite executives between meetings of the board.

The study’s findings “should compel boards to reconsider their demonstrated reluctance to include marketers,” the researchers say. “Boards can generate better revenue growth by including marketers among their ranks, especially when growth is difficult.