Marketing in the C-Suite: A Study of Chief Marketing Officer Power in Firms’ Top Management Teams

Some chief marketing officers (CMOs) are more powerful than others. The authors investigate the drivers and outcomes of this phenomenon using a hierarchical measure of power for the CMO in the top management team (TMT), or corporate executive suite (C-suite). Theory suggests that CMO power in the TMT should increase with (1) the CMO’s control over resources required by other executives in the C-suite, (2) the criticality and (3) effective provision of these resources, and (4) the nonsubstitutability and (5) centrality of the CMO. The authors use these rationales to identify factors that affect CMO power in public U.S. firms with the CMO position for at least two of the five observed years. The findings show that CMO power increases when the CMO has the additional responsibility of sales, as TMT marketing experience decreases, and as firms with low levels of TMT marketing experience pursue innovation. Furthermore, CMO power in highly divisionalized TMTs and the CMO’s additional responsibility of sales improve sales growth, but CMO power in firms that are unrelated diversifiers reduces profitability. The authors discuss the theoretical and practical implications of these results for marketing’s influence in the C-suite and the firm, the integration of marketing and sales, and market orientation.

Keywords: chief marketing officer, top management team, hierarchy, influence, decision, control, resource, sales, integration

This research attempts to add to the body of knowledge on the role of marketing in the firm by exploring marketing’s influence at the level at which the firm’s corporate strategy is formulated (Anderson 1982; Day 1992; Varadarajan and Clark 1994; Webster 1992; Wind and Robertson 1983). Researchers have identified chief marketing officer (CMO) presence in the firm’s top management team (TMT), or corporate executive suite (C-suite), as an indicator of the status of marketing at this level (Kerin 2005; Nath and Mahajan 2008; Webster, Malter, and Ganesan 2003).1 However, in addition to CMO presence, it is important to investigate the CMO’s power in the TMT because power is central in strategic decision making according to the political view of organizations (Cyert and March 1963; Mintzberg 1983; Pettigrew 1973). According to this view, conflict is inherent in the TMT, and the use of power is often “the mechanism by which conflict gets resolved” (Pfeffer 1981, p. 70). Thus, powerful CMOs are more likely to have a greater influence on decisions that executives in the TMT make. It follows that CMO power in the TMT is also an indicator of marketing’s influence in the C-suite.

In this research, for reasons detailed in subsequent sections, we focus on the CMO’s structural power, measured by the position the CMO occupies in the hierarchy of the TMT. We find that not all CMOs occupy the same level in the TMT hierarchy. Thus, some CMOs have more (or less) power in the TMT than other CMOs. To our knowledge, no prior research to date has studied the influence of marketing in the C-suite by focusing on CMO power. The one exception that we are aware of is Piercy’s (1989b) cross-sectional study, which examines the control of sales forecasting as a predictor of perceptual measures of CMO power. Our research attempts to fill this gap in the field. Specifically, we address the following research questions: (1) What are the sources of CMO power in firms’ TMTs? and (2) What are the firm performance outcomes related to CMO power? We show the conceptual framework we use to address these questions in Figure 1 and elaborated on it in the following section.

Both academics and practitioners have called for the CMO’s role to evolve into one that is more strategic in the upper echelons of the firm (Cour2007; Crosby and Johnson 2005; Kerin 2005; McGovern and Quelch 2004; Silver 2003). However, theoretically based empirical work that informs the means to achieve such a role is scant. By iden-

1 The TMT or C-suite, which we use interchangeably, is the set of executives officers as specified in firms’ 10-Ks and/or annual reports. Chief marketing officer presence or absence is based on whether or not the TMT has an executive with the word “marketing” as part of his or her title; titles include, but are not limited to, CMO and Vice President of Marketing (Nath and Mahajan 2008).

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Characteristics of the CMO and/or of the Resources Provided by the CMO to the TMT

In the next section, we first define CMO power and set up our conceptual model by identifying sources of intraorganizational power (rationales in Figure 1); we then hypothesize effects for the sources of CMO power and outcomes related to CMO power. Next, we describe the study’s methodology, including our sample, measures, and analyses. Finally, we present our results, their implications for theory and practice, and suggestions for further research.

Theory and Hypotheses

**CMO Power in the TMT**

Given the multiple perspectives on power that have emerged from prior research (e.g., Bacharach and Lawler 1980), we first clarify what we mean by CMO power in the TMT. We draw on prior conceptualizations of power (e.g., Gaski 1984) and define CMO power in the TMT as the CMO’s ability or capacity to influence the TMT. The TMT formulates the firm’s corporate strategy through a series of strategic decisions that cover the firm’s goals, product-market entry and exit, and resource allocations (Cyert and March 1963; Hambrick and Mason 1984; Varadarajan and Clark 1994). All executives in the TMT are involved in and have some influence over this decision-making process. Therefore, we are concerned with the CMO’s power over the broad range of strategic decisions that the TMT makes. Consequently, we adopt a macro or structural perspective of power by focusing on potential influence and preclude a micro or behavioral perspective that would focus on manifest influence (Brass and Burkhart 1993; Frazier and Rody 1991; Gaski 1984; Merlo, Whitwell, and Lukas 2004; Provan 1980).

Potential influence, or power as we define it, is the maximum possible social influence that can be applied, while manifest influence is the actual influence that is applied (French and Raven 1959). The latter is specific to a decision and depends on the influence strategies used and the actors who use and are subjected to them (Dawes, Lee, and Dowling 1998; Kohli 1989; Venkatesh, Kohli, and Zaltman 1995). Unlike manifest influence, potential influence is not decision specific and therefore is applicable over the range of decisions in the TMT’s strategic decision-making process. Furthermore, actual influence can only be applied and influence strategies can only be used if an actor has the power to do so in the first place (Dwyer and Walker 1981). Finally, power is considered primarily a structural phenomenon, in which the position, not the person, determines influence (Pfeffer 1981; Ronchetto, Hutt, and Reingen 1989). Because we adopt a structural view of power, the findings from this research have relevance to the CMO position, regardless of person, decision, or influence strategy. Although this approach may be appropriate given the lack of prior research on CMO power, we note here that a behavioral perspective is also an important one, and we address it subsequently as an avenue for further research.

**Sources of Power in Organizations**

To identify sources of CMO power, we draw on the strategic contingencies theory of intraorganizational power...
the roles and responsibilities of the executive in this domain are more likely to create a CMO position (Nath and Mahajan 2008). We attempt to categorize these into Hunt and Morgan’s (1995) seven types of resources—financial, physical, legal, informational, human, relational, and organizational. Of these, there is little evidence of the CMO controlling financial, physical, and legal resources, leaving the CMO in control of resources that are primarily informational, human, relational, and organizational (Griffith and Lusch [2007] use a similar categorization for the resources of marketing personnel).

Informational resources include qualitative and quantitative data as well as insights about customers, including trends; human resources include the skills and knowledge of employees of the marketing organization, including the CMO; relational resources include relationships with channel members, end users, and marketing services agencies, such as market research and advertising; and organizational resources include marketing capabilities, such as market sensing and customer linking (Day 1994), which effectively bring together the other resources. In line with the theories of power discussed previously, we conceptualize CMO power in the TMT as a function of TMT dependence on the CMO, which in turn increases with (1) the amount of control the CMO has over the resources identified here, (2) the criticality of these resources to the TMT, (3) the effectiveness with which the CMO provides these resources to the other actors in that group, (2) the criticality of these resources to the TMT, (3) the effectiveness with which the CMO provides these resources to the TMT, and (4) the nonsubstitutability and (5) centrality of the CMO or the CMO’s resources in the TMT. As the model in Figure 1 shows, we identify sources of CMO power and develop hypotheses for their effects using these five rationales (for ease of representation, the ordering of rationales is slightly different in the model shown in Figure 1, and substitutability replaces nonsubstitutability).

TMT uncertainty stemming from industry instability. Uncertainty in industry demand is a function of the volatility or instability of growth in an industry (Achrol and Stern 1988; Duncan 1972; Hambrick and Cannella 2004). Top management teams rely on trends of growth in their industries to formulate long-term strategic plans that include, but are not limited to, capital investments, staffing decisions, and exiting or entering a particular product-market segment (Finkelstein and Hambrick 1996). The more these trends fluctuate, the greater is the uncertainty faced in making decisions, and the more critical it becomes to scan and interpret the environment (Daft and Weick 1984). Although macroeconomic forces might contribute to such instability in demand, the underlying reason is arguably shifts in preferences of customers who make up this environment (Grewal and Tanushaj 2001). Compared with other executives in the TMT, CMOs are best positioned to reduce TMT uncertainty stemming from the unpredictability of customer preferences.

Sources of CMO Power in the TMT

The preceding subsection provides the theoretical bases for identifying factors associated with the power of a focal actor in an organizational setting. The focal actor in this research is the CMO, and our interest is in the power of the CMO relative to that of all the other executives in the TMT. Top management teams that face complexity in the marketing domain are more likely to create a CMO position (Nath and Mahajan 2008). As a result of this structural decision, marketing tasks get allocated to the CMO, as reflected in the roles and responsibilities of the executive in this position. Prior research has indicated that these cover a wide range of activities, giving the CMO control over many resources (CMO Council 2007; CMO Survey 2008; Hopkins and Bailey 1984; Hyde, Landry, and Tipping 2004; Nath and Mahajan 2008; Pierry 1986). We attempt to categorize these into Hunt and Morgan’s (1995) seven types of resources—financial, physical, legal, informational, human, relational, and organizational.
ences, given the customer-related human, informational, relational, and organizational resources they control. Homburg, Workman, and Krohmer (1999, p. 4) make a similar argument with respect to marketing department influence in firms’ business units: “When market-related uncertainty is high, marketing makes a more important strategic contribution to the firm because there is greater need to gather and process market-related information.” Thus, the CMO’s resources become critical in the face of TMT uncertainty from industry instability, which, in accordance with the rationale of criticality identified in the preceding discussion, leads us to hypothesize the following:

**H**1: The degree of industry instability a firm faces is positively related to the power of the CMO in the TMT.

**TMT uncertainty stemming from firm innovation.** As does industry instability, we argue that firm innovation also increases TMT uncertainty because investing in new products and services has the inherent quality of unpredictability (Barker and Mueller 2002; Henderson and Fredrickson 1996). Firms that invest in research and development (R&D) are not guaranteed success, but the TMT must make choices and allocate resources based on future expectations (Eisenhardt and Bourgeois 1988; Yadav, Prabhu, and Chandy 2007). Success is driven in large part by correctly anticipating customer needs and wants (Gupta, Raj, and Wilemon 1986). Therefore, the resulting TMT uncertainty is effectively addressed with the CMO’s resources, such as insights into potential segments and customer-linking capabilities, making CMOs critical. Homburg, Workman, and Krohmer (1999) and Moorman and Rust (1999) make similar arguments regarding marketing’s role and its possible influence. The more aggressive the pursuit of innovation in terms of a firm’s R&D investments, the greater is this uncertainty and, therefore, criticality, leading us to hypothesize the following:

**H**2: A firm’s level of innovation is positively related to the power of the CMO in the TMT.

**TMT marketing experience.** According to “upper echelons theory,” top executives with similar functional experience scan, interpret, and act on information in the same manner (Finkelstein and Hambrick 1996; Hambrick and Mason 1984). Thus, to a TMT executive with marketing experience, the CMO may not possess substantially unique informational (e.g., insights), human (e.g., skills), and organizational (e.g., market-sensing capability) resources. In other words, the CMO and/or the CMO’s resources would be relatively substitutable. In accordance with the fourth rationale of nonsubstitutability, a greater proportion of such executives in the TMT would imply less TMT dependence on the CMO. In addition, the increased availability of such marketing experience in the TMT also makes the CMO substitutable for TMT executives without this experience, further reducing TMT dependence on the CMO (Emerson 1962). This leads us to hypothesize the following:

**H**3: The proportion of a firm’s TMT with marketing experience (excluding the CMO) is negatively related to the power of the CMO in the TMT.

**Additional responsibility of sales for the CMO.** Not all CMOs are also responsible for sales. Given Montgomery and Webster’s (1997, p. 13) observation that “there have been cycles of separating and then combining” marketing and sales, a discussion of the reasons for this is not within the scope of our research (for a detailed analysis of this issue, see Workman, Homburg, and Gruner 1998). We use three of the five rationales for TMT dependence on the CMO, arguing that the CMO’s power increases with this additional responsibility of sales. First, the additional responsibility of sales increases the CMO’s control over resources we identified previously. The sales function is an informal source of information about consumers because sales personnel have knowledge, skills, and relationships that are specific to the market segments they cover (Carpenter 1992; Cespedes 1996). Thus, a large overlap occurs in the resources that marketing and sales control (Guenzi and Troilo 2007). This is evidenced in Verhoef and Leeflang’s (2009) finding that marketing’s loss of control over activities such as pricing and distribution is explained by the sales executives’ increasing control over them. It follows then that a CMO who has the additional responsibility of sales has more control over the resources the TMT requires. Some evidence of this resulting in greater CMO power is reflected in Piercy’s (1989b) finding that the control of sales forecasting increases marketing power.

Second, the additional responsibility of sales makes the CMO more effective in the provision of these resources, which, as our third rationale suggests, should increase CMO power. Researchers and practitioners have argued that the integration of marketing and sales is important for superior performance (Carpenter 1992; Court 2007; Dewsnup and Jobber 2000; Donath 2004b; Rosenbloom and Anderson 1984; Rouzies et al. 2005). There is also some empirical evidence that cooperation between these functions can achieve this (Guenzi and Troilo 2007). Homburg and Jensen (2007) refine this view by finding that though most differences between the thought worlds of marketing and sales (related to skills and knowledge) reduce cooperation, some (related to orientations) may improve performance. As integration mechanisms for achieving this, they recommend that firms install “an internal role structure that fosters devil’s advocacy” (Homburg and Jensen 2007, p. 135) and “strong structural linkages” (Homburg, Jensen, and Krohmer 2008, p. 149). If a CMO with the additional responsibility of sales is one such integration mechanism, such a CMO should be more effective in providing the resources he or she controls to the TMT. Indeed, the same researchers and practitioners who call for such integration also suggest that having a common leader is one way to achieve it (Cespedes 1996; Donath 2004a; Rouzies et al. 2005).

Third, we argue that the CMO and the activities he or she performs become more central in the TMT when the CMO is also in charge of sales, given the greater opportunity of interactions between the CMO and other TMT executives. As evidence, we again cite Piercy (1989b), who shows that the control of sales forecasting affects the power of the marketing department through the connectedness or centrality of the department. On the basis of these three arguments, we hypothesize the following:
H3: CMOs who are also responsible for sales have relatively more power in the TMT than CMOs who do not have this responsibility.

Outcomes Related to CMO Power and to Sources of CMO Power in the TMT

Our second research question pertains to firm performance outcomes related to CMO power. We first explore the main effects of CMO power, and then we consider one of the sources of CMO power—namely, the CMO’s additional responsibility of sales. Following this, we explore possible moderators of the CMO power–firm performance link (see Figure 1).

CMO power and firm performance. We note that there is little theoretical precedence for arguing that a particular TMT executive’s power should be related to firm performance; the only exceptions pertain to the power of the chief executive officer (CEO), but even in these cases, the focus is on the issue of equal/unequal power distribution in the TMT (see Smith et al. 2006). This is not surprising, because TMTs often use power as a political tool, without regard necessarily for the firm’s interests (Pfeffer 1981). To be able to argue for directional effects of CMO power on firm performance, we first draw on research related to marketing department influence. Moorman and Rust (1999) argue that marketing influence results in specialized marketing knowledge and, in turn, should improve performance. They also find empirical support for this line of reasoning. Verhoef and Leeflang (2009) use a similar argument, and though they do not find such a significant relationship in a Netherlands-based sample, they do in samples drawn from other countries in a subsequent study (Verhoef et al. 2009). In line with these findings, TMTs in which CMOs have relatively greater power should also benefit from specialized marketing knowledge, which in turn should positively affect firm performance.

We also draw on two particular roles of the CMO that Hyde, Landry, and Tipping (2004, p. 7) observe: aligning “division marketing plans with corporate strategies” and aligning “marketing in the business units, and their personnel, with the central agenda.” The issue of alignment of executive decisions with the corporate agenda has been extensively examined in the context of compensation structures of executives in the C-suite (see Aggarwal and Samwick 2003). To the extent that such an alignment is beneficial for the firm (Carpenter and Sanders 2002), CMOs who successfully perform these two roles contribute to firm performance. This success is arguably more probable as CMO power increases because each of these roles is bound to be fraught with conflict as the CMO engages in decision making with executives in charge of these divisions. Therefore, on the basis of this discussion, we hypothesize the following:

H4: The CMO’s additional responsibility of sales is positively related to firm performance.

Additional responsibility of sales for the CMO and firm performance. Our discussion of the sources of CMO power also suggests one more effect related to CMO power, albeit from a source of CMO power itself—namely, the CMO’s additional responsibility of sales. One of the rationales we use for hypothesizing a positive effect of this responsibility on CMO power is that of increased effectiveness in the CMO’s provision of resources to the TMT. Our argument for this rationale relies on the assumption that CMOs with this dual responsibility are able to successfully integrate marketing and sales, improving cooperation while managing the tensions of their respective long- and short-term worldviews. Homburg and Jensen (2007) show that such integration, albeit at the level of the strategic business unit (SBU) improves SBU performance. Consequently, we also expect the CMO’s additional responsibility of sales to improve TMT, and therefore firm performance. Because none of the other sources of CMO power rely on this rationale of effectiveness, it is not possible theoretically to make a case for performance-related directional effects with any of them. On the basis of this discussion, we hypothesize the following:

H5: The CMO’s additional responsibility of sales is positively related to firm performance.

Moderators of CMO power-related firm performance effects. As we discussed previously, a reason to expect that CMO power positively affects firm performance is that powerful CMOs are able to align divisional marketing plans with corporate strategies. Consequently, CMO power should matter more in firms in which there are more divisions, as represented by the proportion of divisional heads in the TMT. Therefore, we expect the performance gains from high CMO power to be strengthened in such firms. Conversely, in firms that are less divisionalized or purely functional, the issue of alignment itself is less important to firm performance because there are too few or no powerful divisional heads with individual agendas separate from that of the TMT (Chandler 1991; Weitz and Anderson 1981). In such firms, CMO power should matter less to performance insofar as it is important for alignment.

We extend this logic to also argue that the CMO power–firm performance relationship is weakened in firms that pursue unrelated diversification. The premise of unrelated diversification is the separation of agendas of the firm into unrelated domains (Varadarajan 1992). It is likely that in such firms, empowered CMOs work against this basic premise in trying to align these firms’ various unrelated businesses and their plans. Consequently, the performance gains from high CMO power should be weakened in such firms. This discussion leads us to hypothesize the following moderation effects:

H7: The positive relationship between CMO power in the TMT and firm performance is strengthened (weakened) in firms with high (low) levels of TMT divisionalization (i.e., firms with high [low] proportions of divisional heads in the TMT).

H8: The positive relationship between CMO power in the TMT and firm performance is weakened in firms that pursue unrelated diversification.
Method

Sample
We studied firms over a considerable duration so that idiosyncrasies of a particular year would not affect our inferences and to allow for stronger claims of causality. The most recent year with secondary data available on TMTs of firms was 2005, when we initiated this research. Consequently, we chose to observe firms over the five-year period, from 2001 to 2005. We identified all firms in the COMPUSTAT database with sales of at least $250 million in 2002 because CMOs were more likely to be present in relatively larger firms (Hyde, Landry, and Tipping 2004). To test the hypothesis on innovation, we dropped firms in industries that did not report R&D expenditures (e.g., retailing). As a result of these filters and firm attrition, we were left with 167 firms (811 firm years), 91 (334 firm years) of which employed a CMO for at least one year.

From this sample, we dropped 13 firm years because firm outcome variables were not available for time t + 1 (the firms had been either acquired or privatized). We also dropped 14 outlier observations because return on sales (ROS), an outcome and control variable, and firm innovation, an independent and control variable, were well outside the range of three standard deviations for these observations. Finally, because we wanted to use the longitudinal nature of our data to analyze CMO power, we dropped firms that had a CMO for only one year. This is because accounting for serial correlation requires at least two observations for each firm, an issue we discuss in greater detail in the “Analyzes” section. It also ensures that our results related to CMO power are limited to firms that are somewhat “CMO prone” in the first place. Our sample originally had only 10 firms with a CMO observed for exactly one year; however, the removal of firm years as a result of attrition and outliers we just described increased this number to 14. Thus, our final sample had 165 firms (772 firm years), with the analyses related to CMO power being carried out on 77 firms (299 firm years) with the CMO position for at least two years.4

Data Sources and Measures

CMO power in the TMT. In our theoretical discussion, we defined CMO power as the potential influence of the CMO over a range of decisions the TMT makes, rather than manifest influence, which would be specific to each decision. Prior studies have used primary and/or secondary measures to capture executive or employee power in this sense. Primary measures use survey-based scales to capture perceived power or influence over a range of decisions (e.g., Anderson and Narus 1990; Hinings et al. 1974). However, these measures have an inherent limitation of not being longitudinal, along with other issues, such as bias (Hambrick 1981). Secondary measures of power that overcome these limitations typically capture the hierarchical level of the executive or employee. Hierarchical level or formal authority is considered the “crystallization of earlier power patterns” (Hambrick 1981, p. 267) and “the most easily recognizable, legitimate structural position” (Brass and Burkhardt 1993, p. 462).

Prior research has found that hierarchical measures of power are strongly correlated with, or explain, perceptual measures of power or influence over a broad domain of decisions (Finkelstein 1992; Fombrun 1983; Hambrick 1981; Piercy 1986; Ronchetto, Hutt, and Reingen 1989). Among these studies, Finkelstein’s (1992) is the only one that offers a measure that accounts for differences between the hierarchies, or the number of levels, of TMTs. Therefore, we adapt Finkelstein’s measure of structural power, called “percentage with higher titles” (p. 512), which constitutes “the legislative right to exert influence” (p. 509), to capture CMO power.5

Our measure of CMO power subtracts from 1 the proportion of levels in the TMT above the CMO’s level. The subtraction from 1 is the only difference with Finkelstein’s (1992) measure; it ensures that increasing values represent greater influence. The TMT is the set of executive officers specified in the firms’ 10-Ks and/or annual reports, and TMT levels were fairly straightforward to determine from the titles of these executives (e.g., senior vice presidents were at a higher level than vice presidents). We assume that the CEO is at the highest level in the TMT and has the most power. For the CEO, this measure takes a value of 1 because there are 0 levels above the CEO; for all other executives, it varies between 0 and 1. Chief marketing officers higher in the TMT hierarchy have relatively greater values on this measure. For the purpose of illustration, consider two CMOs, denoted as A and B. Let CMOA be at Level 2 in a TMT with four levels. Thus, there is one level above CMOA, and the proportion of levels in the TMT above CMOA is 1/4 (.25) because there are four levels. Therefore, the measure of power for CMOA is 1 – .25 = .75. Let COMB be at Level 3 in a TMT with four levels. Therefore, COMB should have less power than CMOA, who is at Level 2, or one level higher than COMB, in a TMT with the same number of levels. Because there are two levels above

4The breakup of the sample of firms with a CMO (firm years in parentheses) by industry or two-digit Standard Industrial Classification (SIC) is as follows: 23 (85) in Business Services, or SIC 73; 19 (73) in Industrial Machinery and Equipment, or SIC 35; 12 (50) in Electrical and Electronic Equipment, or SIC 36; 10 (37) in Instruments and Related Products, or SIC 38; 4 (19) in Chemicals and Allied Products, or SIC 28; 3 (12) in Rubber and Miscellaneous Plastic Products, or SIC 30; 3 (8) in Fabricated Metal Products, or SIC 34; and 1 (5) each in Furniture and Fixtures, Paper and Allied Products, and Primary Metal Industries (SICs 25, 26, and 33, respectively). We also note that performing analyses on only the firm years with a CMO presents a type of sample selection problem; we address this issue in the “Analyzes” subsection.

5Other measurements or proxies of power or potential influence include, but are not limited to, the ability to reward/punish, compensation, company stock owned, and board membership (see Finkelstein 1992; Kohli 1989). These were either not relevant or unavailable for our research. For example, rewarding or punishing is unlikely in the context of the CMO’s interactions with other TMT executives, and data on compensation and stock owned were only available either for TMT executives who were also board members (none of the CMOs in our sample were on the board of their firms) or for a few key TMT executives, with the CMO rarely being among them.
CMO_B, the proportion of levels in the TMT above CMO_B is 2/4 (.5), and the measure of power for CMO_B is 1 – .5 = .5, which is less than .75, the value for CMO_A.

In addition, the measure accounts for the differences in the total number of levels between TMTs. If the total number of levels in two TMTs with CMOs at the same level is different, the CMO in the TMT with more levels is accorded greater power in the TMT. To illustrate, consider a third CMO, C. Let CMO_C also be at Level 3, but in a TMT with five levels, unlike CMO_A’s TMT, which has four levels. The proportion of levels in the TMT above CMO_C is 2/5 (.4), and the measure of power for CMO_C is 1 – .4 = .6, which is more than that of CMO_B (but less than that of CMO_A). Thus, the measure considers not only the CMO’s proximity to the CEO but the total number of levels in the TMT as well, with the latter being linked to the number of levels below the CMO’s level in the TMT. In summary, being closer to the CEO and having more TMT levels below implies greater power for a focal executive.

Finally, because our measure is a secondary measure of power, it must also accommodate the difference in sizes of TMTs, or the total power of the TMT. This is related to the idea of power being a zero-sum game (Bacharach and Lawler 1980). Therefore, following Finkelstein (1992), we divide the power of the CMO (as we just discussed) by the total power of the TMT, which is the same power measure summed over all the executives in the TMT.

**Sources of CMO power in the TMT.** Industry instability at time t − 1 was the standard deviation across five lagged years of the median sales growth of the firm’s industry at the two-digit Standard Industrial Classification (SIC) level, based on similar measures used by Hambrick and Cannella (2004). We also used various alternative measures based on prior research, such as residuals of regressions of total industry sales on time, but these were typically highly correlated with this previous measure and did not change any of our results. For diversified firms with sales in more than one industry, we computed a weighted average of these measures, using the proportion of sales in each industry as weights. We measured firm innovation using the ratio of R&D to sales at time t − 1. In analyses that did not specifically include industry-level dummies, we subtracted the median innovation of the firm’s primary industry from firm innovation to control for industry effects. We measured the proportion of the TMT with marketing experience as the ratio of the executives in the TMT at t − 1, with marketing or marketing-related experience that included, for example, sales, advertising, and customer service. In computing this ratio, we excluded the CMO at time t if he or she was present in the TMT at time t − 1. We captured the additional responsibility of sales of the CMO at time t with a dummy variable, which took the value of 1 if the word “sales” was also present in the CMO’s title (e.g., Vice President, Marketing and Sales) and 0 if otherwise. We used Standard & Poor’s COMPUSTAT data for industry- and firm-level variables and 10-Ks and/or annual reports for TMT- and CMO-level variables. Bloomberg, Dun & Bradstreet’s Regis-

ter of Corporations, and company Web sites provided additional information on backgrounds.

**Firm performance.** We used sales growth and ROS as measures of firm performance, subtracting the industry median in models without industry-level dummies. Both sales growth and ROS have been used extensively in prior research on marketing outcomes and have been empirically linked to marketing capabilities (Krasnikov and Jayachandran 2008). Therefore, they are particularly relevant to the investigation of outcomes of CMO power. We averaged both measures over time t and t + 1 because decisions made during a certain period can have performance implications for that period as well for future periods. We did not consider t + 2 and beyond, because many firms did not have a CMO position for more than two years and we did not want to confound position outcomes with person outcomes given short CMO tenures.

**Controls.** We controlled for time effects by including four dummy variables for the five years of observation, with 2001 as the base year. We also included controls at the industry, firm, and TMT levels. Industry-level controls were sales growth and market concentration, weighted by the proportion of sales in the industry for diversified firms, as we described previously for industry instability. Previous research on the role of marketing has included some form of these variables with mixed results (e.g., Homburg, Workman, and Krohmer 1999). Industry sales growth was the average over five lagged years of the median sales growth of the firm’s industry at the two-digit SIC level. Market concentration was the Herfindahl–Hirschman index, which is the sum of the square of market shares of all these firms at t − 1. As an alternative to these controls, we also used dummy variables at the two-digit SIC level; here, we did not test for industry instability. These variables, along with industry instability, have also been linked to firm performance (e.g., Hambrick and Cannella 2004). Therefore, we also used them as control variables to account for industry effects when firm performance was the dependent variable.

Firm-level controls included size using the log of the firm’s employees at time t − 1. Larger firms tend to have larger resources; therefore, executives in such firms may have greater power than their counterparts in firms with smaller resources. For similar reasons, we also controlled for firm diversification by including a dummy variable equal to 1 or 0 if a firm was diversified or undiversified, respectively, at time t − 1. We used three alternatives for determining whether a firm was diversified—total, unrelated, or related diversification—using entropy measures of each based on segment sales available in COMPUSTAT (Palepu 1985). For each alternative, a firm was diversified if this measure was greater than 0. Next, we controlled for whether a firm was selling to consumers (business to consumer [B2C]), businesses (business to business [B2B]), or a mix of these two types (mixed), given mixed results with this variable in prior research on marketing influence (Homburg, Workman, and Krohmer 1999; Verhoeft and Leeflang 2009). Following Rao, Agarwal, and Dahlhoff (2004), we used the description of the firm’s customers in
the 10-K to determine this and assumed that it was constant over the observation period. We combined B2C and mixed firms into one category because there were few pure B2C firms. Because these firm-level variables affect firm performance (see Nath and Mahajan 2008; Rao et al. 2004), we also used them as controls in the analyses with firm performance outcomes (except diversification, which is a hypothesized moderator variable in these analyses). Finally, in the model of the sources of CMO power, we also included sales growth and ROS, both measured at time t – 1, to control for the likelihood that CMO power is in any way related to prior performance.

The TMT level controls were TMT size, TMT levels, TMT divisionalization, chief operating officer (COO) presence, and CEO tenure, all at time t. We expected larger TMTs to reduce the relative power of executives because more executives are involved in the strategic decision-making process. We have already described TMT levels, and TMT size is the number of executives specified as the executive officers in the firm’s 10-K and/or annual report, less the CMO. Similarly, having relatively more divisional heads controlling greater resources possibly reduces the relative power of other TMT executives. Top management team divisionalization is the proportion of the TMT heading a division or business unit (Aggarwal and Samwick 2003). For COO presence, we included a dummy that equalized 1 (0) when a COO was present (absent). We expected this variable to have a negative effect on CMO power because COOs were always coded at Level 2, one below the CEO, with all other executives being below the COO. We did this because the COO position is widely recognized as being the second in command (Hambrick and Cannella 2004). Finally, we controlled for the log of CEO tenure because longer-tenured CEOs may be more powerful, thus reducing the power of TMT executives, including the CMO (Hambrick and Fukutomi 1991). Because these variables have been linked to firm performance (see Hambrick and Cannella 2004), we also used them as controls when it was the dependent variable (except for TMT divisionalization, which we hypothesized to be a moderator variable in these analyses).

For firm performance, in addition to the controls already mentioned, we controlled for whether the firm made any acquisitions at time t by including a dummy equal to 1 (0) if it did (not), as reported in Thompson Reuters’s SDC Platinum financial reports. Furthermore, we controlled for firm differentiation, which we measured as the ratio of advertising to sales at time t – 1, and firm innovation, for which we subtracted the industry median in models without industry-level dummies. Finally, we included TMT marketing experience and a dummy variable equal to 1 when CEOs were outsiders (i.e., when the CEO had been appointed within two years of joining the firm) and 0 otherwise. Again, these variables are relevant to performance (Nath and Mahajan 2008; Rao, Agarwal, and Dahlhoff 2004; Weinzimmer et al. 2003).

**Analyses**

Controlling for selection bias. We conduct our analyses on sources and outcomes of CMO power only on firm years with a CMO. In doing so, we encounter a classic case of the sample selection problem because we exclude firm years without a CMO; failing to control for this results in biased estimates (Heckman 1979). We employ a commonly used technique to address this problem—namely, that of including a correction factor computed from a first-stage probit estimation, with CMO presence as the dependent variable—in our second-stage analyses related to CMO power. In this first-stage analysis, we code CMO presence as 1 if the firm had a CMO in that year and 0 if otherwise. To the extent possible, we ensure that the independent variables in this analysis include all the variables in our second-stage analyses and at least one variable not in these analyses, as Wooldridge (2003) recommends. The correction factor, also known as the inverse Mills ratio, is then the ratio of the probability density function to the cumulative density function for CMO presence. We include this correction factor (denoted as \( \lambda \)) in our second-stage estimations related to the sources and outcomes of CMO power. Given space constraints, we do not provide details here, but we note that our results on branding strategy, innovation, and differentiation, as drivers of CMO presence, are similar to those of Nath and Mahajan (2008).

Model estimation. We conducted all analyses using generalized estimating equations (GEE) developed by Liang and Zeger (1986), with StataCorp (2005). The GEE technique can be applied to various distributions with different canonical links; it corrects for serial correlation in longitudinal data by using a working correlation structure that is specified a priori (Zorn 2001). Although the Gaussian distribution most closely approximates our measure of CMO power, it is bounded between 0 and 1. Following Rentz and Reynolds (1991), we address this by computing \( \ln[P/(1 – P)] \) for P, the measure of CMO power we described previously, when it is the dependent variable. Because our sample had firms with the CMO position for only two years, we specified a first-order autoregressive, or AR(1), correlation structure to account for serial correlation. Although GEE analyses are fairly robust to alternative specifications of the correlation structure, we used robust standard errors (Liang and Zeger 1986). Therefore, our specification for the GEE was a Gaussian family, an identity link, and an AR(1) correlation structure, which we used to estimate the following models:

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6We thank an anonymous reviewer for suggesting this analysis, details of which are available on request. Here, we note that our analysis differs from Nath and Mahajan (2008) in that we used the lagged dependent variable as an independent variable, while they did not. Lagged dependent variables are recommended for variables, such as CMO presence, that demonstrate high inertia (Wooldridge 2003). They also improve the explanatory power of the first-stage model, thus reducing multicollinearity between the correction factor and the independent variables in the second-stage model. It is possible that this difference caused outsider CEO to significantly predict CMO presence in their models but not in ours.
(1) \[ \text{LCPower}_{it} = \alpha_0 + \alpha_1 \text{IndInstab}_{it(t-1)} + \alpha_2 \text{FirmInnov}_{it(t-1)} + \alpha_3 \text{MktExpTMT}_{it(t-1)} + \alpha_4 \text{CM\&S}_{it} \\
+ \sum_{j=1}^{4} \alpha_{j+4} \text{Time}_{jt} + \sum_{k=1}^{2} \alpha_{k+8} \text{IndControls}_{ki(t-1)} \\
+ \alpha_{11} \text{TimeConstFirmControl}_{i} \\
+ \sum_{m=1}^{4} \alpha_{m+11} \text{TimeVaryFirmControl}_{m(t-1)} \\
+ \sum_{n=1}^{6} \alpha_{n+15} \text{TMTControls}_{mnit} + \alpha_{22} \lambda_{it} + \epsilon_{it}, \]

where \( i \) is the individual firm, and \( t \) is the year of observation; \( \text{LCPower} \) is \( \ln(\text{CPower}/(1 - \text{CPower})) \), where \( \text{CPower} \) is CMO power, as described previously; \( \text{FPerf} \) is either firm sales growth or firm ROS; \( \text{IndInstab} \) (dropped in models with industry-level dummies), \( \text{FirmInnov} \), \( \text{MktExpTMT} \), and \( \text{CM\&S} \) are the sources of CMO power—namely, industry instability, firm innovation, TMT marketing experience, and the CMO’s additional responsibility for sales dummy, respectively; \( \text{Time} \) is the dummy for 2002, 2003, 2004, or 2005, with 2001 as the base year; \( \text{IndControls} \) (dropped in models with industry-level dummies) are the industry level controls—namely, industry sales growth and market concentration in Equations 1 and 2, plus industry instability in Equation 2; \( \text{TimeConstFirmControl} \) is the firm-level dummy that controls for whether the firm is a B2C or mixed firm (versus a B2B firm) and is assumed to be constant over time; \( \text{TimeVaryFirmControls} \) are the firm-level controls that vary over time—namely, firm total diversification dummy only in Equation 1; firm innovation, firm differentiation, and acquisition active firm dummy only in Equation 2, the last of which is measured in time \( t \); and firm size, prior firm sales growth, and prior firm ROS in Equations 1 and 2, though in Equation 2, only prior ROS is used when sales growth is the outcome, and only prior sales growth is used when ROS is the outcome; \( \text{TMTControls} \) are the TMT level controls—namely, TMT size, TMT levels, COO presence dummy, and log of CEO tenure in Equations 1 and 2; TMT divisionalization and TMT size squared only in Equation 1; TMT marketing experience and outsider CEO dummy only in Equation 2; TMTDivSln and UD/divsfn are TMT divisionalization and the firm-unrelated diversification dummy; \( \lambda \) is the inverse Mills ratio that controls for sample selection bias, as we described previously; and \( \epsilon \) and \( \mu \) are the error terms.

Results

Few of the pooled correlations exceeded .5, except those of TMT size with CMO power and firm size (see Table 1, which also includes descriptive statistics). However, all variance inflation factors and condition indexes are less than 5 and 13, respectively; thus, multicollinearity is not a problem (Wooldridge 2003). Moreover, our results do not change substantively if TMT size is dropped for analyzing performance outcomes and if firm size is dropped for CMO power.

Sources of CMO Power in the TMT

The results related to the sources of CMO power appear in Table 2 and are similar whether we use industry-level variables (Model 1) or industry dummies (Model 2). The results do not support \( H_1 \) and \( H_2 \) regarding the respective effects of industry instability and firm innovation on CMO power. However, in a post hoc analysis (described subsequently), we explore reasons for this and find conditional support for \( H_2 \). As we expected, marketing experience in the TMT had a significant, negative effect on CMO power \( (p < .01) \); thus, the results support \( H_3 \). In support of \( H_4 \), the additional responsibility of sales gives CMOs greater power \( (p < .05) \). In addition, as we expected, the control of TMT size was negatively related to CMO power; when we included a squared term, this relationship was curvilinear.

Post Hoc Analysis of Nonsignificant Sources of CMO Power in the TMT

We hypothesized that both the nonsignificant sources of CMO power, industry instability and firm innovation,
### TABLE 1
Descriptive Statistics and Correlation Coefficients

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<th>SD</th>
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<th>16</th>
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<td>1. CMO power</td>
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<td>(.04)</td>
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<td>.14</td>
<td>.15</td>
<td>.16</td>
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<td>.17***</td>
<td>.33***</td>
<td>.18</td>
<td>(.14)</td>
<td>.18***</td>
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<td>6. Industry sales growth</td>
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<td>8. Firm size (log of employees)</td>
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<td>-42***-08</td>
<td>-27***-06</td>
<td>.07</td>
<td>.04</td>
<td>.12**</td>
<td>.01</td>
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<td>10. B2C or mixed (versus B2B) firm</td>
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<td>(.49)</td>
<td>-15***-20***-33***</td>
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<td>11. Prior firm sales growth</td>
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<td>.01</td>
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<td>17. CEO tenure (log)</td>
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<td>18. λ (inverse Mills ratio)</td>
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<td>19. Firm sales growth average(t,t + 1)</td>
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<td>.08</td>
<td>.06</td>
<td>-.03</td>
<td>-11*</td>
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<td>20. Firm ROS average(t,t + 1)</td>
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<td>-19***-18***</td>
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*p < .10.
**p < .05.
***p < .01.

Notes: The table shows correlations between measures pooled across 299 firm years (unbalanced panel of 77 firms observed over five years); yearwise p-values may differ and are available on request. We do not report some control variables used in the models of performance in the interest of space.
would increase CMO power, in accordance with the rationale of criticality. We argued that they cause TMT uncertainty that is market/consumer related. This would make them sources of greater CMO power because they render the CMO’s resources that are in the marketing domain (resources that are best able to reduce such uncertainty) critical to the TMT. However, if under certain conditions other TMT executives also possess or control these or similar resources, this uncertainty would increase their power as well, in accordance with the same rationale of criticality. As a result, when such conditions are present, CMO power would not increase as much with these sources of power, because power is a zero-sum game; in turn, this would weaken the main effects hypothesized for these sources, possibly even making them nonsignificant, as we find.

We argue that these conditions most likely occur (1) as TMT marketing experience increases, because there is an increasing proportion of TMT executives with resources (e.g., skills) that are similar to those of the CMO, and (2) when the CMO does not have the additional responsibility of sales, because other TMT executives now control sales’ resources that are closely related to those of marketing. Essentially, we suggest moderator effects of at least one of these two variables on each of the nonsignificant sources (i.e., industry instability and firm innovation).

We test for the four possible moderator effects by separately entering each interaction they suggest in Models 1 and 2 (of Table 2) after mean centering the interacting variables. In the interest of space, we show results of this post hoc analysis only if the interactions are significant. Because the results were similar across both Models 1 and 2, we also do so only for Model 2. The interactions of industry instability with both possible moderators and of firm innovation with the CMO’s additional responsibility of sales dummy were not significant. The only significant interaction was that between firm innovation and TMT marketing experience, as we show in the last column of Table 2 (p < .05; following Hardin and Hilbe [2003], we tested interactions with the generalized Wald test, which is part of this displayed output). To explore whether this interaction

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**TABLE 2**

**Sources of CMO Power in the TMT**

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Model 1</th>
<th>Model 2a</th>
<th>Support for Hypotheses</th>
<th>Post Hoc Test of Interactions Using Model 2ab</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry instability (H1)</td>
<td>.51 (.45)</td>
<td>—</td>
<td>No</td>
<td>—</td>
</tr>
<tr>
<td>Firm innovation (H2)</td>
<td>.13 (.34)</td>
<td>.33 (.34)</td>
<td>No</td>
<td>.31 (.34)</td>
</tr>
<tr>
<td>TMT marketing experience (H2)</td>
<td>-.45 (.14)**</td>
<td>-.47 (.14)**</td>
<td>Yes</td>
<td>-.45 (.14)**</td>
</tr>
<tr>
<td>CMO responsible for sales (H4)</td>
<td>.17 (.07)*</td>
<td>.15 (.07)*</td>
<td>Yes</td>
<td>.14 (.07)*</td>
</tr>
<tr>
<td>Firm innovation × TMT marketing experience</td>
<td></td>
<td></td>
<td>H2 (conditional, post hoc)</td>
<td>-3.64 (1.47)*</td>
</tr>
</tbody>
</table>

Control Variables

<table>
<thead>
<tr>
<th>Year dummies</th>
<th>Included</th>
<th>Included</th>
<th>Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry sales growth</td>
<td>-.05 (.41)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Market concentration</td>
<td>-.23 (.54)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Firm size</td>
<td>.01 (.06)</td>
<td>.02 (.05)</td>
<td>.03 (.05)</td>
</tr>
<tr>
<td>Diversified (versus undiversified) firm</td>
<td>.05 (.06)</td>
<td>.07 (.06)</td>
<td>.06 (.06)</td>
</tr>
<tr>
<td>B2C or mixed (versus B2B) firm</td>
<td>.02 (.07)</td>
<td>.03 (.06)</td>
<td>.04 (.09)</td>
</tr>
<tr>
<td>Prior firm performance (sales growth)</td>
<td>.05 (.08)</td>
<td>.05 (.09)</td>
<td>.04 (.09)</td>
</tr>
<tr>
<td>Prior firm performance (ROS)</td>
<td>.08 (.12)</td>
<td>.08 (.11)</td>
<td>.09 (.11)</td>
</tr>
<tr>
<td>TMT size</td>
<td>-.09 (.01)**</td>
<td>-.09 (.01)**</td>
<td>-0.09 (.01)**</td>
</tr>
<tr>
<td>TMT size2</td>
<td>.00 (.00)*</td>
<td>.00 (.00)*</td>
<td>.00 (.00)*</td>
</tr>
<tr>
<td>TMT levels</td>
<td>-.03 (.03)</td>
<td>-.03 (.03)</td>
<td>-.04 (.03)</td>
</tr>
<tr>
<td>TMT divisionalization</td>
<td>-.22 (.16)</td>
<td>-.21 (.15)</td>
<td>-.21 (.15)</td>
</tr>
<tr>
<td>COO presence</td>
<td>-.07 (.08)</td>
<td>-.06 (.05)</td>
<td>-.04 (.09)</td>
</tr>
<tr>
<td>CEO tenure</td>
<td>-.07 (.07)</td>
<td>-.07 (.07)</td>
<td>-.06 (.07)</td>
</tr>
<tr>
<td>λd</td>
<td>.01 (.15)</td>
<td>.01 (.15)</td>
<td>.01 (.15)</td>
</tr>
<tr>
<td>Industry dummies</td>
<td>—</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Constant</td>
<td>-2.47 (.07)**</td>
<td>-2.49 (.07)**</td>
<td>-2.48 (.07)**</td>
</tr>
</tbody>
</table>

*aModel 2 uses two-digit SIC-level dummies for the ten industries instead of all industry-level variables. Three industries (SICs 25, 26, and 33) had only one firm each. We collapsed these into one dummy to ensure linear independence, which resulted in seven dummies being used; none of these were significant.

*bWe tested four interactions (see the post hoc analysis in the “Results” section); only one was significant, as shown, with similar results when we used Model 1.

*cWe included four year dummies for 2002–2005, with 2001 as the base year; none of these dummies were significant in any of the models.

*dWe computed the inverse Mills ratio from a first-stage probit regression of CMO presence; the details are available on request (see the “Analyses” subsection).

Notes: The table shows parameter estimates, with standard errors adjusted for clustering at the firm-level in parentheses, resulting from GEE (Gaussian family, identity link, AR(1) correlation structure, N = 299 firm years), with CMO power as the dependent variable: Model 1: $\chi^2(22) = 510.76, p < .001$; Model 2: $\chi^2(26) = 490.87, p < .001$; and post hoc Model 2: $\chi^2(27) = 498.44 (p < .001)$. 

*p < .05.

**p < .01.

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supports our post hoc arguments, we use procedures that Aiken and West (1991) recommend, analyzing main and interaction effects using only these two variables in the model.

We find that firm innovation is positively related to CMO power ($p < .01$) when we use the value of TMT marketing experience computed at one standard deviation below its mean, which is 0 because it is mean centered. However, this relationship is not significant when we use either the mean value of TMT marketing experience or its value computed at one standard deviation above the mean. Therefore, this interaction implies that the hypothesized effect of firm innovation on CMO power is substantially weakened or moderated as TMT marketing experience increases (see Figure 2), in line with our post hoc arguments. Seemingly, market-/consumer-based TMT uncertainty from innovation also increases the power of other TMT executives with resources similar to the CMO, in accordance with the rationale of criticality. The interaction and Figure 2 also show that CMO power increases with firm innovation, as we hypothesized, but only at low levels of TMT marketing experience, thus allowing us to claim conditional support for $H_2$.8

Outcomes Related to CMO Power and to Sources of CMO Power in the TMT

Table 3 shows the results with respect to our tests of outcomes related to CMO power for sales growth in Models 1a, 1b, and 1c and for ROS in Models 2a and 2b. Again, our results using either industry dummies or industry-level variables are the same; therefore, in the interest of space, we show only the former in Table 3. We did not find support for $H_5$ in any of these models, because the coefficient for CMO power was always nonsignificant. As $H_6$ predicted, the CMO’s additional responsibility for sales was positively related to performance, albeit only in the model with sales growth as the dependent variable. Thus, the results support $H_6$ ($p < .10$ in Model 1b and $p < .05$ in Model 1c). We entered interaction terms for testing $H_7$ and $H_8$ separately; we show only the models with significant interactions. In support of $H_7$, the first significant interaction is between CMO power and TMT divisionalization, with sales growth as the dependent variable ($p < .05$). In support of $H_8$, the second is between CMO power and unrelated firm diversification, with ROS as the dependent variable ($p < .05$).

To explore the interaction with TMT divisionalization, rather than using recommended standard deviations above or below its mean, we categorized it because the distribution of this variable was skewed. Approximately 30% of the values (84 firm years) of this variable were zero, indicating functionally organized TMTs. The remaining values were split around .25, with 109 having values below it and 106 having values equal to or above it, corresponding to moderately and highly divisionalized TMTs, respectively. We created three dummy variables, each coded as 1 when the raw value was in one of these three ranges and 0 otherwise. We then entered each separately and tested for the interaction with CMO power. The only significant interaction was that of CMO power with the high TMT divisionalization dummy ($p < .05$). As Panel A of Figure 3 illustrates, this interaction shows that the CMO power–firm performance (sales growth) relationship, rather than only being stronger, is actually positive only in highly divisionalized firms. We tested the second significant interaction between CMO power and the dummy for unrelated diversification in a similar manner; this variable was already dichotomized. As Panel B of Figure 3 illustrates, the CMO power–firm performance (ROS) relationship, rather than only being weakened, is actually negative ($p < .05$) in unrelated diversifiers.

Discussion and Implications

The objectives of this research were to determine the sources of and outcomes related to the CMO’s power in the firm’s TMT. Our conceptual model in Figure 1 shows the relationships we expected to observe, and Tables 2 and 3 summarize the tests of these hypothesized relationships for sources and outcomes, respectively. Our results show that CMO power is greater when the CMO position is also responsible for sales than when it is not. We also find that marketing experience (the lack of marketing experience) in the TMT reduces (increases) CMO power. We expected firm innovation to increase CMO power but find this relationship to hold only when TMT marketing experience is low, as Figure 2 illustrates. For outcomes, we do not find a main effect for CMO power on firm performance measured by either sales growth or ROS. However, CMO power increases sales growth in firms with TMTs that have a relatively high proportion of divisional heads (as Figure 3, Panel A, illustrates) and decreases ROS for firms pursuing unrelated diversification.
Finally, we find that firms whose CMO’s have the additional responsibility of sales, a source of CMO power, have superior sales growth to firms whose CMOs do not have this responsibility.

Implications for Theory and Further Research

Marketing influence. This research adds to the few theoretically driven empirical studies on marketing’s influence in the C-suite (Nath and Mahajan 2008; Piercy 1989a). While we reinforce Piercy’s (1989a) finding related to CMO power increasing with the control of sales forecasting—or more broadly, the sales function in our research—we also build on his work and identify additional sources of CMO power. We argued for these sources and their effects on CMO power by drawing on Hickson and colleagues’ (1971) and Pfeffer’s (1981) theories of intraorganizational power, according to which CMO power should increase with (1) the CMO’s control over informational, human, relational, and organizational resources in the marketing domain; (2) the criticality of these resources to the TMT; (3) the effectiveness with which the CMO provides these resources to the TMT; (4) the nonsubstitutability of the CMO or these resources; and (5) the centrality of the CMO or these resources in the TMT.9

We used three of these rationales—control, effectiveness, and centrality—to argue that CMO power increases with the CMO’s additional responsibility of sales, which we find to be the case. Another rationale, nonsubstitutability (or substitutability), was the basis for our expectation that

---

### Table 3

**Outcomes Related to CMO Power in the TMT**

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Sales Growth</th>
<th>ROS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1a</td>
<td>Model 1b</td>
</tr>
<tr>
<td>Independent and Moderator Variables^a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMO power (H_5)</td>
<td>−.10 (.33)</td>
<td>−.12 (.31)</td>
</tr>
<tr>
<td>CMO responsible for sales (H_6)</td>
<td>−</td>
<td>.04 (.02)*</td>
</tr>
<tr>
<td>CMO power × TMT divisionalization (H_7)</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>CMO power × (unrelated) diversified firm (H_8)</td>
<td>−</td>
<td>−</td>
</tr>
<tr>
<td>Relationship of active firm</td>
<td>−.01 (.04)</td>
<td>−.02 (.04)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Control Variables</th>
<th>Year dummies^b</th>
<th>Included</th>
<th>Included</th>
<th>Included</th>
<th>Included</th>
<th>Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry sales growth</td>
<td>−.18 (.17)</td>
<td>−.14 (.17)</td>
<td>−.12 (.17)</td>
<td>−.46 (.36)</td>
<td>−.41 (.33)</td>
<td></td>
</tr>
<tr>
<td>Market concentration</td>
<td>.10 (.24)</td>
<td>.11 (.24)</td>
<td>.10 (.23)</td>
<td>−18 (.14)</td>
<td>−17 (.15)</td>
<td></td>
</tr>
<tr>
<td>Industry instability</td>
<td>−.18 (.30)</td>
<td>−.14 (.30)</td>
<td>−.15 (.30)</td>
<td>−.39 (.20)**</td>
<td>−.38 (.20)**</td>
<td></td>
</tr>
<tr>
<td>Firm size</td>
<td>−.03 (.03)</td>
<td>−.04 (.03)</td>
<td>−.03 (.03)</td>
<td>.03 (.03)</td>
<td>.02 (.03)</td>
<td></td>
</tr>
<tr>
<td>B2C or mixed (versus B2B) firm</td>
<td>.07 (.03)**</td>
<td>.07 (.03)**</td>
<td>.07 (.03)**</td>
<td>.07 (.03)**</td>
<td>.07 (.03)**</td>
<td></td>
</tr>
<tr>
<td>Prior firm performance^c</td>
<td>.03 (.06)</td>
<td>.03 (.06)</td>
<td>.02 (.06)</td>
<td>.00 (.02)</td>
<td>.00 (.02)</td>
<td></td>
</tr>
<tr>
<td>Firm innovation</td>
<td>.29 (.17)**</td>
<td>.25 (.17)</td>
<td>.27 (.18)</td>
<td>−.18 (.14)</td>
<td>−.17 (.15)</td>
<td></td>
</tr>
<tr>
<td>Firm diversification</td>
<td>.48 (.45)</td>
<td>.46 (.46)</td>
<td>.44 (.44)</td>
<td>.17 (.35)</td>
<td>.22 (.34)</td>
<td></td>
</tr>
<tr>
<td>Acquisition of active firm</td>
<td>.03 (.01)*</td>
<td>.03 (.01)*</td>
<td>.02 (.01)</td>
<td>−.01 (.01)</td>
<td>−.01 (.01)</td>
<td></td>
</tr>
<tr>
<td>TMT size</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
<td></td>
</tr>
<tr>
<td>TMT levels</td>
<td>.02 (.01)</td>
<td>.02 (.01)</td>
<td>.01 (.01)</td>
<td>−.01 (.01)</td>
<td>−.01 (.01)</td>
<td></td>
</tr>
<tr>
<td>TMT marketing experience</td>
<td>−.03 (.07)</td>
<td>−.02 (.06)</td>
<td>−.03 (.06)</td>
<td>.02 (.05)</td>
<td>.03 (.05)</td>
<td></td>
</tr>
<tr>
<td>COO presence</td>
<td>−.01 (.02)</td>
<td>−.01 (.02)</td>
<td>−.01 (.02)</td>
<td>.03 (.02)**</td>
<td>.03 (.02)**</td>
<td></td>
</tr>
<tr>
<td>CEO tenure</td>
<td>.00 (.02)</td>
<td>.01 (.02)</td>
<td>.01 (.02)</td>
<td>.02 (.02)</td>
<td>.02 (.02)</td>
<td></td>
</tr>
<tr>
<td>Outsider CEO</td>
<td>.04 (.02)*</td>
<td>.05 (.02)*</td>
<td>.04 (.02)*</td>
<td>−.03 (.02)</td>
<td>−.03 (.02)</td>
<td></td>
</tr>
<tr>
<td>λ^d</td>
<td>.09 (.06)</td>
<td>.09 (.06)</td>
<td>.07 (.06)</td>
<td>−.01 (.04)*</td>
<td>−.02 (.03)*</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>−.05 (.04)</td>
<td>−.07 (.04)*</td>
<td>−.07 (.04)*</td>
<td>.01 (.03)</td>
<td>.01 (.03)</td>
<td></td>
</tr>
</tbody>
</table>

---

*a p < .10.
**p < .05.
***p < .01.
^aNonsignificant results that are not shown separately or are not reported at all are tests of H_5, H_6, and H_7 with ROS and of H_8 with sales growth.
^bWe included four year dummies for 2002–2005, with 2001 as the base year; the only (positive) significant ones were 2003–2005 in Models 2a and 2b.
^cSales growth for the ROS model and ROS for the sales growth model.
^dWe computed the inverse Mills ratio from a first-stage probit regression of CMO presence; the details are available on request (see the “Analyses” subsection).

Notes: The table shows parameter estimates, with standard errors adjusted for clustering at the firm-level in parentheses, resulting from GEE (Gaussian family, identity link, AR(1) correlation structure, N = 299 firm years), with either ROS or sales growth as the dependent variable: Model 1a: χ^2(23) = 64.69, p < .001; Model 1b: χ^2(23) = 69.77, p < .001; Model 1c: χ^2(25) = 77.26, p < .001; Model 2a: χ^2(24) = 99.27, p < .001; and Model 2b: χ^2(25) = 105.46, p < .001.

(as Figure 3, Panel B, illustrates). Finally, we find that firms whose CMO’s have the additional responsibility of sales, a source of CMO power, have superior sales growth to firms whose CMOs do not have this responsibility.
CMO power would decrease with TMT marketing experience; the results strongly support this prediction. Finally, we expected criticality to increase with firm innovation, leading to greater CMO power; we find conditional support for this. Thus, this research also adds to Nath and Mahajan’s (2008) study by adding these five empirically supported rationales to the one used largely in their study for identifying drivers of CMO presence—namely, that of TMT complexity in the marketing domain. In doing so, we provide a more complete picture of the drivers of marketing influence in the C-suite.

We also expected industry instability, similar to firm innovation, to increase CMO power in accordance with the rationale of criticality, but this was not significant. However, our post hoc analysis shows that the logic of criticality is still relevant because we find the expected effect of firm innovation on CMO power, albeit only at low levels of TMT marketing experience. The main effect in this case was also not significant, but we argued and demonstrated that this was because innovation also increased the power of other TMT executives with similar resources. A possible reason for the overall nonsignificance of industry instability is that marketing-related uncertainty stemming from the industry is more relevant at the SBU level than at the corporate level. (Homburg, Workman, and Krohmer [1999] find significant industry-level effects for marketing department influence at the SBU level.) Notably, Nath and Mahajan (2008) also do not find any industry-level factors to be predictive of CMO presence and provide possible reasons, which we do not repeat here in the interest of space. Although additional research is warranted, these findings suggest that marketing influence in the C-suite is more a function of factors that are internal rather than external to the firm and the TMT.10

Our theoretical approach contributes more generally to research on marketing’s influence and its role at all levels of the firm (Anderson 1982; Day 1992; Homburg, Workman, and Krohmer 1999; Moorman and Rust 1999; Varadarajan 1992; Verhoef and Leeflang 2009; Webster, Malter, and Ganesan 2003). First, although prior research has discussed or explored the link between marketing influence and performance, ours is the first to hypothesize and test moderators of this relationship. Moreover, we do not find main effects; rather, we find that CMO power can be good or bad for performance depending on TMT divisionalization and firm diversification. We argued that this was because power allows CMOs to improve performance by aligning diverse marketing plans under powerful divisional heads, but it may not be beneficial for unrelated diversifiers, in which divisional agendas are intentionally separated. Although additional research on the issue is warranted, it also points to the need for studies that go beyond the assumption that more marketing influence is always better. This would also help clarify some of the mixed results with respect to this relationship: Moorman and Rust (1999) find a positive relationship, but Verhoef and Leeflang (2009) do not, and neither do we. As we point out in our theoretical discussion, power is intertwined with politics, and greater influence may not always be optimal. Rather, there may be conditions that warrant more or less marketing influence, making it imperative for marketing academics to study them.

Second, by distilling theories of intraorganizational power (Hickson et al. 1971; Pfeffer 1981) and offering five distinct rationales of power, we provide a systematic way to analyze sources of marketing power or influence. As we do with the CMO’s resources, albeit at a conceptual level, it is first important to take the view that marketing’s role is to provide resources to other actors/units in the firm. After marketing’s resources are identified, factors that affect the

10We thank an anonymous reviewer for suggesting this internal—external distinction.
control, criticality, effectiveness, nonsubstitutability, and centrality of these resources can be used to infer marketing influence. Prior research has considered only one or some of these rationales simultaneously and has rarely explored possible interactions between them, as we did in our post hoc analysis (see Homburg, Workman, and Krohmer 1999; Moorman and Rust 1999).

Finally, to the extent that CMO presence represents one facet of marketing influence in the C-suite, our results also shed light on Nath and Mahajan’s (2008) finding that CMO presence in the TMT does not positively or negatively affect firm performance (Kashmiri and Mahajan [2010] also report a similar result). This finding had led to some debate on the issue of whether CEOs should have a CMO in the TMT (Frazier 2007). What we find is that across firms that have the CMO position in the TMT, some perform better than others. Our findings with respect to the conditional effects of CMO power on firm performance discussed previously provide one reason for this: Differences in CMO power can cause some firms to perform better than others. Another reason that can be derived from our research is that differences in CMO responsibility can cause some firms (those with CMOs who are also responsible for sales) to perform better than others (those with CMOs who are not) (for other explanations, see Boyd, Chandy, and Cunha 2010). As a result, averaging and comparing the performance of firms with a CMO in the TMT with those that do not have a CMO in the TMT is more likely to lead to findings similar to those of Nath and Mahajan (2008). Therefore, we encourage additional research along these lines to shed further light on the issue of CMO presence.

**Marketing and sales integration.** This research also makes a significant contribution to the body of work on the contentious issue of whether marketing and sales should be integrated (Homburg and Jensen 2007; Homburg, Jensen, and Krohmer 2008). We argued that CMOs responsible for both these functions are able to successfully integrate them, improving cooperation while managing the tensions of their differing long- and short-term worldviews. Consequently, we expected an increased effectiveness for such CMOs in providing resources to the TMT, leading to superior firm performance outcomes, which is what we find for sales growth. This suggests that marketing and sales should be integrated, as long as structural mechanisms such as a CMO are in place. However, because we do not explicitly measure CMO effectiveness, further research is warranted.

**Market orientation.** Finally, we comment on the inverse relationship between TMT marketing experience and CMO power. Nath and Mahajan (2008) find that TMT marketing experience increases the likelihood of CMO presence, based on the logic of homophily. To the extent that TMT marketing experience represents market orientation in the TMT (Weinzierm et al. 2003), it would seem that it increases one facet of marketing influence, CMO presence, but decreases another, CMO power. Thus, CMO power being less in firms that have relatively more TMT executives with marketing backgrounds might not be sufficient cause for alarm, because at the very least, such firms are still market oriented (note that we cannot make a strong claim about this, because we do not explicitly measure market orientation).

**Managerial Implications**

Chief marketing officers have been offered various prescriptions for success that include being the customer’s voice in the firm and redefining their role as one that is strategic (Kerin 2005; McGovern and Quelch 2004). Carrying these out involves change, which is arguably more likely to occur when the CMO has greater power in a political setting such as the C-suite. Therefore, CMOs benefit from our findings because we provide five rationales that they can use to identify sources of power that may be idiosyncratic to their role, their TMT, their firm, and/or their industry. In this research, we used these rationales to identify specific sources of power for the CMO based on his or her position in the TMT hierarchy. These were the additional responsibility of sales, low levels of TMT marketing experience, and increasing innovation in the presence of low TMT marketing experience. More generally, however, CMOs should explore ways to control more critical resources and be central, effective, and nonsubstitutable in the TMT.

Our finding that the CMO’s additional responsibility of sales improves sales growth also leads to important implications for CMOs because, arguably, CMO success is tied to the firm’s success. First, CMOs without this responsibility are encouraged to improve their cooperation with the sales heads, while maintaining their long-term orientation in contrast with the sales function’s short-term one. This kind of integration, which, we argue, CMOs with the additional responsibility of sales achieve, ensures the best of both worlds. Second, our rationale for this finding is the increased effectiveness in resource provision to the TMT, which in turn suggests that CMOs should aim to achieve such effectiveness with respect to the resources they control.

Finally, we offer recommendations to CEOs regarding structural choices related to the CMO position. Our findings suggest that CEOs can improve firm performance if this position is given greater power in highly divisionalized settings and if it is endowed with some control over the sales function. However, for CEOs heading firms that are pursuing unrelated diversification, a powerful CMO position may be detrimental to performance.

**Limitations and Additional Suggestions for Further Research**

First, we adopt a structural view of CMO power by studying the potential influence derived from the CMO’s position in the TMT hierarchy, a desirable approach given the lack of prior research on marketing influence in the C-suite. Future research extensions could take a behavioral perspective by focusing on the person occupying this position and by studying his or her actual influence on specific decisions that TMTs make as well as the influence strategies (Venkatesh, Kohli, and Zaltman 1995) and personality characteristics (Frost 1987) that affect them. This would further our knowledge regarding marketing influence, and it would also shed more light on why there was no main effect of CMO power on firm performance in our research; it is pos-
sible that these person-specific characteristics matter. Such efforts would also need to control for the CMO’s structural power in the TMT, thus shedding light on how CMO’s potential influence affects his or her actual influence in various decisions.

Second, prior research has linked power to the further acquisition of resources by the powerful (Piercy 1989a; Salancik and Pfeffer 1974). Therefore, future longitudinal studies could explore the extent to which marketing influence in the C-suite affects the allocation of resources to the firm’s marketing organization and the development of capabilities such as market orientation. For example, Verhoeft and Lee (2009) find a bidirectional relationship between top management respect for marketing and market orientation, but they are unable to infer causality given cross-sectional data. Finally, although centrality in the C-suite was a rationale for CMO power, we did not explicitly measure it for the CMO’s network either within the TMT or outside of it, given the availability of secondary data on CMOs. Research using primary data could shed light on the relevance of some of these factors as possible sources of CMO power.

REFERENCES


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