



CUSTOMER MANUFACTURING GROUP

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THE CUSTOMER FACING ROLE OF THE CEO

THE CEO AS CMO IN MIDDLE MARKET COMPANIES

The CEO or business unit manager is usually involved in customer-facing activities as part of their job. To what extent is there value in having the CEO involved in customer-facing activities? Assuming there is value, do all of the customer-facing activities have equal value? This paper examines the critical importance of one customer-facing role and explains why the others should be abdicated.

It is our belief based on observed evidence, there is a strong correlation between the amount of time CEOs¹ spend with customers and the on-going success of the company. However, all time spent with customers in so-called customer-facing roles are not of equal value to the company. So, what is the most effective use of the CEO's time in customer-facing activities?

There are four primary customer-facing roles a CEO assumes. The time the CEO spends on each of these roles is dependent on the size of the company, and the beliefs and preferences of the CEO. These roles can be described as follows:

- Chief Marketing Officer (CMO)
- Chief Sales Officer (CSO) or Sales Manager
- Major Account Sales person
- Customer Service Manager

Since the CEO has a primary role as CEO, there is a natural limit to the amount of time available to spend in these other areas. Given this fact, how much time (if any) should the CEO spend in each of these customer-facing roles? To answer that question, let's consider each role in more detail and understand the CEO's value-add in each of those roles. (At the risk of "tipping our hand," the role of CMO has been saved until last.)

The CEO as Sales Manager

Once a company transitions from small to mid-sized, the first customer-facing role the CEO usually gives up is sales management. Hiring a full-time Director or Vice President of Sales is probably the first customer-facing management person a CEO hires when moving from small to mid-sized. In truth, making this hire early in the company's life may accelerate the company's growth.

Contrary to the position held by others, we don't believe the CEO should stay involved in sales management if the company wants to grow. While some entrepreneurial CEOs are effective sales people, and may be good sales managers, the CEO of a growing company, looking to build a basis for sustainable growth, needs to recognize that there are better uses of his/her skills than in selling . . . or managing sales. The belief that the CEO should be the Chief Sales Officer is misguided in our opinion.

¹ The term CEO in this case is meant to describe the business unit manager. In smaller companies that is truly the CEO. In larger companies this may also include a division president, division manager or business unit manager as well as the corporate CEO.

There are several reasons why we hold this belief:

1. Effective Sales management takes a substantial amount of time once the sales organization grows to a size representative of a mid-market company. It is unlikely that the CEO can spend the time required to be an effective sales manager at that point.
2. In addition to the reason given above, we believe (for reasons discussed later in this article) that the company is better served with the CEO focusing on the customer-facing role of CMO.
3. There is a natural “conflict” between the role of CMO and the role of CSO. For reasons that are beyond the scope of this article, it is impractical for the CEO (or anyone else) to be truly effective in both roles.

We perceive that the CEO who is no longer actively managing the sales process often still retains too much focus on the two other customer-facing roles (besides CMO). It is counter-productive for the CEO to maintain these positions, beside the fact that they get in the way of the CEO having time to be CEO and CMO.

The CEO as Major Account Sales Person

Even after hiring a Sales Manager, too many CEOs retain a significant role in major account sales. Major account sales are a subject of concern to most companies. If your company only has one key deal per year (or thereabouts) this section is not relevant for you. On the other hand, if your company is like many, and you have several key deals (major accounts), they likely get a lot of attention.

Major accounts or “big deals” may account, in aggregate, for upwards of 80% of a company’s (or division’s) business. This business cannot be taken lightly. However, not taking it lightly and having the CEO act as major account person are not the same thing.

It is absolutely true that the CEO is usually involved in major deals. The “big deal” client/customer is entitled to meet with the CEO as part of their buying process. The magnitude of their business gives them that right. Even the CEOs of major corporations like IBM and GE meet with major accounts as part of the “sales process.”

In those cases the CEO (or business unit manager) is acting as CEO as part of the sales process. That is fundamentally different than a CEO who is terrified that the sales person on the account and/or the sales manager cannot handle these major accounts, and therefore becomes the major account manager himself or herself.

If your company relies on major accounts for your business success, make sure you have sales people who are competent to handle the major accounts. If you don’t, get some. If you do, let them do their job.

A CEO who acts as a major account sales person will have less time to be CEO and CMO, and there is a conflict in roles on top of it. It is not an effective use of the CEO’s time to be a major account sales person except in companies where the CEO is also still the sales manager.

The CEO as Customer Service Manager

How does the CEO act as “Customer Service Manager?” Whenever they are required to solve a customer service problem. Note the key word “required.” Too often customer issues cannot be effec-

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tively resolved without the actual involvement of the CEO because he/she has set the system up that way. This is a recipe for disaster.

Numerous studies both rigorous and observed have been conducted to attempt to determine the correlation between the actions a company takes to resolve a customer complaint and the ultimate satisfaction level perceived by the complaining customer. Virtually every study has come to the same conclusion:

The key correlation to ultimate customer satisfaction following a complaint is tied to the speed with which the issue is resolved.

Note that what was done is less important than how fast the issue is resolved. The logical conclusion from this research, if your goal is satisfied customers, is that delays in resolving customer issues should be eliminated.

It therefore follows that, unless the CEO acting in a customer service role is the first person to answer the phone and take the complaint (an unlikely scenario except on those occasions where the CEO is working in customer service as part of his/her “management by walking around”), if the CEO is required to solve the problem, we have, by definition, inserted a delay (or many) into the process.

Think how often in your life you have complained only to have the customer service person refer your issue to a supervisor, who refers you to a manager, who can’t help you; so you ask for a VP, etc. Every handoff, by definition, inserts a delay and frustration into the process for the customer (and the employees as well, but that’s another article). If your CEO is actively involved in solving customer service problems, how many delays have you inserted into your customer dis-satisfaction process?

So, aside from the fact it’s not the best use of a CEO’s time, it’s also counterproductive to have the CEO actively involved in the customer satisfaction resolution process. That is not to suggest that the CEO should not know and understand how your company’s process works, and verify that it is working by monitoring process reports. However, the CEO should not be part of the process, except on rare occasion.

For the CEO, and other senior managers as well, to effectively remove themselves from active involvement in the customer service process, the front-line people who deal with these issues have to be trained and empowered to solve the problems that arise. Having the company develop or acquire effective processes and systems to make sure this happens is what an effective CEO should be doing.

The CEO as CMO

There are various marketing roles,² and depending on company size your company may have some or all of them. The one role all companies must have is that of Chief Marketing Officer. The primary role of the CMO is to “think like a customer” and represent that understanding within the company to direct strategy and tactics in support of the company’s attempts to provide value to the customer.

Given the critical importance of the Chief Marketing Officer role in maintaining a company’s competitive position, we believe that this is the last customer-facing role the CEO should relinquish. In truth, we believe the CEO should relinquish all other customer-facing roles as quickly as possible so as to be effective as CEO and Chief Marketing Officer until such time as the company is of suffi-

² For a discussion of the various roles within marketing, see the Customer Manufacturing Group white paper, *Does Your Company Need More Marketing*, available for free download at <http://customermfg.com/free/whitepapers/> in the Marketing Management section.

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cient size that he/she can dedicate full-time to CEO duties and the Chief Marketing Officer position can be effectively managed by a full-time competent person.

In small and mid-sized companies (and in divisions of larger companies), this is not a full-time job. In most industries the requirement of a Chief Marketing Officer is not a full-time position until sales reach at least \$100M+. The fact that it is not full-time does not mitigate its importance (which is critical to on-going success), nor does it imply that the skill required to do it is any less. It just doesn't take 40 hours a week, or even close. Therefore the most likely person capable of doing this job, on a part-time basis, is the CEO.

It is still important for the CEO to spend time with customers remembering how to “think like a customer.”

It is in the true role of Chief Marketing Officer that the CEO can contribute most in his/her customer-facing efforts. Even after the company has grown to a size where a full-time CMO can be hired, it is still important for the CEO to spend time with customers remembering how to “think like a customer.”

The critical skill necessary for the CMO is to link the company's capabilities to the customer's future requirements. While the customer cannot usually articulate a useful answer to the ‘junior marketer's’ question, “What else can we do for you?” They do know what they want³. The difficult task is connecting customer future needs, wants, and demands to your company's capabilities. That is the role of the CMO.

To successfully execute this role, the CMO needs to spend a substantial portion of their time out with customers. Not closing deals or working on today's transactions, but rather understanding their customer's “tomorrow.” Where is your customer going? Is your company (or should your company be) in alignment with the needs that tomorrow will bring to your customer?

Too many companies try to understand these issues by sitting in the office and reading reports. It doesn't work. There is no substitute for spending time with customers⁴. Trying to find a “short-cut” around spending time with customers may be the reason why the average longevity of CMOs in major US corporations is still quite short.

Sam Walton built the largest retail chain in the world and still managed to spend 5 days a week (of the 5 ½ that he worked) out in his stores. Lou Gerstner re-instituted the IBM tradition of the CEO and senior staff spending time with customers. Michael Dell spends more time with customers than his competitors. Stanley Gault turned around Goodyear and built Rubbermaid into a powerhouse by spending time with customers. The list goes on, because the answers are out there, and the customers can and will share them with you if you take the time.

In larger companies, where CMO is a full-time job, the CMO will have a staff of people to help collect information and analyze data to try to “connect the dots” between the company's capabilities and strategic direction and the customers' future needs, wants, and demands. In small and mid-sized companies, connecting those dots is the only job the CMO needs to do. In the part-time role of CMO, the CEO does not need to manage the day-to-day tactical marketing tasks, which can also be successfully classified as Sales Support and managed by the Sales Manager.

³ For a more in-depth discussion on this, the reader is referred to the Customer Manufacturing Group white paper, *Customers Don't Know What They Want*, available for free download at <http://customermfg.com/free/whitepapers/> in the Marketing section.

⁴ To learn more about preparing for and conducting useful interviews with your customers, you can get a copy of Bayard Booman's e-book, *No Sweat Interviewing*, by downloading it from <http://www.customermfg.com/customerinterviewtools.shtml>.

The Duties of CEO as CMO

When the CMO position is still part-time and the CEO is not going to manage the day-to-day tactical marketing activities, what are the duties of the CMO? (In truth we believe that even once a CMO position is hired full-time, the CEO should continue to spend time doing these same things we discuss below as a complement to the CMO.)

As discussed earlier in this paper, the primary requirement of the position is to “think like a customer.” To do that, the CMO must simply spend useful time with customers. To be useful, that time is focused on understanding the customers’ points of view and how they think.

This is fundamentally different than attempting to persuade these customers to “think as you do.” The primary duty of the CMO is to spend time listening-to-understand the customer as opposed to listening-to-persuade the customer.

The CMO must spend sufficient time out with customers (we believe this will be as much as 25% of the time) so that they truly understand the customer. With this on-going understanding, the CMO can then represent the customers’ positions to the company to assure the company’s future activities are in alignment with those customers that fit the company’s future direction.

It really is just that simple . . . and just that tough.

Outsourcing the CMO

Since this paper was originally written some have started offering an “outsourced CMO” service. The idea is that you can hire a part-time CMO on an outsourced basis. This allegedly gets you an experienced CMO on the part-time basis you need. There are pros and cons to this option in our opinion.⁵

As noted in this paper the CMO position is a true part-time position and therefore outsourcing it to an experienced executive seems a useful approach. Economically it may be, but actually maybe not. It depends what you are buying.

As noted in our book *Value Acceleration*, we believe that Marketing is the core source of competitive advantage in today’s economy. Therefore, outsourcing your core competitive advantage seems inappropriate. One can argue that it is really just a part-time employee, except really it isn’t. The people who do this job usually work for more than one company and are not planning on joining your company when the position becomes full-time. Therefore, you are investing in a resource you know is not planning to stay with you, and is critical to your success.

Alternatively, one can suggest that this person, while serving as your part-time CMO is also helping the company (and its CEO) understand what a true CMO needs to do for the company. Likely true if the person is good. However, much more expensive than an advisor to the CEO who is also working as a part-time CMO as suggested in this paper.

Bottom line from our perspective, the CEO needs to be the CMO and understand the role of CMO. Even when the company can afford a full-time CMO, the CEO needs to make sure he/she truly understands how to “think like a customer.” Outsourcing this critical function just because it is part-time may make economic sense, but misses the key point of the importance of the role of CMO.

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⁵ To provide full disclosure, we do not offer part-time contract CMO services. We do however, work as advisors to CEOs of mid-market companies to help them, among other things, understand the true role of the CMO, especially while they are fulfilling that role.

Final Thoughts

The most critical customer-facing role for the company to assure it has (after Sales) is that of CMO. The most important job of the CMO is not to manage the day-to-day marketing functions, but rather to “think like a customer.” Given that this is not a full-time position until a company reaches a substantial size, it is the perfect part-time role for the CEO. To do this effectively, and still have time to be a true CEO, requires that the CEO surrender any other customer-facing jobs. The sooner, the better.

More Information About Customer Manufacturing Group

If you would like more information about how to apply a process to improve your marketing/sales function, simply contact us and we’d be happy to help you get started. From sweeping marketing/sales management process strategies to specific branding or product launch services, Customer Manufacturing Group can help.

If you’d like to learn more about Customer Manufacturing Group, or for a complimentary subscription to *Customer Manufacturing Updates*, give us a call at (800) 947-0140, fax us at (408) 727-3949, visit our website at www.customermanufacturing.com, or e-mail us at info@customermfg.com.

We have offices in major cities in the United States, and our experts travel extensively throughout the world. If you’d like to schedule a meeting when we’re in your area, just let us know.