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# A CMO Action Guide: How Leading Brands Outperform in Uncertain Times

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## Successful brands take risks in “the turns,” those places in the enterprise journey where other brands slow down. Turns can be economic, geopolitical, environmental, social or competitive. CMOs must prepare and lead in the turns, building agility into strategy and decision making.


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# Overview

### Opportunities and challenges

- Firms that practice discipline and display confidence, accelerating during economic turns, will be rewarded with sustained advantage over their competitors long after the next recession passes. They will outperform brands that hit the brakes in an attempt to cut their way to growth.
- CMOs should ensure they have a fully aligned and agreed-upon plan on how to respond to risk events. This requires increased oversight of strategy execution and risk management.

### What you need to do

CMOs accountable for strategic marketing planning should consider the following factors:

- Review factors like consumer and market sentiment and confidence. Use Gartner's Iconoculture insights and other resources to ensure your plans are informed by a view of key indicators of potential uncertainty.
- Benchmark current and future budget and spending commitments, looking at both your immediate industry peers and other industry verticals using Gartner's CMO Spend Survey. Extend your analysis beyond the marketing function and the immediate markets in which you operate to identify early indicators of budget challenges.
- Map strategically important marketing capabilities with talent and labor plans. Build a talent roadmap that accounts for, and anticipates critical areas of challenge, such as data-driven marketing capabilities.

## Insight From the Analyst

In the final quarter of 2018 and the opening weeks of 2019, there was a common sentiment from Gartner's executive clients: uncertainty. Top of mind for them is economic uncertainty, as economists agree that the U.S. economy is in a late-stage cycle, the phase immediately before recession. But, the picture is complicated by many mixed signals, some of which are overwhelmingly positive. For example, many parts of the world are experiencing full employment, and hiring is strong (see Figure 3). Consumer sentiment is healthy, and earnings growth is the strongest in a decade. Venture and private equity investors have reserves of $1 trillion.

So, what's the problem? Some non-Gartner analysts predict a recession in late 2019 or 2020; but, even without one, there are unsettling indicators. There is an abundance of geopolitical and trade drama, such as the ongoing trade war between the U.S. and China, and the U.K.'s continuing Brexit challenges, causing long-held partnerships to strain. 2019 profitability forecasts are down. Debt levels are precipitous in a period of rising interest rates. Employee engagement is down in a tight labor market. How do companies retain the talent they need?

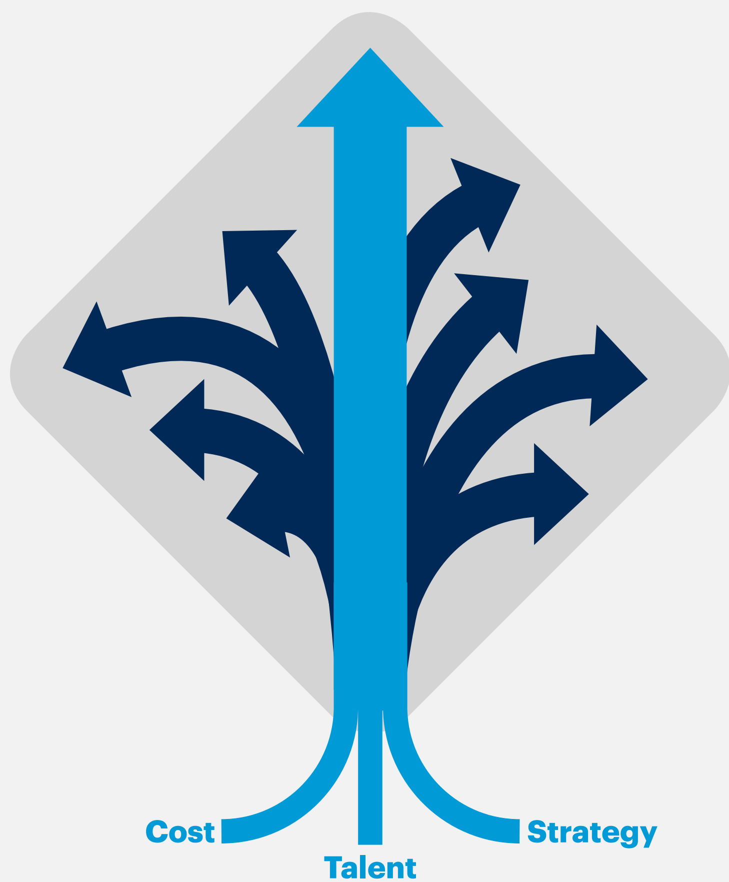
## Executive Overview

A "turn" is uncertainty — a shift from the straightaway of momentum. A turn changes the dynamics of the status quo and forces a reaction. In racing sports, it is in the turns that the best performers take risks and make moves. They brake late, carry more speed through the turn and then accelerate out of turns. They trust their abilities to take different risks that lead to higher performance. They don't take chances, they trust their core capabilities. They have practiced. They are ready. Their vehicle or body is uniquely prepared to "win in the turns."

U.S. speed skater Apolo Anton Ohno was trailing three skaters when he rounded the final turn of the men's 1,500-meter short track at the 2010 Winter Olympics. Ohno jostled fiercely with two skaters who then wiped out, leaving Ohno to take second place and his eighth Olympic medal. As an elite competitor, Ohno knows that heading into a turn — when momentum is shifting, visibility is poor and the outcome uncertain — is his single best shot to pursue and seize the lead.

Winning in the turns demands contrary measures around cost, strategy and talent (see Figure 1).

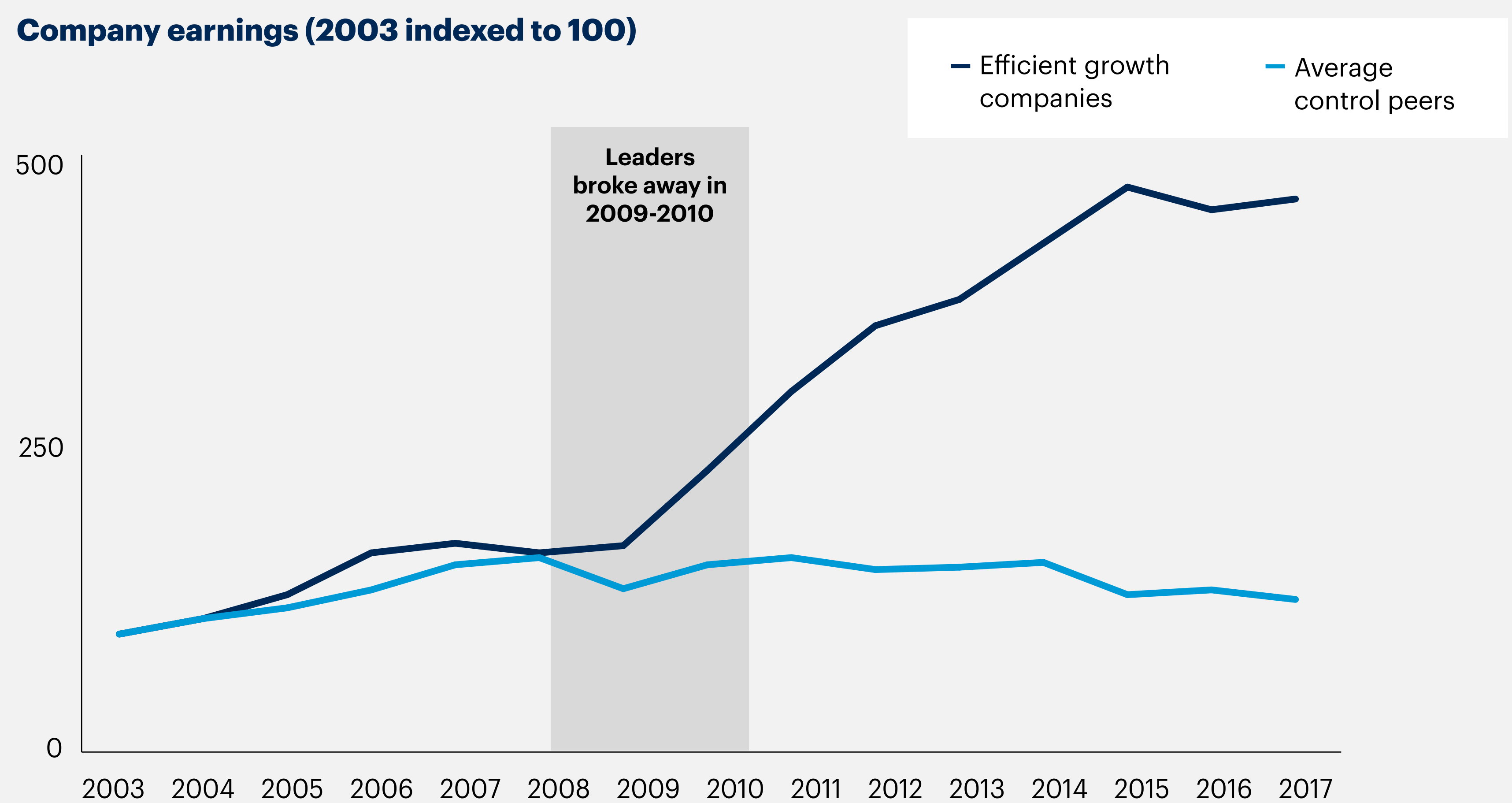
Figure 1. Strategy, cost and talent are pillars for winning in the turns




Source: Gartner

During the financial crisis of 2008-2010, leaders broke away from the competition (see Figure 2) and achieved efficient growth. A select few companies — just 60 of the largest publicly traded companies in the U.S. and Europe — ended up as winners. In these organizations, the actions of the executive team create the core strength required to win in the turns. Winning in the turns endures, with this select few sustaining their outperformance for the subsequent decade. So, how you exit the turns likely determines your long-term destiny.

Figure 2. Winners accelerate in the turns




Source: Gartner

## Turns come in many forms

Economic turns are common in business, and most executives have survived several. But, there are many other types of turns (see Table 1) — unexpected changes in context that force decisions. These turns may appear without much notice (e.g., enormous security incidents, such as the data breach that hit Marriott Starwood in 2018), and from unexpected directions (e.g., outside your industry, such as Uber's disruption of the food industry via Uber Eats). The G-forces in the turn may be extreme (e.g., a nontraditional competitor that doesn't need to make a profit), and the time to impact may be short due to digital capabilities (e.g., viral antibrand social media). These turns often come in combinations, increasing the need to react on different business vectors, and requiring a high-performing executive team.

Table 1. Types of turns

| Types of turns | Attributes/examples |
|---|---|
| **Economic ■** | • Macroeconomic, e.g., recession<br>• Industry-specific, e.g., crash in crude oil prices; margin wars<br>• Public sector, e.g., revised or lack of budget agreements (uncertainty around funding) |
| **Geopolitical** | • Trade wars and tariffs<br>• New political regimes<br>• Immigration and migration; labor constraints<br>• Nationalism (e.g., Brexit)<br>• Belt and Road Initiative |
| **Competition** | • Sideswipe, e.g., unexpected entrants from outside your industry, especially from the digital giants |
| **Cybersecurity/ risk** | • Individual privacy awareness, e.g., after Mark Zuckerberg testifies to U.S. Congress<br>• Breaches or misuse of data<br>• Nation-state actors |
| **Social** | • Fake news, counterfeit reality, deep fakes<br>• Viral social uprising |
| **Environment** | • Antiplastic consumers, e.g., Montreal banning all single-use products in 2020<br>• Decarbonization policies |

Source: Gartner (August 2019)

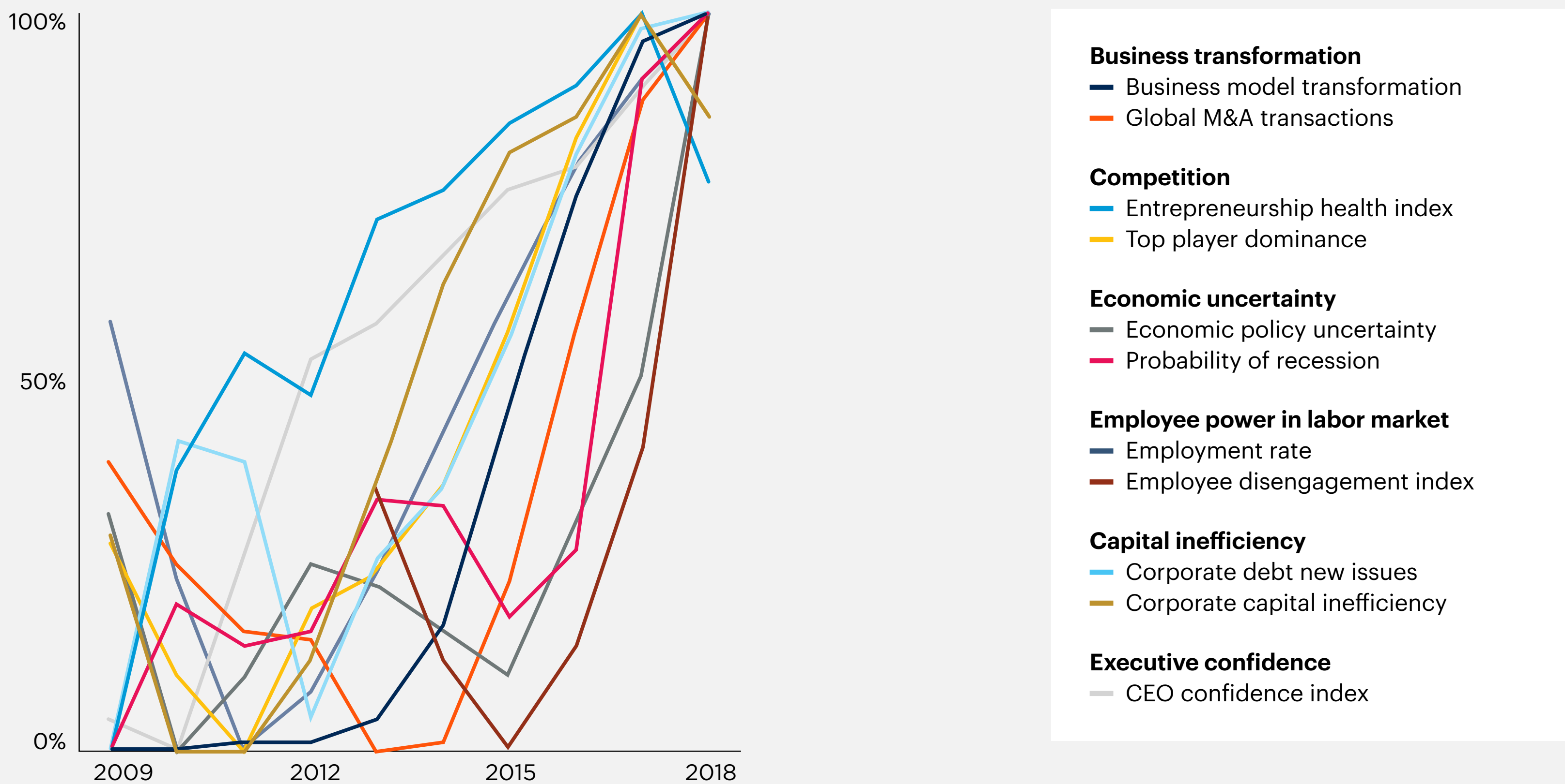
The sentiment that "everything is turning or changing at the same time" isn't just gut feel. Figure 3 shows that companies are experiencing trends at historic peaks in combinations that would have seemed infeasible just a few years ago. Consider the following:

- Peaking changes in businesses — Business model transformation, merger and acquisition (M&A) transactions, and cross-enterprise initiatives. Businesses are evolving at an accelerating pace.
- Conflicting economic signals — High CEO confidence together with peaking economic uncertainty and probability of recession indexes.
- A unique market competition environment — Strong entrepreneurial health and next-generation digital startup indexes, presenting with spiking industry consolidation. The competitive environment is changing at a speed we haven't seen before.
- A veritable soup of balance sheet health indexes — Record high corporate debt and record high corporate cash on hand, with cost increases outpacing revenue gains.

Figure 3. Historic peaks in fundamental business trends

## Trend lines across major indexes

Rolling three-year average scaled based on the max. range reached since the recovery




Source: Gartner

Individually, each of those clusters are puzzling — many traditionally conflicting business markers spiking simultaneously. Taken together, at 15-year peaks, these represent real risks — and opportunities.

**What it means to win**

Winning has both economic and existential goals. As shown in Figure 2, efficient growth companies experience exponential market results. These companies produce healthy margins and are first to market with innovations. Failing to take chances in the turns may result in stasis or loss. For some, missing the opportunities in the turns may take them out of the race completely. Enterprises that take careless risks and do not properly prepare might just crash and burn.

Many CMOs prefer not to make big moves until the signals are clear, for example, stalling investment in new marketing technology. They also look for ways to weather the uncertainty — most likely first targeting low-hanging cost cutting to improve a few performance metrics, such as implementing hiring freezes or cutting away at media costs. However, neither a wait-and-see approach nor defensive cost cutting will power winners through adversity — today's current state of uncertainty won't magically disappear. There is little clarity on a range of economic, regulatory, geopolitical and trade issues, and digital disruption has made widespread and multidimensional uncertainty the new normal. The modern world is more like a twisting road course, like the Monaco Grand Prix, than a straight drag strip.

The risk of paralysis is very real, though, especially if your organization lacks institutional memory of what worked and what didn't during the last downturn. A large number of today's leaders have only experienced the decade-long bull market. Fewer than half of current CxOs were functional heads in 2008-2009, and less than 10% were heading the same function in their current company. This issue is even more pronounced in marketing, where average CMO tenure is only 44 months, and 68% of CMOs are new to the most senior marketing role in the organization.

**Strengthening the core: The pillars for success**

Enterprises can prepare for the turns by strengthening their core. This fitness falls into three pillars:

- Prepare to act confidently amid uncertainty
- Accelerate investments in growth, and elevate innovation funding
- Identify and install your team of the future

## Research Highlights

### Pillar 1: Strategy — Prepare to act confidently amid uncertainty

The nature and timing of decisions (e.g., investments in marketing technology or digital transformation programs) made during turns matter greatly. Gartner data from the last recession shows executives regretted acting too slowly and investing too little.

Winning CMOs adopt three main approaches to reduce strategic uncertainty:

- They pull forward debate on the underlying decision criteria and weightings and how they could change under alternative scenarios; for example, they implement a decision criterion that adopts the tenets of zero-based budgeting, looking afresh at current and planned investments with a view to contribution to strategic objectives, revenue and customer value.
- They implement a bottom-up process that captures and reflects uncertainties of assumptions used in decision making, reflecting the heterogeneous nature of marketing's investments. One example is in media planning, where the assumption is that a channel's performance will be consistent with previous campaigns. Compare this with the assumption that, in the acquisition of a marketing technology, the investment will yield ROI and return on objectives (ROO) comparable with case studies supplied by the vendor.
- They model "end state" outcomes. Winning CMOs refocus the development of marketing programs and investments that are available today based on the strategic options they either open or close. For example, by investing in marketing analytics capabilities today, do you open the opportunity for greater marketing return tomorrow via data-driven optimization? Or, by focusing marketing investment to grow digital channels, do you starve offline channels?

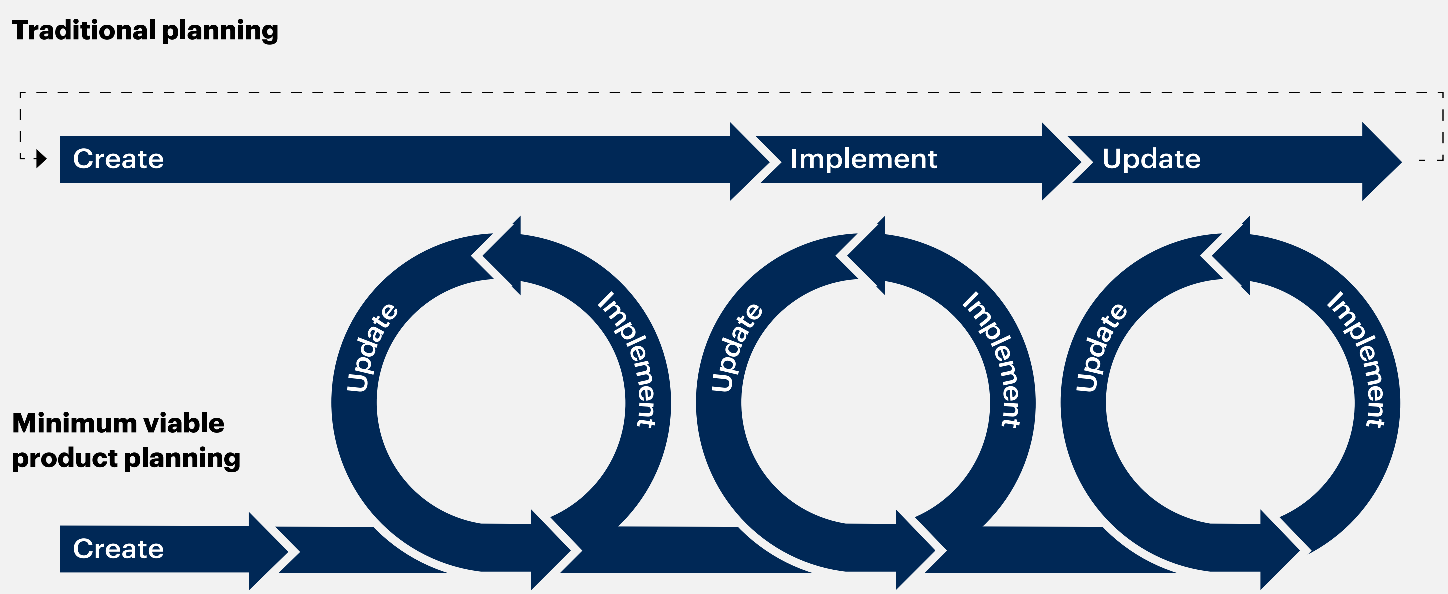
Strategies tend to be associated with long-term planning.

**To win in the turns, leading CMOs need an agile, adaptive strategy that allows the marketing organization to sense and respond to changes in the business context as they happen (see "An Introduction to Agile Marketing").**

A strategy that is reviewed every two to three years will not work when the turns are coming fast. CMOs must work with peers to continually monitor the business context for changes, and review business and strategy whenever there are shifts in the environment.

The marketing strategy must be created in a shorter time, using the information available at the time. Minimum viable strategies (see Figure 4) allow you to create and modify your plans using an iterative approach.

Figure 4. Agile strategic marketing planning enables CMOs to adapt in the turns




Source: Gartner

But, CMOs cannot deliver agile strategies in isolation. Top-level direction from the board and CEO is essential. It sets the enterprise posture for preparedness. Scenario exercises should play out potential futures, even completely unrealistic or absurd ones. Strategy experiments also have a role to play in preparing for the turns and being able to accelerate out of them. Winning CMOs understand their role as the de facto owner of the customer in the enterprise. They leverage their knowledge of the customer and the competitive environment to stretch how the enterprise thinks, looking beyond the probable so that hard realities seem easier.

Organizations that only use backward-looking metrics in their strategy only see the turn when they are in it. As a result, they can't react quickly enough. Leaders, in contrast, define and monitor leading indicators that act as early warning signals that a turn may be coming. Monitoring these indicators is done continually via the adaptive strategy process.

**Typically, the areas that need to be monitored are:**

**1. Strategic assumptions:** The assumptions on which the marketing strategy is based (e.g., 50% of our customers will shift to digital channels in the next two years).

**2. Strategic issues:** The key trends that could significantly impact the marketing strategy if they reach critical mass (e.g., the implementation of privacy regulations such as the General Data Protection Regulation [GDPR] will reduce the scope of personalization by 25%).

**3. Strategic triggers:** The events that challenge the strategy (e.g., marketing fails to achieve the required reach, brand awareness and conversions within target audiences).

Ideally, the strategic assumptions, issues and triggers should be tracked continuously so that the enterprise can respond to any changes as soon as they happen. This may not be practical or even necessary for some factors. At a minimum, review each on a monthly basis, and share the output across the enterprise. In more dynamic sectors, or when there is an imminent risk of disruption, the frequency of tracking and reporting against these factors will need to be higher.

**Questions every CMO should ask about strategy:**

- Do we have the ability to appropriately sense and respond to changes in the business context as they happen?
- Can we create a minimum viable marketing strategy that reduces the initial time and effort required and allows execution to start earlier?
- Have we communicated any changes to our marketing strategy, their impact and the reasons behind them to ensure clarity of direction is maintained across the enterprise?

**Gartner resources:**

- "Use Gartner's Marketing Strategy Framework to Build Accountable, Actionable Strategic Plans"
- "A Guide to 2018-2019 CMO Spend Survey Research"
- "Ignition Guide to Strategic Planning for Marketing (B2B & B2C)"

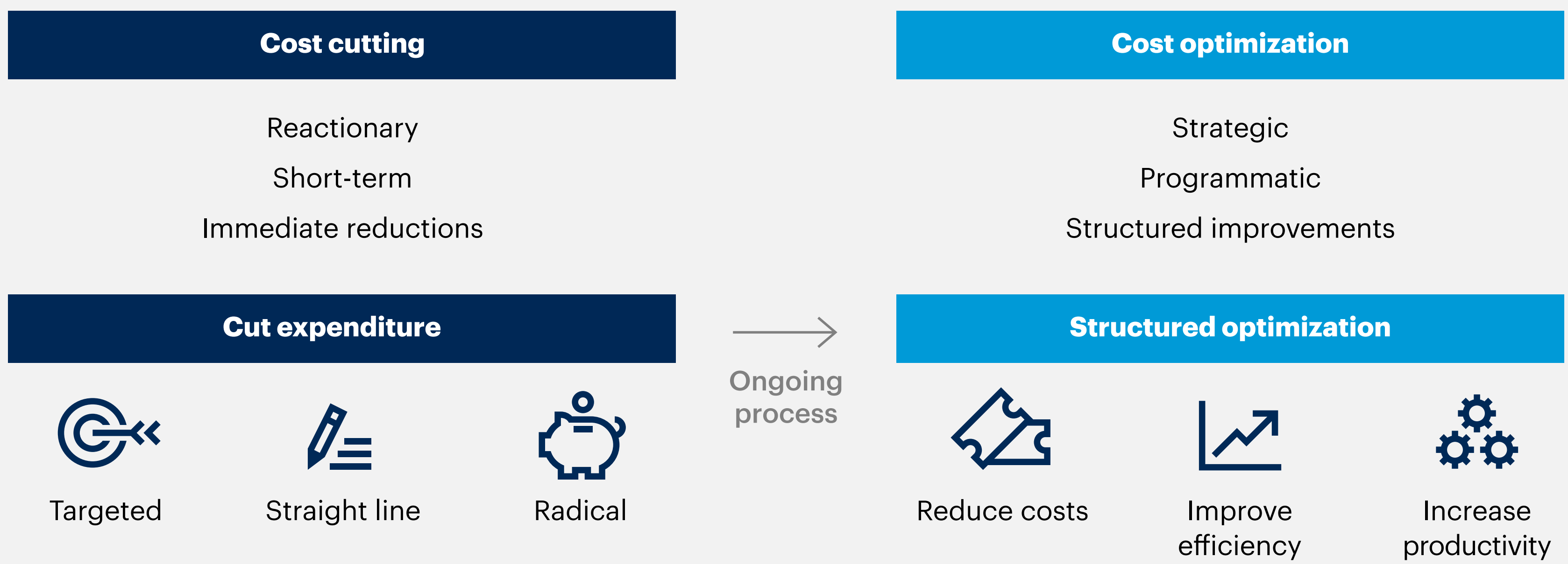
**Actions to take now:**

- **Define and begin monitoring** the strategic assumptions, strategic issues and strategic triggers that are the leading indicators of a turn for your enterprise.
- To support adaptive strategy and accelerate decision making, **create a common way of describing the value proposition of every marketing-enabled initiative** and how it supports the current business strategy.

### Pillar 2: Accelerate investments in growth, and elevate innovation funding

During turns, companies often stop discretionary spending, lay off staff, reduce training and cut capital investments. By contrast, winners think long term and forecast for the upturn. Winning enterprises have an ongoing cost management discipline and practice cost optimization, as opposed to cost cutting (see Figure 5).

Figure 5. Establish your cost management approach




Source: Gartner

More mature organizations will prepare for a turn by having three budgets prepared:

- Best case
- Worst case
- Most likely case

These budget scenarios will address the full scope of marketing's operations, accounting for media and agencies alongside technology and talent (see "Managing Marketing Budget Cuts — Use Gartner's Cost Optimization Matrix to Achieve Optimal Budget ROI"). Leading CMOs will know ahead of time the moves they need to make when and if the environment changes. Less mature CMOs do not spend much time thinking about cost moves until they are told by their CFO to cut their budget. At that point, CMOs revert to cost cutting, just as winners are doubling-down on investment for growth and innovation.

To position their organizations for long-term success, leading CMOs should protect innovation funding, even as the cost hammer drops (see "Maturity Model for Marketing-Led Innovation"). By defining ownership of marketing innovation within the organization, with accountability and authority, they take active steps to protect these critical marketing innovation initiatives. However, this doesn't mean they doggedly guard incumbent providers or solutions. Winners creatively preserve cash by focusing on agility and accelerating moves to the lower-cost models.

**An economic turn is a "burning platform" to lower the organization's long-term cost base and accelerate simplification, consolidation, automation and outsourcing decisions, as such moves are more palatable in times of uncertainty.**

Leading CMOs should establish consensus among stakeholders on cost-performance trade-offs upfront so that a clear "cost architecture" is established for all subsequent tactical decisions. For example, they may prioritize project-based engagements with agencies and marketing service providers over retainers, or seek only to work with adtech vendors that can offer full visibility of media and planning costs.

**Questions every CMO should ask about cost:**

- What do we need to do to achieve the right level of financial transparency to support our cost-related decisions? How can we ensure that we capture costs from across the scope of marketing's operations, including technology, agencies, media and talent?
- How can we best engage business stakeholders in discussions about opportunities to shift marketing investments during a turn?
- How can we better utilize existing marketing resources, investments and capabilities?

**Gartner resources:**

- "Driving Cost Optimization Across the Enterprise: A Marketing Perspective"
- "Managing Marketing Budget Cuts — Use Gartner's Cost Optimization Matrix to Achieve Optimal Budget ROI"
- "Cost Optimization: Use Efficiency Metrics to Build Marketing Spend Accountability"

**Actions to take now:**

- **Develop a cost optimization roadmap** that incorporates long-term value, such as investments in martech and more immediate spend efficiency, including media spend efficiency.
- **Assign a resource to lead and report progress** against key milestones and targets needed to achieve the desired cost-related results.
- **Halt initiatives that make your organization overly bureaucratized,** such as new in-house agency chargeback schemes, extended business case reviews and unnecessary business process standardization.
- **Kill projects** that are no longer at the top of the priority list based on current and projected ROI or ROO.

### Pillar 3: Talent — Identify and install your team of the future

Healthy, high-performing teams are essential to winning in the turns. Gartner has done extensive research on digital dexterity and high-performing teams that show the importance of combined business acumen and ability to act. Certainly, CMOs should cultivate this in their teams, but they also need to cultivate it among their peers. Enterprises that take successful risks in turns have powerful executive committees that distribute decision making and action taking in an atmosphere of high trust.

**The turns present an opportunity to revamp your playbook around hiring, development and performance management.**

Identify your talent competitors that are struggling, and call their best talent. The best talent wants to be on a winning team — brands who cut spending during recessions/downturns may risk losing their brightest stars. Turns also present an opportunity to assess the training programs and services that are in place for your marketing team. While these programs may have been well-aligned with your needs when the organization was in a steady state, they may not reflect where you need your team to be to respond and react to a challenging environment. For example, shifting the emphasis of training programs toward marketing data and analytics will provide opportunities for your marketing team to make data-driven decisions that drive greater efficiency across marketing's operations. Use this opportunity to reorient talent programs and services to align with the future direction of company rather than the legacy of company.

Common in economic recession, consolidation strategies help people work more broadly so they can apply a wider range of skills on a highly prioritized, efficient basis. Centralized organizational structures with resource pools and centers of excellence are the norm in such a context, and agility is worth investing in for future needs.

During the turns, your next generation of leaders becomes at risk of disengagement. You ask them to do more and contribute more, but rewards and promotions become rarer. The best companies avoid this risk of disengagement by divesting of existing stagnant leaders to ensure space and opportunities for the next generation of leaders.

**Questions every CMO should ask about talent:**

- What is our minimum staffing level across capabilities? How will cutting staffing levels or partners impact marketing maturity across strategically important capabilities?
- Are our resources aligned to the channels and capabilities that support where the wider business will be investing?
- Does leadership recognize that marketing capabilities continue to evolve, and the quest for talent does not switch on and off as economic cycles change?

**Gartner resources:**

- "Organizational Design: How to Plan, Implement and Roll Out While Minimizing Risk"
- "Marketing Organizational Structure Compendium"
- "CMO Insight: Your Guide to the Gartner Marketing Maturity Model"
- "CMO Perspective: 7 Key Practices to Successfully Lead Today's Agile Marketing Organization"
- "How to Lead an Agile Approach for Marketing Analytics"

**Actions to take now:**

- **Conduct an internal strengths and weaknesses analysis** digging into capabilities across the scope of the marketing organization. Focus on your ability to respond to external factors and achieve goals. Consider internal labor, but also factor in the capabilities that are supported by external service providers such as agencies.
- **Analyze a range of what-if scenarios.** This leads to better understanding of enterprise direction and vulnerability, and the implications for your marketing teams. Consider intuitive what-ifs generated by the strategic planning process first. Later, apply more analytical what-if questions. Use strength, weakness, opportunity and threat (SWOT) analysis to forecast workforce resource requirements, identifying strengths and weaknesses by skill, proficiency and duration.
- **Resist the knee-jerk reaction toward layoffs.** While layoffs may be necessary — and even healthy — they can be more costly in terms of both time and money than many think. Instead of letting go talent you may need to rehire in a year, consider furloughs as a means to lower labor costs.
- **Double down on reskilling.** Boom or bust, leaders will never be able to hire themselves out of the talent gap. The learning market is exploding with new delivery approaches, including simulation training and virtual-instructor-led training that do not require travel.

### Key initiatives for continuous insight

All your initiatives are important, but some are mission critical. Key Initiatives organize the vast Gartner resources around the projects and programs at the top of your list, helping you achieve demonstrable business results efficiently and cost-effectively. Key Initiatives represent how we deliver the ongoing insight throughout the year to help you tackle your top priorities. Be sure to track all Key Initiatives related to your top priorities. Start with the Key Initiative Primers outlined here.

"CMO Strategy and Innovation Primer for 2019"

"Marketing Organization and Operations Primer for 2019"

"Marketing Technology and Emerging Trends Primer for 2019"

## Related priorities

| Priority | Focus |
|---|---|
| **Marketing technology and emerging trends** | Continually shifting customer behaviors, preferences and expectations shape how marketers use technology to engage with people across multiple touchpoints and contexts. |
| **Marketing data and analytics** | Data and analytics have become the foundation of marketing, driving efficiency and effectiveness through better data collection, modeling, optimization and greater relevance to the consumer. |
| **Marketing organization and operations** | Marketing organization and operations involves structuring teams, optimizing operating workflows, sourcing and developing talent, and aligning people, processes, partners, data and technology. |

Source: Gartner

# Related Resources

## Webinars

Get actionable advice in 60 minutes from the world's most respected experts. Keep pace with the latest issues that impact business.

"The CMO Spend Survey 2018-2019"

"Encore — Panel Discussion: 2019 Marketing Predictions"

"Agile Marketing in 4 Steps"

# Recommended for You

**Gartner client?** Check out other research on this topic:

How CMOs Can Design and Execute a Winning Customer Experience Strategy

2019-2020 CMO Spend Survey: U.K. CMOs' Budgets Fall by Two Percentage Points, but They Face the Future With Confidence

How to Make a Successful Transition to Your New CMO Role

Survey Analysis: CMOs Investing in Innovation Cite the Most Return

4 Habits Successful CMOs Need to Thrive in Transition

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Gartner for Marketers provides the objective, expert advice and proven tools you need to seize the right opportunities with clarity and confidence and stay ahead of the trends that matter. Benchmark your performance with data-driven insights. Prioritize investments and areas of improvement. Execute your mission-critical priorities with speed and confidence.

Gartner, Inc. (NYSE: IT) is the world's leading research and advisory company and a member of the S&P 500. We equip business leaders with indispensable insights, advice and tools to achieve their mission-critical priorities today and build the successful organizations of tomorrow.

Our unmatched combination of expert-led, practitioner-sourced and data-driven research steers clients toward the right decisions on the issues that matter most. We are a trusted advisor and an objective resource for more than 15,000 enterprises in more than 100 countries — across all major functions, in every industry and enterprise size.

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