



# Mid-Market CEO Study

Market-facing Companies  
Better at Converting  
Opportunities into Growth?

Conducted in conjunction with  
The University of Texas,  
McCombs School of Business

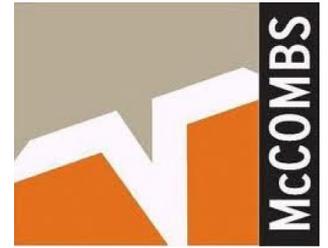


**Chief Outsiders**

FRACTIONAL CMOs FOR GROWTH & MIDSIZE COMPANIES

# Executive Summary

In conjunction with The University of Texas, McCombs School of Business, Chief Outsiders solicited insights from mid-market CEOs to gain new knowledge around growth drivers. The study was conducted in late 2011 with nearly 200 CEOs participating from 27 industries. In addition to profiling the general behaviors relative to growth orientations, the research team uncovered a major key insight never before reported in a mid-market CEO study.



## Key Insight

- **Companies are Operations or Market-Oriented** – The analysis conducted by the UT research team\* discovered two distinctive kinds of companies – operations-oriented and market-oriented firms. Operations-oriented firms make up about 55% of mid-market companies.
- **Market-Oriented Companies Experience Higher Growth and Are Better at Measurable Gains** – Both types of firms see good growth opportunities, but the market-oriented firms are better able to translate those opportunities into measurable gains.
- **Operations-Oriented Companies Can Grow Faster Than Peers** – When operations-oriented companies have existing strengths in or develop strengths in marketing disciplines, they grow faster than their industry peers.

## General Findings

- While 83% believe the outlook of the company’s future is promising, perceived growth rates compared to peers was much lower as 45% believe they were growing at the same rate or slower than their peers and 55% believe they are growing faster.
- The majority of CEOs (64%) spend most of their time defining and guiding future growth. When they meet with their leadership teams, attention is largely split between current issues (44%) and future initiatives (32%).
- Most companies reported that they did not maintain separate sales and marketing leadership roles (58%), although nearly one-third reported that sales and marketing executives were peers (31%).
- As a whole, surveyed CEOs perceive they are FAIR to GOOD in market-developing disciplines. Having a clear vision and mission, along with having solid market knowledge was typical. However, most CEOs were critical of their ability to track marketing effectiveness.

\* “Organized For Growth: The Role of Marketing in Small and Medium Enterprises” University of Texas working paper by Jade DeKinder, Ty Henderson and Leigh McAlister, 2012.

# Key Insights

Chief Outsiders and The University of Texas, McCombs School of Business launched a joint study in search of new knowledge around how mid-market companies organize and focus their resources to impact growth. While the general findings from the survey profile the mid-market as a whole, cluster analysis yields distinctive insights into key organizational and behavioral growth drivers.

## Orientation

Analysis conducted by the UT research team\* discovered two distinctive kinds of companies – operations-oriented (55%) and market-oriented (45%). Both types of firms see good growth opportunities, but the market-oriented firms are better able to translate those opportunities into growth.

## Discovery

Each firm in the sample was profiled in a number of ways, including by the functional experience of its “top management team” (i.e., the CEO and the CEO’s direct reports). Cluster analysis (K-means) of the top management teams yielded two groupings: 1) companies whose top management teams included executives with marketing experience, which made up approximately 45% of the population, and 2) companies whose top management teams did not include marketing experience. The research team then contrasted the two groups of firms based on their responses to survey questions. Below we discuss those questions for which the two identified groups of firms gave statistically significant different answers. Based on those statistically significant differences and based on Porter’s characterization of firm strategy\*\* as either “differentiation” (market oriented) or “cost-leader” (operations oriented), we label those firms that include marketing experience on the top management team as “Market-Oriented Companies” and we label those firms that do not include marketing experience on the top management team as “Operations-Oriented Companies”.

## Impact

**Operations-Oriented Companies (those companies without marketing experience in the top management team)**

1. Grow faster than industry peers when they have strengths in marketing disciplines
2. Experience more growth when they spend more on marketing than industry peers
3. When growing, plan to spend more on marketing

## Market-Oriented Companies (those companies that include marketing experience on the top management team)

1. Experience higher growth
2. Are more effective at converting growth opportunities into growth
3. Have executives with marketing experience reporting to the CEO
4. Demonstrate significant strength in tracking marketing effectiveness
5. Execute a variety of marketing disciplines with significant strength
6. Experience more growth when they spend more on marketing than industry peers
7. When growing, plan to spend more on marketing

\*“Organized for Growth: the Role of Marketing in Small and Medium Enterprises” University of Texas working paper by Jade DeKinder, Ty Henderson and Leigh McAlister, 2012.

\*\* Michael Porter, Harvard professor and author, “Porter Generic Strategies”, see Wikipedia

## Differences

Statistically significant differences between the two clusters of companies include the following:

	Market-Oriented Cluster	Operations-Oriented Cluster
Marketing Department and Sales Department are Peers	45% of the firms	20% of the firms
Marketing and Sales are Same Department	47% of the firms	69% of the firms
Company Demonstrates Strength in Tracking Marketing Effectiveness	Average 3.5 out of 5	Average 2.8 out of 5
Number of Core Responsibilities of Marketing Department	Average 4.9 out of 9	Average 3.2 out of 9
Marketing Tasks are Done Well	Average 4.0 out of 5	Average 3.7 out of 5
Marketing Spending Level is Higher than Industry Peers	Score 2.8 out of 5	Score 2.5 out of 5
Growth Rate Relative to Industry Peers	Score 1.65 out of 3	Score 1.40 out of 3
Primary Source of Capital is Bank Loans	32% of the firms	48% of the firms
Primary Source of Capital is Self-Funded	51% of the firms	36% of the firms

## Implications

Mid-market companies come in many varieties (this report accounted for 27 different industries represented with a broad mix of B2B and B2C). Regardless of industry, if the company's top management team includes executives with marketing experience, the company is more likely to experience growth ahead of their industry peers. Even if the firm doesn't have marketing experience in its top management team, if the firm exhibits strength in performing marketing activities, they will grow faster than other firms which don't have marketing experience on the top management team. This is perhaps not a surprise, but it is now codified and better understood.

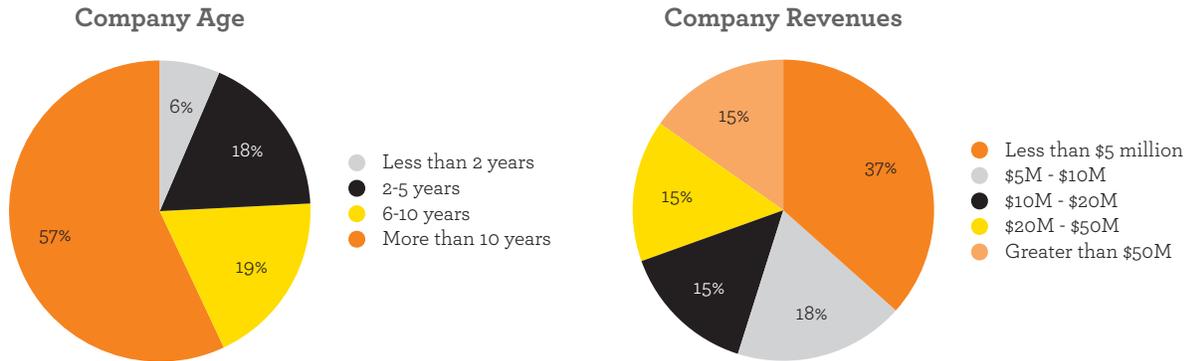
## General Findings

The objective of this study was to seek out new knowledge around how mid-market companies organize and focus their resources to impact growth.

- IT Services
- Education
- Agriculture
- Marketing
- Business Services
- Hospitality
- Manufacturing
- Financial Services
- Oil, Energy, Mining
- Engineering
- Research
- Real Estate
- Transportation
- Government Services
- Consulting
- Healthcare
- Entertainment
- Distribution
- Technology
- Engineering
- Consumer Services
- Retail
- Utilities
- Construction
- Wholesale
- Non-Profit

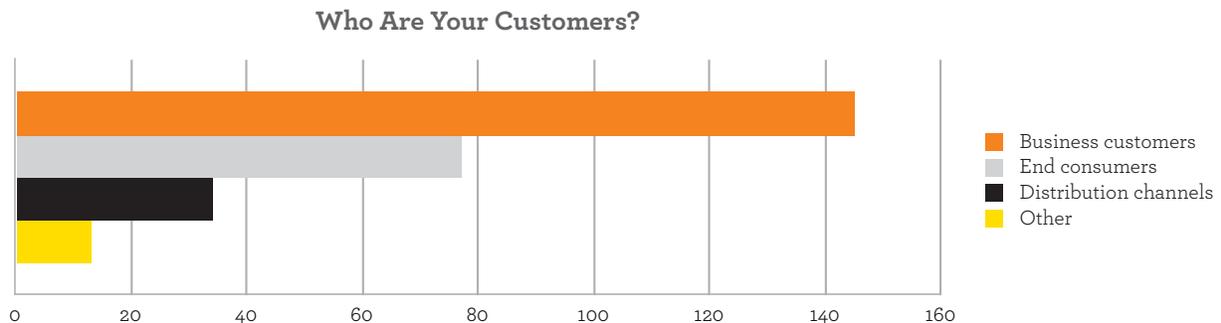
## Profile

More than half of the companies surveyed (57%) had been in business 10 years or more. This ensured that the study would properly represent the maturity of the middle market. Combined with the fact that most (63%) were larger than \$5M in revenue and 30% were \$20M and over, the research team was confident that the dataset is representative.



## Customers

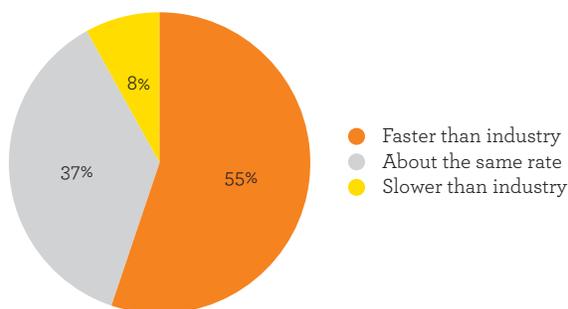
Two-thirds (67%) of surveyed companies sell directly to businesses or through distribution. Note that multiple answers were selected by a number of companies. The second largest customer group was end consumers.



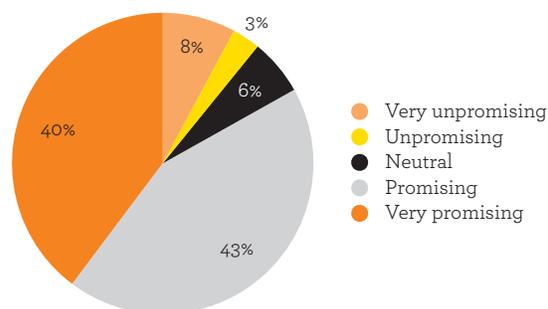
## Outlook

55% of CEOs surveyed believe they are growing faster than their industry peers, while 45% believe they are growing at the same rate or slower than their peers. Signaling a bullish attitude towards growth, a combined 83% believe the outlook of their company's future is promising (40%) or very promising (43%).

Growth of Company



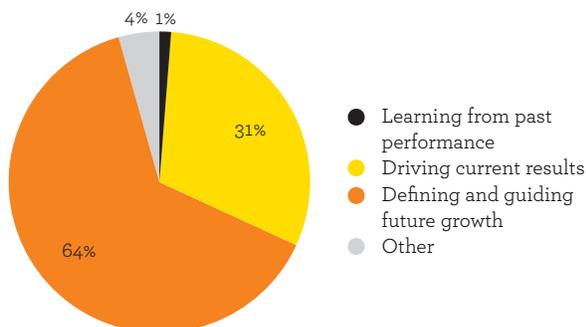
Company Future



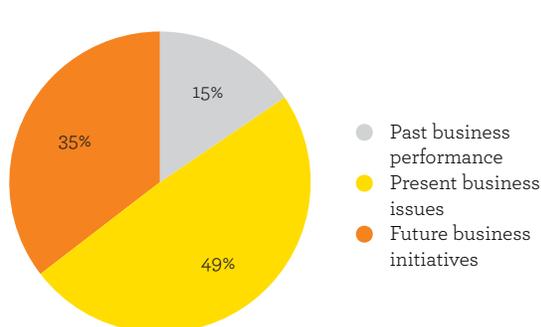
## Focus

As one might expect from the senior executive, the majority of CEOs (64%) said they spend most of their time defining and guiding future growth. This is twice the number of CEOs (31%) devoted to driving current results. When CEOs meet with their leadership teams, the group's attention is largely split between current issues (44%) and future initiatives (32%). Why this difference from personal CEO time to C-level staff time? We believe CEOs are using staff time to drive operational excellence and efficiency, and to create a culture of accountability.

CEO's Focus



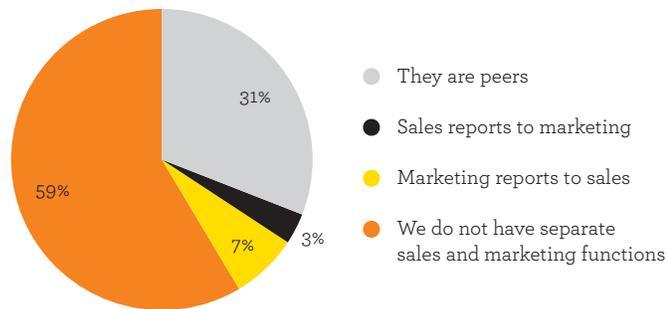
C-Staff Focus



## Roles

An important area of interest to Chief Outsiders is around the existence and role of marketing leadership in mid-market companies. Most companies do not maintain separate sales and marketing leadership roles (58%), although nearly one-third reported that sales and marketing executives were peers (31%).

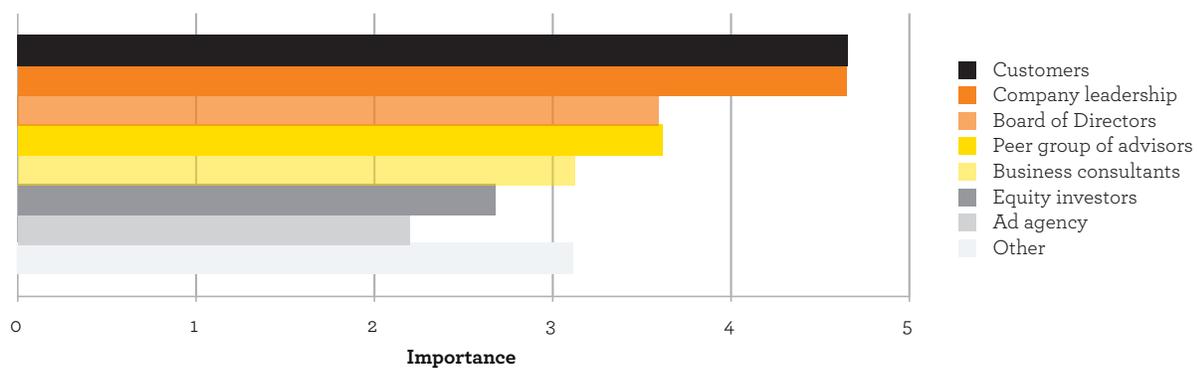
### Sales and Marketing Roles Typically Combined



## Insight

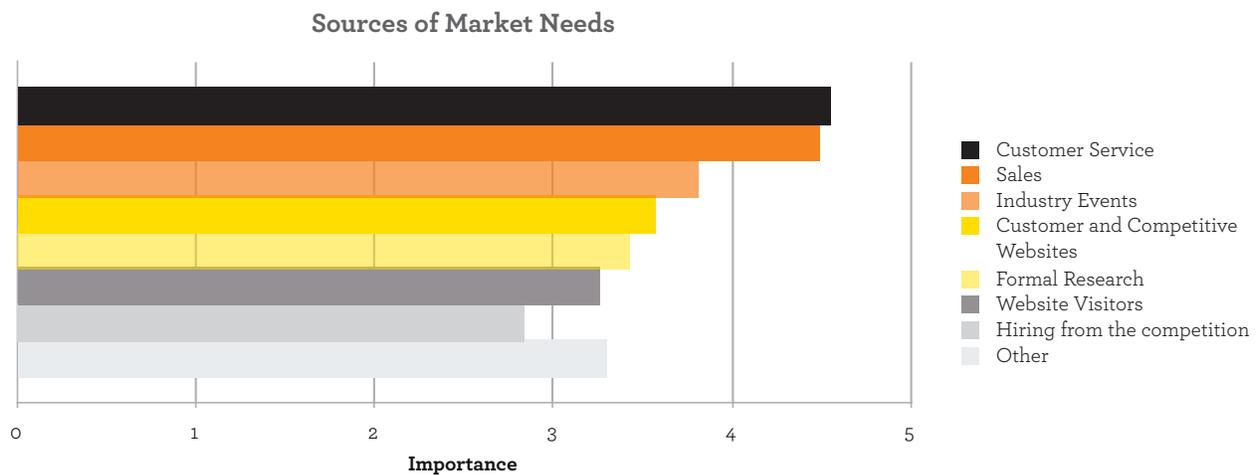
CEOs see a combination of their own company leadership plus their customers as providing the most value as sources of strategic insight. Peer groups of advisors (e.g., Vistage, C12) were seen as valuable as a Board of Directors, followed by business consultants.

### Value of Sources for Strategic Insight

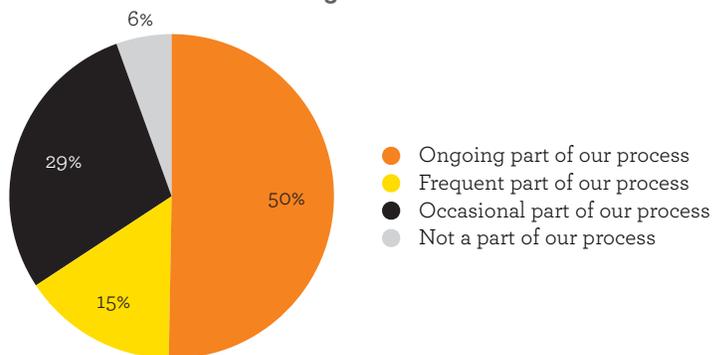


## Needs

Companies clearly tap insights from their team who have regular contact with their customers – their customer service and sales organizations. They also recognize the value of face-to-face engagement at industry events. While formal research was noted as a regular part of the needs development process for new products and services, it was clearly seen as less valuable than direct contact or ad-hoc web research.

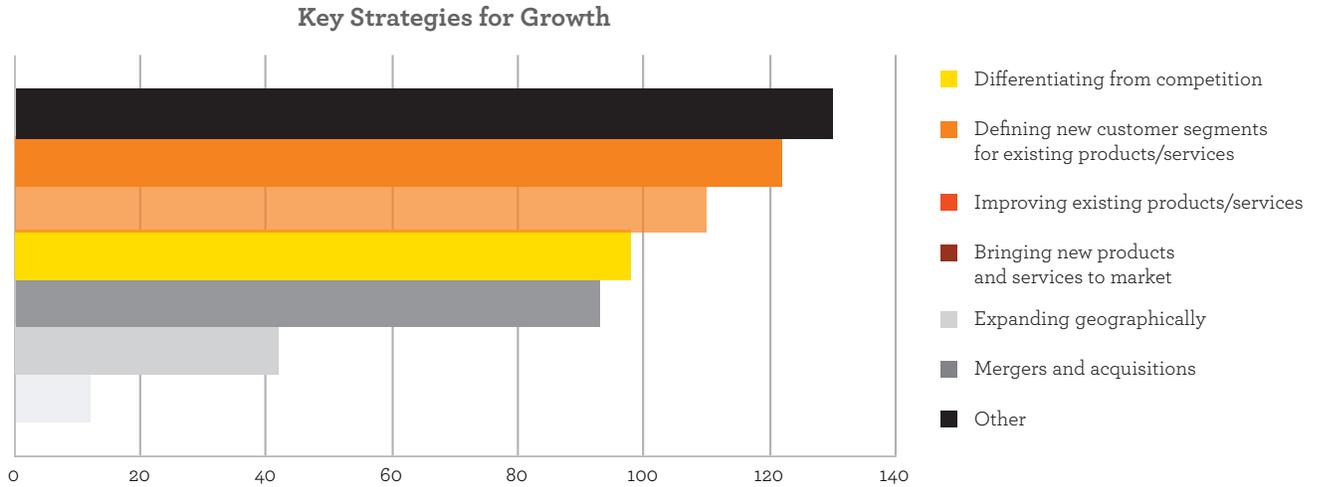


## Research Informs Offerings



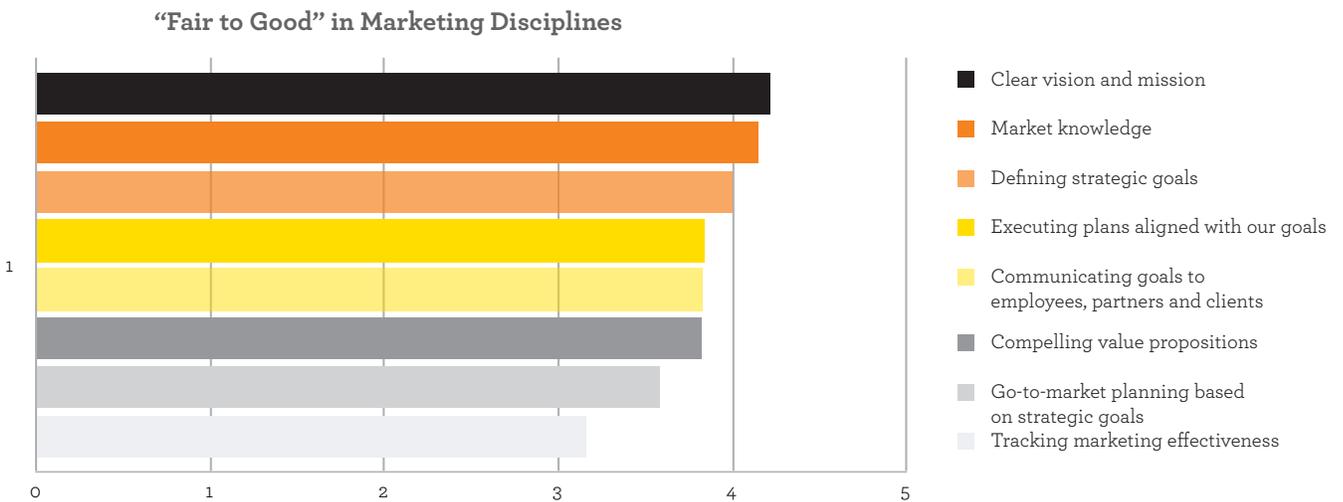
## Growth

Differentiating from the competition and defining new customer segments edge out product improvements and new product introductions as the key factors reportedly driving growth.



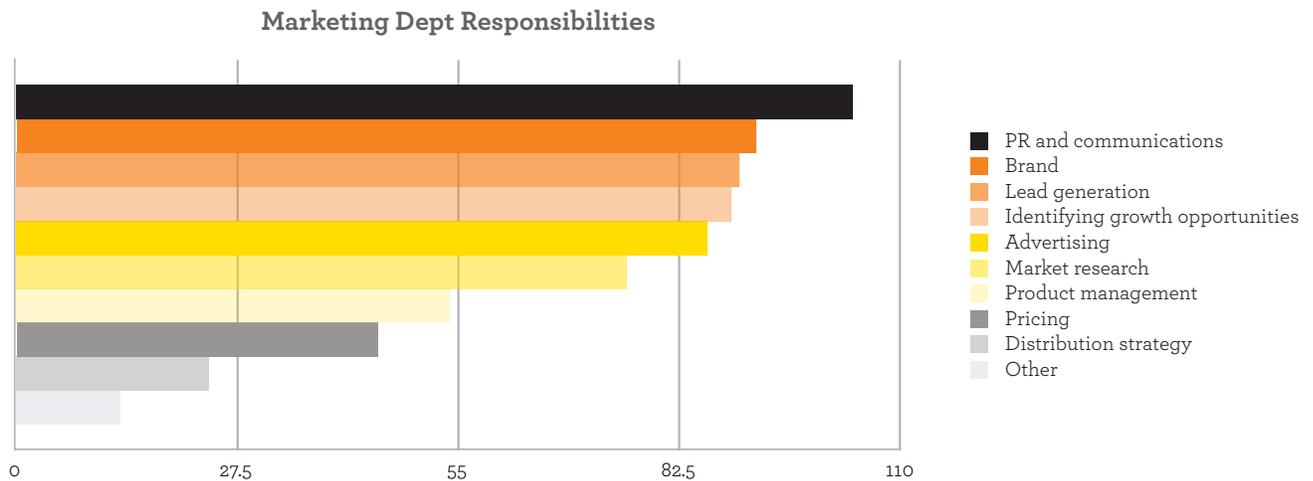
## Marketing

As a whole, surveyed CEOs perceive they are FAIR to GOOD in a core spectrum of market-developing disciplines. Having a clear vision and mission, along with having solid market knowledge was typical. However, most CEOs were critical of their ability to track marketing effectiveness.



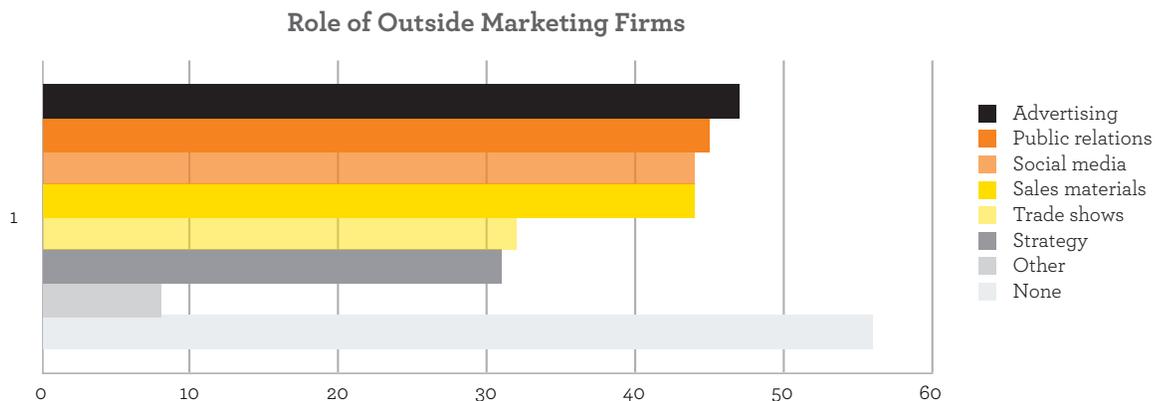
## Marketing (contd.)

Marketing departments are typically charged with traditional marketing communications functions plus lead generation. However, many are still responsible for identifying growth opportunities and market research. See the “Key Insights” section later in this report that reveals the growth impact that operations-oriented companies experience as they increase the level of responsibility of their marketing departments.



## Independence

The majority (56%) of firms reported they do not tap outside firms at all for assistance with marketing requirements. The most common reason to go outside was for Advertising (47%) followed by Public Relations (45%). Nearly a third (31%) seeks outside help for Strategy.



## Closing Thoughts

While there is value in understanding the spectrum of marketing behaviors and organizational alignments of mid-market companies as a whole, clearly the value of this report is the discovery that there are two distinctive types of companies - operations-oriented and market-oriented. And that businesses who are market-oriented, as evidenced by their executive team experience and strength in marketing disciplines, grow faster than their peers.

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