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Center *for*
Board Effectiveness



Next Generation CMO Academy

Boardroom Ready: The Role of CMOs in Boardrooms Today

Deb DeHaas, Vice Chairman, Chief Inclusion Officer, National Managing Partner of the Center for Board Effectiveness

Marketing Expertise in the Boardroom

Marketing Experience on Corporate Boards

There is a gap in marketing experience on boards which CMOs can fill

Volume of Marketing Experience

In 2016, only **2.6%** of board members had marketing experience¹

Value of Marketing Experience

A board with one marketing-experienced director is associated with a **3%** increase in total shareholder return

Need for the Marketing Perspective

Customer-Centric Companies Win

Marketers lead customer intelligence. That perspective should be represented in strategic decision making

Companies are Undergoing Digital Transformations

Companies are navigating both opportunities and risks based on companies abilities to mine Big Data and shape company strategy in a new way

Diverse Boards Perform Better

Studies find positive correlation to improved financial performance in diverse groups; Marketing is one of the most diverse corporate functions



*"Marketing creates value by accumulating environmental information related to competitors, consumers, and the broader market. A board member with marketing expertise can help the board and firm convert this knowledge into successful strategies and plans."*¹ -Ryan Krause, Professor at Texas Christian University

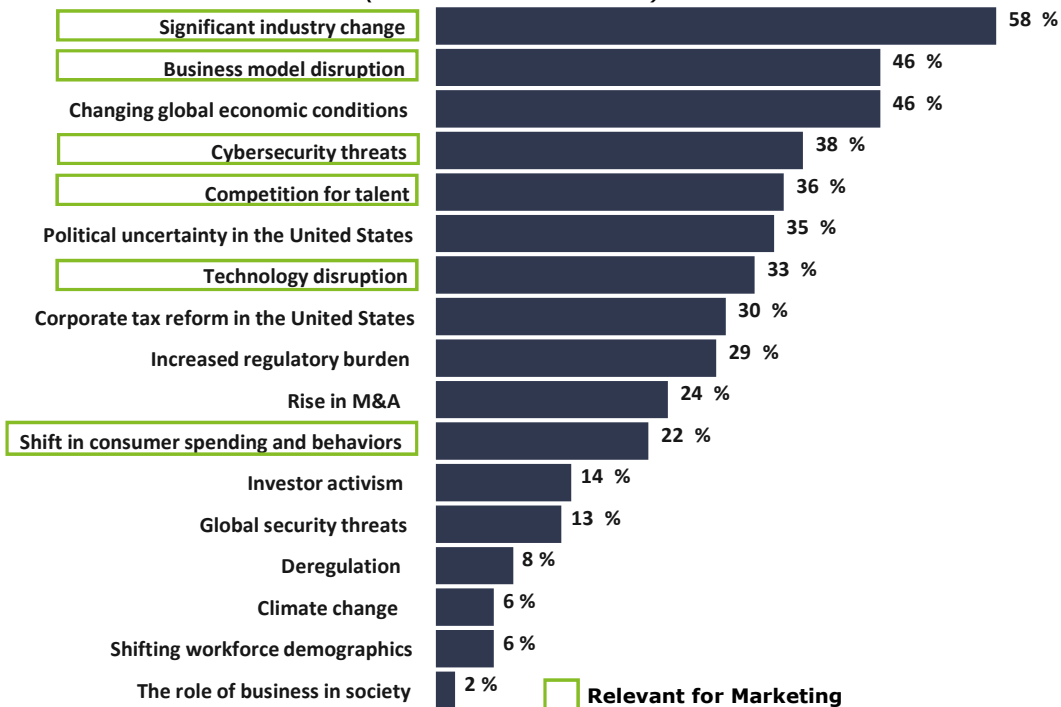
Source: ¹<http://www.msi.org/articles/how-board-level-marketing-experience-improves-firm-value/>; <http://adage.com/article/deloitte-digital/forward-thinking-companies-put-marketers-board/310076/>

Topics on the Board's Agenda

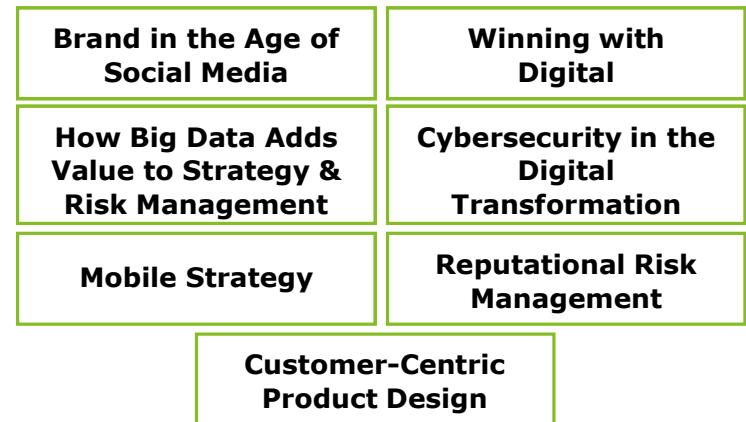
Many boards are concerned with broader industry disruption and it the volatility and uncertainty drive a desire for deeper board involvement in strategy; there are many areas where CMOs can support that board involvement

Top 5 Trends Board Members Foresee Having the Greatest Impact on their Company in the Next 12 Months

(Select 5 of 17 issues)



Example Areas for CMOs to Engage the Board



The Role of the Board

Management & Board Relationship Dynamics

Focus on the accountabilities between the board and management

Management

Board

Role

Run the enterprise on a day-to-day basis

Provide oversight – direct, review, and assess the actions of management on behalf of the shareholders

Responsibilities

- Developing strategy and collaborating with the board to set long-term vision
- Managing to achieve the vision
- Acting as a liaison between the board and operating units
- Providing information that allows the board to evaluate performance
- Execution of strategy

Constructive tension



- Legal and fiduciary responsibility
- Governance: advising on the long-term vision/strategy and establishing policy
- Monitoring progress in achieving the vision
- Hiring, evaluating, and succession planning of the CEO

Common Sentiment

"We did extensive prep, and provided detailed analysis for the board book yet we are uncertain as to whether we added value to the meeting."

"Management overwhelmed us with a mountain of information and talked at us for too much of the meeting."

Deloitte Governance Framework

Our Framework was developed to help boards and executive management assess the effectiveness of the organization's governance programs

The Framework defines board and management activities that support effective governance.

Each area of governance can be considered in the context of four attributes:

- Skills and knowledge
- Process
- Information
- Behavior



Communicating with the Board

How can some leading CMOs prepare for board presentations

Marketing can reposition its value by preparing for presentations by tailoring it for the board and aligning marketing to overall business strategy and value

How CMOs May Win in the Boardroom

| Align to Business Strategy | Provide a Big Picture View | Design a Presentation for the Board's Perspective | Know your CFO and CIO | Metrics & Impact | Position Marketing for Cross-Functional Transformation |
|---|--|--|---|---|---|
| <ul style="list-style-type: none"> Align marketing goals to overarching business goals Demonstrate the CMOs can drive operational efficiency and drive increased revenues | <ul style="list-style-type: none"> Present a holistic business picture, not a functional picture Demonstrate marketing's ability to make cross-functional impact Board members are comfortable with ambiguity so avoid getting into the weeds on a single topic | <ul style="list-style-type: none"> Marketing can have a reputation on boards for being "soft" so CMOs have to prove themselves Recognize the board is looking for CMOs to demonstrate an understanding of what drives superior marketplace AND financial performance CMOs play offense but board members have a healthy level of skepticism | <ul style="list-style-type: none"> Leading CMOs work with their CFOs to define metrics that are measurable and CMOs make themselves accountable to that metric CIOs are key collaborators for successful digital transformations Build rapport with the CFO and CIO. Seek out feedback early and often | <ul style="list-style-type: none"> Leverage digital tools to take advantage of real time metrics on outcomes Present proven and accurate metrics Frame content in terms of value drivers across the business | <ul style="list-style-type: none"> Find topics on the board's agenda that could benefit from the CMOs perspective Marketing understands audiences needs' and can quickly adopt technologies |

http://www.cmo.com/features/articles/2015/8/21/how-cmos-can-win-over-the-boardroom.html#gs.qf_2e8Y
<https://insight.kellogg.northwestern.edu/article/when-marketers-step-into-the-csuite>

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CMO interactions with each committee: Focus on specific opportunities and interactions



Audit

- Audit committees want no surprises and timely communications
- Have an enterprise-level view and understanding of the business and financials
- Demonstrate a good track record in accurate forecasting
- Help to drive discussions toward driving the business's profitability
- Understand the connections between the Audit and Risk committees and the role the CMO has in managing risk



Finance

- Review and provide a recommendation to the Board for the annual budget and the business plan
- Present metrics-based forecasts
- Demonstrate effective management and marketing budgets



Nominating/ Governance

- Educating potential/new board members on the company's digital, marketing, and reputational matters and related orientation materials
- Advise committee chair/members on board qualifications to look for
- Keep the committee informed of any issues that may pose a concern for investors – issues that pose a governance concern



Compensation

- Maintain active succession planning with the marketing functions
- Demonstrate how marketing defines specific performance metrics and evaluates the function's performance in relationship to the established targets for use in determining eligibility for compensation awards



Risk

- Assess how to get the most value out of the strategy while thinking about the risks and other paths
- Demonstrate marketing systems and processes used to identify and monitor risk
- Understand the risk implications of digital transformation and culture, brand, and reputation shifts and opportunities

Topics for discussion and communication approach

“You have seven minutes.” Determine and own the message

Prepare your Materials

Pre-Read Materials

- Prepare a concise set of materials to distribute **in advance of the meeting**
- Provide a summary of information needed to **support** decision-making
- Include **relevant** reference materials -- i.e. analyst reports, studies, surveys, etc.
- Do not **overwhelm the audience** by providing too much detail or information

Presentation Materials

- Build upon the pre-reads
- Have each slide and the overall set of slides tell a story
- Summarize key messages
- Incorporate select relevant metrics
- Create opportunity for discussion and questions
- Minimal number of slides

Select Style

- Be clear/concise, focus on key points
- Be confident, establish trust and authority - you're the expert
- Be friendly/positive – but direct
- Be flexible, expect to be taken off topic

Deliver

- Assume they read the pre-reads
- Start your discussion where the pre-reads end
- Use summary charts rather than detail in the pre-reads
- Provide key takeaways on issues requiring resolution
- Build in time for Q&A

Coordinate & Evaluate

- Where else are they receiving information from?
- Periodically ask for feedback:
 - “Are the materials useful?”
 - “Am I providing relevant and timely information, at the right level?”

6 Tips for Effective Board Presentations



5 Second Rule

The “point” of the slide should be clear within five seconds



Less is More

Minimize clutter that obscures the message



Standalone Slides

Slides should be able to stand alone and retain their meaning



Go with the Flow

Headlines should convey a coherent “story” and link to the slides before and after



It's Alive

Make sure to change your story as data, context or audience shifts



Don't Distract

Avoid the use of too many, irrelevant or clip art graphics

Becoming “Board Ready:” Securing a Seat on a Corporate Board

What is changing on today's boards?

As marketing becomes a more powerful channel for building a company's brand, promoting collaboration across the enterprise, and gathering customer insights, boards should consider reexamining the role of marketing and how the marketing function might be tapped to fulfill the board's oversight responsibilities.

As of 2017, 52% of S&P 500 boards added at least one new director. This is the highest number of new directors elected in over a decade.

- **45%** of the 397 new directors are serving on their **first** public corporate board
- **55%** of first-time directors are **women or minorities**
- **90%** of respondents say their board has a strategy to encourage regular **board refreshment**

Through 2017, nearly two thirds (64%) of new independent directors are active senior executives and professionals. Among the line and functional leaders...

- **Less than 0.5%** of Fortune 1000 board seats are filled by a CMO
- Desire for board directors with technology, digital /social media, and marketing expertise are on the rise in the last year

Wish List for New Director Backgrounds

| | |
|------------------------------|-------------------|
| Women | 75% |
| Minority | 69% |
| Financial Expertise | 62% |
| Active CEO / COO | 58% |
| Retired CEO / COO | 56% |
| Global Perspective | 52% |
| Technology Expertise | 50% (up from 44%) |
| Specific Industry Expertise | 29% |
| Regulatory / Govt. Expertise | 29% |
| Digital / Social Expertise | 23% (up from 21%) |
| Cybersecurity Expertise | 23% |
| Marketing Expertise | 21% (up from 19%) |

As boards think more critically about refreshment, there are steps you can take to help prepare yourself

Board Diversity

Companies that replaced 3 or 4 directors over a three-year period outperform their peers¹

95%

of respondents agree that their boards need to seek more candidates with diverse skills and perspective

90%

of leaders agree that gender and racial diversity alone does not produce the varying perspectives required for a company to be innovative or disruptive



"There's an agreement among board members that somebody who has deep marketing skills will also bring good business insights, is strategic and creative. ... Many of those CMOs can also bring diversity, in terms of gender or ethnicity," including international experience, which is "a plus."²

-Bonnie Gwin, CEO of the Board Practice at Hendricks & Struggles

Sources: "Seeing is Believing—2017 board diversity survey," Deloitte University Press.; ¹<https://hbr.org/2014/04/how-much-board-turnover-is-best>; <http://deloitte.wsj.com/cfo/2017/10/12/how-to-land-a-board-seat-issues-to-consider/>; ²<http://adage.com/article/cmo-strategy/cmoss-wanted-board-directors/293281/>

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Landing A Board Seat

- 1 Assess your readiness
- 2 Get your CEO's blessing
- 3 Understand what industries would benefit your current role and not have any potential conflicts
- 4 Think beyond large, public companies which are unlikely to be a first board experience
- 5 Approach the board search as if it is a job search
- 6 Develop your board bio, clearly articulating your value proposition
- 7 Network, network, network

Learn more about the Center for Board Effectiveness

Resources and contacts

To learn more about the **Center for Board Effectiveness**, please visit the website www.deloitte.com/us/boardeffectiveness

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[The Center for Board Effectiveness](#) website includes the latest corporate governance thought leadership. Many of our publications are found on the website, including:

- **Audit Committee Brief** – This periodic publication provides audit committee members with recommendations, overviews of corporate governance resources, regulatory and legislative environment outlooks, and technical updates.
- **Audit Committee Resource Guide** – Deloitte’s Audit Committee Resource Guide helps audit committee members and management better understand the requirements, roles, and responsibilities of the audit committee. It also provides relevant tools and resources, such as an audit committee calendar of activities to help with planning and a financial literacy assessment tool.
- **Board Practices Report** – Published by the Society for Corporate Governance in collaboration with the Center for Board Effectiveness, this report presents results from a survey of the Society’s membership on board governance areas including activism, risk, and board refreshment, among others.
- **Directors’ Alert** – Deloitte’s subject matter resources and independent board directors from across the globe share their insights into the challenges facing today’s board members and the strategies they can employ to overcome those issues.
- **On the Board’s Agenda** – This series of articles share insights on how boards may move their organizations forward, both cohesively and successfully, while facing the challenges of today. Each issue will examine a single topic in detail with the perspectives of a Deloitte subject matter resource, as well as the views of an experienced external director.



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