



Marketing Science Institute Working Paper Series 2015
Report No. 15-109

When and How Does Board-Level Marketing Experience Impact Firm Performance?

Kimberly A. Whitler, Ryan Krause, and Donald R. Lehmann

"When and How Does Board-Level Marketing Experience Impact Firm Performance?" © 2015
Kimberly A. Whitler, Ryan Krause, and Donald R. Lehmann; Report Summary © 2015
Marketing Science Institute

MSI working papers are distributed for the benefit of MSI corporate and academic members and the general public. Reports are not to be reproduced or published in any form or by any means, electronic or mechanical, without written permission.

Report Summary

Their focus on top-line growth performance, ability to understand consumer preferences, and acumen in generating market insights suggest that marketers would be valuable members of boards of directors. Yet marketing's presence at the top of firms is nominal. Only 2.6% of board members have marketing experience, suggesting that directors don't see a connection between marketing experience and the ability to address firm-level marketing challenges.

To date, there is no research investigating marketing experience at the board level; previous research on marketing's role in firm-level strategy development has primarily focused on CMOs. In this report, Kimberly Whitler, Ryan Krause, and Donald Lehmann investigate when and how marketing experience on the board contributes to overall firm performance by driving firm revenue growth.

They develop a conceptual model to explain how marketing impacts the firm and the conditions under which marketing experience on the board of directors impacts firm financial performance. They test their model using 64,086 board member biographies and publicly available data from S&P 1500 firms.

Their findings indicate that marketing experience at the board level is considerably more valuable than the number of marketers on boards today would suggest:

- Marketing-experienced board members positively impact total shareholder return in general. A board with one marketing-experienced director is associated with a 3-percentage point increase in total shareholder return over a board with no marketing-experienced directors.
- This effect is even stronger when the firm is facing declining market share. When firm market share is declining by 1.5 percentage points (1 standard deviation above the mean), the presence of a marketing-experienced director is associated with an increase of more than 6 percentage points in total shareholder return.
- The interaction effect of board-level marketing experience and declining market share on firm revenue growth is stronger: (1) at firms with large boards, (2) at firms where the CEO also serves as chairman of the board, and (3) when the number of designated finance experts on the board is lower.

Overall, the study suggests that boards of directors could generate better performance with the inclusion of marketers. These findings may help executive recruiters better understand the conditions under which they should recommend marketers for board positions, and provide insight to board members and CEOs who may influence and/or approve board member choice.

Kimberly A. Whitler is Assistant Professor of Business Administration, Department of Marketing, Darden School of Business, University of Virginia. Ryan Krause is Professor of Management, Department of Management, Entrepreneurship, and Leadership, Neeley School of Business,

Texas Christian University. Donald R. Lehmann is George E. Warren Professor of Business and Chair of Marketing Department, Columbia Business School, Columbia University.

Acknowledgments

We would like to thank the following people who commented and offered helpful suggestions on earlier versions of this manuscript: Mark Houston, Joel Huber, Neil Morgan, Chris Puto, and the seminar participants in the marketing department at the Darden School of Business. This research was made possible by a grant from the Randall L. Tobias Center for Leadership Effectiveness at the Kelley School of Business.

WHEN AND HOW DOES BOARD-LEVEL MARKETING EXPERIENCE IMPACT FIRM PERFORMANCE?

For some time, scholars have expressed concern that the strategic role of marketing is in jeopardy (e.g., Schultz 2003; 2005). Some fear that representatives of the marketing function are dwindling among strategic decision-makers (e.g., Schultz 2003), while others suggest that marketers have little impact even when they are included at the strategic level of the firm (e.g., Nath and Mahajan 2008). Still others suggest that top managers are disaggregating marketing activities and dispersing them throughout the firm (e.g., Webster, Malter, and Ganesan 2005). Despite the concern regarding marketing's role at the most strategic levels of the firm, empirical inquiries have thus far primarily focused on marketing's representation on top management teams (TMTs), particularly as manifested in the chief marketing officer (CMO) (e.g., Boyd, Chandy and Cunha 2010; Nath and Mahajan 2008; 2011). CMO presence and power, the authors argued, serve "as an indicator of both corporate status of marketing and corporate adoption of the marketing concept" (Nath and Mahajan 2008, p. 65). Much to the dismay of those who value such status and adoption, Nath and Mahajan (2008) found that the presence of a CMO on a firm's TMT had no significant effect on firm performance.

U.S. firms, however, are not led only by their TMTs. Above the TMT sits the board of directors, whose primary responsibility is to govern the affairs of the corporation and represent the best interests of the shareholders (e.g., Colley et al. 2003). In addition to choosing the firm's chief executive officer (CEO), the board's role is to "understand and approve of the CEO's strategies and plans and then to monitor the execution of those plans and to periodically evaluate the results" (Colley et al. 2003; p. 133). While the TMT's primary function is to formulate and implement firm strategy, the board's primary function is to choose key members of the TMT, set their objectives and compensation, and evaluate and approve the strategic decisions that they make (Johnson, Daily, and Ellstrand 1996). Traditionally, there has been a fine line between board and TMT roles. However, this line has grown blurrier since 2002 when passage of the Sarbanes-Oxley (SOX) Act increased boards' accountability with regard to firm performance (e.g., Monks and Minow 2004). As a result, board engagement and activism have increased, leading Finkelstein, Hambrick, and Cannella (2009; p. 11) to suggest that boards be thought of as "supra-TMTs". Despite boards' increasing involvement in firm strategy and the impact that

individuals at the top of the firm can have on overall firm performance, marketing's impact on boards remains an unexplored phenomenon (see Table 1: tables and figures follow references throughout).

At the same time that board involvement has become more important, there is concern among marketing scholars that marketing's influence at the strategic level of the firm is waning (e.g., Schultz 2003; Schultz 2005), supported by evidence that very few board members have marketing experience. Spencer Stuart, a leading executive recruiting firm, found that of the 9,800 board seats at *Fortune* 1000 companies, only 38 were held by *active* marketing leaders – less than half of 1% (Daum and Welch 2013).¹ Reinforcing this, Gordon (2007) suggests: “few directors have had hands-on marketing roles and fewer participate in board committees focused on marketing. Given this lack of experience and attention, boards have difficulty providing effective governance of the marketing function.”

Given the theoretical and practical importance of understanding the impact that board-level marketing experience has on firm performance contrasted with the lack of marketers present on boards, our research seeks to assess *when* and *how* marketing experience at the board level impacts firm performance. We propose a model, Figure 1, wherein board-level marketing experience positively impacts firm financial performance overall and to a greater extent when the firm's market share is in decline. By identifying this moderating factor, we identify a context in which “providing effective governance of the marketing function” is most important. This impact is mediated by firm revenue growth, based on the assumption that the more immediate result of marketing-experienced board members providing advice and guidance following market share decline is an uptick in revenues, which in turn improves subsequent shareholder return. To test our model, we content-analyzed 64,086 corporate director biographies at S&P 1500 firms from 2007 through 2012 to determine which directors possessed executive-level marketing experience. These data combined with firm financial data produced results strongly supportive of our main theoretical model. Finally, we identify board-level contingency factors that alter the extent to which boards effectively leverage their marketing experience to produce greater revenue growth following a decline in market position. Empirical tests of the relationships

¹ We hasten to note that this percentage is not reflective of all marketing-experienced board members, as the Spencer Stuart study focused only on those board members currently leading the marketing function at their home firms while serving on boards. The number of board members with experience (current or past) leading the marketing function is still quite low (between 2% and 3%), as our data and data from practitioner reports indicate, but not less than 1%.

provide a clearer understanding of the processes involved in turning board member human capital into meaningful firm outcomes.

Our research offers three contributions. First, by investigating the impact of marketers on the board, this research addresses a central question marketing strategy scholars have posed regarding the role of marketing at the strategic level of the firm (e.g., Verhoef and Leeflang 2009). While there has been significant discussion regarding the role, impact, and presence of marketing involvement in firm-level strategy development (e.g., Schultz 2003), scholarship on the subject has focused almost exclusively on the CMO (Boyd, Chandy, and Cunha 2010; Nath and Mahajan 2008; 2011) or the CEO (Barker and Mueller 2002; Pasa and Shugan 1996), both of whom are members of the TMT. Here, we examine the performance implications of marketing experience *above* the TMT, that is, on the board of directors. Given the recent calls for demonstrations of marketing's worth, examination of the impact of board-level marketing experience on the firm is more than warranted (e.g., Kirkpatrick 2012; Stewart 2009).

Second, we contribute to upper echelons theory by proposing a mediated contingency model that not only provides an explanation for the impact board-level marketing experience on firm performance, but also offers hypotheses and relevant boundary conditions to better understand when and how marketing human capital at the board level impacts the firm. Upper echelons theory states that firms are reflections of their top managers and that firm outcomes can be explained in part by the experiences that their leaders have (Hambrick and Mason 1984; Hambrick 2007). While some research has examined the effects of directors' functional experiences on their firms (e.g., Jensen and Zajac 2004), such research is rare in general and non-existent with regard to marketing experience. We contribute to a nascent stream of research suggesting that the benefits of board member expertise are context-dependent (e.g., McDonald, Westphal, and Graebner 2008). Furthermore, we build on the few existing studies that have proposed upper echelons relationships that are unique to the board context (e.g., Jensen and Zajac 2004; Krause, Semadeni, and Cannella 2013).

This research provides evidence suggesting that boards should reconsider their practice of rarely including marketers among their ranks. As previously mentioned, less than 0.5% of board members at *Fortune* 1000 firms are currently leading the marketing function at their home firms, indicating that managerial-level marketing experience and knowledge is largely missing from boards (Daum and Welch 2013). According to a 2011 survey, only 4% of corporate directors

consider marketing an important type of experience for a board member, as opposed to 47% who believe finance experience, for example, is important (National Association of Corporate Directors 2011). Somewhat paradoxically, a recent survey conducted by executive recruiting firm Heidrick and Struggles (Groysberg and Bell 2012) indicates that board members consider marketing-related issues among their biggest challenges. This contradiction suggests that directors don't see a connection between marketing experience and the ability to address firm-level marketing challenges. This research will help provide evidence that indicates when and how board-level marketing experience improves firm performance, and therefore helps search committees identify when marketers should be considered for board positions.

Theory and Hypotheses

Boards of directors

The board of directors, the top decision-making body in an organization (Zahra and Pearce 1989), exists to align the actions of top managers with the interests of shareholders (Fama and Jensen 1983). Shareholders annually elect the board whose responsibility it is to ensure that the firm's managers are pursuing strategies that maximize shareholder value (Johnson, Daily, Ellstrand 1996). As such, the board is typically comprised of individuals with significant and relevant experience who have legal and fiduciary responsibility to oversee and direct the functioning of their organization (American Law Institute 1984). Because of their importance in the strategic decision-making process, boards and board members have been a natural focus of study for scholars in a wide range of disciplines, including economics (e.g., Hermalin and Weisbach 1998), sociology (e.g., Useem 1979), finance (e.g., Shivdasani and Yermack 1999), accounting (e.g., Beasley 1996), strategic management (e.g., Dalton et al. 1998), organizational behavior (e.g., Minichilli, Zattoni, Nielsen, and Huse 2012), international business (e.g., Oxelheim, Gregorič, Randøy, and Thomsen 2013), and entrepreneurship (e.g., Fried, Bruton, and Hisrich 1998).

Directors typically execute their responsibility by “considering, and if warranted, approving corporate policy and strategic goals and taking specific actions such as evaluating and selecting top management, approving major expenditures, and acquiring and disposing of material assets” (American Bar Association Committee on Corporate Laws 2007, p. 11). Boards serve three primary roles in pursuit of these goals: a control or monitoring role, a service role, and a resource dependence role (Johnson, Daily and Ellstrand 1996). The monitoring role

ensures that boards serve as independent and watchful monitors of management, effectively complying with government regulation and avoiding value-destructive strategies (e.g., Mizuchi 1983). Boards fulfill their service obligation by furnishing the firm's TMT with advice and guidance, serving as mentors to help management solve important business problems (e.g., Carpenter and Westphal 2001; Kroll, Walters, and Wright 2008). The resource dependence role consists of board members leveraging their external networks to provide the firm with access to necessary resources (e.g., Hillman, Withers, and Collins 2009; Pfeffer and Salancik 1978).

Increased responsibilities and requirements by SOX have pushed boards to prioritize their monitoring roles. In response to stricter regulations and more government scrutiny, boards have implemented changes to their operating procedures as well as to the composition of their membership (Adams, Hermalin, and Weisbach 2008). One stipulation of SOX was the requirement that the boards of all publicly traded firms have an audit committee that includes at least one "finance expert" among its members. As a result, boards have made a concerted effort over the last decade to increase the finance expertise in their ranks (Güner, Malmendier, and Tate 2008), with the percentage of boards having at least one finance expert among their members increasing from only 21% in 2003 to 100% in 2012 (Spencer Stuart 2005; 2012). In contrast, no laws mandate the presence of marketing expertise on boards, and functions fulfilling a service role such as marketing have suffered due to a growing desire for such compliance-oriented functions as finance and accounting (Spencer Stuart 2004).

Over the same period of time, board size has decreased. The average S&P 500 board in the early 1990s consisted of 13 members (Spencer Stuart 2004) and dropped to 10.7 by 2012 (Spencer Stuart 2013). Similarly, the percentage of boards with 12 or fewer board members went from 68% in 2004 to 86% in 2012 (Spencer Stuart 2012). The impact of a smaller board composed of a larger percentage of finance experts is that the group charged with evaluating and approving firm strategy benefits less now from externally-focused functional influence, such as marketing, than at any other time in recent history. This trend prompted Spencer Stuart (2003, p. 3) to begin its annual board review with the following warning:

Boards should not let compliance obscure other important issues when building their boards...If boards focus exclusively on compliance they will miss some of the other variables that contribute to building a strong and competitive board – factors that don't easily lend themselves to being checked off on a to-do-list.

How the board differs from the TMT

While the boundary between boards and the TMT has blurred over time, there are still important ways in which the board differs from the TMT. First, the role of the board, which is to ensure that the firm is pursuing strategies that maximize shareholder value (Johnson, Daily, and Ellstrand 1996), is different than that of the TMT. While the TMT's role is primarily to devise and implement firm strategy, the board's role is to evaluate and approve firm strategy, as well as to advise, evaluate, compensate, and hire (and fire) key members of the TMT. Second, while board members only meet for a few days at quarterly or semi-quarterly intervals (Vafeas 1999), the TMT is comprised of full-time employees dedicated to managing the day-to-day operations of the firm (Colley et al. 2003). Third, the status of the two groups is different. By definition, the TMT reports to the board (Colley et. al. 2005; Monks and Minow 2004). The final factor on which the board and TMT differ is composition. The TMT is typically comprised of the CEO and his or her direct reports (consisting of functional or business unit leaders), which produces a balanced representation across functions or divisions (Finkelstein, Hambrick, and Cannella 2009). This ensures a more evenhanded perspective across different functional areas. In contrast, a board can be skewed in its composition, dominated by one or two different functional bases. In a report published by Spencer Stuart (2013), the majority of the new independent directors on S&P 500 boards had experience as a CEO, COO, president, or chairman (44%) or experience as a CFO (23%). The balance came primarily from other corporate executives (e.g., subsidiary presidents), academics, consultants, or the lawyers. New directors with experience leading non-finance functions (e.g., marketing, human resources, information technology, logistics / supply chain, etc.) are so rare on boards that the report simply grouped them into an "other" category, comprising less than 5% of new board members (e.g., Spencer Stuart 2013). Given that the functional background a director brings to the board can influence the information attended to, the way in which the board processes information, and the ultimate decisions made (e.g., Hambrick and Mason 1984; Simon 1997), a functionally skewed board has the potential to shift firm strategy and resources.

In summary, while board and TMT roles have become more blurred, there are distinct and important differences suggesting that board-level marketing impact may be quite different than at the TMT level. While marketing's role on the TMT has garnered some scholarly attention (e.g., Boyd, Chandy, and Cunha 2010; Nath and Mahajan 2008; 2011; Pasa and Shugan 1996),

marketing's role at the board level remains unexplored. This research initiates such exploration by investigating when and how marketing experience on the board impacts firm performance.

Board-level marketing experience and firm performance

Experience in executive roles provides directors with valuable expertise (Khanna, Jones, and Boivie 2013; Kor and Sundaramurthy 2009). With knowledge and experience accumulated through years serving in current and/or prior executive-level positions, board members can potentially influence and improve both the quality of top-level strategic decision making (Johnson, Daily, and Ellstrand 1996) and the effect of such decisions on firm outcomes (e.g., Carpenter and Westphal 2001). As McDonald, Westphal, and Graebner (2008, p. 1162) observed, “*experience is a critical contributor to the kind of extensive knowledge base that marks relatively high levels of expertise, and that supports high quality decision making.*” This human capital-based view (i.e. service role) of director experience, though relatively new, has shown considerable empirical promise. For instance, Jensen and Zajac (2004) demonstrated that boards consisting of members with finance experience engaged in fewer acquisitions and less unrelated diversification. The authors interpreted these effects as indications that finance-experienced boards exhibited greater financial acumen. Similar research has demonstrated the benefits of other types of experience at the board level (e.g., Kroll, Walters, and Wright 2008; McDonald, Westphal, and Graebner 2008). Unfortunately, no research to date has examined what, if any, impact board-level *marketing* experience has on firm performance.

While all prior work experiences endow an individual with *generic* human capital, experience managing a particular function endows the individual with *specific* human capital, that is, expertise and skills that are applicable to a specific context (Becker 1964). Prior experience managing the marketing function should, then, endow a board member with marketing-specific human capital. Given the board's role in advising, guiding, and occasionally correcting top managers' strategic decisions, such marketing-specific human capital should add value to the firm. In support of this, several studies have demonstrated a positive connection between firm-level marketing capability and firm performance (e.g., Vorhies and Morgan 2005), suggesting that marketing-specific human capital is valuable. For example, in a meta-analysis of 114 studies, Krasnikov and Jayachandran (2008) reported that a firm's marketing capability not only positively impacts its financial performance, but does so to a greater extent than does a firm's operations or research and development capability. They suggest that marketing may be

more inimitable than other firm capabilities, and, compared with more prevention-focused functions, is unique in its “success-producing” capacity for the firm (Krasnikov and Jayachandran 2008; p. 8).

As Mizik and Jacobsen (2003; p. 63) suggest: “*Value creation is a cornerstone of marketing. The marketing concept identifies the customer as the primary focus and the force that defines the scope and the purpose of a business enterprise. It postulates that for an organization to achieve an advantage, it must create superior value for its customers.*” This view of marketing as a value-creating or output-oriented function contrasts it with functions that are focused primarily on throughput activities, such as finance (Barker and Mueller 2002; Hambrick 1981; Mizik and Jacobsen 2003). Unlike finance, accounting, operations, or human resources, marketing creates value by accumulating environmental (i.e., external) information related to competitors, consumers, and the broader market, and by helping convert this knowledge into successful strategies and plans (Aguilar 1967; Hambrick 1981).

In Moorman and Rust’s (1999) model of the different roles that functions play within the firm, marketing is the only function that serves as the interface between the firm and customer. Without members experienced in managing a firm’s relationship with customers, the board could overemphasize its compliance obligations (i.e., monitoring role) to the exclusion of other responsibilities, and in so doing, damage its ability to create value for customers (Freeman, Wicks, and Parmar 2004; Priem 2007). Therefore, we offer the following general hypothesis:

H₁: Board-level marketing experience is positively related to firm financial performance.

Though we argue that board-level marketing experience can add value to the firm, we reiterate two key assumptions of the human capital approach to boards: 1) directors have both generic and specific human capital, with functional experience qualifying as specific; and 2) boards do not formulate and implement firm strategy but rather monitor, evaluate, and potentially correct firm strategy. Therefore, we expect board members experienced in managing the marketing function to add the greatest value when the firm’s internal marketing strategy formulation and implementation apparatus (i.e., the TMT) is not performing well.

The first important assumption underlying this prediction is that director human capital, and especially human capital developed from leading a particular function, is context-specific (Carpenter and Westphal 2001). For example, Jensen and Zajac (2004) demonstrated that boards consisting of members with finance experience engaged in fewer acquisitions and less unrelated

diversification. The authors interpreted these effects as indications that finance-experienced boards possessed greater financial acumen. Similarly, directors with a background in law provided counsel and resources related to such legal issues as industry regulation or bankruptcy (Helland and Sykuta 2004; Litov, Sepe, and Whitehead 2014). The implication of this context-specificity is that the benefit a firm derives from its board-level human capital depends on the degree of overlap between the context of director human capital and the context of board decision making. In other words, “because expertise is contextual, the *value* of expertise is context-dependent” (Krause, Semadeni, and Cannella 2013, p. 1630).

Some research has explored the benefits of board-level-specific human capital in the context of acquisition decisions. Kroll, Walters, and Wright (2008) found that board members at firms undergoing acquisitions improved the performance of their firms’ acquisitions if they had prior experience as CEOs of different firms that also underwent acquisitions. McDonald, Westphal, and Graebner (2008) provided a more nuanced perspective, highlighting the importance of human capital context and specificity within the broader context of acquisition experience. They found that acquisitions performed better to the extent that the acquiring firm’s board contained members with prior acquisition experience in the same product market as the target firm. In addition, they found that related acquisitions (i.e., acquisitions of one firm by another within the same product market) performed best when the acquiring firm’s board contained directors experienced with related acquisitions, and unrelated acquisitions performed best when the acquiring firm’s board contained directors experienced with unrelated acquisitions. Together, these studies reinforce the importance of taking into account context specificity when assessing the impact of board-level human capital.

The second assumption—that boards do not formulate or implement firm strategy but rather monitor, evaluate, and correct it—is equally important. As both monitors of firm outcomes and providers of advice and guidance, board members with context-specific expertise contribute the greatest value when the aspects of firm strategy within board members’ areas of expertise fail to produce satisfactory results. For example, in a recent study, Krause, Semadeni, and Cannella (2013) argued that the value of operations experience on the board depends on the efficiency of the firm’s internal operations; specifically, on whether a firm’s operations were improving or declining in efficiency. They found that board members’ experience as COO/president at an outside firm—a proxy for operations experience—was only valuable when the firm was

suffering from declining operational efficiency. Krause, Semadeni, and Cannella (2013, p. 1632) also note the importance of focusing on the trajectory of a firm's efficiency as a context of board influence, rather than simply focusing on the efficiency level at a point in time:

The firm may be historically inefficient, but if it is improving its efficiency, then the efforts of the current executive in charge of operations...are producing desirable results. If, however, the firm's efficiency is trending downward, then it signals a management team in need of guidance and expertise.

This observation speaks directly to the role that boards play at the firm. As the monitors of firm strategy and outcomes, the board can observe whether a firm is on the right track or not, and step in with advice, guidance, and possibly even disciplinary action should the firm's downward slide be severe enough to warrant it. Of course, the board must possess the expertise necessary both to identify the problem and propose a value-added remedy. Marketing expertise is mostly specific to interpreting the external market rather than improving internal operations (Paşa and Shugan 1996); therefore, we argue that a context of *declining market share* increases the potential for board-level marketing experience to positively impact firm value.

Market share, or the percentage of a market accounted for by a specific firm, is a critical barometer of a firm's market competitiveness (i.e., market position) that marketers are uniquely trained to assess, understand, and manage (e.g., Farris et al. 2010). Just as COOs are experienced at managing operational efficiency (e.g., Krause, Semadeni, and Cannella 2013), marketers are experienced at managing market share (Morgan 2012). A career developing marketing capabilities should provide an individual with the skill, knowledge, and experience necessary to leverage a firm's resources and convert them into positional advantages, as measured by a firm's market share. These positional advantages are the conduit through which superior marketing strengthens an organization's market and financial performance (Morgan 2012). Thus, advice and guidance from marketing-experienced board members are likely to add the greatest value when the firm's market share is in decline (i.e., when positional advantage is waning). In addition, given the unique experience that marketers have in creating positional advantages, it is likely that the balance of the board will be more likely to solicit, listen to, and act upon the counsel of marketing-experienced directors when the firm most needs it – in this case, when the firm is confronted with declining market share. As a result, marketing-experienced board members will have a stronger impact on performance when the firm's market position is declining, as they have the expertise needed to address the situation:

H₂: The positive relationship between board-level marketing experience and firm financial performance is stronger (i.e., more positive) when the firm's market share is declining.

It is beneficial to explore not only *when* board-level marketing experience increases firm value but also *how* it does so. All functions have the potential to contribute to firm value in some way, either by reducing costs, increasing revenues, or both. Finance experts, for example, can help a firm achieve greater financial performance by lowering the firm's cost of capital or, as in the case of Southwest Airlines, lowering the cost of vital raw materials (e.g., jet fuel; Bailey 2007). As such, the question for the present research is what immediate firm-level outcome explains the positive impact marketing-experienced board members ultimately have on firm financial performance?

Marketing is unique among the functions in that it is primarily centered on delivering growth. Firm marketing capability, or the process of converting available marketing resources into efficient and effective firm outcomes (e.g., Day 1993; Vorhies, Harker, and Rao 1999), impacts the organization's ability to efficiently integrate and reconfigure resources (Krasnikov and Jaychandran 2008) and create consumer demand for the firm's products and services (e.g., Vorhies and Morgan 2005). To the extent that marketers can create new consumer demand, they drive revenue growth, which ultimately leads to improved financial performance (Capon, Farley, and Hoenig 1990). Corroborating this perspective, CMOs routinely describe their top priorities as building and maintaining profitable growth (e.g., Fleit and Morel-Curran 2012; Spencer Stuart 2010). In a recent study of 109 different outcome measures that marketers rated on their degree of usefulness, 9 of the top 10 related to either top-line or bottom-line growth (Farris et al. 2010).

Board members experienced in marketing benefit from specialized knowledge developed while driving growth at their home firms can add value if and when the focal firm requires marketing expertise beyond the TMT's capabilities (e.g., Slater and Narver 1994). Marketers' focus on top-line growth performance, their ability to understand consumer preferences, and their acumen in generating insights about the broader market should make them more valuable board members when the firm's market position is in decline. While Krause, Semadeni, and Cannella (2013) did not hypothesize or test for mediation, their reasoning implied that operations-experienced board members help improve firm performance by advising top managers on how to improve firm efficiency. Similarly, we argue that when the firm's market position is in decline, the board can leverage its marketing experience to aid the TMT in driving future revenue growth, which will ultimately lead to higher financial performance.

H₃: Firm revenue growth mediates the positive effect of board-level marketing experience under declining firm market share on firm financial performance.

The moderating impact of board characteristics

The heart of our theoretical model is the prediction that, when faced with declining market position, a board with marketing-experienced members can leverage that experience to improve a firm's financial performance. All boards are not alike, however. We draw on the board literature to identify three board attributes that are likely to impact a board's ability to translate marketing experience into higher revenue growth when faced with declining market position: board size, CEO duality, and the percentage of designated finance experts on the board.

Corporate governance scholars have studied board size, or the number of directors serving on the board, for decades (e.g., Pfeffer 1972). The literature is replete with investigations of the differences between large boards and small boards in terms of board operations (e.g., Firstenberg and Malkeil 1994), board management (e.g., Jensen 1993), board member impact (e.g., Sheppard 1993), firm strategy (e.g., Pearce and Zahra 1992), and firm performance (e.g., Dalton et al. 1999). For example, larger boards can play an important role in providing resources by leveraging more directors to create more board interlocks and access additional resources. Thus, larger boards can help to reduce uncertainty related to the external environment (e.g., Thompson 1967). Further research has found that firms with complex strategies, such as a diversification strategy that requires many different skills (e.g., portfolio management), tend to have larger boards (e.g., Leontiades and Tezel 1981).

The benefits of larger boards notwithstanding, smaller boards offer their own benefits. Smaller boards are easier to manage (Jensen 1993), enable individual members to contribute more (Sheppard 1993), and can make focus and debate easier (Firstenberg and Malkiel 1994). Group cohesiveness, which is positively related to firm performance (Evans and Dion 1991), may be faster and easier to attain when working with a smaller board (Dalton et al. 1999). The unwieldy and cumbersome nature of larger boards may make it more difficult to drive alignment, hindering the board's ability to engage in and make strategic decisions (Judge and Zeithaml 1992). In sum, there is ambiguity regarding the effects of board size with some studies reporting a positive effect (e.g., Dalton et al. 1999) and others a negative effect (e.g., Yermack 1996).

Key to our theoretical model is the question of how size impacts the board's ability to monitor the CEO and TMT. To the extent that a board is better able to take corrective action in

response to declining market share, the marketing experience of the board's members will be more valuable. In contrast to the equivocal evidence of board size as it relates to overall firm performance, recent research has shown fairly conclusively that larger boards are preferable when the firm's monitoring needs are high. In a conceptual paper, Raheja (2005) argued that when the need for board monitoring is high—and the costs of monitoring are low—the ideal board is a larger one because larger boards contain a greater number of outside (i.e., independent) directors with stronger voting power. In addition, larger boards speak with a louder voice, leveraging their various sources of expertise to guide and, if necessary, impose their will on the CEO and TMT (Dalton et al. 1999; Lorsch and MacIver 1989). Boone, Field, Karpoff, and Raheja (2007) found support for the notion that the need for monitoring was associated with larger boards (see also Link, Netter, and Yang 2008).

As these studies derive from the finance literature, their conceptualization of a need for greater monitoring was limited to firm characteristics thought to foster managerial entrenchment (e.g., takeover defenses, free cash flows). Our theoretical model makes no assumptions about the intentions or entrenchment of a firm's managers; rather our model focuses on the firm's market position, and assumes that a declining market share indicates a need for marketing-experienced directors to leverage their expertise and change the firm's course, consistent with Krause, Semadeni, and Cannella's (2013) reasoning.² Despite the different views of what constitutes a greater need for board monitoring, Raheja and colleagues' (Boone et al. 2007; Raheja 2005) theory should still apply to our model. Larger boards, due to their greater power and influence, are in a better position to leverage their collective expertise for the purpose of monitoring the firm's management than are smaller boards. Therefore, when the firm's market position is declining, marketers on the board will be better able to correct the firm's course (i.e., grow revenues) if they are members of a larger board.

H₄: The positive effect of board-level marketing experience under declining market share on firm revenue growth is stronger for large boards than for small boards.

Along with board size, CEO duality is one of the most frequently studied board-level phenomena (Krause, Semadeni, and Cannella 2014). "CEO duality" refers to the relatively common practice of a CEO also serving as chairman of the board. On the one hand, classical organization theory suggests that CEO duality should provide unity of command at the TMT and

² Also see Tuggle, Sirmon, Reutzel, and Bierman (2010) and Krause and Semadeni (2013) for similar conceptualizations of the "need" for greater board monitoring.

board levels, fostering quicker and more resolute decision making as well as more efficient information transfer between the TMT and the board (e.g., Boyd 1995; Finkelstein and D'Aveni 1994). On the other hand, agency theory suggests that a chairman who is separate from the CEO enables the board to more effectively monitor the CEO and the TMT (e.g., Jensen 1993). Given these competing perspectives, it is not surprising that the literature has failed to produce evidence of a systematic positive or negative link between CEO duality and firm performance (Dalton et al. 1998; 2007).

Based on our theorizing regarding board size, it might seem intuitive to predict that boards' ability to leverage marketing experience to grow firm revenues following a decline in market position would be strengthened by a chairman who is not the CEO. Unlike board size, however, the empirical evidence regarding the effects of CEO duality on board monitoring remains the subject of much debate. Some studies have indeed shown that CEO duality reduces a board's focus on monitoring, especially in the wake of poor firm performance (e.g., Tuggle et al. 2010). At the same time, there are several reasons to question the original agency-theoretic view of CEO duality. First, while 40% of board chairmen are not the sitting CEO, half of those chairmen are former CEOs (Spencer Stuart 2012). These former CEOs are not independent from the firm's TMT; in fact, recent research has demonstrated that former CEOs actively impede strategic change following their assumption of the chairman position (Quigley and Hambrick 2012). Second, even though the dual CEO/chairman has power, the combined positions also foster accountability. In one of the most influential studies on the subject, Finkelstein and D'Aveni (1994) showed that vigilant boards (i.e., those most focused on monitoring) actually prefer CEO duality because of the accountability it imposes on the CEO. They argued that "CEO duality, by establishing clear lines of authority and responsibility within a firm, helps to avoid confusion among top managers as to who is the boss, facilitating effective decision making" (Finkelstein and D'Aveni 1994, p. 1083).

Third, many have argued that CEO duality is most advantageous when the firm is facing adverse environmental or performance conditions (e.g., Dalton and Dalton 2009). Boyd (1995, p. 305) argued that firms in turbulent environments benefit from the "simplicity of duality, coupled with faster response time and increased accountability." Finkelstein and D'Aveni (1994, p. 1086) also argued that vigilant boards would prefer CEO duality under conditions of poor firm performance because of the increased need for a "captain in charge of the ship." The speed of

information processing and decision making that accompany unity of command are particularly important in the context of our research. When the CEO is not chairman of the board, the chairman often acts as the information conduit between the CEO and the rest of the board. If revenue growth following market position decline requires that board members' marketing expertise be transmitted to the CEO and TMT, the presence of a non-CEO chairman raises the likelihood of the transmittance being slowed, altered, or impeded altogether. This problem is further complicated when we consider that of the 2.6% of directors in our dataset that have marketing experience, less than 3% serve as a non-CEO chairman of the board. As such, marketing-experienced directors need to transmit their expertise through a non-CEO chairman who is highly unlikely to have marketing experience. Consequently, expertise is likely to be lost in translation. For these reasons, we expect that CEO duality will strengthen the interactive effect of market position decline and board-level marketing experience on firm revenue growth.

H₅: The positive effect of board-level marketing experience under declining firm market share on firm revenue growth is stronger when the board chair is also the CEO.

Finally, in addition to the size of the board and the role of the CEO on the board, the composition of the board is a well-studied and relevant contingency factor. As discussed above, part of the SOX Act mandates that all publicly traded corporations have an audit committee, and that all audit committees have at least one designated "finance expert" among their members. While the letter of the law may seem relatively mild in its scope, U.S. corporations have embraced the spirit of the law over the last decade. The spirit of the law suggests that boards' primary objective is to monitor the financial activities and reports of the firm. Consequently, finance experts now not only are represented in the corporate directorate, but they dominate it.

In addition, not only do 100% of boards now include at least one designated finance expert among their memberships, many boards have multiple finance experts. Between 2003 and 2012, the number of finance experts on S&P 500 boards grew 800% (Spencer Stuart 2012). The power of finance experts has also grown, as evidenced by their accumulation of board leadership positions. As a report from Spencer Stuart (2013, pp. 4-5) explains, "In 2003, just 7% of audit chairs were financial executives—CFOs, treasurers and public accounting executives—compared with 35% today, a 400% increase in the past decade." Interest in finance expertise at the board level does not appear to be abating. The same Spencer Stuart (2013) report revealed that the top background that boards were seeking in new directors was general management

(58%), followed by finance (49%), with marketing relegated to an “other” category comprising only 5%.

How does boards’ increasing accumulation of finance expert members impact the effect that marketing-experienced board members have on the firm, and why does it matter? Prior research has demonstrated that the finance and marketing functions come from “different thought worlds,” (Dougherty, p. 179) and often serve conflicting organizational goals, which can lead to friction, tension, and strategic divergence between representatives of the two functions (e.g., Hastings 2005; Zinkhan and Verbrugge 2000). Recent research (Emarketer 2014) indicates that across a variety of different areas, the CMO and CFO are least aligned on the firm’s financial and marketing priorities, objectives, and budgets. As McKinsey (2013) suggests, CFOs often view CMOs as wasteful, and marketers view finance executives as myopic. This conflict is likely to impact the degree to which marketing- and finance-experienced board members agree on firm-related marketing challenges and issues. Finance leaders have historically focused on overseeing the treasury, tax, auditing, financial reporting, and investor relations departments within the firm (e.g., Favaro 2001). At the board level, this translates into a risk management role that ensures that the board is meeting its regulatory and fiduciary responsibilities while trying to enhance firm performance via value appropriation, or the extraction of profits (Mizik and Jacobsen 2003). In contrast, marketing is an externally focused function aimed at growing the firm through value creation (Moorman and Rust 1999).

Given the tension between the two functions and the difference in their approaches to firm strategy, we argue that designated finance experts will be less receptive to advice and guidance from marketing-experienced board members than will non-finance experts. As such, we predict that the more designated finance experts a board counts among its members, the less receptive the board as a whole will be to marketing-related expertise, and thus the less effective the board will be in leveraging the human capital of marketing-experienced board members. While there is very little understanding of the marketing-finance interface within the firm (e.g., Srivastava, Shervani, and Fahey 1998), we believe that this reduced effectiveness is increasingly problematic in the face of declining market position for two reasons. First, a finance-dominated board is less inclined to act on the recommendations of marketing experts at the very time when marketing expertise is most needed and will be more likely to want to address the issue through finance-related tools and solutions (e.g., Simon 1997). Second, as the number of finance-

experienced directors increases, it is more likely that there will be in-group preference when it comes to decision making (e.g., Westphal and Zajac 1995) and the single voice of the marketer will be drowned out. This makes it less likely that the finance experts will want to consult – or listen to – the marketing-experienced directors. Therefore, we predict that the expertise of marketing-experienced board members is more likely to fall on deaf ears as the number of designated finance experts on the board increases.

H₆: The positive effect of board-level marketing experience under declining firm market share on firm revenue growth is stronger when the number of designated finance experts on the board is lower.

Method

Sample and data sources

The Securities and Exchange Commission requires every publicly traded U.S. company to file a form DEF 14A (proxy statement) prior to its annual shareholder vote. The timing of the proxy form filing typically coincides with the annual meeting and is designed to provide shareholders with information that will enable them to make informed voting decisions. Since a key shareholder right is to elect the board of directors, each nominated board member is listed in the proxy statement along with relevant information, including the prospective board member's prior functional experience, company experience, and titles (see Appendix for an example). By law, all material company relationships and prior positions must be disclosed. Thus, the biographical information listed in the firm's annual proxy statement can be considered a faithful representation of directors' functional experience. We manually collected all board member biographies for every firm consistently listed in the S&P 1500 for the six-year period from 2007 through 2012, inclusive. This data collection effort yielded 64,086 board member biographies across 1,088 firms. All other data related to boards of directors (i.e., income, age, gender, stock ownership, external board positions) were obtained from the RiskMetrics Directors database and the Corporate Library Companies database. Firm-level and industry-level financial data were obtained from the Compustat database.

Measures

Board-level marketing experience. Consistent with prior upper echelons research (e.g., Nath and Mahajan 2011; Westphal and Zajac 1995), we content-analyzed the biographies listed in firm proxies, noting specific job titles indicative of extensive marketing experience. These titles, allowing for differences in capitalization, word order, and abbreviation, consisted of “chief

marketing officer,” “vice president of marketing,” and “vice president of sales.” Our search allowed for additional qualifiers (i.e. *executive* vice president; *senior* vice president, etc.), additional domains (i.e. chief marketing and merchandising officer), and word order sequences (i.e. chief merchandising and marketing officer). Analysis revealed that 2.6% of board members have marketing experience, in line with the Spencer Stuart (2004) report which found limited marketing experience (less than 5%). We limit our search to those individuals with managerial-level marketing roles (e.g., CMO, SVP Marketing) or enough marketing experience to specifically be mentioned as a director attribute.

Based on the content analysis, we summed the number of directors with marketing experience on each board in each year to produce a count measure. For this total measure, we considered all directors, *except the focal firm CEO*. We excluded CEO marketing experience because CEO functional experience has been shown to exhibit significant independent effects on firm outcomes (Barker and Mueller 2002), and it was thus important to distinguish the CEO from the board. This variable was measured in year t .

Declining (increasing) market share. The central contingency factor in our model is the firm’s declining market share. As the theoretical logic we present alongside this construct implies both magnitude and direction, we created a market share change variable. First, we calculated the firm’s market share as annual firm revenues divided by total annual industry revenues, with industry categorized by 2-digit SIC code. We then calculated the year-over-year change in firm market share by subtracting market share in year $t-1$ from market share in year t . The resulting variables are Increasing Market Share, which equals year-over-year change in market share when the value is positive and 0 when it is negative, and Decreasing Market Share, which equals the reverse-coded year-over-year change in market share when the value is negative and 0 when it is positive. We reverse-coded this variable to make it more intuitive; as the variable increases in magnitude, the decline in firm market share is greater. Market share in year $t-1$ was included in our models as a control variable.

Firm revenue growth. We calculated our mediator as the percentage change in annual firm revenues from year t to year $t+1$ (see Nath and Mahajan 2007). This variable spanned the full range of negative and positive values.

Firm financial performance. We measured firm financial performance as *Total Shareholder Return (TSR)*, consistent with recent related research (e.g., Quigley and Hambrick

2012). We calculated our ultimate outcome variable as the appreciation of firm stock value over the course of year $t+1$. Specifically, we summed the price of firm stock at the end of year $t+1$ with the total dividends per share declared in year $t+1$, and divided the total by the price of firm stock at the beginning of year $t+1$. This calculation allows us to capture the value accruing to a shareholder who purchased the stock at the beginning of year $t+1$ and held it for one year.

Board contingency factors. We measured *Board Size* as the number of directors serving on the board in year t (see Dalton et al. 1999) and standardized the variable prior to analysis. *CEO Duality* is a dichotomous variable, taking a value of 1 if the CEO also serves as board chair in year t , and taking a value of 0 if the CEO does not also serve as board chair in year t . Finally, *Designated Finance Experts* is a count of the number of directors designated by the firm as finance experts. In contrast to director marketing experience, which is not directly reported and must be inferred from director biographies, director finance expertise is available in proxy statements as firms are required by law to officially identify directors who qualify as finance experts. We relied on The Corporate Library's dichotomous designation of individual directors as finance experts, with a 1 representing a finance expert and a 0 representing a director who is not a finance expert. We then summed these values for all directors on a given board in year t .

Control variables. We included a number of control variables in order to account for potential alternative explanations for our findings. At the firm level, we controlled for *Firm Size*, using the number of employees (in thousands) reported in the annual report as a proxy (Boyd, Chandy, and Cunha 2010). To account for the firm's market strategy, we controlled for *Advertising Intensity*, measured as the firm's advertising expenditure divided by total revenue, and *R&D Intensity*, measured as the firm's R&D expenditure divided by total revenues. These have been shown to significantly impact marketing and firm-related outcomes (e.g., Nath and Mahajan 2008). These variables are subject to missing data as some firms do not report R&D and/or advertising spending. As such, we coded missing values as 0 so as not to lose observations from including these two control variables. Our results remain the same, however, regardless of whether or not we include these controls.

All CEOs in our sample also served as board members. Therefore, we identified the directors currently serving as their firms' CEOs through the RiskMetrics database, and coded *CEO Marketing Experience* in the same way we identified directors with such experience. Since each firm lists only one CEO in a given year, this variable is dichotomous, taking a value of 1 if

the CEO has marketing experience in year t , and 0 otherwise. In addition, we included a dichotomous *CMO Presence* variable, which took a value of 1 if the TMT contained a CMO, and a value of 0 otherwise. To identify the presence of CMOs, we followed Nath and Mahajan's (2007) methodology, content-analyzing executive titles listed in Compustat's Execucomp database, and counting as CMOs the executives with "marketing," "sales," or "brand" in their titles. Finally, we included year dummy variables to account for any contemporaneous correlation (Certo and Semadeni 2006) and industry dummy variables to account for industry effects. We classified industries by 2-digit SIC code.

Analysis and Results

Descriptive statistics and pairwise correlations for our variables are shown in Table 2. Given that our sample consisted of a panel of firms with multiple observations per firm, and given that our independent variables are somewhat inertial over time, we tested our hypotheses using Generalized Estimating Equations (GEE) to accurately capture between-firm effects (Ballinger 2004). GEE is a versatile modeling technique because it can model regression equations while adjusting for within-firm error correlation (Liang & Zeger, 1986). Using Stata 13, we specified a normal distribution family and an identity link function for all of our models, as both our dependent variables were continuous and normally distributed. To account for possible autocorrelation, we specified an autoregressive error correlation structure of order 1 (see Ballinger 2004), and also included 1-year lagged dependent variables as controls in all our models (Blundell and Bond 1998; Jacobson 1988). Our GEE results are shown in Tables 3 and 4.

Hypothesis 1 states that board-level marketing experience is positively associated with firm financial performance, which we operationalize as TSR. As Model 2 of Table 3 shows, the relationship between board-level marketing experience and TSR is positive and significant ($\beta = 0.03$, $p < 0.01$). By itself, this finding suggests that boards with marketing experience do, in fact, create value for shareholders; specifically a board with one marketing-experienced director is associated with a 3 percentage point increase in TSR over a board with no marketing-experienced directors. With Hypothesis 2, we contextualize this basic relationship by adding a situational, firm-level moderator: declining firm market share. Hypothesis 2 states that the positive link between board-level marketing expertise and firm financial performance (i.e., total shareholder return) will be stronger when the firm's market share is declining. As Model 3 of Table 3 shows, the coefficient for the interaction of board-level marketing experience and the

(reverse-coded) declining market share variable is positive and significant ($\beta = 2.83$, $p < 0.001$), providing support for Hypothesis 2. In the same model, we included an interaction between board-level marketing experience and increasing market share. Consistent with the implications of our theory, we found no significant effect of this interaction.

We have depicted the significant interaction between board-level marketing experience and declining market share in Figure 2. As the figure shows, the positive effect of board-level marketing experience on TSR is quite strong when firm market share is declining by 1.5 percentage points (1 standard deviation above the mean), with a single marketing-experienced director associated with a TSR increase of more than 6 percentage points. When firm market share is not declining, the effect of board-level marketing experience is still positive, but smaller.

The analysis required to test Hypothesis 3 is somewhat more complicated than that required to test Hypotheses 1 and 2. Hypothesis 3 states that firm revenue growth will mediate the interaction effect of board-level marketing experience and declining market share on firm financial performance. To test this hypothesis, we first determined whether the relationship met the conditions for mediation outlined by Baron and Kenny (1986). First, the independent variable(s) must exhibit a significant overall effect on the dependent variable when the mediator is absent from the model. The empirical support for Hypothesis 2 satisfies this condition. Second, the independent variable(s) must exhibit a significant direct effect on the mediator. As Model 5 of Table 3 shows, the coefficient for the interaction effect of board-level marketing experience and declining market share on firm revenue growth is positive and significant ($\beta = 3.88$, $p < 0.001$), satisfying this condition. Third, the mediator must exhibit a significant direct effect on the dependent variable. As Model 6 of Table 3 shows, the coefficient for firm revenue growth's effect on TSR_{t+1} is positive and significant ($\beta = 0.27$, $p < 0.001$), satisfying the third condition. Finally, when the mediator is added to the model predicting the dependent variable, the effect of the independent variable(s) on the dependent variable must lose some or all significance. As Model 6 of Table 3 shows, when firm revenue growth is added to the model predicting TSR_{t+1} , the interaction effect of board-level marketing experience and declining market share decreases in terms of both magnitude (from $\beta = 3.88$ to $\beta = 1.68$) and statistical

significance (from $p < 0.001$ to $p < 0.05$). These results are consistent with the fourth condition, and they imply partial mediation.³

The remaining hypotheses focus solely on predicting firm revenue growth, and the models used to test these hypotheses are shown in Table 4. Hypothesis 4 states that the interaction effect of board-level marketing experience and declining market share on firm revenue growth will be stronger at firms with large boards than at firms with small boards. As Model 3 of Table 4 shows, the three-way interaction term coefficient is positive and significant ($\beta = 5.85$, $p < 0.001$), which suggests support for the hypothesis. However, three-way interaction terms are notoriously difficult to interpret from coefficients alone, especially when component two-way interactions are also significant, as they are in this case. As such, we depict the interaction in two charts, Figure 3a and Figure 3b, plotting predicted values that factor in main effects, two-way interactions, and three-way interactions. Figure 3a shows the interaction of board-level marketing experience and declining market share when the board is large (1 standard deviation above the mean), and Figure 3b shows the interaction when the board is small (1 standard deviation below the mean).

As the figures demonstrate, when boards are large, board-level marketing experience is associated with greater revenue growth following a decline in market share, and actually is associated with lower revenue growth when market share has not declined. We hypothesized that this effect would be weaker for smaller boards. In fact, the relationships reverse for small boards, with board-level marketing experience exhibiting a *negative* relationship with revenue growth following market share decline, and a positive relationship otherwise.

Hypothesis 5 states that the interaction effect of board-level marketing experience and declining market share on firm revenue growth will be stronger at firms with CEO duality than at firms without. As Model 5 of Table 4 shows, the coefficient for the three-way interaction term is

³ While the models in Table 3 satisfy Baron and Kenny's (1986) conditions, more robust mediation-testing techniques have emerged since Baron and Kenny's (1986) initial work (see Xhao, Lynch, and Chen 2010). First, using the *sgmediation* command in Stata, we performed the Sobel-Goodman z-test of mediation. The test revealed the presence of both a significant direct effect and a significant indirect effect, with the indirect effect accounting for 26% of the total effect. However, some have noted that bootstrapping is a more powerful test of mediation than the Sobel-Goodman test (e.g., Preacher and Hayes 2004; Xhao, Lynch, and Chen 2010), and so, in addition, we performed a residual bootstrap mediation test with 5,000 bootstrap replications. This analysis produced both a percentile confidence interval (95% C.I. = [0.47, 1.16]) and a bias-corrected confidence interval (95% C.I. = [0.21, 0.89]) for the true indirect effect, and neither contained 0. As such, we conclude that our results indicate support for Hypothesis 3.

positive and significant ($\beta = 8.33$, $p < 0.001$), suggesting support for Hypothesis 5. However, we must again examine plots of predicted values to determine the actual nature of the interaction. Figure 4a shows the interaction of board-level marketing experience and declining market share when the CEO also serves as board chair, and Figure 4b shows the interaction when the CEO does not simultaneously serve as board chair. The figures show that not only is the two-way interaction stronger in the presence of CEO duality, it only manifests in the presence of CEO duality, with almost no interaction apparent at all when CEO duality is not present. This evidence provides strong support for Hypothesis 5.

Finally, Hypothesis 6 states that the interaction effect of board-level marketing experience and declining market share on firm revenue growth will be stronger when the number of designated finance experts on the board is lower. As Model 6 of Table 4 shows, the coefficient for the three-way interaction term is negative and significant ($\beta = -2.47$, $p < 0.001$), suggesting support for Hypothesis 6. We have plotted the predicted values in Figures 5a and 5b, with Figure 5a showing the interaction of board-level marketing experience and declining market share when the board has only one designated finance expert (the legal minimum with a few exceptions), and Figure 5b showing the interaction when the board has three designated finance experts (1 standard deviation above the mean). The figures confirm what the GEE coefficients suggest: the two-way interaction is stronger when the number of designated finance experts on the board is low than when it is high. Therefore, we determine that the data support Hypothesis 6.

On concerns that our models might be affected by multicollinearity, we assessed the variance inflation factors (VIFs) for our models. All VIFs were well below acceptable thresholds, and all mean VIFs were below 2. Therefore, we do not believe multicollinearity is a problem here. In addition, analyses of firm performance often suffer from endogeneity. To rule out endogeneity as a threat to the validity of our results, we performed the Durbin-Wu-Hausman test, consistent with best-practice recommendations (Semadeni, Withers, and Certo 2014). As instruments, we selected variables that are associated with our independent variable, board-level marketing experience, and not associated with our dependent variables, FRG and TSR. The instruments we selected were average board age and the percentage of board members who were female in a given year. These instruments, along with all other predictors from our models, were used to model our key independent variable in a poisson regression. The residuals from this

analysis were then included as predictors in our models of FRG and TSR. The coefficients for the residuals were not significantly different from zero in any of the models for either dependent variable, suggesting that endogeneity was not a strong influence on our results.

Discussion

For decades, marketing scholars have been concerned over the decline of relevance in academic research (e.g., Danneels and Lillien 1998; Day and Wind 1980; Webster 2005) as well as the marginalization of marketing's role at the strategic level of the firm (e.g., Schultz 2003; 2005; Webster, Malter, and Ganesan 2005). More recently, Reibstein, Day, and Wind (2009, p. 1) suggested that there is *"an alarming and growing gap between the interests, standards, and priorities of academic marketers and the needs of marketing executives operating in an ambiguous, uncertain, fast-changing, and complex marketplace."* We suggest these concerns regarding a lack of marketers' relevance within the firm and marketing scholars' drift from relevance are interconnected. The individuals who decide whether marketers are included in firm-level strategic decision making sit above the CMO. For scholars to impact firm-level decision makers requires rigorous investigation into issues that are relevant to those at the top of the firm. And yet, as Jaworski (2011) indicates, relevance is role specific, and as such, research that is meaningful to the board of directors is very different than that which is meaningful to a brand manager, a pricing analyst, a social media manager, or a CRM specialist.

Despite interest in being relevant to the people who shape marketing philosophy, strategy, and implementation (i.e., the upper echelons of the firm), there has yet to be research investigating marketing experience on the board. With this research, we seek to spark such investigation, asking whether, how, and under what conditions marketing experience on the board impacts firm performance. The results suggest that marketing-experienced board members positively impact total shareholder return in general, and especially improved total shareholder return by driving firm revenue growth when the firm is facing declining market share. Further, the board-level characteristics serve as boundary conditions that help provide better insight into how board dynamics can affect the impact of marketers on boards. We find that the interaction effect of board-level marketing experience and declining market share on firm revenue growth will be stronger under the following conditions: 1) at firms with large boards, 2) at firms with CEO duality, and 3) when the number of designated finance experts on the board is lower.

In aggregate, this research indicates that marketing experience at the board level is considerably more valuable than the number of marketers on boards today would suggest. While there is a significant amount of evidence demonstrating the value of marketing in driving firm performance (e.g., Vorhies, Morgan, and Mason 2009) and building firm-level marketing capability (e.g., Krasnikov and Jayachandran 2008; Vorhies and Morgan 2005), only 2.6% of board members have marketing experience. This percentage is especially low given that marketing-related issues are among the biggest challenges facing boards (Groysberg and Bell 2012). As one example, a study of 1,020 CEOs, Presidents, and Chairmen conducted in late 2013 found that three of the top five challenges were marketing-related: customer relationships, innovation, and corporate brand and reputation (Burn-Murdoch, Bernard, and Hill 2014). We hope that our results will encourage some rethinking regarding the value of marketing experience on boards.

Implications for theory

This paper builds on the emerging interest among marketing strategy scholars concerning the impact that the upper echelon leaders of the firm (e.g., CMOs) have on firm performance (e.g., Boyd, Chandy, Cunha 2010; Nath and Mahajan 2008; 2011). We contribute to this by examining *whether, how, and when* marketing experience among the board of directors impacts firm performance. As such, this research sits at the center of a long-standing concern regarding *why* marketing is losing a seat at the table (Schultz 2003). Marketing in the firm is impacted by the beliefs, experiences, and practices of those at the top of the firm. Unfortunately, given the increase in finance-experienced board members and the decline in the overall size of boards over the past decade, marketing presence at the top of the firm is nominal. While prior scholarly discussion regarding marketing's absence at the strategic table has focused on the TMT, this research identifies a previously unexplored mechanism for how marketing knowledge and skills can contribute to firm-level outcomes. Therefore, the primary implication of this research is the need to investigate marketing beyond the TMT and to generate insight into effects at the board level.

This research also contributes to the upper echelons literature by considering a new and specific way in which boards can influence firm performance – through the human capital and service role that marketers can play. The composition of the board, represented by the knowledge and skills gained through prior experience, serves as a strategic mechanism that shapes and

influences the firm's overall strategy and performance. While much of the work in upper echelons theory over the past two decades has been focused on how the board's general characteristics influence firm performance, this research suggests that understanding the impact that specific functional experience, such as marketing, has on firm performance is an important and under-researched area of investigation.

Implications for practice

Two central questions that boards, CEOs, and executive recruiting firms regularly consider when determining whom to nominate to the board are: 1) what is the appropriate role for the board to play in the firm, and 2) given the desired role, how can the board assemble the right members to maximize board effectiveness (e.g., Lynall, Golden, and Hillman 2003; Withers, Hillman, and Cannella 2012). Our research suggests that boards could generate better performance (i.e., total shareholder return) with the inclusion of marketers. With only 2.6% of boards having any managerial-level marketing-experienced members, there is a significant opportunity to strengthen board contribution by including marketing expertise. As a result, this research can help executive recruiters, who counsel boards regarding composition and then identify potential candidates, better understand the conditions under which they should recommend marketers for board positions. It can provide insight to board members and CEOs who may influence and/or approve board member choice and help CMOs better understand the uphill battle of trying to serve on a board.

Limitations and future research directions

This research is subject to certain limitations. First, while boards are required to indicate whether members have finance experience, there is no such requirement to identify members with marketing experience. As a result, the research relied on biographies reported in proxy statements, which may contain error due to variability in firm-level reporting. However, we believe this risk is limited given the regulatory requirement that boards detail the relevant experience of their members. Future research could employ a survey to capture more detail about board member experience, such as the number of years of experience, the quality of the experience, and the specific function with which the board member most associates.

Second, this research does not identify the factors that influence and determine when marketers will be placed on the board. In a recent article regarding the opportunities for board-level marketers, Daum and Welch (2013) indicate that there appears to be an increase in the need

for modern marketing skills, such as mobile, social, omni-channel retail, and digital. While the specific type of marketing skills that board members have attained isn't available via secondary data, future research could investigate the marketplace conditions that trigger the need for additional marketing skills on the board.

Conclusion

Our research is an initial foray into understanding how marketing experience on a firm's board of directors impacts firm performance. Drawing on upper echelons theory, we argue that board-level marketing experience provides firms with important context-specific expertise that is beneficial to the extent that market conditions warrant it. We hope that this research sparks interest in board-level phenomena among marketing scholars, as the board of directors constitutes virtually uncharted territory for testing marketing theory and influencing marketing practice.

REFERENCES

- Adams, Renee, Benjamin E. Hermalin, and Michael S. Wesibach (2008), "The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey," working paper, Center for Responsible Business, UC Berkeley, 1-58.
- Aguilar, Francis J. (1967), *Scanning the Business Environment*. New York: Macmillan.
- American Bar Association Committee on Corporate Laws (2007), *Corporate Director's Guidebook* (5th ed.). Chicago, IL: American Bar Association.
- American Law Institute (1984), *Principles of Corporate Governance: Analysis and Recommendations*, Philadelphia, PA: American Law Institute.
- Ballinger, Gary A. (2004), "Using Generalized Estimating Equations for Longitudinal Data Analysis," *Organizational Research Methods*, 7 (2), 127-150.
- Bailey, Jeff (2007), "An Airline Shrugs at Oil Prices," *The New York Times*, November 29, C1.
- Barker, Vincent L. III and George C. Mueller (2002), "CEO Characteristics and Firm R&D Spending," *Management Science*, 48 (6), 782-801.
- Baron, Reuben M. and David A. Kenny (1986), "The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations," *Journal of Personality and Social Psychology*, 51 (6), 1173-1182.
- Beasley, Mark S. (1996), "An Empirical Analysis of the Relation between the Board of Director Composition and Financial Statement Fraud," *The Accounting Review*, 71 (4), 443-465.
- Becker, Gary Stanley (1964), *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*. New York, NY: Columbia University Press.
- Blundell, Richard and Stephen Blond (1998), "Initial Conditions and Moment Restrictions in Dynamic Panel Data Models," *Journal of Econometrics*, 87 (1), 115-143.
- Boone, Audra L., Laura Casares Field, Jonathan M. Karpoff, and Charu G. Raheja (2007), "The Determinants of Corporate Board Size and Composition: An Empirical Analysis," *Journal of Financial Economics*, 85 (1), 66-101.
- Boyd, Brian K. (1995), "CEO Duality and Firm Performance: A Contingency Model," *Strategic Management Journal*, 16 (4), 301-312.
- Boyd, Eric D., Rajesh K. Chandy, and Marcus Cunha Jr. (2010), "When Do Chief Marketing Officers Affect Firm Value? A Customer Power Explanation," *Journal of Marketing Research*, 47 (6), 1162-76.
- Burn-Murdoch, John Steven Bernard, and Andrew Hill (2014), "Challenges for CEOs in 2014," ft.com, (accessed 1/15/2014), [available at: <http://www.ft.com/cms/s/0/20aaa342-788d-11e3-831c-00144feabdc0.html#axzz2uMSOISIS>].
- Capon, Noel, John U. Farley, and Scott Hoenig (1990), "Determinants of Financial Performance: A Meta-Analysis," *Management Science*, 36 (10), 1143-1159.
- Carpenter, Mason A. and James D. Westphal (2001), "The Strategic Context of External Network Ties: Examining the Impact of Director Appointments on Board Involvement in Strategic Decision Making," *Academy of Management Journal*, 44 (4), 639-60.

Certo, S. Trevis and Matthew Semadeni (2006), "Strategy Research and Panel Data: Evidence and Implications," *Journal of Management*, 32 (3), 449-71.

Colley, John L., Jacqueline L. Doyle, George W. Logan, and Wallace Stettinius (2003), *Corporate Governance: Business, Legal, and Ethical Challenges Faced by Boards of Directors*, New York, New York: The McGraw-Hill Companies, Inc.

——— Jacqueline L. Doyle, George W. Logan, and Wallace Stettinius (2005), "What's Corporate Governance", McGraw-Hill Education

Dalton, Dan R., Catherine M. Daily, Alan E. Ellstrand, and Jonathan L. Johnson (1998), "Meta-Analytic Reviews of Board Composition, Leadership Structure, and Financial Performance," *Strategic Management Journal*, 19 (3), 269-90.

——— Catherine M. Daily, Jonathon L. Johnson, and Alan E. Ellstrand (1999), "Number of Directors and Financial Performance: A Meta-Analysis," *Academy of Management Journal*, 42 (6), 674-86.

——— Michael A. Hitt, S. Trevis Certo, and Catherine M. Dalton (2007), "The Fundamental Agency Problem and Its Mitigation: Independence, Equity, and the Market for Corporate Control," *The Academy of Management Annals*, 1, 1-64.

Danneels, Erwin, and Gary L. Lilien (1998), "Doctoral Programs in Business-to-Business Marketing: Status and Prospects," *Journal of Business-to-Business Marketing*, 5 (1/2), 7-34.

Daum, Julie Hembrook, and Greg Welch (2013), "Myths and Opportunities: How Marketers can Position Themselves for a Board Role," *SpencerStuart.com*, (accessed 1/15/2014), [available at <https://www.spencerstuart.com/research-and-insight/myths-and-opportunities>].

Day, George S., and Jerry Wind (1980), "From the Editor," *Journal of Marketing*, 44 (2), 7-8.

Day, George (1993), "The Capabilities of Market-Driven Organization," *Journal of Marketing*, 58 (October), 37-52.

Emarketer (2014), "Why Can't CMOs and CFOs Get Along?" (accessed 7/21/2014), [available at: <http://www.scoop.int/the-marketing-automation-report/p/4022476586/2014/06/04/can-cmos-and-cfos-get-along-emarketer>].

Evans, Charles R. and Kenneth L. Dion (1991), "Group Cohesion and Performance: A Meta-Analysis," *Small Group Research*, 22 (2), 175-186.

Fama, Eugene F. and Michael C. Jensen (1983), "The Separation of Ownership and Control," *Journal of Law and Economics*, 26, 301-325.

Farris, Paul W., Neil T. Bendle, Phillip E. Pfeffer, and David J. Reibstein (2010), *Marketing Metrics: The Definitive Guide to Measuring Marketing Performance*, Upper Saddle River, New Jersey: FT Press.

Favaro, Paul (2001), "Beyond Bean Counting: The CFO's Expanding Role," *Strategy and Leadership*, 29 (5), 4-8.

Finkelstein, Sydney and Richard A. D'Aveni (1994), "CEO Duality as a Double-edged Sword: How Boards of Directors Balance Entrenchment Avoidance and Unity of Command," *Academy of Management Journal*, 37 (5), 1079-108.

———, Donald C. Hambrick, and Albert A. Cannella (2009), *Strategic Leadership: Theory and Research on Executives, Top Management Teams, and Boards*. New York: Oxford University Press.

- Firstenberg, Paul B., and Burton G. Malkiel (1994), "The Twenty-First Century Boardroom: Who will be in Charge?" *Sloan Management Review*, 36 (1), 27-35.
- Fleit, Caren and Brigitte Morel-Curran (2012), "The Transformative CMO," *The Korn/Ferry Institute*, (accessed 8/8/2014) [available at: <http://www.kornferryinstitute.com/reports-insights/transformative-cmo-three-must-have-competencies-meet-growing-demands-placed>].
- Freeman, Edward, Andrew C. Wicks, and Bidhan Parmar (2004), "Stakeholder Theory and 'The Corporate Objective Revisited,'" *Organization Science*, 15 (3), 364-369.
- Fried, Vance H., Garry D. Bruton, and Robert D. Hisrich (1998), "Strategy and the Board of Directors in Venture Capital-Backed Firms," *Journal of Business Venturing*, 13, 493-503.
- Gordon, Ian (2007), "Marketing Governance: Oversight Overlooked," *iveybusinessjournal.com*, (accessed 6/22/2013), [available at <http://www.iveybusinessjournal.com/topics/leadership/marketing-governance-oversight-overlooked#.UcYnovmzdwY>].
- Gordon, Jonathan, Jean-Hugues Monier, and Phil Ogren (2013), "Why Can't we be Friends? Five Steps to Better Relations between CFOs and CMOs," *McKinsey on Finance*, 48, 20-24.
- Groysberg, Boris, and Deborah Bell (2012), "2012 Board of Directors Survey," *www.heidrick.com*, (accessed 5/18/2013), [available at: http://www.heidrick.com/PublicationsReports/Documents/WCD_2012BoardSurvey.pdf].
- Güner, A. Burak, Ukrike Malmendier, and Geoffrey Tate (2008), "Financial Expertise of Directors," *Journal of Financial Economics*, 88, 323-354.
- Hambrick, Donald C. (1981), "Specialization of Environmental Scanning Activities among Upper Level Executives," *Journal of Management Studies*, 18 (3), 299-320.
- Hambrick, Donald C. (2007), "Upper Echelons Theory: An Update," *Academy of Management Review*, 32 (2), 334-43.
- and Phyllis A. Mason (1984), "Upper Echelons: The Organization as a Reflection of Its Top Managers," *Academy of Management Review*, 9 (2), 193-206.
- Hastings, Hunter (2005), "A New Era in Marketing Accountability: Aligning the CMO and CFO," *Academia.edu*, (accessed 12/6/2013), [https://www.academia.edu/4056363/Aligning_CMO_and_CFO_-_EMM_Group_White_Paper].
- Hayhurst, Roy and Gordon Wills (1972), *Organizational Design for Marketing Futures*, London: Allen and Unwin.
- Helland, Eric and Michael Sykuta (2004), "Regulation and the Evolution of Corporate Boards: Monitoring, Advising, or Window Dressing?," *Journal of Law & Economics*, 47 (1), 167-93.
- Hermalin, Benjamin E. and Michael S. Weisbach (1998), "Endogenously Chosen Boards of Directors and their Monitoring of the CEO," *The American Economic Review*, 88 (1), 96-118.
- Hillman, Amy J., Michael C. Withers, and Brian J. Collins (2009), "Resource Dependence Theory: A Review," *Journal of Management*, 35(6), 1404-1427.
- Jacobson, Robert (1988), "Distinguishing Among Competing Theories of the Market Share Effect," *Journal of Marketing*, 52 (4), 68-80.
- Jaworski, Bernard J. (2011), "On Managerial Relevance," *Journal of Marketing*, 75 (4), 211-224.

- Jensen, Michael C. (1993), "The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems," *Journal of Finance*, 48 (3), 831-880.
- and Edward J. Zajac (2004), "Corporate Elites and Corporate Strategy: How Demographic Preferences and Structural Position Shape the Scope of the Firm," *Strategic Management Journal*, 25 (6), 507-24.
- Johnson, Jonathan L., Catherine M. Daily, and Alan E. Ellstrand (1996), "Boards of Directors: A Review and Research Agenda," *Journal of Management*, 22 (3), 409-38.
- Judge, William Q. Jr., and Carl P. Zeithaml (1992), "Institutional and Strategic Choice Perspectives on Board Involvement in the Strategic Decision Process," *Academy of Management Journal*, 35 (4), 766-794.
- Khanna, Poonam, Carla D. Jones, and Steven Boivie (2013), "Director Human Capital, Information Processing Demands, and Board Effectiveness," *Journal of Management*, 1-29.
- Kirkpatrick, David (2012), "Marketing Research: Only 25% of Marketers Can Show Value to the Organization," *Marketingsherpa*, (accessed 1/19/2013), [available at <http://sherpablog.marketingsherpa.com/research-and-measurement/marketing-research-organization-value/>].
- Kor, Yasemin Y. and Chamu Sundaramurthy (2009), "Experience-Based Human Capital and Social Capital of Outside Directors," *Journal of Management*, 35 (4), 981–1006.
- Krasnikov, Alexander and Satish Jayachandran (2008), "The Relative Impact of Marketing, Research-and-Development, and Operations Capabilities on Firm Performance," *Journal of Marketing*, 72 (6), 1-11.
- Krause, Ryan, Matthew Semadeni, and Albert A. Cannella, Jr. (2013), "External COO/Presidents as Expert Directors: A New Look at the Service Role of Boards," *Strategic Management Journal*, 34 (13), 1628-1641.
- Krause, Ryan, Matthew Semadeni, and Albert A. Cannella, Jr. (2014), "CEO Duality: A Review and Research Agenda," *Journal of Management*, 40 (1), 256-286.
- Kroll, Mark, Bruce A. Walters, and Peter Wright (2008), "Board Vigilance, Director Experience, and Corporate Outcomes," *Strategic Management Journal*, 29 (4), 363-82.
- Leontiades, Milton and Ahmet Tezel (1981), "Some Connections between Corporate Level Planning and Diversity," *Strategic Management Journal*, 2 (4), 413-418.
- Liang, K.-Y. and Zeger, S. L. (1986). "Longitudinal Data Analysis using Generalized Linear Models," *Biometrika*, 73, 13-22.
- Linck, James S., Jeffry M. Netter, and Tina Yang (2008), "The Determinants of Board Structure," *Journal of Financial Economics*, 87 (2), 308–328.
- Litov, Lubomir P., Simone M. Sepe, and Charles K. Whitehead (2014), "Lawyers and Fools: Lawyer-Directors in Public Corporations," *Cornell Law Journal*, 102, 413-480.
- Lorsch, Jay W. and Elizabeth MacIver (1989), *Pawns or Potentates: The Reality of America's Corporate Boards*. Boston, Massachusetts: Harvard Business School Press.
- Lynall, Matthew D., Brian R. Golden, and Amy J. Hillman (2003), "Board Composition from Adolescence to Maturity: A Multitheoretic View," *Academy of Management Review*, 28 (3), 416-431.

- McDonald, Michael L., James D. Westphal, and Melissa E. Graebner (2008), "What Do They Know? The Effects of Outside Director Acquisition Experience on Firm Acquisition Performance," *Strategic Management Journal*, 29 (11), 1155-77.
- Minichilli, Alessandro, Alessandro Zattoni, Sabina Nielsen, and Morten Huse (2012), "Board Task Performance: An Exploration of Micro- and Macro-Level Determinants of Board Effectiveness," *Journal of Organizational Behavior*, 33, 193-215.
- Mizik, Natalie, and Robert Jacobson (2003), "Trading off between Value Creation and Value Appropriation: The Financial Implications of Shifts in Strategic Emphasis," *Journal of Marketing*, 67 (1), 63-76.
- Mizruchi, Mark S. (1983), "Who Controls Whom? An Examination of the Relation between Management and Boards of Directors in Large American Corporations," *The Academy of Management Review*, 8 (3), 426-435.
- Monks, Robert A. G. and Nell Minow (2004), *Corporate Governance*, 3rd Edition. Blackwell Publishing: Oxford, U.K.
- Moorman, Christine and Roland T. Rust (1999), "The Role of Marketing," *Journal of Marketing*, 63 (Special Issue), 180-197.
- Morgan, Neil A. (2012), "Marketing and Business Performance," *Journal of the Academy Marketing Science*, 40, 102-119.
- Nath, P. and V. Mahajan (2008), "Chief Marketing Officers: A Study of their Presence in Firms' Top Management Teams," *Journal of Marketing*, 72 (1), 65-81.
- (2011), "Marketing in the C-Suite: A Study of Chief Marketing Officer Power in Firms' Top Management Teams," *Journal of Marketing*, 75 (1), 60-77.
- National Association of Corporate Directors (2011), *Public Company Governance Survey*. Washington D.C.: National Association of Corporate Directors.
- Oxelheim, Lars, Aleksandra Gregoric, Trond Randoy, and Steen Thomsen (2013), "On the Internationalization of Corporate Boards: The Case of Nordic Firms," *Journal of International Business Studies*, 44, 173-194.
- Paşa, Mehmet and Steven M. Shugan (1996), "The Value of Marketing Expertise," *Management Science*, 42 (3), 370-88.
- Pearce, John A. and Shaker A. Zahra (1992). "Board Compensation from a Strategic Contingency Perspective," *Journal of Management Studies*, 29 (4), 411-438.
- Pfeffer, Jeffrey (1972), "Size and Composition of Corporate Boards of Directors: The Organization and its Environment," *Administrative Science Quarterly*, 17 (2), 218-228.
- and Gerald R. Salancik (1978), *The External Control of Organizations: A Resource Dependence Perspective*, New York: Harper and Row.
- Piercy, Nigel (1985), *Marketing Organisation: An Analysis of Information Processing, Power and Politics*, London, United Kingdom: George Allen and Unwin Publishers Ltd.
- Preacher, Kristopher J. and Andrew F. Hayes (2004), "SPSS and SAS Procedures for Estimating Indirect Effects in Simple Mediation Models," *Behavior Research Methods, Instruments, and Computers*, 36 (4), 717-31.

- Priem, Richard L. (2007), "A Consumer Perspective on Value Creation," *Academy of Management Review*, 32 (1), 219-235.
- Quigley, Timothy J. and Donald C. Hambrick (2012), "When the Former CEO Stays on as Board Chair: Effects on Successor Discretion, Strategic Change, and Performance," *Strategic Management Journal*, 33 (7), 834-859.
- Raheja, Charu G. (2005), "Determinants of Board Size and Composition: A Theory of Corporate Boards," *Journal of Financial and Quantitative Analysis*, 40 (2), 283-306.
- Reibstein, David J., George Day, and Jerry Wind (2009), "Guest Editorial: Is Marketing Academia Losing its Way?" *Journal of Marketing*, 73 (7), 1-3.
- Schultz, Don E. (2003), "Marketing Gets No Respect in the Boardroom," *Marketing News*, (November) 9.
- (2005), "MR Deserves Blame for Marketing's Decline," *Marketing News*, (February) 7.
- Semadeni, Matthew, Michael C. Withers, and S. Trevis Certo (2014), "The Perils of Endogeneity and Instrumental Variables in Strategy Research: Understanding through Simulations," *Strategic Management Journal*, 35 (7), 1070-1079.
- Shepperd, James A. (1993). Productivity Loss in Performance Groups: A Motivation Analysis. *Psychological Bulletin*, 113: 67-81.
- Shivdasani, Anil, and David Yermack (1999), "CEO Involvement in the Selection of New Board Members: An Empirical Analysis," *Journal of Finance*, 54 (5), 1829-1853.
- Simon, Herbert Alexander (1997), *Administrative behavior : a study of decision-making processes in Administrative Organizations* (3rd ed. ed.). New York: Free Press.
- Slater, Stanley F., and John C. Narver (1994), "Does Competitive Environment Moderate the Market Orientation-Performance Relationship?" *Journal of Marketing*, 58 (1), 46-55.
- Spencer Stuart (2003), *Spencer Stuart Board Index*. Chicago, IL: Spencer Stuart.
- (2004), *Spencer Stuart Board Index*. Chicago, IL: Spencer Stuart.
- (2005), *Spencer Stuart Board Index*. Chicago, IL: Spencer Stuart.
- (2010), "Spencer Stuart Board Index." Chicago, IL: Spencer Stuart.
- (2012), *Spencer Stuart Board Index*. Chicago, IL: Spencer Stuart.
- (2013), *Spencer Stuart Board Index*. Chicago, IL: Spencer Stuart.
- Srivastava, Rajendra K., Tasadduq A. Shervani, and Liam Fahey (1998), "Market-Based Assets and Shareholder Value: A Framework for Analysis," *Journal of Marketing*, 62 (1), 2-18.
- Stewart, David W. (2009), "Marketing Accountability: Linking Marketing Actions to Financial Results," *Journal of Business Research*, 62 (6), 636-643.
- Thompson, James D. (1967), *Organizations in Action*, New York: McGraw-Hill.
- Tuggle, Christopher S., David G. Sirmon, Christopher R. Reutzel, and Leonard Bierman (2010), "Commanding Board of Director Attention: Investigating How Organizational Performance and CEO Duality Affect Board Members' Attention to Monitoring," *Strategic Management Journal*, 31 (9), 946-968.

Useem, Michael (1979), "The Social Organization of the American Business Elite and Participation of Corporation Directors in the Governance of American Institutions," *American Sociological Review*, 44 (4), 553-572.

Vafeas, Nikos (1999), "Board meeting frequency and firm performance," *Journal of Financial Economics*, 53 (1), 113-142.

Verhoef, Peter C. and Peter S. H. Leeflang (2009), "Understanding the Marketing Department's Influence Within the Firm," *Journal of Marketing*, 73 (2), 14-37.

Vorhies, Doug W., Michael Harker, and C.P. Rao, (1999), "The Capabilities and Performance Advantages of Market-Driven Firms," *European Journal of Marketing*, 33, (11/12), 1171 –1202.

—— and Neil A. Morgan (2005), "Benchmarking Marketing Capabilities for Sustainable Competitive Advantage," *Journal of Marketing*, 69 (1), 80-94.

—— , —— , and Charlotte H. Mason (2009), "Market Orientation, Marketing Capabilities, and Firm Performance," *Strategic Management Journal*, 30 (8), 909-920.

Webster, Frederick E., Jr. (2005), "Back to the Future: Integrating Marketing as Tactics, Strategy, and Organizational Culture," *Journal of Marketing*, 69 (10), 4-6.

——, Alan J. Malter, and Shankar Ganesan (2005), "The Decline and Dispersion of Marketing Competence," *Sloan Management Review*, 46 (4), 35-43.

Weinzimmer, Laurence G., Edward U. Bond III, Mark B. Houston, and Paul C. Nystrom (2003), "Relating Marketing Expertise on the TMT and Strategic Market Aggressiveness to Financial Performance and Shareholder Value," *Journal of Strategic Marketing*, 11 (2), 133-160.

Westphal, James D. and Edward J. Zajac (1995), "Who Shall Govern? CEO/Board Power, Demographic Similarity, and New Director Selection," *Administrative Science Quarterly*, 40 (1), 60-83.

Withers, Michael C., Amy J. Hillman, and Albert A. Cannella (2012), "A Multidisciplinary Review of the Director Selection Literature," *Journal of Management*, 38 (1), 243-77.

Yermack, David (1996), "Higher Market Valuation for Firms with a Small Board of Directors," *Journal of Financial Economics*, 40, 185-211.

Zahra, Shaker A., and John A. Pearce II (1989), "Boards of Directors and Corporate Financial Performance: A Review and Integrative Model," *Journal of Management*, 15 (2), 291-335.

Zinkhan, George M., and James A. Verbrugge (2000), "The Marketing/Finance Interface: Two Divergent and Complementary Views of the Firm," *Journal of Business Research*, 50, 143-148.

Table 1

INVESTIGATION OF MARKETING AT THE UPPER ECHELONS OF THE FIRM

<u><i>Study</i></u>	<u><i>Upper Echelon Level of Interest (Board, CEO or CMO)</i></u>	<u><i>Research Investigation</i></u>
Hayhurst and Wills (1972), <i>Organizational Design for Marketing Futures</i> .	CMO	Design of the British marketing department, including the CMO
Piercy (1985), <i>Marketing Organisation</i>	CMO	Status of the marketing department and CMO within the firm
Pasa and Shugan (1996) <i>Management Science</i>	CEO	Factors, such as market presence, organizational size, competition, and organizational instability, that impact the percent of sales spent on marketing research and the CEO's professional background
Barker and Mueller (2002), "CEO Characteristics and Firm R&D Spending," <i>Management Science</i> .	CEO	Variance of firm level R&D spending based on several factors, including the characteristics of the CEO
Weinzimmer, Bond, Houston, and Nystrom (2003), "Relating Marketing Expertise on the TMT and Strategic Market Aggressiveness to Financial Performance and Shareholder Value," <i>Journal of Strategic Marketing</i> .	CMO	TMT composition and strategic market aggressiveness impact on firm performance and shareholder value
Nath and Mahajan (2008), "Chief Marketing Officer: A Study of their Presence in Top Management Teams," <i>Journal of Marketing</i> .	CMO	Impact that the presence or absence of a CMO in a TMT has on firm performance
Boyd, Chandy, and Cunha Jr. (2010), "When do CMOs Affect Firm Value? A Customer Power Explanation," <i>Journal of Marketing Research</i> .	CMO	Conditions (customer power) under which CMOs affect firm performance
Nath and Mahajan (2011), "Marketing in the C-Suite: A study of CMO Power in Top Management Teams," <i>Journal of Marketing</i> .	CMO	Impact that the CMO's positional power in the hierarchy has on firm performance

Table 2

DESCRIPTIVE STATISTICS AND PAIRWISE CORRELATIONS

Variable	Mean	S.D.	1	2	3	4	5	6	7
1 TSR _{t+1}	0.15	0.52							
2 TSR _t	0.11	0.52	-0.12						
3 FRG _{t+1}	0.06	0.28	0.11	0.25					
4 FRG _t	0.07	0.28	-0.07	0.11	0.06				
5 Board-Level Marketing Experience	0.21	0.57	0.03	0.04	0.01	0.02			
6 Market Share _{t-1}	0.14	0.21	-0.01	0.00	-0.03	-0.04	0.01		
7 Increasing Market Share _t	0.02	0.07	0.07	0.02	0.00	0.05	0.00	0.12	
8 Declining Market Share _t	0.00	0.02	0.01	-0.05	0.03	-0.13	0.00	0.21	-0.05
9 Board Size	0.01	1.01	-0.02	-0.02	-0.05	-0.04	0.05	0.17	0.03
10 CEO Duality	0.54	0.50	-0.02	-0.02	0.01	0.01	-0.02	0.05	0.00
11 Designated Finance Experts	1.66	1.36	0.25	0.06	-0.01	-0.05	0.04	0.08	0.05
12 Advertising Intensity	0.01	0.03	0.00	-0.01	0.00	-0.01	0.10	0.07	0.03
13 R&D Intensity	0.04	0.14	0.01	0.00	0.15	0.01	0.04	-0.08	-0.02
14 CEO Marketing Experience	0.04	0.20	0.00	0.00	0.02	0.03	0.12	-0.03	0.03
15 CMO Presence	0.18	0.38	0.03	0.02	0.01	0.00	0.08	-0.07	0.01
16 Firm Size	24.21	80.01	-0.02	-0.02	-0.02	-0.01	0.02	0.22	0.02

	8	9	10	11	12	13	14	15
9 Board Size	0.05							
10 CEO Duality	0.03	0.04						
11 Designated Finance Experts	0.02	0.17	-0.02					
12 Advertising Intensity	0.01	0.02	-0.04	-0.01				
13 R&D Intensity	-0.02	-0.11	-0.06	-0.03	-0.02			
14 CEO Marketing Experience	-0.01	-0.05	-0.03	-0.02	0.05	0.06		
15 CMO Presence	-0.03	-0.17	-0.05	-0.04	0.09	0.08	0.07	
16 Firm Size	0.03	0.22	0.02	0.06	0.04	-0.04	-0.03	-0.04

TSR = Total Shareholder Return; FRG = Firm Revenue Growth

Maximum possible observations: 5825; correlations with absolute value above 0.03 are significant at the $p < 0.01$ level

Table 3
GEE MODELS OF TSR AND FIRM REVENUE GROWTH (FRG)

<i>Variable</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>
	<i>TSR_{t+1}</i>	<i>TSR_{t+1}</i>	<i>TSR_{t+1}</i>	<i>FRG_{t+1}</i>	<i>FRG_{t+1}</i>	<i>TSR_{t+1}</i>
Constant	-0.28** (0.09)	-0.38*** (0.09)	-0.37*** (0.09)	0.07 (0.05)	0.09† (0.05)	-0.40*** (0.09)
TSR _t	-0.07*** (0.01)	-0.07*** (0.01)	-0.07*** (0.01)			-0.11*** (0.01)
CEO Marketing Experience	0.02 (0.03)	0.01 (0.03)	0.01 (0.03)	0.00 (0.02)	-0.00 (0.02)	0.01 (0.03)
CMO Presence	0.04* (0.02)	0.03* (0.02)	0.03* (0.02)	-0.00 (0.01)	-0.00 (0.01)	0.03* (0.02)
Firm Size	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Board Size	-0.01 (0.01)	-0.01† (0.01)	-0.01† (0.01)	-0.00 (0.00)	-0.00 (0.00)	-0.01† (0.01)
Advertising Intensity	0.32 (0.25)	0.27 (0.25)	0.27 (0.25)	0.13 (0.14)	0.12 (0.14)	0.23 (0.25)
R&D Intensity	0.01 (0.04)	0.00 (0.04)	0.01 (0.04)	0.39*** (0.02)	0.39*** (0.02)	-0.11* (0.04)
Designated Finance Experts	0.01* (0.01)	0.01* (0.01)	0.01* (0.01)	-0.00 (0.00)	-0.00 (0.00)	0.01* (0.01)
CEO Duality	-0.01 (0.01)	-0.01 (0.01)	-0.02 (0.01)	0.01† (0.01)	0.01† (0.01)	-0.02† (0.01)
Market Share _{t-1}	-0.08* (0.03)	-0.08* (0.03)	-0.08* (0.03)	-0.03† (0.02)	-0.03† (0.02)	-0.07* (0.03)
Increasing Market Share _t	0.11 (0.09)	0.12 (0.09)	0.14 (0.10)	0.04 (0.06)	0.03 (0.06)	0.13 (0.09)
Declining Market Share _t	0.81* (0.37)	0.82* (0.37)	0.27 (0.40)	1.21*** (0.23)	0.44† (0.24)	0.16 (0.40)
Board-Level Marketing Experience		0.03** (0.01)	0.02* (0.01)	0.00 (0.01)	-0.02** (0.01)	0.03** (0.01)
Board-Level Marketing Experience X Increasing Market Share			-0.19 (0.21)		0.11 (0.13)	-0.23 (0.21)
Board-Level Marketing Experience X Declining Market Share			2.83*** (0.77)		3.88*** (0.46)	1.68* (0.76)
FRG _t				0.18*** (0.01)	0.17*** (0.01)	
FRG _{t+1}						0.27*** (0.02)
Observations	5767	5767	5767	5767	5767	5767
Number of Firms	1088	1088	1088	1088	1088	1088
Chi Squared	2568.443	2583.803	2604.889	961.225	1026.276	2861.573

Unstandardized coefficients; Year and Industry Dummies Included; Significance tests are two-tailed

TSR = Total Shareholder Return; FRG = Firm Revenue Growth; † $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 4
GEE MODELS OF FIRM REVENUE GROWTH (FRG)

<i>Variable</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>	<i>Model 6</i>	<i>Model 7</i>
	<i>FRG_{t+1}</i>	<i>FRG_{t+1}</i>	<i>FRG_{t+1}</i>	<i>FRG_{t+1}</i>	<i>FRG_{t+1}</i>	<i>FRG_{t+1}</i>	<i>FRG_{t+1}</i>
Constant	0.07 (0.05)	0.07 (0.05)	0.09† (0.05)	0.09† (0.05)	0.11* (0.05)	0.09† (0.05)	0.09† (0.05)
FRG _t	0.18*** (0.01)	0.18*** (0.01)	0.17*** (0.01)	0.18*** (0.01)	0.14*** (0.01)	0.17*** (0.01)	0.16*** (0.01)
CEO Marketing Experience	0.00 (0.02)	0.00 (0.02)	-0.00 (0.02)	-0.01 (0.02)	-0.00 (0.02)	-0.00 (0.02)	-0.02 (0.02)
CMO Presence	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.00 (0.01)	-0.01 (0.01)	-0.00 (0.01)
Firm Size	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)
Advertising Intensity	0.13 (0.14)	0.13 (0.14)	0.12 (0.14)	0.08 (0.13)	0.09 (0.14)	0.11 (0.14)	0.05 (0.13)
R&D Intensity	0.39*** (0.02)	0.39*** (0.02)	0.39*** (0.02)	0.38*** (0.02)	0.40*** (0.02)	0.39*** (0.02)	0.39*** (0.02)
Board Size	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.01† (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.01* (0.00)
CEO Duality	0.01† (0.01)	0.01† (0.01)	0.01† (0.01)	0.01† (0.01)	0.01 (0.01)	0.01* (0.01)	0.01 (0.01)
Designated Finance Experts	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)
Market Share _{t-1}	-0.03† (0.02)	-0.03† (0.02)	-0.03† (0.02)	-0.02 (0.02)	-0.03† (0.02)	-0.03† (0.02)	-0.02 (0.02)
Increasing Market Share _t	0.04 (0.06)	0.04 (0.06)	0.03 (0.06)	0.01 (0.06)	0.03 (0.06)	0.03 (0.06)	0.01 (0.06)
Declining Market Share _t	1.21*** (0.23)	1.21*** (0.23)	0.44† (0.24)	0.50* (0.24)	0.05 (0.44)	0.67 (0.41)	0.74 (0.52)
Board-Level Marketing Experience		0.00 (0.01)	-0.02** (0.01)	-0.02** (0.01)	-0.01 (0.01)	-0.04*** (0.01)	-0.05*** (0.01)
Board-Level Marketing Experience X Increasing Market Share _t			0.11 (0.13)	0.25* (0.13)	0.14 (0.13)	0.10 (0.13)	0.24* (0.12)
Board-Level Marketing Experience X Declining Market Share _t			3.88***	2.22***	-0.11	7.82***	8.97***

Board-Level Marketing Experience X Board Size	(0.46)	(0.47)	(0.70)	(0.79)	(0.99)
		-0.03***			-0.02***
Board Size X Declining Market Share _t		(0.00)			(0.01)
		0.88***			0.56*
		(0.26)			(0.26)
Board-Level Marketing Experience X Declining Market Share _t X Board Size		5.85***			9.29***
		(0.49)			(0.57)
Board-Level Marketing Experience X CEO Duality			-0.02†		-0.00
			(0.01)		(0.01)
CEO Duality X Declining Market Share _t			0.77		0.25
			(0.51)		(0.50)
Board-Level Marketing Experience X Declining Market Share _t X CEO Duality			8.33***		4.90***
			(0.95)		(0.94)
Board-Level Marketing Experience X Designated Finance Experts				0.01**	0.02***
				(0.00)	(0.00)
Designated Finance Experts X Declining Market Share _t				-0.16	-0.20
				(0.16)	(0.16)
Board-Level Marketing Experience X Declining Market Share _t X Designated Finance Experts				-2.47***	-6.40***
				(0.38)	(0.44)
Observations	5767	5767	5767	5767	5767
Number of Firms	1088	1088	1088	1088	1088
Chi Squared	961.23	961.23	1026.28	1300.04	1093.52
				1097.14	1591.74

Unstandardized coefficients; Year and Industry Dummies Included; Significance tests are two-tailed

FRG = Firm Revenue Growth; † p < 0.10, * p < 0.05, ** p < 0.01, *** p < 0.001

Figure 1

The Primary Mechanism and Contingencies Influencing Board-Level Marketing Experience on Firm Performance

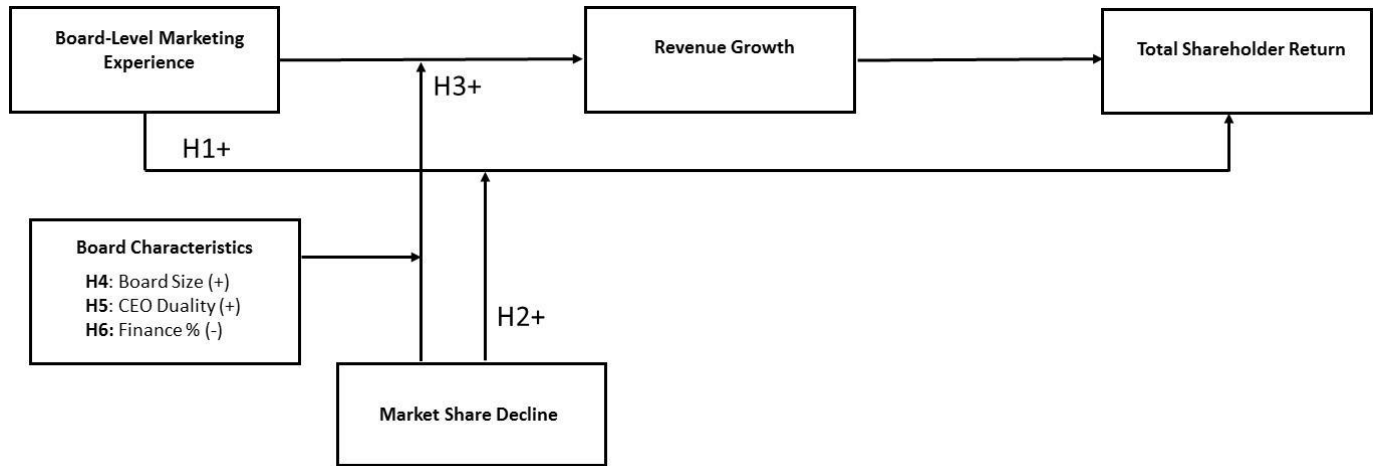


Figure 2

Interaction Effect of Board-Level Marketing Experience and Declining Market Share on Total Shareholder Return

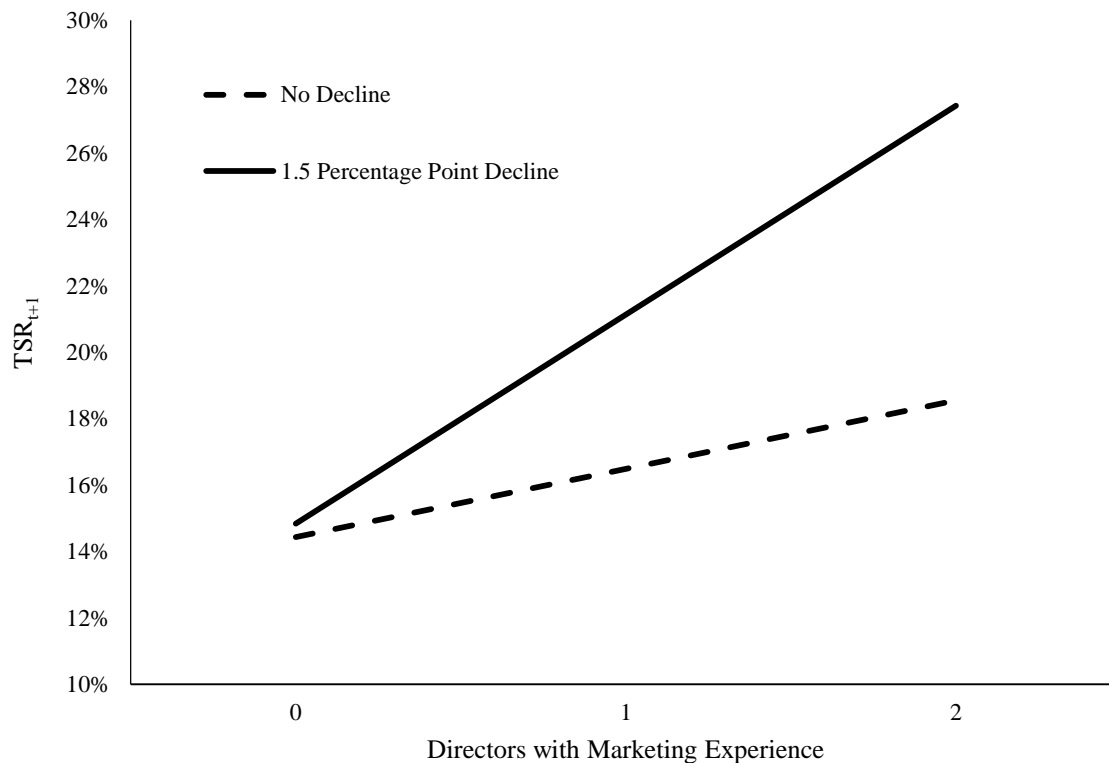


Figure 3a
Interaction Effect of Board-Level Marketing Experience and Declining Market Share on Firm Revenue Growth – Small Boards

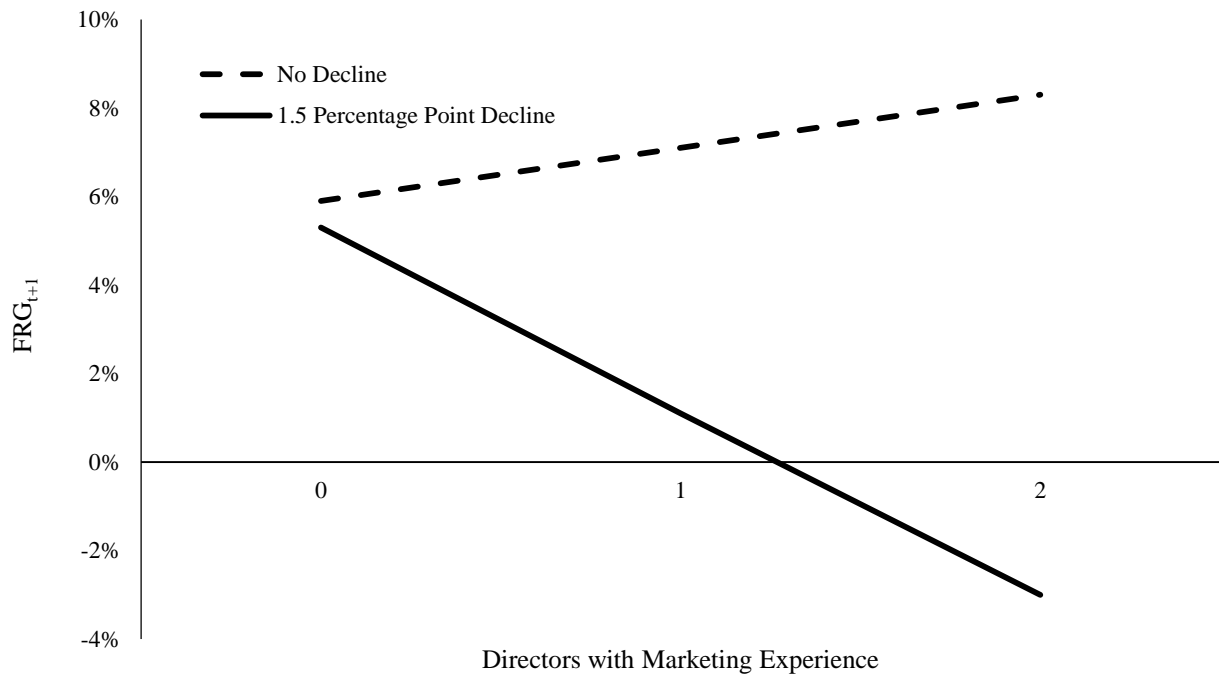


Figure 3b
Interaction Effect of Board-Level Marketing Experience and Declining Market Share on Firm Revenue Growth – Large Boards

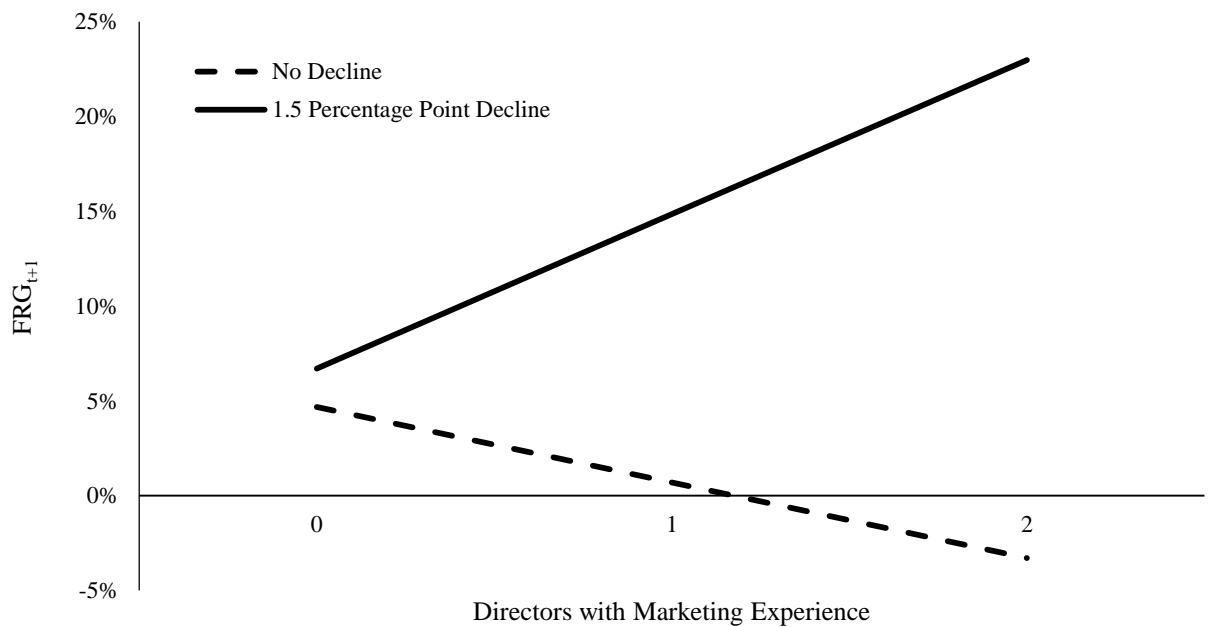


Figure 4a
Interaction Effect of Board-Level Marketing Experience and Declining Market Share on Firm Revenue Growth – CEO Duality

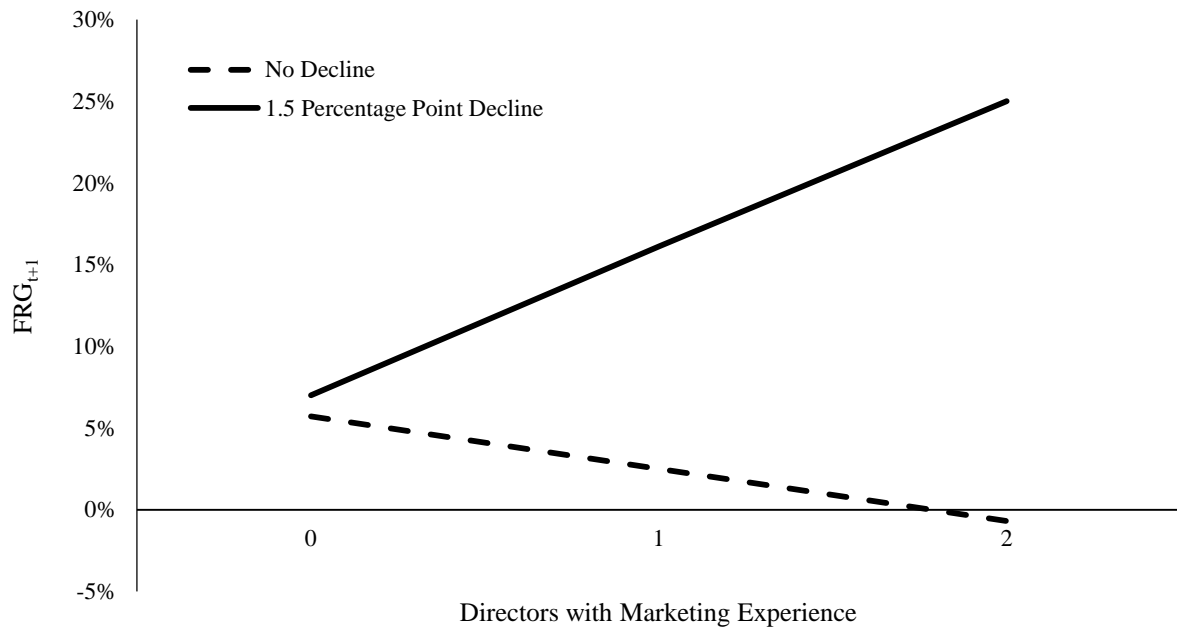


Figure 4b
Interaction Effect of Board-Level Marketing Experience and Declining Market Share on Firm Revenue Growth – No CEO Duality

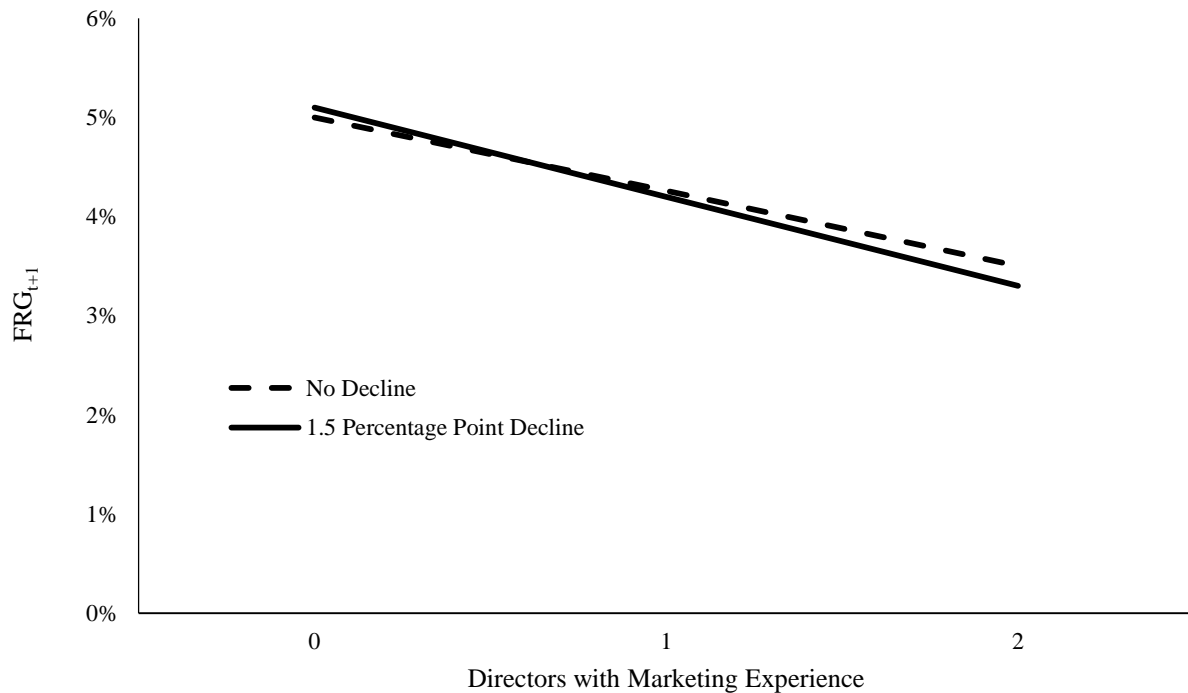


Figure 5a
Interaction Effect of Board-Level Marketing Experience and Declining Market Share on Firm Revenue Growth – 1 Designated Finance Expert

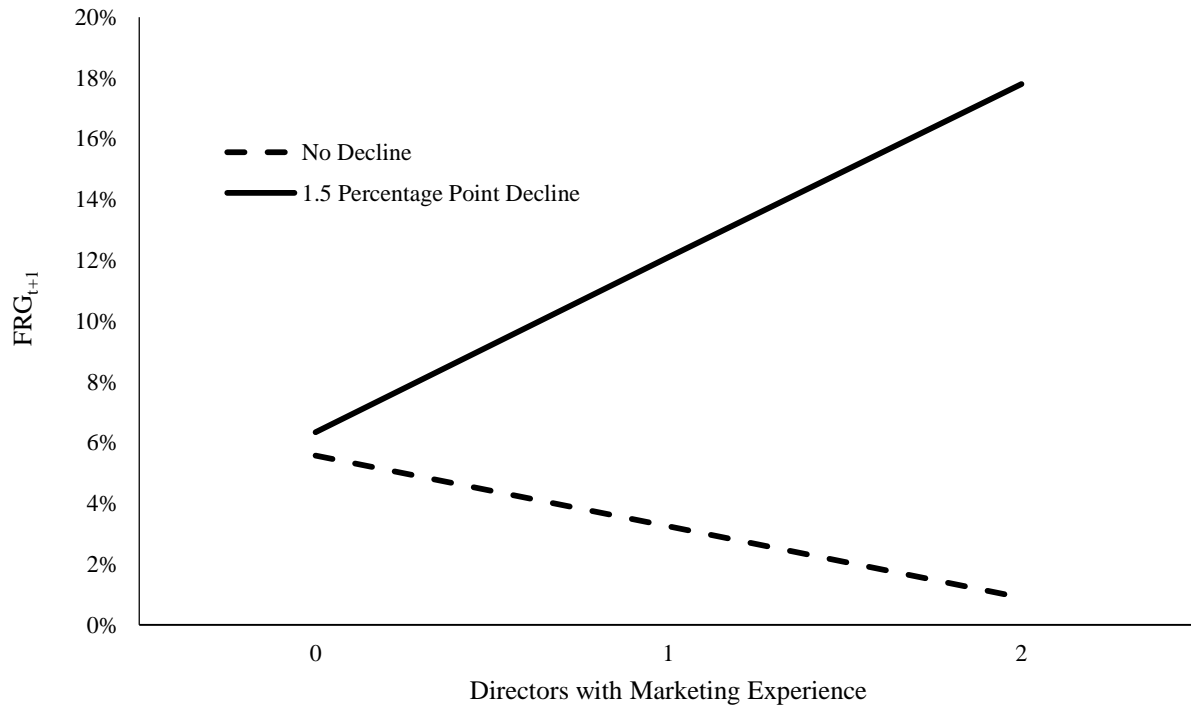
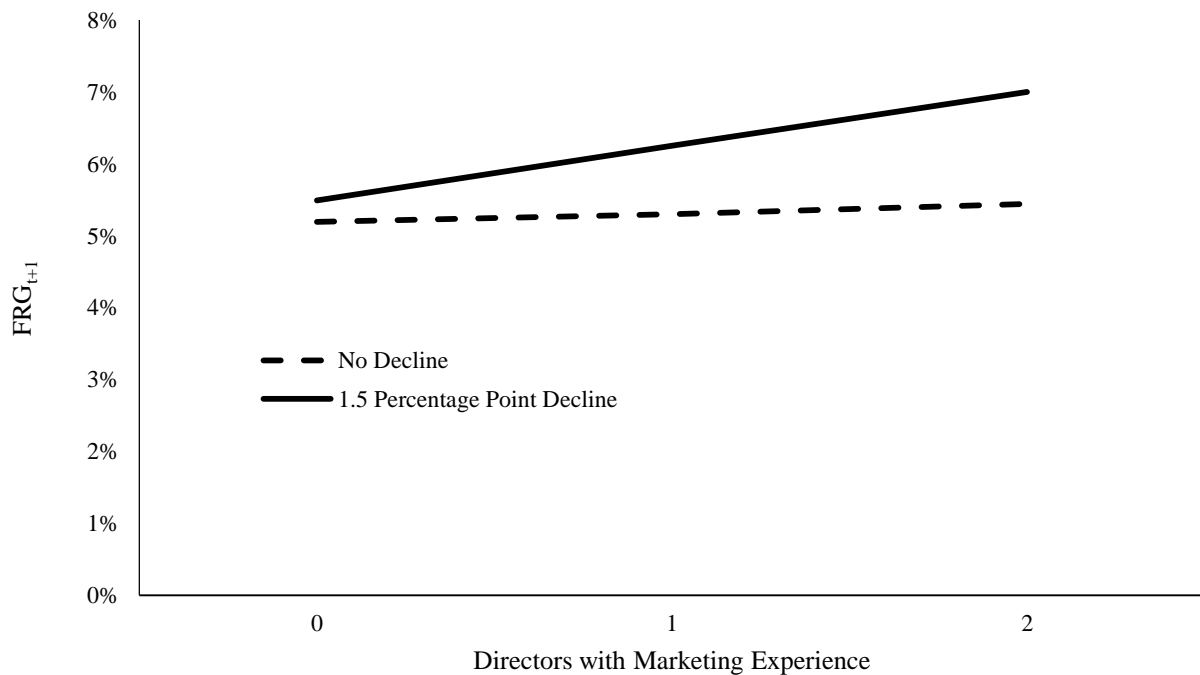


Figure 5b
Interaction Effect of Board-Level Marketing Experience and Declining Market Share on Firm Revenue Growth – 3 Designated Finance Experts



APPENDIX

Example of Director Biography with Marketing Experience

Mr. Gramaglia, age 54, has been a director of Acxiom since 2009 and serves on the compensation committee of the board. He is currently a private investor/advisor to consumer-oriented technology start-ups and recently served as partner for Arrowpath Venture Partners, a SiliconValley-based venture capital firm. Prior to that he was **chief marketing officer** and then president and chief operating officer for E*TRADE Group Inc. (NASDAQ: ETFC), a leading provider of electronic financial services. Mr. Gramaglia began his career at Procter and Gamble and later held senior marketing and general management positions for Nestle, PepsiCo, Imasco and Sprint. He currently serves on the boards of Coldwater Creek (NASDAQ: CWTR), a national retailer of women's apparel, and WageWorks, a privately held leading provider of tax-advantaged employee benefits. Mr. Gramaglia is Co-Chairman of the Stanford Stroke Center advisory board. He holds a bachelor's degree in economics from Denison University.

Mr. Gramaglia's experience as president, chief operating officer and **chief marketing officer** of a public company, his service on the board of another public company, and his marketing, financial, technology and management expertise qualify him to serve on our board. Through his experience, Mr. Gramaglia brings an extensive, multi-disciplined perspective to the board. As an advisor to early-stage companies, Mr. Gamaglia's knowledge of cutting-edge technological developments is particularly valuable as new and emerging technologies are important factors that contribute to the success of the Company.