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# The DNA of Marketing

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# The DNA of Marketing

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## Executive Summary

Marketing organizations are widely perceived to be falling short of the high expectations company leaders have for them. A new survey of 4,000 marketing executives by Booz Allen and the Association of National Advertisers (ANA) shows that poor functioning may be part of the “DNA” of marketing organizations—and indicates that both performance and profitability can be improved by fixing two building blocks of organizational health: information flows and decision rights. Booz Allen and the ANA have developed an online diagnostic tool, at [www.marketingprofiler.com](http://www.marketingprofiler.com), that can aid marketers as they attempt to match their marketing organization to their company’s mission.

Marketers are caught in the middle of a seemingly intractable dilemma. Companies say their work is more valuable than ever before: Some 85 percent of firms surveyed last year by Booz Allen Hamilton and the Association of National Advertisers (ANA) said that marketing’s importance has grown in the past five years. Yet despite the increasing investment of time, capital, and organizational resources, marketing efforts seem to be falling so short of expectations that marketing departments are in an almost constant state of churn, with chief marketing officers’ tenure averaging only 23 months, according to executive recruiting firm Spencer Stuart.

The dysfunction, it turns out, may be sewn into the very fabric of marketing departments. But it can be resolved by considered attention to the ways informa-

tion flows and decisions are made in and around a company’s marketing organization, according to a new study of 4,000 marketing professionals by Booz Allen, the global strategy and technology consulting firm, and the ANA, the leading US marketing trade organization.

An analysis of marketers’ responses in Booz Allen’s “organization DNA” database shows that marketing organizations face routine and systematic difficulty in translating strategy into action. The org DNA database includes 50,000 surveys on organizational health completed between 2003 and 2005 by men and women in 23 industries in 100 countries. Although dysfunctional marketing organizations showed up in all sectors and in all regions, the study found that North American marketing departments were particularly unhealthy, with 75 percent of respondents indicating their teams lacked the markers of organizational health.

Healthy “marketing DNA” correlates directly and powerfully with higher profitability. Almost 60 percent of organizations with healthy marketing DNA are more profitable than their competitors, and only 7 percent lag their competition, the study found. By contrast, 37 percent of firms with unhealthy marketing DNA are less profitable than competitors.

The study—the second phase of a continuing inquiry by the ANA and Booz Allen into structure, competencies, value, and accountability in contemporary marketing organizations—contained at least one bright ray of hope for marketers and company leaders: Unlike the DNA of living organisms, the DNA of marketing organizations can be changed.

### Four Building Blocks

The ability of a company, a department, or a team to execute a strategy is not something that can be mandated by fiat. It is inherent in the organization's "genes," and expressed in the hundreds of decisions and actions that collectively constitute and define a unit's performance.

The use of the biological metaphor is not idle.

Research in the economics of organizations by such economists as Michael C. Jensen and the late William H. Meckling, as well as Booz Allen's decades of experience with organizational transformation, indicates that any company's degree of health reflects the unique interplay among four building blocks—the organizational equivalent of DNA's four nucleotide bases. These are decision rights, information flows, motivators, and structure.

Structure is, of course, the way the organization is designed—the layers of the hierarchy and the spans of control held by individuals within the layers. Decision rights define who decides what, how many people get involved in decisions, and where one person's authority ends and another's begins. Information flows encompass coordination of activities, knowledge sharing, communication of expectations, and performance metrics—all the ways data and ideas move from the people who have them to the people who need them. Motivators include financial and nonfinancial rewards, incentives, and objectives—the ways the organization explicitly or implicitly encourages people to care about things that matter.

In trying to improve their functionality, most companies fail to consider the interactions among all four building blocks. A common approach to dealing with a faltering firm, for example, is to reorganize, changing the hierarchy of organizational layers and the number of direct reports within each layer. But moving the lines and boxes on an organization chart without shifting the incentives that prompt action rarely produces the desired results, and will almost certainly fail if decision rights aren't articulated and information is blocked at critical junctures.

Much as the nucleotides of physical DNA spell out the exact instructions for creating a unique organism, the four components of organizational DNA spell out exact instructions for creating a unique organization. Flaws in physical DNA lead to physical problems; flaws in organizational DNA lead to organizational problems.

### Marketing's Malaise

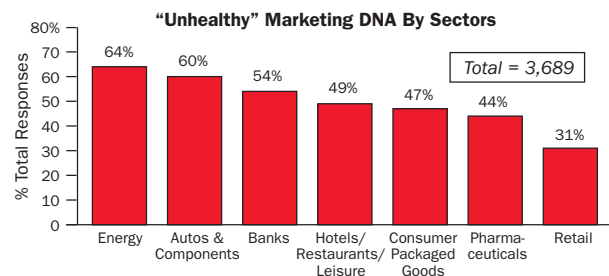
To uncover the different ways organizational DNA combines and recombines, and to explore how the various combinations reflect (or influence) the ability of commercial, government, and nonprofit organizations to execute strategy, Booz Allen designed a 19-question diagnostic about the four building blocks, which the consulting firm launched in 2003 at [www.orgdna.com](http://www.orgdna.com). Since then, the online survey, rendered in 12 languages, has gathered 30,000 profiles; another 20,000 people have filled out profiles at password-protected, client-specific sites.

Of the 30,000 online profiles, some 4,000—more than 13 percent of this group—were completed by members of marketing departments. Only 30 percent of these marketers worldwide said their organizations are healthy; the rest indicated that the decision rights, information flows, structure, and motivators in their firms are in some way misaligned. Among North American marketers, the problem is even more acute: Only 25 percent said their firms are healthy.

Unhealthy marketing DNA is present in almost every industry, though the problem varies in severity. The most dysfunctional marketing organizations are in the energy sector, where almost two-thirds of marketers surveyed said their firms are unhealthy. Retailers are the most satisfied with the ability of their marketing teams to execute—probably because retail suffers less than other sectors from the tension between marketing teams concerned about maintaining brand equity and sales teams pushing volume growth. But even here, almost a third of marketers surveyed said their organizations are unhealthy (see Exhibit 1).

#### Exhibit 1

No Industry Has "Cracked The Code"



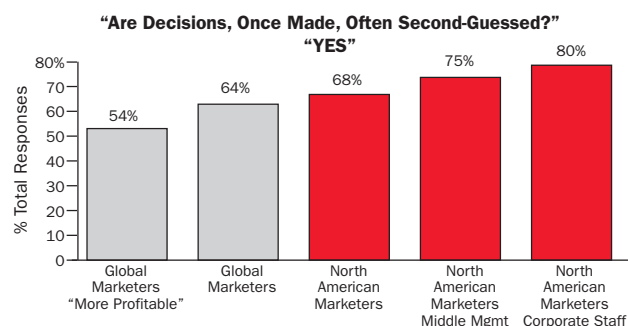
Source: Booz Allen Hamilton

Marketing's malaise derives from disorders in two of the four building blocks: decision rights and information flows.

When organizational DNA is healthy, information moves rapidly to decision makers. But only 29 percent of North American marketers say information moves freely over organizational boundaries; globally, the picture is hardly better, with just 34 percent of marketers indicating that information moves as easily as it should. Among marketers who say their companies are more profitable than competitors, 42 percent say information moves freely in their firms.

Even if information were to flow smoothly in and out of marketing departments, men and women in those units would still be unable to act decisively; two-thirds or more say their judgments are routinely second-guessed (see Exhibit 2).

**Exhibit 2**  
Trust In Marketing Is Lacking



Together, obstructed information and poorly articulated decision rights constitute a recipe for inaction. Just under a third of North American marketers say their decisions quickly translate into action. At global firms more profitable than their competitors, nearly half of marketers say they can move rapidly from decision to execution.

**Matching The Mission**

Whatever their industry, marketers today operate in an environment considerably more challenging than the one their predecessors faced. Blessed by geographically sheltered capital markets, stable technologies, and analog communication systems, consumer product and service firms once found it relatively easy to develop mass products for mass audiences, market them over mass channels, maintain technological differentiation for years at a time, and sustain prices without undue threat from disruptive or otherwise advantaged competitors.

Those halcyon days are long gone. Digital communications technologies and global capital flows have combined to generate an unending parade of disruption

and increasingly savvy consumers, who are able to demand products and services more and more customized to their needs and desires. These demands for customization complicate the work of marketers, requiring interactions with R&D, manufacturing, and sales that are deeper and more frequent than those to which marketing teams were previously accustomed. The concomitant fragmentation of media channels adds even more complexity to marketers' tasks.

Running paradoxically parallel to the fragmentation of markets is the consolidation of retail channels. To serve these powerful customers and their demands for more products and services at lower cost, consumer marketers have consolidated, creating unwieldy global labyrinths where marketers find it immensely difficult to locate the resources they need.

Nonetheless, enough clear success stories in marketing departments have emerged recently to suggest that organizational changes, if not easy, are both possible and salutary. Eric Kim became Samsung's executive vice president for global marketing in 1999, and inherited a marketing organization poorly suited to the challenge of moving the Samsung brand upstream from its value heritage, with an image of greater prestige and quality. Within a few years, however, he had built a new organization capable of working more closely with product developers, designers, retailers, and communications channels, and, aided by changes in consumer electronics markets (notably the increasing affinity for digital television sets), Kim achieved the goal.

IBM's marketing experienced a similar transformation: At the beginning of the 1990s, Big Blue was at the threshold of disaster, a classic product-focused and sales-driven organization staffed by people who knew computers better than they knew customers. CEO Lou Gerstner turned it into a customer-focused and marketing-driven organization, with a brand known as much for services as it traditionally was known for products. In the consumer packaged goods industry, Procter & Gamble turned a geographic marketing unit into a category-focused organization, tied innovation and marketing more closely together, and experienced a resurgence in growth.

Each of these companies took a distinct approach to defining and implementing its marketing model—not surprisingly, because organizations face different challenges and have different needs, depending on their industry and their own organizational history. Thus,

the first criterion for improving the marketing team's ability to execute strategy is to match the marketing model with the company's mission.

As simple as it sounds, in practice this matchmaking is hard to achieve. Our research has shown that between 60 percent and 84 percent of marketing organizations have been restructured during the past three years depending on industry. The level of churn is unsurprising, given the fundamental misalignment between the priorities of CEOs and those of CMOs that Booz Allen and the ANA uncovered in our 2004 research. CEOs listed their most critical priorities as top-line growth, flexibility, customer loyalty, and innovation. CMOs, however, were overwhelmingly focused on branding guidelines, followed by divisional counseling and sharing best practices.

In some cases, the misalignment reflects the differing backgrounds of chief executives steeped in finance or engineering, and marketing executives trained in communications and "creative" skills. In other cases, such as in the financial services industry and other sectors where personal and institutional relationships historically were vital, the difficulty in matching marketing to the mission derives from the clash between new needs (however well articulated) and entrenched tradition. In yet other cases, sorely needed capabilities may be lacking—consider the many industries, such as travel and music, in which Web-based direct marketing is supplementing or even supplanting broadcast communications as both sales tool and brand-building mechanism.

And in still other cases, as advertising executive Jerry Della Femina famously has written, the conflict is between the CEO's own head and heart. Intellectually, the chief executive knows he or she needs a consultative organizational leader who can build brand and revenues at the same time by networking seamlessly with R&D, manufacturing, the supply chain, and the extended marketing enterprise. But emotionally, many CEOs still crave a TV ad campaign that will have everybody talking.

### **Marketing Typology**

There is no single marketing organization model that is "most right." Although our research has uncovered an emerging breed of "Super CMO," capable, as Harvard professors John Quelch and Gail McGovern

have written, of managing the entire portfolio of a company's brands and engaging all functions of the organization, different companies in different industries will find themselves in different positions along this evolutionary path.

Indeed, our research persuades us that there are, broadly, six different types of marketing organizations, differentiated both by the conventional organizational building blocks and by factors specific to marketing organizations, such as their skills and capability sets, performance metrics, and organizational linkages. (See box on page 5.)

Together, Booz Allen and the ANA have developed an online diagnostic tool that can aid marketers as they attempt to match marketing to their company's mission, at [www.marketingprofiler.com](http://www.marketingprofiler.com). Through analysis of answers to 28 short questions, the instrument will help marketers link their own organization to one of the six marketing organization types, and offer background materials, free of charge, to help executives understand areas of alignment and misalignment, and opportunities for improvement. Responses—which are anonymous—will also contribute to a database of information that will allow deeper analyses and conclusions, applicable to specific industries and specific situations. Consistent with the mission of this collaboration, Booz Allen and the ANA intend to make public the broad findings, and the recommendations that derive from them, during the first half of 2006.

This marketing profiler, we believe, provides a good way to initiate a conversation among leadership teams about what kind of marketing their companies have, and what kind they need. When a company's leadership commits to getting the marketing profile that best suits it, the CEO and CMO will be able to agree to a "contract" that makes clear marketing's decision rights, agenda, controls, outcomes, and visibility in the organization. Marketing, in turn, will have to obtain the necessary functional skills to fulfill the contract.

Finally, marketing leadership must be able to build a complete team beyond the CMO, including channel experts and functional experts. The implementation of a broad range of skills and perspectives is an important step in taking marketing along its evolutionary path to becoming a key player within organizations.

## Six Marketing Models

Booz Allen Hamilton and the Association of National Advertisers have identified six distinct marketing models defined by scope of responsibility, decision rights, capabilities, organizational linkages, and performance metrics. It is important to emphasize that none of these models is generally “right” and none is generally “wrong.” Neither do they represent a hierarchy or an evolutionary ladder. They are right or wrong only when they do or do not fit the particular market position, competitive challenge, and growth strategy of a given organization. But it is critically important that a company have the marketing profile that best suits its needs.

The profiles are:

### *Growth Champion*

Recognized and valued for its contribution to revenues, the growth champion helps set the company's priorities, leading product innovation and new business development. It is as important as finance, sales, or other major departments. For example, consider consumer products giant Procter & Gamble, whose entire marketing organization focuses on category management and whose global category management units have P&L responsibility across countries.

### *Senior Counselor*

The senior counselor offers the chief executive officer and individual businesses guidance on marketing strategy and leads advertising, promotion, and public relations initiatives—but does not drive company strategy. For example, cosmetics company L'Oreal manages its brands as separate companies, with central marketing offering advice on strategic issues and local marketing doing the same for operative issues.

### *Brand Builder*

Among the most important support organizations in the company, the brand builder provides such marketing services as communications strategy, creative output, and campaign execution. It is the company's central manager of agency relationships. For example, the marketing organization of candy maker Ferrero Rocher focuses on branding and provides guidance to geographically organized business units.

### *Marketing Master*

Equipped with the authority and the skills to lead company-wide marketing efforts and to set business priorities, the marketing master coordinates with sales, product development, and other functions. A marketing master drives growth strategy but lacks certain decision rights and does not have leadership positioning as the clear dominant function within the organization.

### *Best Practices Advisor*

The goal is to help individual businesses be effective and efficient marketers, so the best practices advisor provides guidance on internal and external marketing best practices. This type of marketing organization plays the role of an internal process-focused consultant for the business unit marketing departments.

### *Service Provider*

On request, this organization provides advertising, promotion, public relations, and other marketing services to brand and product teams. The service provider is a fairly weakly structured, reactive marketing organization that is really only called upon at the last stage of the marketing process to help with tactical execution; it may not even be used widely throughout the whole organization.

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