6-2024

Marketing budgeting in the upper echelons

Junqiu JIANG
Singapore Management University, jqjiang.2018@pbs.smu.edu.sg

MARKETING BUDGETING IN THE UPPER ECHELONS

JUNQIU JIANG

SINGAPORE MANAGEMENT UNIVERSITY

2024

MARKETING BUDGETING IN THE UPPER ECHELONS

by

Junqiu Jiang

Submitted to Lee Kong Chian School of Business in partial fulfillment of the requirements for the Degree of Doctor of Philosophy in Business (Marketing)

<u>Dissertation Committee:</u>

Kapil R. Tuli
Professor of Marketing
Singapore Management University

Nirmalya Kumar
Professor of Marketing
Singapore Management University

Ernst Osinga
Associate Professor of Marketing
Singapore Management University

Girish Mallapragada
Associate Professor of Marketing
Indiana University

SINGAPORE MANAGEMENT UNIVERSITY

2024

MARKETING BUDGETING IN THE UPPER ECHELONS

ABSTRACT

Marketing professionals and academics frequently highlight the challenges of obtaining and protecting the marketing budget. However, prior academic research predominantly focusses on the optimal allocation of a given marketing budget, with little attention directed towards understanding the organizational process of securing approval for the marketing budget. Accordingly, this dissertation addresses this gap with two essays examining the marketing budgeting process by drawing on the theories-in-use (TIU) of both Chief Marketing Officers (CMOs) seeking approval for the marketing budget, and Chief Executive Officers (CEOs) approving the marketing budget. In *Essay 1*, I explore the objectives of both CMOs and CEOs when negotiating a marketing budget. The study reveals that their joint objective is to finalize a marketing budget that includes provision for resources that are commensurate with the KPIs expected from the marketing function, i.e., a calibrated marketing budget (CMB). Based on this insight, I advance budgeting theory and propose CMB as a dimension of the marketing budget sought by some CMOs. I also distinguish the marketing budget calibration process as distinct from other organizational budgeting processes and techniques. In *Essay 2*, I identify six unique marketing budgeting signals that CMOs use to lower the CEO's agency concerns, thereby increasing the likelihood of obtaining approval for a CMB. Recognizing that the efficacy of these signals can vary with repeated use, I determine which signals are more (less) effective when repeatedly used by a CMO. This understanding is critical for CMOs to determine how often to repeat a signal to maximize its effectiveness. Taken

together, this dissertation provides a theoretical foundation for advancing research on the marketing budgeting processes within organizations, offering new insights into the approval of marketing budgets.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACKNOWLEDGEMENTS

The completion of this PhD has been challenging yet rewarding, and I owe a debt of gratitude to all those whose support made it possible. First and foremost, I express my deepest gratitude to my mother, Wu Ying, whose unconditional love, and support have always propelled me forward during tough moments in my life. I am forever indebted to her for teaching me good values and for sacrificing an immeasurable amount of time and energy to support my endeavors. Her unwavering belief in me has always pushed me to do more. To my husband, Marek Dawidowicz, I am forever grateful for his support and partnership. His encouragement has been a constant source of strength throughout this journey. He has taught me the importance to not take life too seriously, helping me maintain a sense of lightness and perspective, making my PhD years some of the best years of my life.

I extend my heartfelt thanks to my advisor, Kapil Tuli, whose guidance were instrumental in shaping my PhD experience. Kapil has not only taught me how to balance the demanding rigors of research with the responsibilities of family but has also taught me the attributes of an independent researcher. Kapil’s authenticity, integrity, and exceptional standards of excellence in all aspects of research have not only guided my academic endeavors but also serve as a model for personal conduct. His mentorship has instilled in me a genuine love for research. I am immensely grateful for his wisdom and belief in my potential.

I owe a special thanks to Nirmalya Kumar. He has taught me the value in demonstrating humility and persistence in asking questions, while also instilling the importance of confidently backing my ideas. Above all else, his intellectual contributions have helped shape my dissertation and research pursuits. I also extend my gratitude to my other committee members, Ernst Osinga and Girish Mallapragada, for their invaluable feedback and suggestions on my dissertation.

Since I joined the PhD program, the marketing faculty at SMU have always had their doors open to me, and I am appreciative for the collective knowledge they have provided. I am also thankful to my doctoral colleagues for sharing their insights on both research and life. These interactions have not only enriched my academic experience but have also fostered friendships that I cherish. Finally, I would like to thank the administrative staff at SMU for all their generous support throughout the years.

…for Lina and Kai

CHAPTER 1

General Introduction

The approval of marketing budgets within organizations represents critical processes that significantly impact a firm's strategic direction and performance. Despite the acknowledgment of the challenges associated with obtaining and safeguarding marketing budgets, scholarly attention has predominantly centered on optimizing the allocation of the marketing budget. While limited attention has been given to understanding the organizational process of securing approval for the marketing budget. This dissertation addresses this gap by examining the marketing budgeting process through two essays by drawing on the theories-in-use (TIU) of both Chief Marketing Officers (CMOs) seeking approval for the marketing budget and Chief Executive Officers (CEOs) responsible for approving it.

In Essay 1, the focus is on understanding the objectives of both CMOs and CEOs when negotiating a marketing budget. This research reveals that their joint objective is to finalize a marketing budget that aligns allocated resources with the expected key performance indicators (KPIs) of the marketing function, termed as a calibrated marketing budget (CMB). I propose CMB as an additional budgeting outcome sought by some executives, which is distinct from budget slack or upward-bias. Essay 1 contributes to advancing budgeting theory and distinguishes the marketing budget calibration process from other organizational budgeting processes.

Essay 2 extends the findings of Essay 1 by identifying marketing budgeting signals used by CMOs to secure approval for a CMB. These signals address CEO concerns regarding budgetary slack and respond to potential directives imposing underfunded KPIs or budget cuts. By synthesizing insights with signaling theory, I propose that CMOs use these signals to showcase their credibility and capabilities, thereby mitigating agency concerns. Additionally, I develop propositions outlining the efficacy of marketing budgeting signals when repeatedly used by CMOs. This provides insights into how CMOs can strategically manage signaling frequency to maximize effectiveness in the budget approval process. Together, these essays contribute to advancing research on marketing budgeting processes and offer new insights into the approval of marketing budgets.

1.1. Dissertation Outline

This dissertation comprises of two essays that collectively explore the process of marketing budgeting within organizations. The first essay, "The Calibrated Marketing Budget", focuses on understanding the objectives of CMOs and CEOs when negotiating a marketing budget. I introduce the concept of a calibrated marketing budget (CMB) and delineate the marketing budget calibration process as distinct from other organizational budgeting processes. The second essay, "Navigating Marketing Budget Approval: Marketing Budgeting Signals for Securing a Calibrated Marketing Budget", delves into marketing budgeting signals employed by CMOs to secure approval for a CMB.

1.2. Dissertation Contribution

This dissertation makes several contributions to both theory and practice in the field of marketing budgeting in organizations. First, I conceptualize the notion of a calibrated marketing budget (CMB), highlighting its significance as an objective pursued by both CMOs and CEOs. By introducing CMB as a distinct attribute of the marketing budget, I advance budgeting theory and provide a framework for understanding the organizational dynamics of marketing budget approvals in the upper echelons. Indeed, the CMB construct extends existing budgeting literature beyond the traditional focus on budgetary slack and upward bias. By explicating the organizational process of budget approvals and the significance of a CMB, this dissertation contributes to a nuanced understanding of the marketing budgeting processes within organizations.

Second, I identify and delineates six unique marketing budgeting signals employed by CMOs to secure approval for a CMB. These signals not only address CEO budgetary slack concerns but also respond to top-down imposed KPIs and/or budget cuts. By synthesizing field-based insights with signaling theory, this study contributes to understanding how CMOs navigate the budget approval process and mitigate agency concerns.

Third, I provide managerial implications and strategic actions that CMOs can undertake to enhance their likelihood of obtaining a CMB. These actions encompass overcoming budget cuts, promoting cross-functional collaborations, and supporting firm growth, thereby facilitating a more effective allocation of marketing resources aligned with broader business objectives.

Finally, I provide theoretical implications and outline avenues for future research. Future research directions include examining unexpected externalities and additional contingencies related to signal effectiveness. By identifying key research questions, this dissertation lays the foundation for further inquiry into the complex domain of marketing budgeting processes.

In conclusion, this dissertation provides a theoretical foundation for advancing research on the marketing budgeting process within organizations. The findings offer new insights into the approval of marketing budgets and enhance our understanding of the interactions between CMOs and CEOs during the budget approval process.

CHAPTER 2

The Calibrated Marketing Budget

2.1. Introduction

"Not everything that counts can be counted, and not everything that can be counted counts." – William Bruce Cameron

The marketing budget represents the quantification of the resources devoted to marketing activities. Consequently, it delineates the key performance indicators (KPIs) that the organization can anticipate achieving through the deployment of these resources (Hollense 2003, Piercy 2002). Accounting for more than 10% of the firm's annual budget, the marketing budget is a significant commitment of firm resources (The CMO Survey 2024). However, the Gartner Spend and Strategy Survey (2023) reports that 71% of CMOs believe they lack sufficient budget to successfully deliver the marketing strategy, and 75% of CMOs believe that their organization faces pressure to achieve more profitable growth with increasingly constrained resources (also see Fisher 2024). As such, this essay explores how CMOs can secure adequate resources to meet their expected KPIs, addressing the critical concern that CMOs[1] consistently feel pressure to deliver more with less.

While extant literature almost exclusively focusses on the optimal allocation of a *given* marketing budget across marketing activities (e.g., Kolsarici, Vakratsas, and Naik 2020; Sridhar, Naik and Kelkar 2017), little is known about the organizational process of securing approval for the marketing budget. Accordingly, the key objective of *Essay 1* is to understand the

---

[1] I use the term "CMO" to refer to senior marketing executives with "marketing" in his/her title, e.g., Marketing Director, V.P. of Marketing, Chief Marketing Officer etc. (see Germann, Ebbes and Grewal 2015). Similarly, I use the term "CEO" to refer to senior executives who are the head of the organization/business/region, e.g., President, Managing Director, SVP etc.

theories-in-use (TIU) of both CMOs (responsible for seeking approval for marketing budgets) and CEOs (responsible for approving marketing budgets) in their objectives when negotiating a marketing budget (Zeithaml et al. 2020).

Drawing upon interviews with CEOs and CMOs, this study reveals that the joint marketing budget objective of both CEOs and CMOs is to finalize a marketing budget that includes provision for resources that are commensurate with the KPIs expected from the marketing function, i.e., a calibrated marketing budget (CMB). A marketing budget characterized by being "calibrated" can overcome the challenge of being underfunded as it is approved by the CEO and reflects the CEO and CMO reaching a marketing budget consensus. Based on this insight, I advance budgeting theory and propose CMB as an additional budgeting outcome sought by some executives, rather than the traditional pursuit of budgetary slack studied in agency theory.

The first essay of my dissertation seeks to make two key contributions. *First*, I introduce and define the CMB construct and demonstrate that a CMB is more likely to contain sufficient resources to achieve marketing KPIs. I develop a marketing budget framework that clearly outlines CMB as a distinct attribute of a marketing budget, which differs from budget slack (a budget with more resources or easy to achieve performance targets) and upward-bias (a budget with insufficient resources to meet KPIs), both of which are also potential characteristics of a marketing budget. Outlining distinctiveness with related constructs is critical to establish the conceptual validity of the construct (see Zeithaml et al. 2020).

Second, I distinguish the marketing budget calibration process from the marketing budget adjustment process. Marketing budget calibrations are processes for assessing the degree to which a marketing budget is calibrated. Specifically, it assesses whether the marketing budget in question has sufficient resources to attain its attached KPIs. In instances where a misalignment between allocated resources and KPIs is identified, budget adjustments are implemented through the utilization of various budgeting techniques.

2.2 Literature Review

Budgets are a critical aspect of organizations, be it the Federal Government, publicly listed firms, or departments within an organization (see Table 1). The importance of the marketing budget is exemplified through frequent discussions in marketing textbooks that outline normative guidelines about the content of marketing budgets (see Table 1). For example, Kotler and Keller (2016) outline rules and budgeting techniques (e.g., zero-base, top-down, bottom-up) for marketing communications (p. 594) and advertising budgets (p. 609). Marketing budgeting techniques include various organizational processes on how the marketing budget is developed in different firms (see Piercy 1987). Among the more popular marketing budgeting approaches are participative budgeting (Shields and Shields 1998), top-down budgeting (Kramer and Harmann 2014), competitive parity (Kotler and Armstrong 2021), objective and task (Farris and West 2007), and continuous budgeting (Chenhall and Moers 2015). Similarly, Kerin and Hartley (2021) discuss budget rules (e.g., percentage-of-sales and affordability) in drawing up the marketing budget (also see Piercy 2015). Table 2 provides definitions and descriptions of commonly used marketing budgeting techniques.

[Insert Table 1 About Here]

Academic research on marketing budgets almost exclusively focusses on decision rules for the optimal allocation of the approved marketing budget across the marketing mix, products/brands, and countries. For example, early marketing budget research focused on marketing budget profit maximization by considering trade-offs among products of a portfolio using response models (e.g., Doyle and Saunders 1990) and exploring dynamic resource allocation rules across countries (e.g., Wong 1995; Erickson 2003). More recent research in this domain focuses on examining the effectiveness of advertising spending across media channels (Sridhar et al. 2016; Sridhar, Naik and Kelkar 2017), and implications of marketing budget reallocation (see Grabner and Moers 2021). Indeed, marketing budget allocation models generally include analytical and quantitative modelling methods such as dynamic marketing budget allocation models (e.g., Naik et al. 2005; Fischer et al. 2011); dynamic response models (e.g., Sridhar et al. 2011) and marketing investment optimization in specific settings (e.g., Pauwels, Arts, and Wiesel 2010).

[Insert Table 2 About Here]

Research, however, seldom explores the process by which CMOs obtain approval for the marketing budget. This is surprising because marketing budgets are constantly under pressure and vulnerable to cuts in the face of earnings pressures (e.g., Chakravarty and Grewal 2016) and recessions (e.g., Kumar and Pauwels 2020) and a comprehensive understanding of the marketing budgeting process can help CMOs navigate such budget challenges. Given the paucity of extant research in this domain, I adopt a theories-in-use

(TIU) approach that allows us to tap into managers’ experiences (Zeithaml et al. 2020).

2.3. Method

A discovery-oriented TIU approach seeks to tap into managers’ experiences and insights on complex phenomena by conducting in-depth interviews (see for e.g., Challagalla, Murtha and Jaworski 2014; Chase and Murtha 2019). In doing so, my data collection and analyses seek to adhere to the key criteria for TIU recommended by Zeithaml et al. (2020).

Transferability. To increase the confidence in the transferability of the insights, a theoretical sampling procedure is used (Glaser and Strauss 1967) to recruit CMOs and CEOs with diverse experiences and from a wide range of firms, industries and geographic locations. Participants were recruited by drawing on personal contacts and by an extensive search on LinkedIn to identify managers with comprehensive knowledge of marketing and their willingness to share their experiences. The 32 senior managers in the sample include 16 CMOs responsible for constructing and obtaining approval for the marketing budget. In addition, 16 CEOs with responsibility of approving the marketing budgets prepared by CMOs were interviewed. The participants have 874 years of cumulative industry experience, reported on a total number of 32 firms, and belong to a range of Fortune 500 firms, Multinational Conglomerates, Publicly Listed firms, and Privately Owned firms (see Table 3). In general, participants reported on firms with global operations, except for four firms that primarily operated in a single country.

[Insert Table 3 About Here]

The interviewing process lasted 13 months and was stopped at 32 interviews after reaching theoretical saturation. Interviews were conducted in three waves which gave us an opportunity to reflect on key insights to refine the emerging theory and check whether the next wave of participants suggest the same emergent theory (see Zeithaml et al. 2020).[2] As this study underwent revision, a fourth wave of interviews was conducted in November 2023 to determine if any aspects were overlooked in the findings. Following three additional interviews (2 with CEOs and 1 with a CMO), no novel insights were uncovered. Consequently, no further interviews were conducted, and the interviews from wave 4 were excluded from the final sample as they did not contribute any additional insights.

The interviews were conducted and recorded using the software application Zoom, lasted between 30-90 minutes, and resulted in 515 typed pages of single-spaced transcribed text. Detailed handwritten notes were also taken during the interviews. These notes enabled the use of constant comparison method to continuously analyze the data and compare categories and themes across participants as they emerged during the analysis (e.g., Chase and Murtha 2019). Interview questions about the marketing budget were:

1. What is a marketing budget?
2. What are the components of the marketing budget?
3. What is the process of creating a marketing budget?

[2] Wave 1: September till December 2021; wave 2: January till February 2022; wave 3: August till October 2022.

4. What are the key challenges you have faced in obtaining the marketing budget?
5. What are some of the strategies you have used to overcome these challenges?

Credibility. The interview questions acted as a guiding post and were frequently followed up with related questions to probe deeper, gain clarifications, and obtain examples. When emergent theories surfaced during interviews, we would investigate further by asking participants why they believed the theory to be true. Similarly, to gain further clarity on emerging constructs, we often followed up with range spanning questions. For example, when one participant emphasized the importance of returning insufficient budgets, we probed further to enquire about the potential consequences of keeping such a budget. Table 4 documents the number of participants that agreed to the same themes.

[Insert Table 4 About Here]

Dependability. Similar to Molner, Prabhu and Yadav (2019), the analysis follows the coding procedures recommended by Strauss and Corbin (1988). *First*, two researchers independently coded the transcripts using open coding to identify basic themes and first-order categories. *Second*, the researchers used axial coding to abstract relationships among the categories to develop second-order categories. *Finally*, the researchers used selective coding to identify the central outcome category: the calibrated marketing budget (CMB). By having two researchers independently code the transcripts at each stage, we were able to rely on researcher triangulation to ensure consistency and dependability in the identified themes.

[Insert Table 5 About Here]

Confirmability. Table 5 outlines examples of the coding structure and illustrates how we arrived at the definitions of the key constructs identified in the study. Table 4 complements Table 5 and shows the specific number of participants that mentioned the main themes that emerged from the interviews. To further check the reliability and objectivity of the findings, two independent judges, who were not a part of the research team, verified the key themes identified in the research by individually coding all 32 transcripts. The inter-judge reliability, calculated by the proportional reduction in loss method, was .82, well above the .7 threshold for exploratory research (Rust and Cooil 1994).

Participant checks were also conducted in April 2022 after initial findings were formalized to document consistency of theory with participant views (Zeithmal et al. 2020). An executive summary of the paper's findings was sent to all participants in April 2022 via email, and the insights were well received by the participants[3].

2.4. The Marketing Budget Construct

Field interviews consistently revealed that the marketing budget is more than an accounting document outlining categories of expenses. The marketing budget not only reflects a firm's marketing strategy but is also a part of a

[3] For example, the CMO of a telecommunications firm replied via email: "I think you have done an excellent job and especially liked how you make it so clear that the marketing budget (is) also a part of a larger conversation about the overall firm strategy. You also write that the marketing budget is [a] 'living document', and that also resonated with me" (personal communication, April 18, 2022). Similarly, the Global Head of Integrated Brand Communications at a Multinational Oil and Gas company replied that "No further comments from me. Your findings are clear, and they all resonate with me" (personal communication, April 12, 2022).

larger conversation about the overall firm strategy. In the words of the CEO of a Public Personal-Care Company,

> "[The marketing budget] starts in our case with what I call the marketing master plan. The marketing master plan starts with what is basically the strategic plan globally. And that obviously starts with, in our case it's massively linked to innovation and new products. So, the basic master plan or the master plan we develop is the start of the whole [budgeting] process. That master plan is then drilled down into the markets and the countries around the world."

Indeed, the marketing strategy combined with the strategy of other functions, comprises of, and helps implement, the firm's overall strategy. As stated by the VP of Marketing of a Packaged Food Company,

> "[Marketing] strategy is driven with sales, R&D, finance, marketing, and business development. So, we align in the strategy, then we have priorities and then we have a marketing calendar, against which you have clear ROIs being lined up. And there's an alignment process at every step. It's quite tedious. But it saves us a lot of effort when we [are] executing these plans."

Many executives emphasized that while the final marketing budget output may be a simple numeric input into the accounting system, it is supported by a clearly articulated marketing plan with well-defined activities. The President and Chief Business Officer of a Tire Manufacturer noted,

> "Because it goes step by step with the explanations. It's only at the final level that there's just a number, [an] output. And then at the back end of it, the marketeers will keep working with their plans that this is what we've committed, this is what we need to deliver."

Consistent with extant definitions, participants indicated that a marketing budget is more than a document outlining marketing expenses; a marketing budget also reflects a firm's marketing strategy as well as a firms' organizational strategy (Piercy 2002). Taking into consideration the received view of a marketing budget and synthesizing it with the strategic imperative from the field interviews, I propose the following definition of the marketing budget:

> *The marketing budget is a living document that manifests the marketing strategy of a firm by outlining the allocation of financial resources with the objective of facilitating the control and coordination of marketing activities to attain the market and financial goals of the firm.*

The proposed definition outlines three key facets of the marketing budget that are mentioned separately in extant definitions (see Table 1). The marketing budget (1) is a living document, (2) manifests the marketing strategy, and (3) controls and coordinates marketing activities. I now elaborate on these three facets.

A Living Document

The marketing budget is not a static document that is written down and followed for a fixed period. Instead, it is a living document that changes throughout the year. After the marketing budget has been set, the marketing budget is "alive" since the overall marketing spending and allocation across different marketing instruments can change during implementation due to external and/or internal contingencies. The external contingencies are typically due to macro-economic developments and/or competitive dynamics in the industry. For example, the Asia Pacific President of a Fortune 500 Soft Drinks Manufacturer noted,

> "With Covid, in most companies, everything was frozen. All spending was frozen because revenues crashed. So, companies froze their expenses and they switched to a pure cash basis management. So, we were managing cash flow on a monthly basis, just to make sure you're not bleeding cash right. We have to do a P&L of course, but what's more important is cash flow. Do I have the cash to keep going, to pay salaries, to do this, etc. … [so], you don't have the money to spend on marketing."

The internal sources could be due to the performance evaluation of a specific marketing action that requires the firm to change marketing budget allocations. As noted by the CEO of a Consumer-Packaged Goods firm,

> "Sometimes you create advertising, the advertising is rubbish. So, you say I'm not spending any money behind it because every dollar I spend I get half back. Some advertising you make you get twice the return. So, people will modify these numbers as they go along."

The changes in the marketing budget can also be due to an opportunity that surfaces during the financial year. For example, the President of a Multinational Tire Manufacturer shared,

> "Three or four years ago when the Indian Soccer League first started the ISL, which is the football equivalent of what they have for cricket in IPL, we saw it as an opportunity and we said that, okay, let's put a little bit of advertising money into that. We created some properties, we launched those etc."

Manifests The Marketing Strategy

The marketing budget manifests the marketing strategy by outlining the allocation of resources to specific marketing assets and activities that the firm will pursue. In doing so, the marketing budget reflects a firm's marketing priorities. For example, reflecting on the importance of considering the strategic imperatives in allocating resources across brands, the President of a Multinational Consumer Packaged Goods firm noted,

> "If there are certain brands in the portfolio which are growth brands in which we want to invest higher share of voice, let's say, to share of market; firstly, we will define which are the brands that are going to be invested behind on air or media, which are the brands that are going to be let's say invested only on promos and kind of left on their own without a direct consumer interface, and dependent on those brands, which are the growth brands, let us say for their portfolio, then they would include that within their marketing budget."

Similarly, elaborating the process of finalizing resource allocation, the V.P. of Brand Management at a Consumer Electronics firm recalled,

> "So, the brand owners had an approach of what they saw as the main needs in terms of building their brands in the markets with the most opportunity. And we had four product lines. So, the product lines themselves also looked at what are their expectations in terms of launching new products supporting new variants and so on as well. So, you get sort of three inputs. And then we had sort of like the "EU negotiations". We met a couple of times and tried to sort of align those three dimensions. We have a finite amount of money to spend, how do we allocate that against those three dimensions in the best possible way? So that was quite an iterative process, and it took probably about three months to align priorities. Because of course it's not just figures, it's what do you actually do with the money. If you're going to launch a new range of washing machines; therefore, it's relevant to have some investments; [or] we have to support the growth of

> Poland as a market for example, so it’s relevant to put money in there.”

Control and Coordinate

The marketing budget has the objective of controlling and coordinating marketing activities to achieve market and financial goals. The control aspect acts as a system of checks and balances on marketing spend. Indeed, budgets can be viewed as a management control mechanism to achieve financial objectives (Kaplan and Norton 2001; Simon 1995). Control can involve reviewing and evaluating the effectiveness of the marketing spend on marketing activities. For example, the General Manager of a Technology firm recalled,

> “We’re actually looking at [the marketing budget] every month and then every quarter. And then, of course, half in the year is towards what campaigns, as an example, the budget was allocated; what was the intended spend, and then against that, what did we really get in terms of sales or penetration or perception.”

The coordination aspect of the marketing budget ensures the coordination of different marketing activities within the marketing function across different countries, categories, and brands to all be aligned with the marketing objectives of the firm. As the V. P. of Brand Management at a Consumer Electronics firm remarked,

> “Rarely do you only sell one product to one customer or one market. One thing is, this is how much money you have in total, then I think the key thing within the marketing budget is, how do you adjust or apply that across the product range, across different markets, across different distribution channels, and across activities.”

Taken together, the marketing budget is more than just an accounting instrument documenting the income and expenditure of the marketing department. The marketing budget encompasses and guides the marketing strategy and the strategic decision-making process of a firm. Next, I discuss the objectives of CMOs and CEOs when negotiating the marketing budget for the financial year ahead.

2.5. The Calibrated Marketing Budget Definition

Insights gleaned from the interviews indicate that a calibrated marketing budget (CMB) represents a marketing budget that comprises of sufficient resources to achieve expected KPIs. A CMB is thus an attribute of the approved marketing budget and reflects the joint objective of CEOs and CMOs in reaching a marketing budget consensus (see Table 5).

CMO participants unanimously highlighted that it is critical to obtain approval for a marketing budget that is adjusted precisely to present an achievable balance between the approved resources and expected performance. In the words of the Group Head of Consumer Insights and Brand Development at a Multinational Conglomerate:

> "I don't bargain for the sake of bargaining, but what I also end up doing is I say: "If you gave me this, this is what I can achieve. If we cut it down, and I totally understand that there are times we can't have the monies, then we will only achieve this. Now, is that acceptable to you? Because if it is acceptable to you, I'm okay to spend less. I don't have a problem with that; but don't ask me to give you the moon and then you give me something very basic, it's just not possible."

The objective of approving a marketing budget with achievable KPIs was also reflected in field interviews with CEOs (see Table 4). For example, the Asia Pacific President of a Fortune 500 Soft Drinks Manufacturer recalled:

> "You negotiate with your brand managers because you have to give them targets. So, if the brand manager comes up and says brand X will grow 10%, and I've said no you need to grow 25%, then of course I will provide a lot more funding."

Indeed, this study finds that CEOs strive to ensure that necessary resources are allocated to achieve anticipated KPIs, demonstrating a commitment to productive collaboration with their CMOs. Thus, a CMB is a characteristic of a marketing budget that denotes one with an achievable balance between the resources allocated and KPIs expected.

A highly calibrated marketing budget reflects a marketing budget with sufficiently approved resources to meet the expected KPIs. Conversely, a less calibrated marketing budget may indicate insufficient resources to achieve expected KPI, which is typically imposed by the principal, such as the CEO, i.e., a marketing budget with upward-bias (Lukka 1988). Furthermore, a less calibrated marketing budget may also suggest an excess of resources compared to KPI requirements, which is typically proposed by the agent, such as the CMO i.e., a marketing budget with slack (Dunk and Nouri 1998). Accordingly, I define a CMB as "the degree to which the resources allocated to marketing actions in the approved marketing budget are commensurate with the performance expected of the CMO". In the next section, I examine upward-bias and budget slack in relation to CMB in more detail to clearly distinguish the three concepts.

2.6. Distinctiveness

Extant research has suggested that budget slack and upward-bias are also potential attributes of organizational budgets (Dunk and Nouri 1998; Lukka 1988). Accordingly, I highlight the difference between a CMB and these two constructs. The literature on budgeting across various domains has documented that from the perspective of the subordinate or agent, such as the CMO, there is often an incentive to pursue budgetary slack (Jensen 1986).

Budgetary slack refers to the "intentional underestimation of revenues and productive capabilities and/or overestimation of costs and resources required to complete a budgeted task" (Dunk and Nouri 1998, pg. 73). The Charted Institute of Management Accounting (CIMA) (2000) offers a similar definition of budgetary slack: "the intentional overestimation of expenses and/or underestimation of revenues in the budgeting process" (pg., 51). From an agency theory perspective, the predominant catalyst for budgetary slack is information asymmetry, stemming from an agent's possession of private information. Budgetary slack is thus unilaterally created by an agent (see Young 1985; Chow et al. 1988; Waller 1988; Fisher et al 2002).

While the budgeting literature using the principal agent framework has overwhelmingly focused on reducing budgetary slack, there is some research that has identified the conceptual opposite of budgetary slack: upward-bias. "An *upward-bias* refers to the deliberate overstatement of expected performance in the budget" (p. Lukka 1988, p. 283, *italics* in original). Upward-bias is often achieved through the imposition of higher KPIs by the principal, i.e., the CEO, through a top-down budgeting approach as a control mechanism to eliminate budgetary slack. An upward-bias is therefore unilaterally established by the principal (see Kramer and Harman 2014 and Davila and Wouters 2005).

On the one hand, a CMB is similar to budget slack and upward-bias such that all three constructs describe potential characteristics of a marketing budget. On the other hand, unlike slack and upward-bias, a CMB is the jointly agreed provision of adequate resources to meet expected KPIs by both the principal and the agent. Additionally, whereas slack and upward-bias involve either inflating the allocated resources or the expected KPIs, a CMB is about obtaining an achievable balance between allocated resources and expected KPIs. Next, I utilize a framework to visualize and explicate the relationship between these three constructs.

2.7. Conceptual Framework

The conceptual framework is composed of two dimensions: expected KPIs and resources allocated. Figure 1 provides an overview of the conceptual framework which contrasts CMB with budgetary slack and upward-bias. Expected KPIs refer to measurable values that the organization uses to evaluate the success of specific marketing activities or objectives (Day 1994; Homburg, Theel, and Hohenberg 2020). Marketing KPIs can be related both to granular level KPIs such as website conversion rate, advertising cost per customer acquired, email click-through rate etc., as well as to aggregate level KPIs such as revenue growth, ROI of total marketing expenditure, brand awareness etc.

Resources allocated refers to the total financial resources allocated to marketing activities with respect to expected KPIs (e.g., Kotler and Keller

2016). For example, financial resources may be distributed across various marketing channels, campaigns, and initiatives such as advertising, digital marketing, events etc. When the expected KPIs are relatively low (high) compared to the allocated budgetary resources, the resultant marketing budget will have budgetary slack (upward-bias).

In figure 1, the area in the bottom right corner of the framework embodies the typical agency theory perspective of a marketing budget with slack. A marketing budget with slack is where the resources allocated is more than the KPIs expected and therefore it is relatively easier for the CMO to achieve her targets (Jensen 1986). The field research indicates that contrary to agency theory predictions, CMOs are in fact not attempting to maximize the size of the approved marketing budget as in the case of a slack budget. In the words of the Regional Marketing Executive of a Technology services firm:

> "Why do you want, as a regional leader, a load of over budget and then you cannot justify it? And then you will be questioned at the end of the year what did you do with it? Why did you not use it? And I don't think that if you have not used it this year, I'm going to give you for another five years. It doesn't make sense. For you as a regional head you really need to think, do I have the resources, the capability, the strategy and everything ready in front of me so that if I'm asking for say 1 million, or maybe you say a hundred thousand for one region, I should be able to convert that hundred thousand into 5 million of revenue."

The top left corner of the framework represents a marketing budget with upward-bias. In this area, the principal has exercised her power and has imposed the KPIs on the agent despite the insufficient resource allocation (Bourgeois and Brodwin 1984). Interviews reveal that while CMOs do not sought slack in her budget, she will also not accept a marketing budget with a high degree of upward-bias. This was recalled by the Group Head of Consumer Insights and Brand Development at a Multinational Conglomerate.

> "A little bit of a stretch all of us can do, and we know that we have our buffers, but it has to be reasonable … it's not about negotiating a large budget that you don't have a plan for, that I don't think anybody accepts."

Given that determining whether the adequacy of resources correspond to expected KPIs is a judgement made by both CEOs and CMOs, it is subjective to negotiations and the respective experiences and capabilities of the duo. As such, a CMB is represented by a 45-degree zone rather than a single line, wherein increases in resources and KPIs are commensurate with each other. In other words, a CMB is an attribute of the approved marketing budget, and a highly calibrated MB is one where the CEO and CMO have total agreement in terms of the resources allocated and its attached KPIs (see Table 4). In the words of the V.P. of Brand Management at a Consumer Electronics Company,

> "I think in most situations it's a bit of a haggle saying that: 'Okay, we want more money in marketing. Well, you can't have it. Well, if we can't have it, you can't have the sales development that you're expecting.' So, there's sort of a catch 22 in everything."

The key point to note is that achieving a balance between the two dimensions is what matters for a CMB rather than which of the two dimensions is low or high. As such, a highly calibrated marketing budget means that the KPIs expected corresponds with the resources allocated to achieve the said KPIs. Thus, "to calibrate" is a matter of the degree of fit between the resources allocated and the KPIs expected and is not a dichotomous variable. By trying to achieve a CMB, the CMO is trying to mitigate CEO concerns related to marketing budget slack as well as trying to lower CEO imposed upward-bias.

[Insert Figure 1 about here]

2.8. Marketing Budget Calibrations

This study indicates that marketing budget calibrations are processes to assess the degree to which the marketing budget is calibrated, i.e., whether the allocated resources and expected KPIs align. Calibrations are achieved through regular budget check-ins between the CEO and CMO during the marketing budgeting cycle. Whereas our specific context is focused on CEO-CMO marketing budget calibrations, budget calibrations can take place throughout the organization between different principals and agents.

Interviews reveal that well-defined reference points, against which the proposed marketing budget can be measured, are used by CMOs during calibrations to determine whether there are misalignments between allocated resources and expected KPIs. As emphasized by the V.P. of Brand Management at a Consumer Electronics Company, it is important to regard both external market conditions and internal resource constraints as reference points during calibrations. In his words:

> "What's given is generally sort of the economic conditions that ok we have an overall target set by senior management that we need to grow by X percent, and we have some sort of profit targets and so on as well. And we expect that the overall economy will grow by certain percentages in these markets. So those are the external conditions."

Likewise, the President and Chief Business Officer of a Multinational Tire Manufacturing Company noted ‘expected sales’ as an additional point of reference to assess the degree of the CMB,

> “When deciding on the budget for the year, it starts with CEOs asking for a sales projection of your budget... so [the marketing budget is] part of the entire budgeting process which starts with what are we looking at, as sales are by market and by product category etc.”

Other executives observed the use of historic data as a point of reference to gauge whether the marketing budget has sufficient resources to achieve the KPIs:

> “There are a lot of questions being asked, a lot of data being looked at, also trying to compare with something in the past as well to see what works, what doesn't work.” (Managing Director of a Global Luxury Joint Venture).

Indeed, reference points are used during calibrations to assess the degree to which the marketing budget is calibrated. The idea of utilizing reference points in marketing budget calibrations is also expressed in existing definitions of calibration in science, where the object or instrument being calibrated is measured against a reference material or already known properties. For example, the most widely used definition of calibration is the explicit definition given by epistemologist Allan Franklin who defines calibration as "the use of a surrogate signal to standardize an instrument" (Franklin 1997, pg. 31). The "surrogate signal" refers to a signal of already-known properties (Soler et al. 2013).

Similarly, the International Organization for Standardization, International Vocabulary of Basic and General Terms in Metrology (VIM

1993) defines calibration as a "set of operations that establish, under specified conditions, the relationship between values of quantities indicated by a measuring instrument or measuring system, or values represented by a material measure or a reference material, and the corresponding values realized by standards." Applied to the context of the marketing budget, marketing budget calibrations entail a meticulous assessment of the marketing budget in question to determine whether it contains adequate resources to achieve KPIs. This assessment considers various reference points, including historical data, projected sales, market conditions, and organizational resource constraints to name a few.

Calibrations thus determine the need for budget adjustments, and if required, adjustments are then made on specific budget items. Adjustments may involve budget negotiations and the utilization of budgeting techniques such as competitive parity, dynamic modelling, or other advanced modelling techniques etc. Calibrations and adjustments may be repeated multiple times during the budgeting cycle to assess the budget proposal and in turn achieve a highly calibrated marketing budget. This idea that calibration and adjustments are two separate iterative processes is echoed by international instrumentation providers such as WIKA and Soluzione Solare[4].

---

[4] As explained on the companies' websites, instruments can age over time altering measurement accuracy, timely calibrations can detect changes in the measured values for necessary adjustments. Calibration identifies measuring deviations without directly altering the instrument itself, whilst adjustments using interventions to modify measurement errors are then carried out to align the instrument to minimize deviations (see https://blog.wika.com/knowhow/calibration-or-adjustment-wheres-the-difference/ and https://soluzionesolare.com/difference-between-calibration-and-adjustment/).

2.9. Conclusion

Using an approach that explores the TIU of both CMOs, who build and seek approval for marketing budgets, as well as CEOs, who approve marketing budgets, I identify CMB as the key objective pursued by both parties. In addition, I distinguish marketing budget calibrations as unique processes that takes place between CMOs and CEO throughout the budgeting cycle to examine the degree to which the CMB is calibrated. In doing so, the current study affords an expanded view of budgeting outcomes anticipated by the upper echelons of organizations.

CHAPTER 3

Navigating Marketing Budget Approval: Marketing Budgeting Signals for Securing a Calibrated Marketing Budget

3.1. Introduction

The marketing budget is the outcome of the firm's budgeting process which is a critical source of power and influence for CMOs (Moorman and Veenstra 2021). Importantly, the ability to obtain sufficient marketing resources can have a significant impact on marketing KPIs and the firm's future cash flow (see Rust, Lemon and Zeithaml 2004). Indeed, obtaining approval for, and preventing cuts in the marketing budget are persistent challenges for CMOs (e.g., Butt et al. 2020; Ives 2021). However, we know little about how CMOs obtain sufficient marketing resources to meet KPIs.

As such, in *Essay 2*, I extend the findings from *Essay 1* by identifying marketing budgeting signals used by the CMO to increase the likelihood of obtaining approval for a calibrated marketing budget (CMB). By adopting an organizational perspective, I identify marketing budget signals that address CEO budgetary slack concerns as well as respond to top-down imposition of underfunded KPIs and/or budget cuts. The field data consistently underscore the importance of signals that convey the positive quality of the proposed marketing budget as well as the credibility and capability of the CMO as a means to prompt the CEO's approval of a CMB.

This essay seeks to make two key contributions. *First*, I identify marketing budgeting signals employed by CMOs to increase the probability of securing a CMB. Synthesizing the field-based insights with signaling theory (e.g., Chase and Murtha 2019), I propose that CMOs use these signals to demonstrate their credibility and capabilities in order to mitigate agency concerns of adverse selection and moral hazard. Some signals – such as opportunity elaboration are focused on providing an economic rationale to lower CEO concerns related to misallocation or sub-optimal allocation of resources towards marketing actions. Equally important are other signals – such as cultivated endorsements from non-marketing executives which indicates the utility of the marketing budget beyond the marketing function. By doing so, cultivated endorsements lower CEO concerns related to myopic or self-interest seeking behavior by the CMO. Taken together, the marketing budgeting signals identified in this study respond to calls for research that examines how CMOs interact with and influence senior management (Whitler et al. 2021; Yadav, Prabhu, and Chandy 2007).

Second, I complement the field-based insights by developing propositions that outline the difference in the efficacy of marketing budgeting signals when used repeated by the CMO. In doing so, I follow the principle that researchers should explore options to extend the participants' TIU (see Zeithaml et 2020, p. 34). Following research on the effectiveness of the repeated use of signals, I argue that the efficacy of signals can vary depending on signal frequency (e.g., Filatotchev and Bishop 2002; Janney and Folta 2003). The repeated use of signals reflects the CMO's perspective and provides insights into how CMOs can manage signaling frequency to avoid reputational loss and maintain credibility during marketing budgeting processes.

3.2. Obtaining a Calibrated Marketing Budget

Interviews indicate that reaching a CMB is an iterative process and marketing budget calibrations between the CEO and the CMO may take multiple budget negotiations. Calibrations can start at the beginning of the budget cycle and end when the marketing budget is approved. During each calibration, the need for budget adjustments is determined by assessing whether the resources allocated in the marketing budget are sufficient to meet the expected KPIs using existing reference points.

Adjustments are made on specific budget items and may entail organization-wide processes involving multiple functions across countries, product divisions, and brands. Adjustments may entail negotiations and various budgeting techniques, such as bottom-up budgeting. For example, the CEO of a consumer-packaged goods firm shared about the organization-wide budget adjustment process,

> "So now from top down, it comes to a country GM target, but then the country GM says: "okay, people you've heard, category is planning to launch this, invest here, this that and the other, please validate always, and come back at a country level, how much XXX we will sell, how much YYY we will sell, and what are the P&L associated with this?" So, this now the truth comes up from [the] bottom. And any reconsideration that is done will be done around September. And at September time haggling [starts], you said this, but we can only deliver this. And then the final number, and that gets set as the target for the year coming up."

CMOs participate in considerable negotiations and planning to arrive at a CMB. The participative nature of marketing budget calibration and adjustment processes are consistent with positive organizational outcomes such as superior information utilization and higher employee motivation (see Gallani et al. 2019). However, participative budgeting can create concerns such as opportunities for employees to act upon psychological motives such as preferences for distribution equity across departments (see Kuang and Moser 2009) and to provide inaccurate information to secure budgetary slack (Baiman 1990; Baiman and Lewis 1989).

Viewed through the lens of agency theory, the principal, i.e., the CEO, engages the agent, i.e., the CMO, and delegates the authority of conceiving and executing the marketing budget (see Brown, Evans, and Moser 2009). The CEO's concern is that the CMO has an incentive to either request for higher resources than is required to meet KPIs, or argue for lower KPIs given the resources, i.e., budgetary slack. While suboptimal for the firm, budgetary slack may allow CMOs either more room for error to meet KPIs, or the ability to easily exceed the KPIs and therefore enhance their individual payoffs, e.g., bonuses, promotions. Budgetary slack, therefore, is a critical principal concern according to agency theory (e.g., Fisher et al. 2002; Heinle, Ross, and Saouma 2014).

Budgetary slack concerns may be particularly pertinent for the marketing budget since CEOs report that marketing KPIs does not always clearly tie to overall business impact (McKinsey 2023; The CMO Survey 2022; also see Moorman and Kirby 2019). Consequently, marketing budgets are often the first to be cut in the face of earnings pressure and economic downturns (Kumar and Pauwels 2020; Chakravarty and Grewal 2016). To mitigate slack concerns, CEOs may reduce the allocated resources in relation to the agreed upon KPIs, resulting in a budget with upward bias. As such, the

CMO needs to address two key questions in obtaining approval for a CMB. *First*, how can the CMO reduce concerns related to slack which may lead to marketing budget cuts by the CEO? *Second*, how can the CMO reduce the potential impact of top-down imposed upward bias in determining a CMB, which adds difficulty in meeting expected KPIs?

While a CMB reflects the joint objective of the CEO and CMO, it is the responsibility and burden of the CMO to initiate and manage marketing budget calibrations to arrive at a CMB. This is because CMOs are closer to a company's customers than any other executive and have relatively greater information about the efficacy of marketing activities and market conditions, and thus how the marketing organization can deliver value (see Coffee 2023; Day 2011; Morgan, Feng and Whitler 2018). Indeed, CMOs have access to extensive data on consumer behavior, market trends, and the performance of marketing campaigns which can be interpreted to gain insights into which marketing strategies are working, where improvements are needed, and how market conditions are evolving (see Rust, Lemon and Zeithaml 2004; Wedel and Kannan 2016). Furthermore, as the key beneficiary of the successful attainment of expected marketing KPIs, the CMO is inherently motivated to ensure that sufficient resources are allocated to meet KPIs.

Consequently, agency theory posits that when agents hold superior information, they are likely to engage in actions that serve as signals to lower the principal's concerns related to both adverse selection and moral hazard (Bergen, Dutta, and Walker Jr 1992). These signals lower the information asymmetry between the principal and the agent. However, for the signals used by the agent to be effective, the signals must be observable as well as costly for the agent to construct (e.g., Bird and Smith 2005). In addition, these signals must be compatible with the type of agent desired by the principal (Connelly et al. 2011). Applied to the context of marketing budgeting, this implies that to effectively lower marketing budget information asymmetry, CMOs need to deploy marketing budgeting signals that demonstrate significant effort on her part. This research finds that such signals are more likely to be employed by CMOs who are pursuing a CMB.

Field interviews reveal that CMOs use marketing budgeting signals to prepare and negotiate the marketing budget to achieve a highly calibrated marketing budget. Budgeting signals are employed to formulate the initial marketing budget proposal as well as deployed during marketing budget negotiations. These signals help reduce CEOs’ concerns related to budget slack and lower the probability of obtaining a marketing budget with upward-bias. Therefore, in developing the propositions, I synthesize insights from signaling theory with the field data to propose six marketing budgeting signals (for recent applications of signaling theory see Chase and Murtha 2019; Burchett, Murtha, and Kohli 2023).

3.3. Marketing Budgeting Signals

Marketing budgeting signals refer to the attributes of the efforts by CMOs in developing the initial marketing budget proposal as well as in negotiating the marketing budget with the CEO to arrive at a CMB. Indeed, marketing budgeting signals are deployed when creating the marketing budget and when responding to potential budget cuts and/or underfunded KPIs of the proposed marketing budget.

When information asymmetry exists between two parties, signals are actions taken intentionally by the signaler to communicate positive information to the receiver to prompt receiver actions that benefits the signaler (Connelly et al. 2011). To be effective, a signal needs to be observable by the receiver and costly for the signaler (Connelly et al. 2011). In his seminal work on labor markets, Spence (1973) illustrates how job applicants demonstrate their high-quality and distinguish themselves from low-quality applicants to prospective employers via costly signals of higher education. As higher education requires considerable investments prior to entering the job market and is readily observable, it is an effective signal in achieving job market success (Spence 1973). In the marketing literature, examples of such signals include warranties (Boulding and Kirmani 2000) as well as customer bonds and price premiums (Mishra, Heide and Stanton 1998).

Applied to the context of marketing budgeting, our field work reveals that in obtaining approval for a CMB, CMOs invest substantial efforts to construct and signal a rigorous marketing budget that is carefully considered and presented. After the initial marketing budget is proposed, further signals are deployed by the CMO to negotiate a CMB with the CEO. Marketing budgeting signals thus require significant and costly efforts from the CMO which are not limited to her efforts within the marketing department and require her negotiation and coordination with other departments and senior leadership. The six signals from the field work are observable by the CEO and require extensive work from the CMO, which is precisely why they signal the CMO’s capability and credibility and help alleviate agency concerns related to marketing budget slack and overcome challenges related to upward-bias.

Cultivated endorsements. Cultivated endorsements refer to the degree to which CMOs secure buy-ins and support for the proposed marketing budget from multiple organizational units, e.g., country heads, functional heads, brand managers. Support for the marketing budget can be fostered by the CMO throughout the budgeting cycle for the proposed marketing budget. Field interviews revealed that in obtaining approval for the proposed marketing budget, CMOs try to align with and create buy-ins from various organizational units. This exercise acts as a means of "socializing" the proposed marketing budget to gain support for the requested resources, thereby increasing the CMO's probability of obtaining approval for a highly calibrated marketing budget. Support can come from multiple people from various organizational levels, i.e., managers from other departments and/or functions. For example, the EVP and Group CMO of a Publicly listed Private Sector Bank recalled,

> "I think it's really important to find four or five allies within business partners, people who understand the importance of brands in their segment. So, it's important to come across as somebody who's adding value to the business. And if the CEO sees that, then it really works… It took me one year to land an entire campaign, [I ran] the work across different parts of the business… [and] many committees approved of the work. It was important for that approval because … at the end of the day, you do not want one man and one department head taking calls on large brands and it looks quite subjective. So different parts of the business saw the work that was being created and I had to go through that process, which was quite intense and quite hectic, but at the end of the day, the buy-in from all the departments was fantastic. So, it's really important to keep that because otherwise it can backfire, otherwise it can look like it's only your agenda, and that you want to put it out."

As noted by the respondent, cultivated endorsements signal to the CEO that the resources requested in the proposed marketing budget are justified because they will yield benefits to multiple units in the organization, and not just to the CMO.

It is worth noting that a critical challenge faced by CMOs in obtaining cultivated endorsements is the difference in "languages" spoken between the CMOs and other executives. Indeed, non-marketing executives may not always be familiar with the marketing measurements presented and the marketing vernacular used by the CMO (see Brodherson et al. 2023). Therefore, to obtain endorsements from other organizational units, CMOs have a responsibility to help other executives understand how the proposed marketing budget delivers value. As noted by the CMO of a Public Life Insurance Company,

> "You have many people who stay with the old order, which is saying brand awareness, brand consideration. But business does not understand that language because they say, we understand number of customers, revenue, and profit, now match the following. And that's the biggest dilemma a marketer faces."

Interviews revealed that to obtain cultivated endorsements, the CMO needs to communicate the marketing budget in a way that makes it easier to persuade others about the merits of the requested resources. It is thus critical for CMOs to fully comprehend the different dispositions of individual executives and to adapt the marketing budget so that it is consistent with their mental models. Elaborating these aspects, the Group Head of Consumer Insights and Brand Development at an MNC recalled,

> "You have to play to the gallery in the sense that different people get excited about different things. So, there are people who like to hear a lot of strategy, and would like to hear where

> is your plan going to take you? And what is the larger picture that you are drawing? And so, you have to have that piece in order because then they know, okay, you've got the broad picture, and now you have to distill down to what activities you're going to be doing, and therefore the budget that you're asking for. There are some people who are only into maths, okay. And for them, all the strategy is very nice, move it out in two slides, but then get to the maths… you can't convince people with a one size fits all. You really have to look at who that person is, what is it that will tick on that person, and literally, why will he or she buy into my argument is what I have to do my homework and literally have my prep work before I go into that meeting, to be able to say, okay, this is what you're looking for, preempt those questions, have the answers."

Cultivated endorsements by internal stakeholders therefore serve as signals of emerging strategic consensus about the proposed marketing budget (Bragaw and Misangyi 2022). This consensus act as a signal of a greater probability of the effective implementation of the marketing budget (Morgan et al. 2019). Indeed, CMOs try to cultivate buy-ins by explaining the underlying logic behind a particular marketing investment and how it can help the endorser(s) meet their business objectives. For example, the CMO of a telecommunications provider recalled how she secured the budget for a major advertising campaign by obtaining buy-ins from different country heads,

> "Our strategy was to create something that people wanted to have. So, we had money to spend with an agency [to do the creative] … and then we literally travelled to all the countries, to the businesspeople there, the ones who are running the business, and asked: "don't you want this?" And then obviously saying that [it] will [help you] increase this and this, connect it to the strategy of the company, these are the problems this can solve."

Cultivated endorsements are thus critical during the budgeting cycle. A high degree of endorsements means that during negotiations there will be greater support for the resources requested and performance targets outlined in the proposed marketing budget. While cultivated endorsement signals may increase slack concerns by the CEO, it supports CMOs in alleviating potential top-down imposed budget cuts and thus expectation for under-resourced KPIs. Formally,

P1: *The greater the level of cultivated endorsements for the proposed marketing, the higher the probability of obtaining approval for a highly calibrated marketing budget.*

Relinquishment. Relinquishment refers to the degree to which CMOs are willing to voluntarily surrender a category of resources in the proposed marketing budget in response to budgetary cut demands or the imposition of a budget with upward-bias. Relinquishment is about the CMO's willingness to give up marketing budget resources when it is insufficient to achieve its associated KPIs, i.e., a budget with upward bias. CMOs relinquish resources during calibrations with the CEO either by returning the resources back to the corporate office or by giving it to another department. The point of relinquishment is about giving up both the resources and its associated KPIs.

In the case of returning resources back to the corporate office, field interviews revealed that certain marketing activities in the proposed marketing budget may be approved but not receive adequate funding during budget negotiations. Inadequate funding means that the CMO's ability to meet the objectives of the specific marketing activity may be compromised. As noted by the Marketing Director of a Fortune 500 Multinational Technology Conglomerate,

> "If you've defined your opportunity well enough, you know what it will take in order to move the needle to take that opportunity, or at least have a shot at taking that opportunity… And if you can't hit that goal and you don't have the money to hit that goal, there's no point in going after it… we know operationally that you have to give it a good shot, otherwise there's no point. So, it's really a bottom up "this is what we need". If you start shaving off too much, at one point I'll give it away because we can't hit the goal, we can't go after the opportunity."

Relinquishment is therefore about the CMO's willingness to return allocated funds back to the corporate office when the approved level of funds is not enough to support the actions required to meet the expected KPIs. By forfeiting the funds, the CMO also forfeits the marketing activity and in turn the expected performance. For example, the CMO of a Public Life Insurance Company recalled,

> "During COVID times…we had a 8 million brand budget, I'm just talking brand, it moved down to 1.5 million within three months… Now [senior management asks]: "what do you want to do with the 1.5 million? I say: I can't do anything with 1.5 million, so please keep it"."

Indeed, when funds are allocated to a specific marketing activity, there will always be certain expectations and KPIs connected to that activity. However, when the funds given to that activity are inadequate and the marketing department does not have enough capacity or manpower to execute the activity, the likelihood of meeting the KPIs will be lower. Therefore, CMOs with a high willingness to relinquish control of such funds may be better off as they are also letting go of the expected KPIs. Consequently, relinquishment entails a CMO surrendering both the marketing funds and marketing activities.

In the case of giving marketing budget resources to another department, relinquishment is the tendency of CMOs to transfer a category of funds from the marketing budget to another organizational unit as a means to ensure the safety of the funds. Because the marketing budget is often perceived as a variable cost, it is typically the first to be cut when firms face economic pressures (e.g., Anderson, Banker, and Janakiraman 2003; Kumar and Pauwels 2020). Reflecting this, interviews revealed that CMOs are often willing to voluntarily relinquish funds of important categories/items by allocating it to another department to protect it from potential budget cuts. For example, the Asia Pacific President of a Fortune 500 Soft Drinks Manufacturer recounted,

> "Market research is [a] very important part of the marketing budget and… typically what would happen if it's a bad year, the first thing that gets cut is market research, and what also gets cut is training… because there's no immediate impact of market research in the sales of that quarter… but we protect it with the strategy budget… So, you have strategy knowledge and insights [which] come up under a different department so that when you give them [that] money, that's frozen."

Relinquishing marketing resources by reallocating it is usually related to marketing activities that not only influence the performance of the marketing department but also the performance of other organizational units. For example, the quality of market research can fundamentally impact the effectiveness of a sales plan, the success of a new product launch, and/or the effectiveness of distribution channels (e.g., Ernst, Hoyer and Rübsaamen 2010). Therefore, if the market research budget is cut, its negative implications can extend beyond the marketing department. As such, by demonstrating to other departments how certain marketing activities can influence their KPIs, CMOs can convince the managers of these departments to help protect certain marketing funds. Relinquishing the marketing budget under these circumstances, therefore, allows CMOs to protect certain marketing activities that are critical in achieving the financial goals of the firm above and beyond protecting the marketing budget. In the words of the Group Head of Consumer Insights and Brand Development at an MNC,

> "So now I'm trying to position it in a manner that this is what we would like to do…this is what I want the businesses to do... Whether it's in my kitty or somebody else's kitty, I don't have a problem with that. So long as somebody is willing to spend."

In this sense, relinquishment serves as a stewardship signal to the CEO that the CMO has the long-term interest of the firm at heart and is not only concerned with self-interests related to empire building (see Hernandez 2012). Taken together, relinquishment serves as a signal of the CMO's credibility to the CEO and a means to build trust by mitigating agency concerns related to "empire building" and increasing the size of the marketing budget (see Hope and Thomas 2008; Jensen 1986). Indeed, by relinquishing allocated resources, the CMO signals to the CEO that her goal is to ensure that marketing KPIs can be met as opposed to increasing the size of the marketing budget in absolute terms. Formally,

***P2**: Relinquishment by the CMO during marketing budget negotiations has a positive impact on the probability of obtaining approval for a highly calibrated marketing budget.*

Proactive adaptation. Proactive adaptation refers to the degree to which the CMO responds to budgetary cut demands or the imposition of a budget with upward-bias with alternative marketing budget proposals based on her ex-ante rank ordering of resource allocations. During marketing budget calibrations, CMOs frequently classify, and rank order the level and allocation of resources along a continuum starting from the bare minimum that is required to have a reasonable probability of achieving performance targets, to the ideal level that maximizes the probability of achieving the same. This adaptation schema may either be a mental schema of the CMO, or it may be documented in a written format. The important fact to note is that this adaptation schema is gradually revealed to the CEO during the budget negotiation processes. For example, the Group Head of Consumer Insights and Brand Development at a Multinational Conglomerate recounted her use of proactive adaptation during the budget approval process,

> "So, what I normally end up doing is I always have three budgets. I have a "nice to have", I have a "must have", and then what I "can live with". And I never present the two other budgets because I always start with what I would love to have. I know I will get to what I have to [have]… "Must have" is where I want to end my negotiation."

Obtaining CEO approval for the marketing budget may take several iterations. Thus, CMOs have an adaptation schema across budgetary items when they submit the initial marketing budget proposal. The adaptation is prepared prior to presenting the budget proposal and allows CMOs to prepare for the contingency that they are asked to lower the requested resources while maintaining the associated KPIs, i.e., budget with upward bias. Proactive adaptation, therefore, conveys CMOs' effort in planning for different financial scenarios which demonstrates her capabilities. For example, the Senior Marketing Director of a Fortune 500 Multinational Technology Conglomerate recalled,

> "So, because our finance has their own point of view on what is their top-down, their allocation needs to align with our global CFO and CEO, but that takes time. So, we usually start our planning process in September and it's a parallel path. So, we don't know until probably November what would be our final marketing budget from top down, from our finance. So, we work with a few different scenarios that, what would be the really optimal ideal spending from our teams, and then what's the bare minimum. And then we work towards those different scenarios. And when we have defined a number coming from finance, then sometimes we have to cut some of the projects, or if you have enough money that we can spend in another area. So, we kind of optimize that spending based on the top-down number. And then the country and regional allocation usually is also parallel. So, we do a market prioritization and also the overall prioritization of the market, and also prioritization within each vertical."

Similarly, the Vice President and General Manager of a Multinational Packaging firm noted that incorporating proactive adaptation in the budget ensures that CMOs, at the bare minimum, have enough financial resources to achieve his/her targets,

> "You have some buffer in your budget in which you can say, look, so this one are the "must do things", and this one are the

> "nice to have". If the "nice to have" fall apart, too bad you know, we'll do next year. It would have been great to have started on e-commerce, but you know we can do it later."

These examples show that when CMOs are able to proactively adapt the proposed marketing budget to changing demands, they are more likely to be able to off-set potential budget cuts or top-down imposed KPIs with lower KPIs or higher resources respectively. As such, the use of proactive adaptation provides CMOs with room for negotiations, conveying their openness to feedback from the CEO (see Gupta, Govindarajan, and Malhotra 1999); therefore, signaling their ability to operate in the face of financial constraints. Formally,

P3*: The greater the proactive adaptation demonstrated by the CMO during marketing budget negotiations, the higher the probability of obtaining approval for a highly calibrated marketing budget.*

Granularity. Granularity refers to the degree of detail about the specific resource allocation across marketing activities that is outlined in the proposed marketing budget. When budget granularity is high, the proposed marketing budget outlines specific spending levels across different marketing actions, events, channels, brands, and products along with the timeline. For example, a CMO practicing this strategy is likely to propose a budget that features specific spending levels and the timing of spending across channels such as, social media, search engines, websites, TV, print, national and regional media, along with allocations for specific influencers, events, and sponsorships. Across interviews, several managers noted the importance of granularity. For example, the Group Head of Consumer Insights and Brand Development at a MNC recalled,

> "You [need to] have your supportings, your competitive context, your plan in place, you [need to] have activities that are actually going to go in [to the budget], and not just throw numbers in the air that I will need three campaigns, which will roughly be 6.5 million each and therefore [I need] 19.5 million; that doesn't work. You have to have your maths right. You have to have logic to why you want to do it… and that's why I'm saying we need to do the bottom up very well, so that you've got the competitive context, you've got your consumer context, you know what the marketing activities you're going to do, you know roughly what's going to cost you to do when. … go drill down to saying, okay, if I'm doing television and I'm doing 1600 GRPs, what's my cost of the GRPs? How can I negotiate and get it better? And therefore, what's the money I need?"

In contrast, a proposed marketing budget with lower granularity is likely to outline resource allocation at a higher level of abstraction across media, events, and sponsorships that is aggregated at a quarterly level. For example, the CEO of a Consumer-Packaged Goods Company noted his preference for being presented with a detailed marketing budget proposal,

> "So, to understand the budget, you've got to understand whether the clarity on the brand objective is there. What exactly are we trying to achieve? And how scientifically understood and broken down is that … don't bore me with aggregate data [in the budget]. Tell me exactly what's happening and what we are targeting."

The level of granularity in the proposed marketing budget conveys to the CEO the CMO's thought process, effort, and capabilities. That is, granularity offers the CEO greater visibility into the CMO's considerable effort in creating the marketing budget as well as how marketing budget items are planned and deployed, all of which help alleviate slack concerns.

Prior research suggests that finer and more detailed information is generally viewed as conveying higher quality of disclosure (Chen, Miao, and Shevlin 2015). As such, by signaling higher quality of effort and capabilities, granularity builds the CMO's credibility with the CEO. Additionally, higher levels of granular details in the marketing budget also enable easier assessment of whether the allocated resource and expected KPIs are aligned. This allows CMOs to argue for why KPIs can only be achieved when a certain level of resources has been allocated and argue against potential top-down imposed upward-bias and/or budget cuts. Formally,

P4: *The greater the granularity of the proposed marketing budget, the higher the probability of obtaining approval for a highly calibrated marketing budget.*

Opportunity elaboration. Opportunity elaboration refers to the degree to which the proposed marketing budget outlines specific market-based prospects that can be capitalized by implementing the proposed budget amount. Opportunity elaboration in the proposed marketing budget is about obtaining financial resources to pursue new opportunities for revenue growth as opposed to reallocating existing resources. Indeed, a 2023 McKinsey study finds that an increasing number of CEOs look to marketing and the CMO to find growth drivers (Coffee 2023). As noted by the VP of marketing for Asia-Pacific, Middle East, and Africa regions of a Public Food Company,

> "In terms of how to ask for more money, in today's world it is 100% unilaterally linked to revenue growth… So, the only thing that is working is [a] new launch, [i.e.,] investment required for a commitment I'm making in driving top line. Or an old brand where we're going to accelerate and we're going to move into a

> particular direction. But if it's going to be reallocation of funds, you will never get more money."

Importantly, interviews revealed that opportunity elaboration extends beyond the mere identification of a general "opportunity area." It involves articulating a specific and relatively unexplored marketing opportunity, supported by a compelling business narrative. This process demands substantial effort and detailed analysis. For example, it is not enough for the proposed marketing budget to state that there are growth opportunities in Africa. The proposed opportunity also needs to detail the specific market in Africa that offers the opportunity and how the marketing department can leverage that opportunity for growth. In the words of the CEO of a Public Personal-Care Company,

> "We have a process that I call oxygen money. If you have a plan to present where you think you can do something [or] there is an opportunity, [it] could be also [that] you see a market opportunity, if someone leaves a market or whatever. Everybody can come up and present an alternative business plan with a higher investment. One of the examples was Nigeria. It is the most populous country in Africa, then they closed the border for any foreign cosmetics companies, L'Oréal left the country, a lot of international players left. So, the guy in Nigeria came in and said, we are going to do the reverse. I propose completely the reverse: we go in, we set up our own company, we set up a factory and everything. So that would be a typical example where someone comes and says, "I pitch for more money", and we would take into that and make a call on doing that or not doing that. So that's a typical example of where someone can pitch but [s(he)] has to come up with a business plan on what they want to do on top of, or extraordinary compared to, the standard process… for example, in Europe, there was a plan a

> year ago to go into natural cosmetics, organic cosmetics, something that we have not done in our lives. So, they came up with a plan on launching a new brand, in natural cosmetics in Europe."

Outlining the value and uniqueness of the opportunity is critical because it presents a more persuasive case to CEOs who are typically under pressure to deliver top line growth (also see White, Varadarajan, and Dacin 1993). Indeed, discussing the importance of opportunity elaboration, the Global Head of Integrated Brand Communications at a Multinational Oil and Gas Company noted,

> "Usually if you want to increase last year's budget, you need to have a strong motive to do that … you need to frame the opportunity… If the margin is really good, then you have an opportunity to try to increase your share of the market and capitalize on that additional margin. If you feel that the market is growing, you want to have a bigger share of that market when the market is growing, then you need to build those business cases and basically develop a good rationale on why you need more budget… There's sometimes legislation that changes in the country, et cetera."

Taken together, higher levels of opportunity elaboration signals in the proposed marketing budget are likely to increase the probability of CMOs in securing sufficient resources required to achieve the expected performance targets. Indeed, by being specific with the opportunity, not only does it demonstrate the CMO's high quality of effort, but it also enables the CEO to better monitor the costs and returns associated with the opportunity. The significant CMO effort and lowered monitoring cost signal higher credibility of the presented opportunity and alleviates agency concerns of budget slack.

Additionally, by being specific with the opportunity, the CMO is also able to argue for why a certain amount of resourcing is required to accomplish the opportunity and argue against any imposition of lowering than required resourcing to achieve the same. Formally,

P5: *The greater the opportunity elaboration in the proposed marketing budget, the higher the probability of obtaining approval for a highly calibrated marketing budget.*

Threat mitigation. Threat mitigation refers to the degree to which the proposed marketing budget articulates not only the marketing actions of competitors but also their potential consequences for the firm. Across interviews, several CMOs emphasized the importance for the proposed marketing budget to articulate the marketing actions of competitors and their impact on the focal firm's performance. For example, the President of International Business of a Consumer-Packaged Goods Company noted,

> "The first rule of thumb for a marketeer when he's sitting down and looking at the budget from an external point of view is, what [are] your competitors doing and therefore what you are seeking to do. So therefore, we will look at share of voice versus your share of market. Classically, if you are investing in that market for your brand, your share of voice should be higher than the share of market, at least over a number of years… You won't have the data for the future, but you will definitely know with regards to where you are netting out now and who are your competitors who are kind of outspending you etc."

Focusing on competitor actions and their implications in the proposed budget is important for three critical reasons. *First,* elaborating competitive actions allows CEOs to understand why CMOs need the requested budget. This clarity of competitor actions and their implications are critical because firms typically use vague language and more subtle signals towards their direct competitors (see for e.g., Guo, Yu, and Gimino 2017). In the words of the Group Head of Consumer Insights and Brand Development at a Multinational Conglomerate,

> "You have to get a complete understanding of what's happening in larger categories, what's happening in competition and therefore why are you proposing what you're proposing?"

Second, threat mitigation allows CMOs to persuasively make the case for re-evaluating existing marketing actions in existing markets in investing up to meet expected performance targets. Threat mitigation ensures that the firm is fulfilling its full market share potential by assessing things differently. Consider the experience of the CEO of a Public Personal-Care company,

> "One part is also [that] there's one area [or] one category which we do not gain or gain enough. Because it's nice to look at market share, but it's obviously comparing to the best in the market you have to see what we are doing. [For example], I was absolutely convinced that we were underfunded in Europe on [a] category. So, people came back with a whole analysis on this… [and said] we are going to continue sliding down… [and] we need to top up the marketing budget in order to achieve our targets. So … it's not a new opportunity [but that] simply in our plan [we are] not being robust enough, or underfunded to make the targets work… If we do not gain share, if we lose value, if we lose penetration, then I expect people to act. And so, this was one example in which…they came back with a proposal to say, listen, we have to do this differently in the existing markets."

Third, threat mitigation allows CMOs to outline the need for a differentiated response to competitors. This is an important consideration because some firms cannot match their competitors' marketing budgets. As noted by the CEO of a European Organization of Advertisers,

> "[Company X] started from a financial perspective: this is as much as we can afford in marketing, so … I could of course see that if we have an ambition to grow market share this will not be enough [budget] based on what you can see in the share of voice, share of spend that you have; the competitive situation, how intense are my competitors when it comes to marketing. And the biggest player in Sweden is Company Y, it's a German construction [company] and … they are all over the place and seem to have a marketing budget that is huge. And of course, it's hard to say that we need to have the same marketing budget as Company Y [because] we [would] need to actually triple the budget if we are going to increase the traffic, the growth and also hopefully the profitability of the growth."

Importantly, being cognizant of the threats and the limitations of the focal firm can serve as a springboard for CMOs to outline innovative marketing actions in the proposed budget. The CMO therefore demonstrates her substantial effort in formulating a differentiated response to potential threats which signals her competence and lowers CEO slack concerns. Additionally, threat mitigation signals in the proposed marketing budget allow CMOs to outline the reasons more persuasively for the requested resources in relation to expected performance outcomes. This helps mitigate potential budget cuts and/or CEO imposed KPIs that may be difficult to achieve with the given resources. Formally,

P6*: The greater the threat mitigation in the proposed marketing budget, the higher the probability of obtaining approval for a highly calibrated marketing budget.*

3.4. The Moderating Impact of the Repeated Use of Marketing Budgeting Signals

CMOs, i.e., agents, wishing to remain differentiated will signal repetitively to CEOs, i.e., principals, during the budgeting cycle to reduce information asymmetry (see Janney & Folta, 2003, 2006; Park & Mezias, 2005). Indeed, the CMO can enhance signaling effectiveness by increasing the number of times the same marketing budgeting signal is transmitted to the CEO, i.e., by increasing signal frequency (Janney & Folta, 2003; Baum & Korn, 1999; Carter, 2006). For example, because granularity signals demonstrate CMO credibility and marketing budget quality, by increasing the frequency of its use, the CEO's positive perception of the CMO may enhance. This in turn may increase the probability that the CEO will approve the CMB.

However, repeated use of some of the budgeting signal can also potentially backfire, causing the CEO to doubt the CMO's genuine intent. This is because features of certain signals may be unintentional and negative (Perkin and Hendry, 2005) and signal credibility can change over time (Janney and Folta, 2003). This negative effect occurs because the CEO may perceive the CMO's repeated use of certain signals as insincere or politically motivated, leading to a potential reputational loss of credibility for the CMO. For example, while cultivated endorsements are crucial in demonstrating the CMO's ability to garner support, its repeated use may raise concerns about empire building. Similarly, relinquishment can be a strong signal of the CMO's credibility, but it is more effective when used sparingly. Repeated use of relinquishment signals over multiple budgeting cycles may give the CMO a reputation for not being a team player.

Indeed, prior organizational research highlights the importance of gaining a positive reputation over time as a signal of firm legitimacy and quality. For example, firms achieve legitimacy by signaling their unobservable quality through prestigious boards of directors (Certo et al., 2001) or top managers (Lester et al., 2006). Similarly, a firm's signal efficacy is influenced by historical signals because firms build a reputation from prior signals (Heil & Robertson, 1991; Coff, 2002; Deephouse, 2000).

Following research on the repeated use of signals, it is critical to examine the outcomes of the repeated use of the marketing budgeting signals identified in this study (see Nadkarni, Pan, and Chen, 2019). Building on these fundamental insights from signaling theory, I argue that in deploying the six marketing budgeting signals to obtain approval for a CMB, the repeated use of some of the signals may decrease in effectiveness while the repeated use of others may increase in effectiveness.

Cultivated Endorsements. Cultivated endorsements demonstrate the CMO's ability to collaborate with different organizational units. While the CMO's ability to work with different stakeholders is a salient concern for the CEO, repeated support from the same organizational unit leaders may seem suspicious since organizational requirements and effectiveness change over time (Cameron and Whetten 1981).

Prior research suggests that cooperative signals elicit cooperative responses (Robertson, Eliashberg and Rymon 1995). CMOs can thus demonstrate her collaboration skills through visible signals of multiple buy-ins from different organizational units. However, consistent support for the marketing budget under different conditions may come across as disingenuous. For example, while cultivated endorsements may initially help the CMO obtain the marketing budget, if the CMO consistently secures support from the same influential department leaders during both economic upturns and downturns, the CEO may become suspicious of the support. Over time, the repeated use of endorsement signals may lead the CEO to perceive the CMO as an astute politician rather than viewing the endorsements as sincere support for the budget items, resulting in diminishing returns. Indeed, genuine support from other organizational members is essential for the support to be effective and convincing (see Workman, Homburg, and Gruner 1998).

Excessive demonstration of cultivated endorsements may thus increase agency concerns related to “empire building” and the CMO may come across as being concerned with self-interests of building personal support and/or support for a large budget rather than having the interest of the firm at heart (Hope and Thomas 2008; Jensen 1986). In other words, the CEO may perceive repeated marketing budget support as orchestrated by the CMO to curry favor to secure approvals, rather than as genuine support from other executives. This suspicion may lead the CEO to question the authenticity of the endorsements as actual advocate for well-supported marketing initiatives. Formally,

P7*: The positive impact of cultivated endorsements on obtaining a calibrated marketing budget becomes weaker through its repeated use.*

Proactive Adaptation. Proactive adaptation demonstrates the willingness of the CMO to respond to budgeting feedback from the CEO and adapt the marketing budget accordingly. While proactively altering the marketing budget to meet the CEO’s demands demonstrates the CMO’s ability to work within organizational constraints, over time however, it may give the CEO the impression that the CMO always has a backup plan and only shares the easiest option unless pressured.

Prior research shows that executives tend to withhold alternative, and potentially superior, strategies which they think have little chance of acceptance (Carter, 1971). However, consistently withholding alternative strategies may lead the CMO to only present non-innovative marketing strategies that she knows the CEO will accept (see Bourgeois and Brodwin 1984). An astute CEO may perceive repeated proactive adaptation as political maneuvering and unproductive, interpreting it as an attempt by the CMO to play it safe rather than take risks to innovate. As such, the CEO might become concerned that the CMO is more focused on maintaining approval and avoiding conflict, rather than driving the company forward with fresh, creative strategies. Over time, the CMO may acquire a reputation for being dishonest since she comes across as someone who always has something up her sleeve. As such, the effectiveness of proactive adaptation will diminish over repeated use. Formally,

P8*: The positive impact of proactive adaptation on obtaining a calibrated marketing budget becomes weaker through its repeated use*.

Relinquishment. Relinquishment signals are more likely to be departures from the status quo. This is an important point to note because accepting significant departures from the status quo require the CEO to have a higher degree of trust and confidence in the CMO. Research strongly indicates that trust and confidence are more likely to build over time as both parties have positive experiences with each other (see Vanneste, Puranam and Kretschmer 2014; Schaubroeck, Peng and Hannah 2013). However, by consistently refusing to collaborate with budget demands and demonstrating poor cooperation by returning funds and KPIs, the CEO may question whether the CMO has the firm's best interests at heart resulting in negative CEO-CMO interactions. Furthermore, given that relinquishment involves the CMO giving up control over parts of her budget, its repeated use may be perceived by the CEO as a move to avoid responsibilities, i.e., shirking. As such, the repeated use of relinquishment is likely to decrease the CEO's trust for the CMO and more likely to be received negatively by the CEO. Formally,

P9*: The positive impact of relinquishment on obtaining a calibrated marketing budget becomes weaker through its repeated use.*

Granularity**.** Granularity demonstrates the CMOs willingness to create a more effortful budget that is detailed and comprehensive. A granular budget is more demanding of the CMO because she has to invest significant effort and resources to stay up to date with the nuances and intricacies of the firm's internal systems as well as the operating environment. Indeed, research suggests that people use information about the effort exerted by others as a signal for the quality of the work produced (Cho and Schwarz 2008; Kruger et al. 2004). For example, the higher the number of hours an artist takes to finish a painting, i.e., the observable effort invested by the artist, the better crafted the work is perceived to be (see Thompson and Ince 2019).

This means that because granularity demonstrates processing difficulty for the CMO, the CEO perceives the task of creating a granular budget to be more challenging. This in turn enhances the CEO's perception of the CMO's capabilities. This effect will increase and strengthen when repeated over time as the CMO continues to persevere to construct detail-oriented marketing budgets. Research finds that repeated trustworthy actions significantly increase long-term trust (Schweitzer, Hershey and Bradlow 2006). As such, because granularity signals the CMO's trustworthiness through the increased transparency of the marketing budget, the repeated use of granularity signals will increase the trust between the CMO and CEO. This in turn will lead to a higher probability of obtaining approval for a highly calibrated marketing budget. Formally,

***P10**: The positive impact of granularity on obtaining a calibrated marketing budget becomes stronger through its repeated use.*

Opportunity Elaboration. Opportunities and threats are the mental schemata that commonly underlie executives' interpretations of the market environment (Atuahere-Gima 2005). Because opportunity elaboration has a positive framing, it is more demonstrative of the CMO's capabilities. Indeed, opportunity identification refers to the tendency of executives to interpret a market situation as having positive implications for the firm as well as representing a potential gain for the firm (Thomas, Clark, and Gioia 1993, Atuahere-Gima 2005).

A 2019 McKinsey study found that 83% of global CEOs look to marketing as a major driver of growth. Thus, opportunity elaboration is also consistent with the mandate of a CMO being a driver of sales growth for the firm. As such, the CEO will perceive the repeated use of opportunity elaboration as the CMO's consistent ability to identify specific market opportunities and drive sales growth. Opportunity elaboration signals thus serve to showcase the growth capabilities of the CMO which will strengthen through its repeated use. Formally,

***P11**: The positive impact of opportunity elaboration on obtaining a calibrated marketing budget becomes stronger through its repeated use.*

Threat Mitigation. Executives who perceive threats rather than opportunities in the market environment tend to become risk averse over time and focused on strategic areas they have more control over (see Thomas, Clark, and Gioia 1993; Atuahene-Gima 2005). For example, they may focus more on improving the efficiency of existing firm strategies, operations and/or activities rather than exploring new areas of growth. This is comparable to the conceptualization of threat mitigation, which makes the case for re-evaluating existing marketing actions in existing markets to ensure that the firm is fulfilling its market potential.

Viewed through the lens of agency theory, risk aversion is considered an undesirable executive attribute (Jensen & Meckling 1976). Compensation research rooted in agency theory has focused on how to overcome executive risk aversion through incentives (Fama and Jensen 1983). [5] The repeated use of threat mitigation is thus a strong signal of the CMO's low levels of risk tolerance. As such the CEO may view repeated threat mitigation signals as a sign of general risk averse behavior which could lead to organizational threat-rigidity (Staw, Sandelands and Dutton 1981) and initiate unfavorable concerns for the CMO's capabilities. Formally,

***H12**: The positive impact of threat mitigation on obtaining a calibrated marketing budget becomes weaker through its repeated use.*

---

[5] Executive compensation research argues that executive wealth concentration (Devers et al. 2008) leads executives to avoid risky projects with potentially substantial returns (Jensen & Meckling, 1976), and instead focus on projects with a limited downside (O'Connor, Priem, Coombs and Gilley 2006).

3.5. Discussion

Managerial Implications

For decades, the Marketing Science Institute has had the research priority of "demonstrating returns on marketing expenditures" to help CMOs secure and defend the marketing budget. Indeed, a lack of clarity on marketing ROIs is costly and can foster distrust between CMOs and CEOs. This ambiguity often results in firms prioritizing short-term savings over long-term gains, leading to frequent cuts in the marketing budget (Whitler 2019). A 2023 McKinsey survey underscores this challenge, revealing that less than 60% of CEOs believe marketing KPIs are clearly linked to business impact (see Brodherson et al. 2023). Consequently, 59% of CMOs feel increased pressure to prove marketing's impact on business outcomes which continues to be one of the biggest CMO challenges (The CMO Survey 2022; also see Moorman and Kirby 2019).

This research offers an alternative approach to arguing for marketing resources based on ROIs and marketing metrics alone. Indeed, obtaining marketing resources is a complex socio-political and economic process, and marketing budgeting is fundamentally an organizational process that involves multiple strategic conversations between the CMO and CEO. As such, by fully grasping the intricacies of the budgeting process, the CMO can argue for marketing resources by utilizing strategic actions, i.e., marketing budgeting signals, in addition to presenting data from econometric models centered around ROIs.

Thus, marketing budgeting fosters a strategic dialogue between the CMO and CEO that aligns marketing strategy with broader business objectives. This ensures that marketing decisions are grounded in comprehensive business impact. Additionally, marketing budget calibrations ensure that CMOs are engaging with CEOs to clearly define marketing budget expectations to construct marketing budget proposals with achievable KPIs.

This dissertation brings to fore the behind-the-scenes aspects of the marketing budgeting process and expands CMOs' budgeting toolkit by identifying six marketing budgeting signals. The research finds that the marketing budgeting process is as much about demonstrating a high-quality budget proposal as about signaling CMO competence and sincerity. Signals CMOs use to prepare and negotiate the marketing budget thus has direct implications for the probability of obtaining approval for a CMB. As such, from a managerial perspective, the six signals can be used individually or together to 1) overcome potential budget cuts and/or top-down imposed KPIs, 2) promote cross functional collaborations, and 3) support firm growth. I now elaborate on these three aspects.

Budget Cuts. Relinquishment, proactive adaptation, threat mitigation and granularity signals are all crucial signals CMOs can use to manage under-resourcing challenges and overcome budget cuts. For example, despite enthusiasm for generative AI, 75% of CMOs feel pressured to reduce martech spending due to the low utilization rate of martech investments (42%) (Gartner CMO Spend and Strategy Survey 2023). Cutting the martech budget can significantly reduce marketing's spending power since the martech budget accounts for over a quarter of the total marketing budget (McIntyre 2023).

As such, CMOs can use granularity signals to demonstrate the value of martech investments and overcome cut pressures. Indeed, granularity in the marketing budget proposal can help CMOs make a business case for martech investments and explain, line by line to the CEO, the reasoning behind the requested resources and its attached KPIs. Thus, martech investment requests presented with granular details is less likely to be cut when every dollar is accounted for, especially since any resource cut would demonstrably impact its associated KPIs and in turn firm performance.

Similarly, threat mitigation signals can also be utilized to highlight the potential consequences of martech cuts. CMOs can advocate for innovative martech investments to meet performance targets that are differentiated from competitors. Finally, CMOs can also use relinquishment and proactive adaptation signals to adapt the marketing budget to budget cuts accordingly; either by giving up on specific martech investments and its expected KPIs in its entirety, or by adapting the marketing budget proposal, respectively.

Collaboration. The CMO survey (2023) underscores a concerning lack of collaboration between marketing departments and other functions, particularly highlighting marketing's minimal engagement with the HR and Finance functions. However, our findings emphasize the need for CMOs to alter their approach by recognizing that cultivating endorsements from other functions are essential for achieving a CMB. By fostering collaborations with non-marketing functions, CMOs can align organizational objectives and marketing resources more effectively, enhancing the impact of the marketing budget to drive sustainable firm growth.

From a CEO-CMO collaboration perspective, firms with effective CEO-CMO collaboration perform better over time (Coffee 2023). However, only 31% of CEOs report that their CMOs share their long-term vision, the lowest when compared to other C-suite executives (Boathouse 2023). Indeed, CMOs often have different viewpoints from their CEOs on marketing priorities. This misalignment highlights significant communication and strategic disconnections between the CMO and CEO, which can hinder organizational performance.

Proactive adaptation signals deployed by CMOs can help bridge this gap by demonstrating the CMO's willingness to respond to CEO feedback. By collaborating with the CEO to adjust the marketing budget proposal, the CMO can help align marketing efforts with corporate strategy through modifying the marketing budget proposal accordingly. This in turn enhances the mutual understanding of the CMO and CEO, resulting in a marketing budget that reflects their joint efforts.

Similarly, granularity signals offer a promising avenue to increase CEO-CMO collaboration by addressing the misalignment between expectations and outcomes. Granularity signals also enable the CMO to better explain the strategic thinking behind specific marketing investments. By facilitating the pre-alignment of resource allocation and expected outcomes, granularity signals foster better CEO understanding and agreement on the marketing strategy, which can effectively address the root cause of CEO dissatisfaction. Granularity can thus ensure that the CMO and CEO are both on the same page regarding strategic priorities and implementation, which can lead to improved implementation outcomes and ultimately enhance the CEO-CMO relationship and organizational performance.

***Growth*.** CEOs are increasingly focusing on the marketing function to spearhead their growth agendas in an unsteady economy (Coffee 2023).

According to a 2019 McKinsey study, 83% of global CEOs recognize marketing as a major growth driver, but 23% feel it falls short of expectations. Indeed, CEOs who prioritize marketing in their growth strategy are twice as likely to achieve over 5% annual growth compared to their peers (Brodherson et al. 2023).

By utilizing opportunity elaboration signals, CMOs can address CEOs' growth expectations by identifying specific firm opportunities for growth and fostering a dynamic relationship with the CEO. Thus, opportunity elaboration signals enable CMOs to transition into enterprise leaders who focus on revenue growth, aligning their roles more closely with business objectives and long-term firm performance.

Finally, from a pedagogical perspective, marketing textbooks can incorporate the insights from this study as marketing budgeting is a critical subject for CMOs, aspiring CMOs and business students. This inclusion would provide valuable insights into real-world practices and challenges, enriching the educational experience and better preparing students for the complexities of marketing management roles.

Theoretical Implications

This study contributes to extant literature on marketing budgets that predominantly focuses on the optimal allocation of the marketing budget across marketing channels, products, brands, and geographical locations (e.g., Kolsarici, Vakratsas, and Naik 2020; Peers, van Heerde, and Dekimpe 2017). The research synthesizes the received view with the theories-in-use of 32 CMOs and CEOs to bring to fore the making of a marketing budget as an organizational process. The organizational process-based view facilitates the identification of CMB as a key dimension that both the CMO and CEO seek and articulates specific marketing budgeting signals CMOs can deploy to obtain a CMB. As such, this research directly responds to recent calls for more field-based research that can provide organic insights indigenous to marketing (see Moorman et al. 2022; Sridhar et al. 2023) and are specifically related to the interactions of CMOs with other members of the top management team (see Whitler et al. 2021).

The proposed CMB construct has direct implications for the broader budgeting literature. Extant budgeting literature is focused on budgetary slack which managers obtain by either seeking easy budget targets (e.g., Aranda, Arellano, and Davila 2014), or more resources to build budget slack (e.g., Douthit and Stevens 2015). Studies, therefore, predominantly focus on understanding the antecedents, consequences, and levels of budget slack (e.g., Heinle, Ross, and Saouma 2014). Relatedly, there is also several research papers focused on the conceptual opposite of budgetary slack, i.e., upward-bias, which the imposition of top-down imposed KPIs (see Lukka 1988; Bourgeois and Brodwin 1984). In contrast, interviews with both CMOs and CEOs reveal a more nuanced view that CMOs and CEOs seek to calibrate their approved budget vis-à-vis the expected KPIs. In this sense, achieving a CMB is a more positive approach and outcome, as opposed to reducing marketing budget slack or upward-bias. Interestingly, research shows that a more positive framing of a decision is likely to lead to more effective outcomes as opposed to negative framing (e.g., Jain et al. 2007). Therefore, a direct implication is that rather than focusing on the reduction of budgetary slack and/or upward-bias, perhaps it will be more fruitful to adopt a more positive approach and explore how budgets across domains such as capital expenditure, R&D, and information systems can be more calibrated.

The CMB construct also has implications for critical marketing organization constructs such as marketing capabilities and market scoping. For example, given that a CMB encompasses arriving at adequate resources for the marketing department, it can be viewed as a critical facet of marketing capabilities, i.e., a firm's ability to deploy market-based resources associated with the marketing function to generate profitable growth (see Morgan, Slotegraaf, and Vorhies 2009). As such, CMB provides a clear linkage between marketing's probability in securing resources and the development of marketing capabilities.

Prior work in the budgeting literature predominantly focusses on considerations related to monitoring costs incurred by a principal in developing and implementing a contract with an agent (e.g., Heinle, Ross, and Saouma 2014). However, little research considers the importance of signals that an agent can use ex-ante to finalizing the contract as a means to overcome agency concerns. As such, the marketing budgeting signals used by CMOs extend our understanding of contract formation in marketing budgeting, i.e., the process of constructing and obtaining approval for a marketing budget.

Finally, by considering the differences in the efficacy of the marketing budgeting signals when repeatedly used, this research answers recent calls for more research on processes related to marketing strategy from a CMO's perspective (see Morgan et al. 2019). In this regard, the proposed contingency perspective argues that signals that demonstrate the CMO's capabilities and efforts are likely to be more effective when repeated, whereas signals that may raise questions about the CMO's agenda and credibility are less effective when repeated. As such, since the frequency of deploying marketing signals are in the CMO's control, this research contributes to nascent literature on specific actions that a CMO can take to grow the marketing function (see Boyd, Chandy, Cunha Jr 2010).

Future Research

As the first study using a TIU approach to understand the marketing budgeting process, it offers initial insights into the process of arriving at a CMB with the objective of starting the journey of developing a rich research agenda in this domain. In this spirit, future research can follow research in signaling theory to carefully examine the unexpected spillover effecrs of marketing budgeting signals as well as consider additional contingencies related to the signal receiver and the signaling context (see Connelly et al. 2011). Accordingly, Table 6 outlines key research questions that could be a fertile avenue for future research.

[Insert Table 6 About Here]

Externalities. Future research can follow signaling theory research to examine the unexpected externalities that could result from the use of the proposed signals. For example, applying signaling theory, Cristea and Leonardi (2019) find that whereas employees' physical presence at work signal their commitment to the firm, in geographically distributed teams these efforts can also lead to feelings of sacrifice in employees' personal lives and create subsequent challenges for the firm. In the case of marketing budgets, it is possible that the proposed signals can lead to unexpected externalities that CMOs need to be alert to. For example, can a high level of granularity in the approved marketing budget pose an ex-post accountability challenge for a CMO in the event of unexpected changes that necessitate marketing agility (Kalaignanam et al. 2021)? In adopting a more positive perspective, is it possible that opportunity elaboration could lead to a firm becoming more open to alliances and joint ventures as they seek to capitalize on these opportunities?

Contingencies. Future research can also dig deeper into additional contingencies that are likely to be relevant for the effect of marketing budgeting signals on securing a CMB. For example, future research could examine the efficacy of the proposed signals in firms with a cost emphasis as compared to those with a revenue emphasis (see Rust, Moorman and Dickson 2002). Arguably, the use of cultivated endorsements is likely to be more effective for firms with a cost emphasis because there is a greater need to persuade senior executives who are likely to be more focused on operational efficiencies (see Wirtz and Zeithaml 2018). In contrast, opportunity elaboration could be less effective in firms with a cost emphasis because they are less likely to be receptive to taking the “risk” of exploring new opportunities (see for example Bhattacharya, Morgan and Rego 2021).

Measuring CMB. While the contribution of this dissertation is in identifying and conceptualizing the CMB construct, future research can build on this conceptual foundation to measure this construct. One avenue for measuring CMB could be to use a survey-based approach to assess the degree to which the CMO and CEO perceive the approved budget to be calibrated. For example, researchers could ask participants to respond to a simple question, “To what extent do you believe the marketing budget provides requisite resources to meet the expected KPIs". Following the responses, scholars could examine cases where there is greater versus lower agreement between the CMO and CEO to identify the drivers of these differences and potential consequences of the same. It is plausible to argue that the degree of differences between the CMO and CEO regarding the calibration of the marketing budget could be a leading indicator of CMO turnover, which is a critical concern for the marketing function (see Whitler and Morgan 2017).

Implementing the Marketing Budget. Whereas the current study focuses on understanding how CMOs can secure a CMB, much remains unknown about implementing the marketing budget. Indeed, some participants noted that being able to implement the approved marketing budget comes with its own set of unique challenges. For example, marketing myopia, i.e., managers cutting back on marketing spending to enhance the reported profits (see Mizik 2010), is a likely strategy used by country managers who are evaluated on their profit contributions. Accordingly, some firms adopt structural policies to protect the approved marketing budget during implementation. As shared by the Group Head of Consumer Insights and Brand Development at a Multinational Conglomerate,

> "I think company X had one of the best practices on how much money needs to go into absolute media, they were sacrosanct. So, if I had a bad year and I cut down my marketing budget to kind of get to the end number, it was not looked at all, I had to do everything else that I had to do to get to the end result, but cutting down media was a non-option. And that is the discipline that they really had because they really believed in investing behind the brand. So even if you had to cut down marketing activities, it was [the] below the line [activities], it was the

> ancillary services that you cut down a bit, but never ever [do] you cut down the investment that you need to build brands."

Future research, therefore, could explore the specific mechanisms that principals use to guard against the threat of marketing myopia.

3.6. Conclusion

Using an approach that explores the TIU of both CMOs who build and seek approval for marketing budgets as well as CEOs who approve marketing budgets, this dissertation identifies the CMB as the key objective pursued by both parties. In addition, this research identifies marketing budget signals that CMOs can use to arrive at a CMB and examines the difference in their effectiveness when used repeatedly by the CMO. In doing so, the current manuscript seeks to serve as the first step in exploring this critical domain of research.

REFERENCES

Anderson, Marc C., Rajiv Banker, and Surya N. Janakiraman (2003), "Are Selling, General, and Administrative Costs "Sticky?" *Journal of Accounting Research*, 41 (1), 47–63.

Aranda, Carmen, Javier Arellano, and Antonio Davila (2014), "Ratcheting and the Role of Relative Target Setting," *The Accounting Review*, 89 (4), 1197–226.

Atuahene-Gima, Kwaku (2005), "Resolving the Capability: Rigidity Paradox in New Product Innovation," *Journal of Marketing*, 69 (4), 61–83.

Baiman, Stanley (1990), "Agency Research in Managerial Accounting: a Second Look," *Accounting, Organizations Society*, 15 (4), 341–71.

Baiman, Stanley and Barry L. Lewis (1989), "An Experiment Testing the Behavioral Equivalence of Strategically Equivalent Employment Contracts," *Journal of Accounting Research*, 27 (1), 1–20.

Baum, Joel A. C. and Helaine J. Korn (1999), "Dynamics of dyadic competitive interaction," *Strategic Management Journal*, 20(3), 251-278.

Bellezza, Silvia, Francesca Gino, and Anat Keinan (2013), "The Red Sneakers Effect: Inferring Status and Competence from Signals of Nonconformity," *Journal of Consumer Research*, 41(1), 35–54.

Bergen, Mark, Shantanu Dutta, and Orville C. Walker Jr. (1992), "Agency Relationships in Marketing: A Review of the Implications and Applications of Agency and Related Theories," *Journal of Marketing*, 56 (3), 1–24.

Berk, Jonathan B., and Peter M. DeMarzo (2020), *Corporate Finance*. Pearson Education Limited.

Best, Roger, J. (2009), *Market-Based Management: Strategies for Growing Customer Value and Profitability*. Pearson Education.

Bhattacharya, Abhi, Neil A. Morgan, and Lopo L Rego (2021), "Customer Satisfaction and Firm Profits In Monopolies: A Study Of Utilities," *Journal of Marketing Research*, 58 (1), 202–222.

Bird, Rebecca B and Eric A. Smith (2005), "Signaling Theory, Strategic Interaction, and Symbolic Capital," *Current Anthropology*, 46 (2), 221–48.

Boathouse (2023), "The Third Annual CEO Study on Marketing and the CMO," https://www.boathouseinc.com/insights/ceo-study-on-marketing-and-the-cmo?utm_campaign=2024-ceo-study&utm_source=linkedin&utm_medium=post2.

Boulding, William and Amna Kirmani (2000), "A Consumer-Side Experimental Examination of Signaling Theory: Do Consumers Perceive Warranties as Signals of Quality?" *Journal of Consumer Research*, 20 (1), 111–23.

Bourgeois, L.J. and David R. Brodwin (1984), "Strategic Implementation: Five Approaches to an Elusive Phenomenon," *Strategic Management Journal*, 5(3), 241-264.

Bower, Joseph L. (2009). "Managing your CEO's succession," in *The Future of Boards: Meeting the Governance Challenges of the Twenty-First Century*. Harvard Business Review Press, 53–75.

Boyd, Eric D., Rajesh K. Chandy, and Marcus Cunha JR. (2010), "When do Chief Marketing Officers Impact Firm Value? A Customer Power Explanation," *Journal of Marketing Research*, 47(6), 1162–1176.

Bragaw, Nathan A., and Vilmos F. Misangyi (2022), "Disentangling Strategic Consensus: Strategic Consensus Types, Psychological Bonds, and Their Effects on Strategic Climate," *The Academy of Management Review*, 47 (4), 668–91.

Brodherson, Marc, Jennifer Ellinas, Ed See, and Robert Tas (2023), "The Power of Partnership: How the CEO-CMO Relationship Can Drive Outsize Growth," (October 26), https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/the-power-of-partnership-how-the-ceo-cmo-relationship-can-drive-outsize-growth.

Brown, Zachariah C., Eric M. Anicich, and Adam D. Galinsky (2020), "Compensatory Conspicuous Communication: Low Status Increases Jargon Use," *Organizational Behavior and Human Decision Processes*, 161, 274-290.

Brown, Jason L., John H. Evans, and Donald V Moser (2009), "Agency Theory and Participative Budgeting Experiments," *Journal of Management Accounting Research*, 21 (1), 317–45.

Burchett, Molly R., Brian Murtha, and Ajay R. Kohli (2023), "Secondary Selling: Beyond the Salesperson–Customer Dyad," *Journal of Marketing*, 0 (0).

Butt, Cody, Hussein Hakim, Jeff Jacobs, and Rachael Schaffner (2020), "An Essential Marketing Tool in a Downturn: Spend Management," *McKinsey & Company* (May 6), https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/an-essential-marketing-tool-in-a-downturn-spend-management.

Cameron, Kim S., and David A. Whetten (1981), "Perceptions of Organizational Effectiveness Over Organizational Life Cycles," *Administrative Science Quarterly*, 26(4), 525–44.

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.

Carter, Eugene E. (1971), “The behavioral theory of the firm and top-level corporate decisions,” *Administrative Science Quarterly*, 16(4), 413-428.

Carter, Suzanne M. (2006), “The interaction of top management group, stakeholder, and situational factors on certain corporate reputation management activities,” *Journal of Management Studies*, 43(5), 1146-1176.

Certo, Trevis S., Catherine M. Daily and Dan Dalton (2001), “Signaling firm value through board structure: An investigation of initial public offerings,” *Entrepreneurship Theory and Practice*, 26(2), 33-50.

Chakravarty, Anindita and Rajdeep Grewal (2016), “Analyst Earning Forecasts and Advertising and R&D Budgets: Role of Agency Theoretic Monitoring and Bonding Costs,” *Journal of Marketing Research*, 53 (4), 580–96.

Challagalla, Goutam, Brian R. Murtha, and Bernard Jaworski (2014), “Marketing Doctrine: A Principles-Based Approach to Guiding Marketing Decision Making in Firms,” *Journal of Marketing*, 78 (4), 4–20.

Chase, Kevin S. and Brian Murtha (2019), “Selling to Barricaded Buyers,” *Journal of Marketing*, 83 (6), 2–20.

Chen, Shuping, Bin Miao, and Terry Shevlin (2015), “A New Measure of Disclosure Quality: The Level of Disaggregation of Accounting Data in Annual Reports,” *Journal of Accounting Research*, 53 (5), 1017–54.

Cho, Hyejeung and Norbert Schwarz (2008), “Of Great Art and Untalented Artists: Effort Information and the Flexible Construction of Judgmental Heuristics,” *Journal of Consumer Psychology*, 18 (3), 205–211.

Ciampa, Dan and Michael Watkins (1999), *Right from the Start: Taking Charge in a New Leadership Role*. Harvard Business School Press.

Citrin, James M. and Gregory W. Welch (2021), “The CMO Playbook: Getting Off to a Strong Start as a New Chief Marketing Officer”, *SpencerStuart* (August), https://www.spencerstuart.com/research-and-insight/the-cmo-playbook.

Coff, Russell W. (2002), “Human capital, shared expertise, and the likelihood of impasse in corporate acquisitions,” *Journal of Management*, 28(1), 107-128.

Coffee, Patrick (2023), "Divide Between CMOs and CEOs Is Growing, Research Finds," (October 30), https://www.wsj.com/articles/divide-between-cmos-and-ceos-is-growing-research-finds-a73374f4?st=lw8oivjqbvx5tcv&reflink=article_email_share.

Connelly, Brian L., S. Trevis Certo, R. Duane Ireland, and Christopher R. Reutzel (2011), "Signaling Theory: A Review and Assessment," *Journal of Management*, 37 (1), 39–67.

Cristea, Ioana C. and Paul M Leonard (2019), "Get Noticed and Die Trying: Signals, Sacrifice, and the Production of Face Time in Distributed Work," *Organization Science*, 30 (3), 552–572.

Day, George S. (2011), "Closing the Marketing Capabilities Gap. Journal of Marketing," *Journal of Marekting*, 75(4), 183-195.

Day, George S. (1994), "The capabilities of market-driven organizations," *Journal of Marketing*, 58(4), 37-52.

Deephouse, David L. (2000), "Media reputation as a strategic resource: An integration of mass communication and resource-based theories," *Journal of Management*, 26(6), 1091-1112.

Devers, Cynthia E., Gerry McNamara, Robert Wiseman, and Mathias Arrfelt (2008), "Moving Closer to the Action: Examining Compensation Design Effects on Firm Risk," *Organization Science*, 19(4), 548–566.

Douthit, Jeremy D. and Douglas E. Stevens (2015), "The Robustness of Honesty Effects on Budget Proposals When the Superior Has Rejection Authority," *The Accounting Review*, 90 (2), 467–93.

Doyle, Peter and John Saunders (1990), "Multiproduct Advertising Budgeting," *Marketing Science*, 9 (2), 97–113.

Erickson, Gary, M. (2003), *Dynamic Models of Advertising Competition*. Kluwer Academic Publishers.

Ernst, Holger, Wayne Hoyer, Carsten Rübsaamen (2010), "Sales, Marketing, and Research-and-Development Cooperation across New Product Development Stages: Implications for Success," *Journal of Marketing*, 74(5), 80-92.

Ewan McIntyre (2023), "Marketing When Budgets are Down," *Harvard Business Review* (June 27), https://hbr.org/2023/06/marketing-when-budgets-are-down.

Fama, Eugene F. and Michael C. Jensen (1983), "Agency Problems and Residual Claims," *The Journal of Law & Economics*, 26 (2), 327–349.

Filatotchev, Igor and Kate Bishop (2002), "Board composition, share ownership, and "underpricing" of U.K. IPO firms," *Strategic Management Journal*, 23(1), 941-955.

Fisher, Jennifer D. (2024), "What's Happening With the Role of the CMO?" (February 24), https://deloitte.wsj.com/cmo/whats-happening-with-the-role-of-the-cmo-a114cfdd

Fisher, Joseph G., Laureen A. Maines, Sean A. Peffer, and Geoffrey B. Sprinkle (2002), "Using Budgets for Performance Evaluation: Effects of Resource Allocation and Horizontal Information Asymmetry on Budget Proposals, Budget Slack, and Performance," *The Accounting Review*, 77 (4), 847–65.

Fisher, Joseph G., James R. Frederickson, and Sean A. Peffer (2000), "Budgeting: An Experimental Investigation of the Effects of Negotiation," *The Accounting Review*, 75 (1), 93-114.

Gallani, Susanna, Ranjani Krishnan, Eric J. Marinich, and Michael D. Shields (2019), "Budgeting, Psychological Contracts, and Budgetary Misreporting," *Management Science*, 65 (6), 2924–45.

Gartner CMO Spend and Strategy Survey (2023), "Refocus Your Marketing Priorities," https://webinar.gartner.com/495785/agenda/session/1158365?login=ML.

Glaser, Barney G. and Anselm L. Strauss (1967), *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Aldine.

Gneezy, Ayelet, Uri Gneezy, and Dominique O. Lauga (2014), "A Reference-Dependent Model of the Price–Quality Heuristic," *Journal of Marketing Research*, 51(2), 153–164.

Gomulya, David and Warren Boeker (2014), "How Firms Respond to Financial Restatement: CEO Successors and External Reactions," *Academy of Management Journal*, 57 (6), 1759-1785.

Grabner, Isabella and Frank Moers (2021), "Determinants and Consequences of Budget Reallocations," *Contemporary Accounting Research*, 38 (3), 1782-1808.

Graffin, Scott D., Steven Boivie and Mason A. Carpenter (2013), "Examining CEO Succession and the Role of Heuristics in Early-Stage CEO Evaluation," *Strategic Management Journal*, 34 (4), 383-403.

Guo, Wei, Tieying Yu, and Javier Gimeno (2017), "Language and Competition: Communication Vagueness, Interpretation Difficulties, and Market Entry," *Academy of Management Journal*, 60 (6), 2073–98.

Gupta, Anil K., Vijay Govindarajan, and Ayesha Malhotra (1999), "Feedback Seeking Behavior Within Multinational Corporations," *Strategic Management Journal*, 20 (3), 205-222.

Heil, Oliver, and Thomas S. Robertson (1991), "Toward a Theory of Competitive Market Signaling: A Research Agenda," *Strategic Management Journal*, 12 (6): 403–18.

Heinle, Mirko S, Nicholas Ross, and Richard E. Saouma (2014), "A Theory of Participative Budgeting," *The Accounting Review*, 89 (3), 1025–1050.

Hernandez, Morela (2012), "Toward an Understanding of the Psychology of Stewardship," *The Academy of Management Review*, 37(2), 172–93.

Hillman, Amy J. and Thomas Dalziel (2003), "Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives," *The Academy of Management Review*, 28 (3), 383–96.

Hollense, Svend (2003), *Marketing Management: A Relationship Approach*. Pearson Education ltd.

Homburg, Chistian, Marcus Theel and Sebastian Hohenberg (2020), "Marketing Excellence: Nature, Measurement, and Investor Valuations," *Journal of Marketing*, 84(4), 1-22.

Hope, Ole-Kristian and Wayne B. Thomas (2008), "Managerial Empire Building and Firm Disclosure," *Journal of Accounting Research*, 46 (3), 591–626.

Ives, Nat, (2021), "Marketing Budgets Fall as a Share of Company Revenue, Survey Finds," *The Wall Street Journal* (July 14), https://www.wsj.com/articles/marketing-budgets-fall-as-a-share-of-company-revenue-survey-finds-11626256920.

Jain, Shailendra P., Charles Lindsey, Nidhi Agrawal, and Durairaj Maheswaran (2007), "For Better or For Worse? Valenced Comparative Frames and Regulatory Focus," *Journal of Consumer Research*, 34 (1), 57–65.

Janney, Jay J. and Timonthy Folta (2003), "Signaling through private equity placements and its impact on the valuation of biotechnology firms," *Journal of Business Venturing*, 18(3), 361-380.

Jensen, Michael C. (1986), "Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers," *The American Economic Review*, 76 (2), 323–29.

Jensen, Michael C. and William H. Meckling (1976), "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," *Journal of Financial Economics*, 3 (4), 305–60.

Joseph, Kissan and Vernon J. Richardson (2002), "Free Cash Flow, Agency Costs and the Affordability Method of Advertising Budgeting," *Journal of Marketing*, 66 (1), 94–107.

Kalaignanam, Kartik, Kapil R. Tuli, Tarun Kushwaha, Leonard Lee, and David Gal (2021), "Marketing Agility: The Concept, Antecedents, and a Research Agenda," *Journal of Marketing*, 85 (1), 35–58.

Kerin, Roger A. and Steven W. Hartley (2021), *Marketing*. New York: McGraw-Hill Education.

Kobelsky, Kevin W, Vernon J. Richardson, Rodney E. Smith, and Robert W. Zmud (2008), "Determinants and Consequences of Firm Information Technology Budgets," *The Accounting Review*, 83 (4), 957–95.

Kolsarici, Ceren, Demetrios Vakratsas, and Prasad A. Naik (2020), "The Anatomy of the Advertising Budget Decision: How Analytics and Heuristics Drive Sales Performance," *Journal of Marketing Research*, 57 (3), 468–88.

Kotler, Philip and Kevin L. Keller (2016), *Marketing Management*. Pearson Education.

Kruger, Justin, Derrick Wirtz, Leaf Van Boven, and T. William Altermatt (2004), "The Effort Heuristic," *Journal of Experimental Social Psychology*, 40 (1), 91–98.

Kuang Xi Jason, Donals V. Moser (2009), "Reciprocity and the Effectiveness of Optimal
Agency Contracts," *The Accounting Review*, 84 (5), 1671–94.

Kumar, Nirmalya and Koen Pauwels (2020), "Don't Cut Your Marketing Budget in a Recession," *Harvard Business Review* (August 14), https://hbr.org/2020/08/dont-cut-your-marketing-budget-in-a-recession.

Lalli, William R. (2012), *Handbook of Budgeting*. Hoboken: Wiley.

Lester, Richard H., Trevis S. Certo, Catherine M. Dalton, Albert A. Cannella (2006), "Initial public offering investor valuations: An examination of top management team prestige and environmental uncertainty," Journal of Small Business Management, 44(1), 1-26.

Michigan State Budget Office (2021), *Glossary of Terms*. Michigan, MI: Michigan State Budget Office.

Mishra, Debi P., Jan B. Heide, and Stanton G. Cort (1998), "Information Asymmetry and Levels of Agency Relationships," *Journal of Marketing Research*, 35 (3), 277–95.

Mizik, Natalie (2010), "The Theory and Practice of Myopic Management," *Journal of Marketing Research*, 47 (4), 594–611.

Molner, Sven, Jaideep C. Prabhu, and Manjit S. Yadav (2019), "Lost in a Universe of Markets: Toward a Theory of Market Scoping for Early-Stage Technologies," *Journal of Marketing*, 83 (2), 37–61.

Moorman, Christine, Harald J. van Heerde, C. Page Moreau, and Robert W. Palmatier (2022), "From Vision to Reality: Lessons in Creating a Marketplace of Ideas," *Journal of Marketing*, 86 (6), 4–12.

Moorman, Christine and Jennifer Veenstra (2021), "Making the Business Case for Your Marketing Budget," *Harvard Business Review* (November 12), https://hbr.org/2021/11/making-the-business-case-for-your-marketing-budget.

Moorman, Christine and Lauren Kirby (2019), "How Marketers Can Overcome Short-Termism," *Harvard Business Review* (November 21), https://hbr.org/2019/11/how-marketers-can-overcome-short-termism.

Morgan, Neil A., Kimberly A. Whitler, Hui Feng and Simos Chari (2019), "Research in Marketing Strategy," *Journal of the Academy of Marketing Science*, 47(1), 4-29.

Morgan, Neil A., Hui Feng, Kimberly Whitler (2018), "Marketing Capabilities in International Marketing," *Journal of International Marketing*, 26(1), 61-95.

Morgan, Neil A., Rebecca J. Slotegraaf, and Douglas W. Vorhies (2009), "Linking Marketing Capabilities with Profit Growth," *International Journal of Research in Marketing*, 26 (4), 284–293.

Nadkarni, Sucheta, Lingling Pan, and Tianxu Chen (2019), "Only Timeline Will Tell: Temporal Framing of Competitive Announcements and Rivals' Responses," *Academy of Management Journal*, 62 (1), 117–43.

NATO (2021), "Defence Expenditure of NATO Countries (2014-2021)," Public diplomacy division, press release (June 11), https://www.nato.int/nato_static_fl2014/assets/pdf/2021/6/pdf/210611-pr-2021-094-en.pdf.

O'Connor, Joseph P., Richard L. Priem, Joseph E. Coombs, and K Matthew Gilley (2006), "Do CEO Stock Options Prevent or Promote Fraudulent Financial Reporting?" *Academy of Management Journal*, 49(3), 483–500.

Park, Namgyoo K. and John M. Mezias (2005), "Before and after the technology sector crash: The effect of environmental munificence on stock market response to alliances of e-commerce firms," *Strategic Management Journal*, 26(11), 987-1007.

Peers, Yuri, Harald J. van Heerde, and Marnik G. Dekimpe (2017), "Marketing Budget Allocation Across Countries: The Role of International Business Cycles," *Marketing Science*, 36 (5), 645–812.

Perkins, Stephen J. and Chris Hendry (2005), “Ordering top pay: Interpreting the signals,” *Journal of Management Studies*, 42(7), 1443-1468.

Piercy, Nigel (2015), *Marketing Budgeting : A Political and Organisational Model*. Routledge.

Piercy, Nigel F. (2002), *Market-Led Strategic Change: A Guide to Transforming the Process of Going to Market*. Elsevier Butterworth-Heinemann.

Rabino, Samuel and Thomas E. Moore (1989), "Managing New-Product Announcements in the Computer Industry," *Industrial Marketing Management*, 18 (2), 35-43.

Rao, Akashay R. and Kent B. Monroe (1989), “The Effect of Price, Brand Name, and Store Name on Buyers’ Perceptions of Product Quality: An Integrative Review,” *Journal of Marketing Research*, 36 (3), 351–57.

Robertson, Thomas S., Jehoshua Eliashberg, and Talia Rymon (1995), “New Product Announcement Signals and Incumbent Reactions,” *Journal of Marketing*, 59 (3), 1–15.

Rust, Roland T., Katherine N. Lemon, Valarie A. Zeithaml (2004), “Return on Marketing: Using Customer Equity to Focus Marketing Strategy,” *Journal of Marketing*, 68(1), 109-127.

Rust, Roland T., Christine Moorman, and Peter R. Dickson (2002), “Getting Return on Quality: Revenue Expansion, Cost Reduction, or Both?” *Journal of Marketing*, 66 (4), 7–24.

Rust, Roland T. and Bruce Cooil (1994), “Reliability Measures for Qualitative Data: Theory and Implications,” *Journal of Marketing Research*, 31 (1), 1–14.

Schaubroeck, John M., Ann Chunyan Peng, and Sean T. Hannah (2013), “Developing Trust with Peers and Leaders: Impacts on Organizational Identification and Performance During Entry,” *Academy of Management Journal*, 56 (4), 1148–68.

Schweitzer, Maurice E., John C. Hershey, Eric T. Bradlow (2006), “Promises and lies: Restoring violated trust,” *Organizational Behavior and Human Decision Processes*, 101(1), 1-19.

Spence, Michael (1973), “Job Market Signaling,” *Quarterly Journal of Economics*, 87 (3), 355–74.

Sridhar, Shrihari, Cait Lamberton, Detelina Marinova, and Vanitha Swaminathan (2023), “JM: Promoting Catalysis in Marketing Scholarship,” *Journal of Marketing*, 87 (1), 1–9.

Sridhar, Shrihari, Prasad A. Naik, and Ajay Kelkar (2017), "Metrics Unreliability and Marketing Overspending," *International Journal of Research in Marketing*, 34 (4), 761–79.

Sridhar, Shrihari, Frank Germann, Charles Kang, and Rajdeep Grewal (2016), "Relating Online, Regional, and National Advertising to Firm Value," *Journal of Marketing*, 80 (4), 39–55.

Staw, Barry M., Lance E. Sandelands, and Jane E. Dutton (1981), "Threat Rigidity Effects in Organizational Behavior: A Multilevel Analysis," *Administrative Science Quarterly*, 26 (4), 501–524.

Strauss, Anselm L and Juliet Corbin (1998), *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*. SAGE Publications.

Talbot, Paul (2019), "The Challenges Of A CMO In Transition", *Forbes* (August 20), https://www.forbes.com/sites/paultalbot/2019/08/20/the-challenges-of-a-cmo-in-transition/?sh=60c5b04859ae.

Tellis, Gerard J. (1998), *Advertising and Sales Promotion Strategy*. Addison-Wesley.

The CMO Survey (2024), "Managing Marketing Technology, Growth, and Sustainability," (Spring), https://cmosurvey.org/results/spring-2024/.

The CMO Survey (2023), "Managing Brand, Growth, and Metrics," (March), https://cmosurvey.org/results/spring-2023/.

The CMO Survey (2022), "Managing Digital Marketing Returns, Privacy, and Climate Impact," (February), https://cmosurvey.org/results/28th-edition-february-2022/.

Thomas, James B., Shawn M. Clark, and Dennis A. Gioia (1993), "Strategic Sensemaking and Organizational Performance: Linkages Among Scanning, Interpretation, Action and Outcomes," *Academy of Management Journal*, 36 (2), 239–70.

Thompson, Debora V. and Elise C Ince (2013), "When Disfluency Signals Competence: The Effect of Processing Difficulty on Perceptions of Service Agents," *Journal of Marketing Research*, 50 (2), 228–240.

United States General Accounting Office (1993), "A Glossary of Terms Used in the Federal Budget Process," Exposure Draft, 1.

Vanneste, Bart S., Phanish Puranam, and Tobias Kretschmer (2014), "Trust over Time in Exchange Relationships: Meta-Analysis and Theory," *Strategic Management Journal*, 35 (12), 1891–1902.

Wang, Rui, Alok R. Saboo, and Rajdeep Grewal (2015), "A Managerial Capital Perspective on Chief Marketing Officer Succession," *International Journal of Research in Marketing*, 32 (2), 164-178.

Warren, Nooshin L., Matthew Farmer, Tianyu Gu, and Caleb Warren (2021), "Marketing Ideas: How to Write Research Articles that Readers Understand and Cite," *Journal of Marketing*, 85 (5), 42-57.

Wedel, Michel and P.K. Kannan (2016), "Marketing Analytics for Data-Rich Environments. Journal of Marketing," 80(6), 97-121.

White, J. Chris, P. Rajan Varadarajan, and Peter A. Dacin (2003), "Market Situation Interpretation and Response: The Role of Cognitive Style, Organizational Culture, and Information Use," *Journal of Marketing*, 67 (3), 63–79.

Whitler, Kimberly A., Ben Lee, Ryan Krause and Neil A. Morgan (2021), "Upper Echelons Research in Marketing," *Journal of the Academy of Marketing Science*, 49(1), 198-219.

Whitler, Kimberly A. (2019), "The Marketing Proof Gap: What It Is And Why Marketers Should Care," (May 4), https://www.forbes.com/sites/kimberlywhitler/2019/05/04/the-marketing-proof-gap-what-it-is-and-why-marketers-should-care/?sh=bc892ac2f939.

Whitler, Kimberly A, and Neil Morgan (2017), "Why CMOs Never Last," Harvard Business Review (July), https://hbr.org/2017/07/why-cmos-never-last.

Wong, Kar-Yiu. (1995), *International Trade in Goods and Factor Mobility*. MIT Press.

Workman, J. P., Christian Homburg, and Kjell Gruner (1998), "Marketing Organization: An Integrative Framework of Dimensions and Determinants," *Journal of Marketing*, 62(3), 21-41.

Yadav, Manjit S., Jaideep C. Prabhu, and Rajesh K. Chandy (2007), "Managing the Future: CEO Attention and Innovation Outcomes," *Journal of Marketing*, 71(4), 84–101.

You, Ya, Shuba Srinivasan, Koen Pauwels, and Amit Joshi (2020), "How CEO/CMO Characteristics Affect Innovation and Stock Returns: Findings and Future Directions," *Journal of Academy of Marketing Science*, 48(6), 1229-1253.

Wirtz, Jochen and Valarie Zeithaml (2018), "Cost-Effective Service Excellence," *Journal of the Academy of Marketing Science*, 46 (1), 59–80.

Zeithaml, Valarie A., Bernard J. Jaworski, Ajay Kohli, Kapil Tuli, Wolfgang Ulaga, and Gerald Zaltman (2020), "A Theories-in-Use Approach to Building Marketing Theory," *Journal of Marketing*, 84 (1), 32–51.

TABLE 1
Extant Definitions of Different Types of Budgets

Budget Type	Field	Definition	Source
Federal budget	Government	"The federal budget is the principal policy statement of the President's fiscal priorities and proposals for allocating expenditures and taxes. The budget also functions as a framework and reference point for congressional budgetary actions."	United States General Accounting Office (1993, p. 1)
State budget	Government	"A plan of financial operation embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of financing them."	Michigan State Budget Office (2021)
Defense budget	Military	"NATO defines defense expenditure as payments made by a national government specifically to meet the needs of its armed forces, those of Allies or of the Alliance."	NATO (2021, p. 15)
Capital budget	Government and/or Business	"The process of analyzing investment opportunities and deciding which ones to accept."	Berk and DeMarzo, (2020, p. 1121)
Balance-sheet budget	Government and/or Business	"A balance-sheet budget is a systematic plan or forecast of future assets, liabilities, and equity."	Lalli (2012, p. 582)
Information technology budget	Business	"IT budgets include expenditures directly associated with a firm's IT function, i.e., for IT staff salaries, payments to vendors and services firms, hardware/software upgrades and replacements, training of IT staff and system users, and new development associated with systems software and application software portfolios."	Kobelsky et al. (2008, p. 958)
Marketing budget	Business	"The 'marketing budget' refers to those items of expenditure and other resources we need the company to commit in order to implement our plans and strategies."	Piercy (2002, p. 616)
		"The classic quantification of a marketing plan appears in the form of budgets… It is a management tool that balances what needs to be spent against what can be afforded and helps make choices about priorities."	Hollense (2003, p. 676)
		"A business needs to allocate resources in the form of a marketing budget based on the strategic market plan and the marketing mix strategy." (p. 436)	Best (2009, p. 436)
Marketing budget	Business	*The marketing budget is a living document that manifests the marketing strategy of a firm by outlining the allocation of financial resources with the objective of facilitating the control and coordination of marketing activities to attain the market and financial goals of the firm.*	This study (2024)

TABLE 2
Marketing Budgeting Techniques Definition & Description

Common Marketing Budgeting Techniques
Participative/bottom-up Budgeting: "A process in which a manager is involved with, and has influence on, the determination of his or her budget" (Shields and Shields 1998, p.49) Illustrative example: • I can influence my daily activities and performance targets via managerial reporting processes (Heinle, Ross and Saouma 2014). • I can build budgets with slack by strategically misreporting private information (Dunk 1993).
Top-down budgeting: "Global framework plans and guidelines set at top management level, which are subsequently used by lower-level management to develop their budget plans" (Kramer and Harmann 2014, p.318) Illustrative example: • Less time is scheduled for budget negotiations, and I have little influence on budgeting and compensation as all decisions come from the central office (Heinle, Ross and Saouma 2014). • My final budget reflects top management's views, typically influenced by aggregate metrics like commodity prices or peer benchmarks, and not operational data from lower-level units (Kramer and Harmann 2014).
Competitive Parity method (Peer benchmarking): "Setting the promotion budget to match competitor's outlays" (Kotler and Armstrong 2021, p.423). Illustrative example: • I benchmark against competitors, setting my budget close to theirs to stay competitive (Danaher, Bonfrer, and Dhar 2008). • I use relative metrics by setting the share-of-voice (SOV) to be roughly equal to the share of market (SOM) (Farris and West 2007).
Objective and task method: "The company sets its promotion budget based on what it wants to accomplish with promotions" (Kotler and Armstrong 2021, p. 423). Illustrative example: • I develop the promotional budget by setting objectives, outlining tasks to achieve them, and estimating associated costs (Kotler and Armstrong 2021). • My spending is set in accordance with what tasks are required to meet the advertising objective(s) using a bottom-up budgeting process (Farris and West 2007).
Percentage of sales budgeting: "Allocating funds to promotion as a percentage of past or anticipated sales, in terms of either dollars or units sold" (Kerin and Hartley 2021, p.498). Illustrative example: • My advertising spending is proportional to performance expressed by either past sales or projected future sales (Piercy 1987). • My budget is benchmarked only against my brand's own performance and effectiveness without taking into account the competitive environment (Kolsarici, Vakratsas and Naik 2020).
Continuous budgeting: ''Seeks to avoid the inherently restrictive nature of budgetary control by enabling managers, when confronted by unexpected events, such as problems with the preparation and launch of new products, to consider, and if necessary, implement, a revision of plans and reallocation of resources in pursuit of strategic organizational objectives" (Frow, Marginson and Ogden 2010, p. 445). "An integral part of a broader management control system" (Chenhall and Moers 2015, p.5). Illustrative example: • When faced with budget implementation challenges, I weigh solutions, balance personal goals with broader corporate objectives, and prioritize effective corporate actions over my individual targets (Frow, Marginson and Ogden 2010). • I use budget revisions and the reallocation of resources when circumstances require an innovative response to achieve pre-set targets (Chenhall and Moers 2015).

TABLE 3
Sample Characteristics

	Sample (n = 32)
Title	
CEO/President/Managing Director	8
Executive SVP/VP/ Country Heads	8
CMO (Chief Marketing Officer)	6
Senior/ Marketing Director	10
Experience (years)	
10 - 20	5
20 - 30	15
> 30	12
Industry	
Consumer Packaged Goods	5
Beverage	3
Construction	1
Oil and Gas	1
Packaging	2
Home Appliances	2
Food Ingredients	1
Professional Services	8
Technology	5
Telecommunications	2
Aerospace	1
Luxury	1
Annual Revenues[6]	
< **$1** Billion	5
> $1 Billion or ≤$10 Billion	9
> $10 Billion or ≤ $100 Billion	15
> $100 Billion	5

[6] All currency information has been converted to US dollars to maintain the confidentiality of the participants and firms in our study.

TABLE 4
Frequency of Themes Mentioned by Participants

Construct	Definition	CMO* Agreement Frequency (n = 16)	Senior Manager Agreement Frequency (n = 16)	Total
Marketing Budget				
Living Document	The marketing budget is a living document that manifests the marketing strategy of a firm by outlining the allocation of financial resources with the objective of facilitating the control and coordination of marketing activities to attain the market and financial goals of the firm.	16	13	29
Manifests the Marketing Strategy		16	15	31
Controls & Coordinates		14	15	29
Calibrated Marketing Budget	The degree to which the resources allocated to marketing actions in the approved marketing budget are commensurate with the performance expected of the CMO	13	13	26
Cultivated Endorsements	The degree to which CMOs generate buy-ins and secure support for the proposed marketing budget from multiple organizational units.	12	10	22
Relinquishment	The degree to which CMOs are willing to voluntarily surrender a proposed category of marketing actions in the proposed marketing budget to the corporate office.	9	5	14
Proactive Adaptation	The degree to which the CMOs responds to budgetary cut demands with alternative marketing budget proposals based on her ex-ante rank ordering of resource allocations.	11	10	21
Granularity	The degree of detail about the specific resource allocation across marketing activities outlined in the proposed marketing budget.	13	11	24
Opportunity Elaboration	The degree to which the proposed marketing budget outlines specific market-based opportunities that can be capitalized by implementing the proposed budget amount.	14	14	28
Threat Mitigation	The degree to which the proposed marketing budget articulates not only the marketing actions of competitors but also their potential consequences for the firm.	7	10	17

* We use the term "CMO" to refer to senior marketing executives with "marketing" in his/her title, e.g., Senior Marketing Manager, Marketing Director, Vice President of Marketing, Chief Marketing Officer etc. (see Germann, Ebbes and Grewal 2015). Similarly, we use the term "CEO" to refer to senior executives who are the head of the organization/business/region, e.g., President, Managing Director, SVP etc.

Table 5
CODING STRUCTURE

Third-order categories	Second-order categories	First-order categories	Representative Quotes
Marketing Budget	Living Document	*Frequent shifts due to internal and external uncertainties*	“On a quarterly basis, you may review the budget, see if you need to adjust and allocate elsewhere or let's say some initiatives have either not taken off or are not working, you can reallocate budgets. And then… you usually get pockets of money that open up throughout the year, where you would do selective asks just based on where you're seeing shifts in the landscape.”
		Detailed in a tangible format	"We were doing two things, we were doing an Excel file, which was provided by our finance accounting team, and then we were also providing a PowerPoint document in which we were articulating on top of the existing budget, what additional projects we wanted to bring ahead."
	Manifests Marketing Strategy	*Align & reflect priorities*	"One is aligning before with the CEO or CMO asking the question [on] priorities as to what do you want to drive?"
		Outlines activities	"A marketing budget tells you what are the objectives, what are the marketing actions and how it will help you achieve those objectives."
	Controls and Coordinates	*Reviewing and evaluating effectiveness*	"Once in three months I sit down with my team, we review the budget, we review the spend and the ROI, and we say, look, do we need to do a course correction or are we good to go as per the calendar that we have?"
		Coordination and allocation	“Rarely do you only sell one product to one customer or one market. One thing is, [if] this is how much money you have in total, then I think the key thing within the marketing budget is, how do you adjust or apply that across the product range, across different markets, distribution channels, and activities?”
Calibrated Marketing Budget	Marketing Budget Calibration	*Achieve expected marketing KPIs*	"A good budget is one that is aligned with what we are trying to do for the entire company's direction, and a good budget is one that will be able to support the growth that we're trying to drive."
		Negotiated process	"If you tell me, I [can] do less organic growth, I tell you, yeah, okay well, then they can reduce my marketing budget... but I cannot have a very high profitable growth targets and at the same time reduce costs."
Marketing Budgeting Signals	Cultivated Endorsements	*Consensus building*	"You have to build a business case and you have to build a coalition with the other people and also show the CEO how you can help them achieve their objectives.
		Secure support across the organization	“You do not want one man and one department head taking calls on large brands and it looking quite subjective. So different parts of the business saw the work that was being created and I had to go through that process, which was quite intense and quite hectic, but at the end of the day, the buy-in from all the departments was fantastic. So, it's really important to keep that because otherwise it can backfire, otherwise it can look like it's only your agenda, and that you want to put it out.”
	Relinquishment	*Returning sparse cash*	“You know what, I thought I could do it, but I'm not able to do it, so I'm cutting down my budget by ten million.”
		Inadequate in non-cash resources	“So, we have to look at whether that enough money could be spent in any given market for that specific vertical. So, if we don't have adequate resourcing, if I don't expect that we would get some potential increase of the head count, and then the budget we sometimes say no to.”

TABLE 5
CODING STRUCTURE (cont.)

Third-order categories	**Second-order categories**	**First-order categories**	**Representative Quotes**
Marketing Budgeting Signals	Proactive Adaptation	*Balancing giving up one activity over another*	“We do a market prioritization and also the overall prioritization of the market, and also prioritization within each vertical... So, the market priority probably differs by verticals, so we have to make sure that the selection of the market of each of the vertical makes sense."
		Rank ordering according to scenarios	“I always typically work with two or three business scenarios saying that look here is a piece, which is the running part of the business per se, which you need for maintenance, and here are the two, three scenarios that you can build.”
	Granularity	*Idiosyncratic resource allocation*	"Out of those million dollars, we would allocate which markets we think what portion of that million dollars would need to be attributed to, because markets are different sizes, they have different values obviously."
		High degree of detail	“We sometimes can get quite detailed. …So, let's say if I have a 1 million pot to play with, I could do referrals, I can do social so on and so forth. So, there are a lot of things I can do. And every channel itself will have a, what we call a CAC, a customer acquisition cost. And that will add up into my marketing budget.”
	Opportunity Elaboration	*Internal-based assessment*	"This is our category opportunity/size, this is our category rules, this is where the opportunities are, here's how we will spend it, we realize them, and this is the core strategic plan."
		Specific opportunities	"We have to show that there is potential of all these areas and markets. So, if we expect that our market would grow faster than the US or other parts of the world, then there's [a] chance that more budget [will] flow into our region."
	Threat Mitigation	*Competitor analysis and benchmarking*	"So, knowing where our key competitors are, we know that the components of the marketing mix spend, promotion intensity, pricing etc., all these elements come into the budgetary cycle, and the countries, based on the guidance in comparison to the competitive set, will come back with a bottom-up plan."
		Market analysis	"If I take Europe, it's usually 70%, 80% of the businesses in which we play, so within the category we are the market leader so there it's much more defending [our market share] where we can really win... In the emerging markets it's a completely different ballgame."

TABLE 6
Potential Research Questions for Future Research

	Externalities	Contingencies
Cultivated Endorsements	✓ Do cultivated endorsements result in relinquishing power to other organizational departments over the marketing budget, resulting in suboptimal spending?	✓ Are cultivated endorsements more effective in firms with higher marketing department power?
Relinquishment	✓ Does the use of relinquishment result in the CMO appearing to be unable to think "outside the box" to achieve objectives when faced with resource constraints?	✓ Is relinquishment more effective when used by CMOs in firms with higher marketing department power?
Proactive Adaptation	✓ Does the use of proactive adaptation give CMOs a reputation for "always having something in their back pocket"?	✓ Is proactive adaptation more effective in firms with a larger marketing budget?
Granularity	✓ Does granularity reduce the degrees of freedom CMOs have in the face of unexpected events when flexibility is needed in implementing the marketing budget?	✓ Is granularity less effective when employed by a CMO managing a broader product line or a multi-brand portfolio?
Opportunity Elaboration	✓ Does opportunity elaboration result the firm in prematurely abandoning existing opportunities?	✓ Is opportunity elaboration likely to be more effective for CMOs operating in high growth industries?
Threat Mitigation	✓ Does the use of threat mitigation make the firm less innovative and more reactive?	✓ Is threat mitigation likely to be more effective for CMOs operating in a oligopolistic industry?

FIGURE 1
Conceptual Framework