Title
How Incentives Shape Strategy: The Role of CMO and CEO Compensation in Inducing Marketing Myopia

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Abstract
We examine the role personal compensation incentives of CMOs and CEOs play in inducing myopic marketing management. We find that CEO equity incentives are unrelated to the incidence and severity of myopic marketing management. CMO equity compensation, on the other hand, is highly predictive of the incidence and severity of myopic marketing management. Contrary to the common belief that the presence of a CMO in the organization can help maintain customer focus and support for marketing departments, we find that CMOs not only fail to prevent myopia, but further exacerbate the problem as the market-based (i.e., equity) portion of their personal compensation increases. We also find that CMOs take advantage of artificially inflated stock valuation by exercising more stock options and selling more of their personal equity holdings in the years when myopic management occurs. Our findings shed light on the influence and power of CMOs and highlight the pitfalls and limitations of overreliance on equity in managerial compensation packages.