

Marketing Performance Assessment Systems and the Business Context

1 Introduction

Marketing performance assessment (MPA) systems are a form of organizational control that incorporates formalized routines and procedures that use information to maintain or alter goal-oriented patterns in organizational activity (Morgan *et al.*, 2002, 364). Our study focuses on MPA systems as collections of performance metrics that reflect marketing effectiveness, efficiency, and adaptability (Ambler *et al.*, 2004; Walker and Ruekert, 1987) in different business contexts. Extant research has provided evidence that the *ability* to assess marketing performance in an appropriate manner enhances business performance (O'Sullivan and Abela, 2007; O'Sullivan *et al.*, 2009). Several authors have also noted that inadequate or inappropriate use of MPA may lead to managerial dissatisfaction and negative performance effects (cf. Whitwell *et al.*, 2007; Stewart, 2009). An understanding of how general MPA models are adapted in specific business contexts is needed (cf. Stathakopoulos, 1998).

Despite the evident interest in MPA as a research topic, the most widely cited conceptual models (e.g., Rust *et al.*, 2004a) have largely neglected the contextual nature of MPA (see Morgan *et al.*, 2002, as a notable exception). The majority of empirical studies in the field have focused on developing individual metrics, such as brand equity, customer equity, marketing ROI, and discounted cash flows (Ambler and Roberts, 2008; cf. Rust *et al.*, 2004b), or on listing the most widely used metrics in different contexts (e.g., Ambler and Xiucun, 2003; Llonch *et al.*, 2002). However, only a few studies have examined *combinations* or *categories* of marketing metrics as tools for MPA (cf. Ambler *et al.*, 2004), thus approaching MPA systems as entities (cf. Kaplan and Norton, 1992).

In this study, we focus on MPA systems in terms of practitioners' use of different types of marketing metrics (cf. Ambler *et al.*, 2004). We explore empirically the dimensions of marketing performance that underlie MPA systems and provide a taxonomy of the MPA systems in use. Furthermore, we investigate the contextuality of these MPA systems and demonstrate empirically how they differ according to business context reflected in firm- and market-specific characteristics. We also explore the relationship between different MPA systems and financial performance. To meet these objectives, the study addresses the following research questions: What dimensions of marketing performance can be identified as underlying current MPA systems? How do MPA systems in different firms and different business contexts differ in regard to these dimensions? What

kinds of measurement profiles can be identified, and how do these profiles differ in terms of firm performance?

The primary contribution of this study stems from providing empirical evidence on the contextual nature of MPA systems. To the authors' best knowledge, this is the first study to address empirically the contextuality of MPA systems in terms of both firm- and market-specific characteristics and to provide contextual benchmarks for further developing MPA systems in practice.

The rest of the paper is structured as follows. First, the evolution of MPA and both normative and contextual MPA models are reviewed. Second, we present our empirical study, which explores MPA systems in the Finnish context. The empirical findings of the study are discussed next. Finally, we provide implications for theory, managers, and future research and discuss the limitations of the study.

2 Theoretical background

2.1 Marketing metrics – The evolution of MPA

MPA systems provide feedback regarding the outcomes of marketing efforts (Clark *et al.*, 2006) and inputs for further planning and decision making (Slater and Narver, 1995; Morgan *et al.*, 2002). Over the past decades, MPA systems have developed significantly (Clark, 1999). One of the earliest attempts to assess marketing effectiveness was the development of the comprehensive marketing audit concept regarding assessment of the health of the firms' marketing activities (Shuchman, 1959), in line with financial audits in accounting. From the 1960s on, in parallel with the marketing audit concept, marketing productivity analyses (Sevin, 1965) that concentrated on the efficiency of marketing activities gained impetus. Following these approaches, early work on firm-level MPA focused on single financial metrics, such as profit, sales, and cash flow (Sevin, 1965; Day and Fahey, 1988; see Clark, 1999). However, over the course of the 1970s and 1980s, the common practice of using only one or a handful of numeric, financial, or volume-based metrics expanded to a multidimensional view of marketing performance (Day and Wensley, 1988; Clark, 1999), using both internal and external benchmarks for MPA (Morgan *et al.*, 2002; Ambler *et al.*, 2004). Moreover, the focus in MPA systems shifted towards non-financial metrics such as market share, customer satisfaction and loyalty, and brand equity as mediators between marketing inputs and financial outcomes (Clark, 1999; Ambler *et al.*, 2004).

Different types of metrics are characterized by different advantages and shortcomings. As such, the most commonly used accounting-based metrics, such as sales, profits, and margins (Ambler *et al.*, 2004), are often considered static and backward-looking, ignoring marketing's long-term value to the firm (Clark, 2001; Chakravarthy, 1986; Ambler *et al.*, 2004; Srivastava *et al.*, 1998; Lebas and Euske, 2002). More advanced financial metrics with a long-term perspective, such as Tobin's q (Tobin, 1969; 1978), economic value added (EVA) (Srivastava *et al.*, 1999), the firm's market value (*ibid.*), customer lifetime value (CLV) (Berger and Nasr, 1998; Dwyer, 1989), and brand value (Keller, 1993), are largely based on estimates drawn from retrospective data and subjective assumptions about the future, so they are suggestive at best (Lukas *et al.*, 2005). The most commonly used non-financial metrics in marketing (Lehmann, 2004), customer value- and product-market performance-related metrics, provide information on how marketing activities affect consumer cognition, attitudes, and behaviour. However, as long as the firm's fiduciary duty is to its shareholders, non-financial metrics that lack a monetary perspective as such are not sufficient to establish accountability (Rao and Bharadwaj, 2008), so they are usually used to complement financial performance assessments.

The diverse advantages and shortcomings related to different types of metrics suggest that there are no "silver measures" for marketing (Ambler and Roberts, 2008). Therefore, instead of concentrating on any single dimension of marketing performance (cf. Walker and Ruekert, 1987), MPA systems need to comprise aggregated combinations of different types of metrics (Clark, 1999; Lehmann, 2004; Rust *et al.*, 2004a; Morgan *et al.*, 2002), focusing on customer reactions and product-market impact along with metrics for financial outcomes and marketing assets to take into account the profit and long-term value perspectives. However, as Ambler *et al.* (2004) found, collecting a large number of metrics can complicate assessments and mislead managers, especially when the metrics are not integrated into a holistic system to help decision making. The practice of collecting data on a large number of metrics can also prove costly (cf. Kaplan and Norton, 1992) in terms of both time and money. Therefore, despite the demand for comprehensiveness, MPA systems should also be kept simple enough to provide managers only information that is relevant to their decision making.

2.2 Normative systems for MPA

MPA systems presented in the literature can be approached from two perspectives: the normative and the contextual (Morgan *et al.*, 2002; cf. Blenkinsop and Burns, 1992). The normative approach presents conceptual frameworks that describe the general steps through which marketing actions translate into financial performance (Rust *et al.*, 2004a; Morgan *et al.*, 2002). For example, in their

Chain of Marketing Productivity, Rust *et al.* (2004a) described marketing performance as consisting sequentially of customer impact, market impact, financial impact, and impact on firm value. Through these sequential impacts, marketing strategies and actions affect the firm's market-based assets (Srivastava *et al.*, 1998), market position, financial position in the short run, and the value of the firm and its position in the financial markets in the long run (Rust *et al.*, 2004a). Morgan *et al.* (2002) described marketing performance as a five-stage process, similarly chain-like, in which marketing resources and capabilities result in positional advantages that define a firm's market performance and, ultimately, its financial performance. Both of these models are assumed to describe a general process of marketing performance that applies, at least to a certain extent, to all firms regardless of their business context.

In addition to its chain-like nature, relying on work by Walker and Ruekert (1987), Morgan *et al.* (2002) define marketing performance as a three-dimensional construct, consisting of effectiveness, efficiency, and adaptability. Effectiveness, which refers to “doing the right things” (Drucker, 1974), parallels the marketing audit concept and the extent to which organizational goals and objectives are achieved (Morgan *et al.*, 2002). Efficiency resembles the marketing productivity approach—that is, the relationship between performance outcomes and inputs they require (Morgan *et al.*, 2002)—and is concerned with “doing things right” (Drucker, 1974). Finally, adaptability refers to the firm's ability to respond to changes in its environment and its ability to innovate (Walker and Ruekert, 1987). These three general dimensions of marketing performance are again presented as rather universal, applicable to all firms and contexts.

The different types of impact and different dimensions of performance often involve trade-offs, as “good performance on one dimension often means sacrificing performance on another” (Donaldson, 1984; see Walker and Ruekert, 1987, 19). For instance, reducing prices or advertising heavily may increase the firm's market share but diminish margins and worsen the firm's financial position (cf. Bhargava *et al.*, 1994). Reaching for high levels of customer satisfaction may also turn expensive (cf. Fornell, 1992). Adaptability, in turn, may require organizational slack (Cheng and Kessner, 1997; Judge and Blocker, 2008) that contrasts with the objective of efficiency. Therefore, from a managerial perspective, understanding the direct links between marketing actions and financial outcomes (cf. Pauwels *et al.*, 2004; Lane and Jacobson, 1995; Agrawal and Kamakura, 1995) must be paired with the ability to identify the intermediate outcomes that explain the ultimate changes in financial performance.

2.3 Contextual systems for MPA

According to a contingency theory perspective (Lawrence and Lorsch, 1967; cf. Olson *et al.*, 2005; Homburg *et al.*, 1999; Ruekert *et al.*, 1985), the most effective MPA system is the one that best fits the firm's goals, strategy, structure, and environment (Stathakopoulos, 1998; Govindarajan, 1988; cf. Lewin and Minton, 1986). From this perspective, the contextual approach to MPA involves applying universal frameworks to specific business contexts, taking into account company- or context-specific factors—such as the industry sector, the target market, and the type of offering—that affect the way in which marketing translates into business performance in practice (Morgan *et al.*, 2002). Thus, contextual MPA models reflect the primary goals and interests of the firm's top management as well as industry norms and traditions (Ambler *et al.*, 2004). Contextual MPA models are also more dynamic than normative, ideal-based models (cf. Blenkinsop and Burns, 1992), because they adapt to changes in goals, structure, and environment (cf. Stathakopoulos, 1998). Despite the theoretical recognition of the importance of contextuality in MPA, empirical work in this field has remained scarce (Morgan *et al.*, 2002).

Strategy (Said *et al.*, 2003), industry sector (Ambler *et al.*, 2004; Said *et al.*, 2003), and country setting (Barwise and Farley, 2004) have previously been shown to affect the content of MPA systems in practice. In a study among UK companies, Ambler *et al.* (2004) found that firm size and business sector affected the combinations of metrics in use. Barwise and Farley (2004), in turn, found significant differences in the use of marketing metrics among the U.S., Japan, Germany, the UK, and France, both on the levels of individual metric use and in overall use of marketing metrics. They also found that multinational or otherwise large firms use more metrics on average than their smaller counterparts do. These firm- and country-specific differences give support to the notion of the strong contextuality of MPA systems in practice.

Ambler *et al.* (2004) showed that there are several individual metrics for MPA that essentially assess the same broader concept. For example, the general concept of customer attitudes can be traced using awareness, perceived quality, satisfaction, relevance, or a variety of other measures depending on the context and purpose. Therefore, an examination of the contingencies of MPA to factors in the business context, instead of focusing on individual metrics, requires a configurational approach (Ketchen *et al.*, 1993) to *combinations of metrics* or entire MPA systems in use. The different combinations of metrics that are represented in contextual MPA models can be presented as a taxonomy (cf. Homburg *et al.*, 2008); that is, an empirically derived classification (McKelvey, 1978; Pinder and Moore, 1979) of MPA models with no anticipation of ideality.

3 Research methods

3.1 Data and sample

We conducted an online survey targeted at the top management of Finnish companies that have at least five employees. Smaller companies were considered as too small to have a structured organization for marketing. Furthermore, in practice, marketing has been identified as a core task for top management (Day, 1992; McKenna, 1991; Levitt, 1960). Controlling the firm's marketing activity should then also be at the core of organizational control and the MPA systems be legitimated by the top management. For the purposes of this study, we are primarily interested in how the outcomes of the entire marketing activity are measured on the company level, rather than adopting a function- or action-specific perspective. As Lehmann and Reibstein (2006) illustrated, a salesperson may have goals in terms of sales call frequency, a sales VP in terms of overall sales targets, and a CFO in terms of profits. Therefore, following notions by McKenna (1991) and Levitt (1960), we chose informants from among the firms' top management based on the assumption that they had the most comprehensive knowledge regarding the issues under study.

We used the contact database of the leading Finnish commercial provider, MicroMedia, because it offered the best representation of the population of interest and direct contact information for people in the specific positions we wished to reach. The target population consisted of 6,867 companies and 15,941 potential individual-level respondents. The survey instrument was pre-tested in January 2008, with 34 managing directors. Some necessary corrections and changes in wording were made before sending the link to the final questionnaire to potential respondents.

Altogether, 1,157 responses were received from 1,099 companies, for an overall response rate of 7.3 percent in terms of respondents and 16.0 percent in terms of firms. The individual respondents in the data are identifiable at a personal level, and detailed contact information was collected. Based on these personal data, each respondent to the survey was reviewed again manually to ensure that they represent the targeted organization level. Considering the high positions of the respondents and the considerable breadth and depth of the questionnaire used, the response rate was considered fair (cf. Hooley *et al.*, 2005; Forlani *et al.*, 2008). Key characteristics of the sample are presented in Table 1. Roughly 62 percent of the respondents were CEOs or equivalent or marketing/sales directors. The majority of the respondent firms operated in the industrial services (43%) or industrial goods (26%) markets, and the life cycle of their main market was either growing (51%) or mature (35%). However, the sample demonstrated an adequate spread over different contextual characteristics, allowing for contextual comparisons. We did not find significant differences in

mean scores of the measurement items between early and late respondents, suggesting that non-response bias is not likely to be a problem (Armstrong and Overton, 1977).

===INSERT TABLE 1 HERE===

3.2 Measures

In order to capture the use of marketing metrics among respondents, we used a list of 41 metrics items. With only one exception, these metrics were adopted from Ambler *et al.* (2004), which described the use of marketing metrics in the UK. To take into account the recent emphasis on measuring the value of customer equity (e.g., Rust *et al.*, 2004b; Berger *et al.*, 2006), customer lifetime value (CLV) (Berger and Nasr, 1998; Dwyer, 1989) was added as a new item. In addition, shareholder value, EVA, and ROI were treated as separate items (cf. Ambler *et al.*, 2004) in order to emphasise long-term value and cash flow perspectives (Srivastava *et al.*, 1998). Dichotomous check-box questions were used so respondents could indicate from the list provided the metrics currently used by the companies they represent.

In addition to examining the use of metrics, we sought to identify whether and which organizational and contextual factors characterize the MPA profiles in companies. For this purpose, we used several firm- and industry-specific determinants. For a firm's main industry, we used the standard industrial classification by Statistics Finland [1]. The respondents were also asked to indicate whether the firm mainly operates in B-to-B or B-to-C markets, whether it mainly operates in a product or a service market, the phase of the company's market life cycle (emerging, growth, mature, declining) in its main market, and the firm's competitive position (leader, challenger, follower). The firm's market orientation was measured using Narver and Slater's (1990) 15-item MKTOR scale. Company size was measured by annual turnover. The total firm performance was assessed as an average of three commonly used measures of performance relative to competitors: relative business profit in the preceding financial year, return on investment (ROI), and return on assets (ROA) (cf. Hooley *et al.*, 2005; Vorhies and Morgan, 2005).

3.3 Analytical methods

First, exploratory factor analysis (EFA) was conducted to identify the dimensions of marketing performance that underlie MPA systems by dividing the overall marketing performance into measurable subcategories and defining the metrics used to assess each subcategory. Following

Costello and Osborne (2005), we chose a common factor analysis with principal component analysis as a factor extraction method. The factors were rotated using the orthogonal varimax method, and 0.40 was defined as the minimum absolute cut-off for loadings. Only variables with a factor loading over 0.50 were taken into consideration when the results were interpreted. The latent root criterion was used to define the number of factors to extract (Hair *et al.*, 2006, 120).

Subsequently, cluster analysis was conducted to form a taxonomy of the firms in order to determine the respondents' MPA profiles and to identify groups of companies with similar MPA systems. The factors established in EFA were used as the basis for the cluster analysis. Because of the relatively large number of observations, the non-hierarchical k-means algorithm with Euclidean distance was chosen (Hair *et al.*, 2006, 593). Hierarchical clustering was conducted to confirm the cluster result (Punj and Stewart, 1983).

Finally, cross-tabulations between the clusters and categorical contextual factors were used to establish criterion validity and to characterize the resulting clusters in terms of contextual factors. Statistical differences between the clusters, according to each of the contextual factors individually, were tested with χ^2 -tests. Moreover, differences in market orientation and financial performance were tested with Waller-Duncan tests (Waller and Duncan, 1969).

4 Analysis and results

An average respondent reported using 22.2 of the listed metrics, the median being 23. The use of each individual metric ranged from 23 percent to 90 percent of respondents, indicating that all metrics included in our listing are commonly present in the firms' MPA systems and that they adequately serve the purposes of the study. The top 10 metrics used in respondent companies were, in order: sales, profit/profitability, gross margins, perceived quality/esteem, total number of consumers, consumer satisfaction, market share, awareness, marketing spending, and number of consumer complaints. All of these metrics were also in the top 15 in the UK study by Ambler *et al.* (2004). The most significant differences are in perceived quality/esteem (#4 in Finland, #13 in the UK), total number of customers (#5 in Finland, #11 in the UK), number of new products (not included in the top 15 in Finland, #6 in the UK), relative price (not included in the top 15 in Finland, #7 in the UK), and distribution/availability (not included in the top 15 in Finland, #10 in the UK).

Concerning EFA, the Kaiser-Meyer-Olkin measure of sampling adequacy reached the value of 0.94, greatly exceeding the recommended threshold of 0.5 (Hair *et al.*, 2006, 114–115). After necessary eliminations—“number of products per consumer” and “price sensitivity / elasticity” were eliminated because of their factor loadings below 0.40—nine factors were extracted. For all but three indicators, factor loadings exceeded the commonly used threshold of ± 0.50 (Hair *et al.*, 2006, 129). The nine factors with corresponding items are presented in Table 2.

Combined, the factors account for 63 percent of total variance. All Cronbach’s alpha values exceed the generally accepted minimum level of 0.60 (Hair *et al.*, 2006, 102, 137), indicating high convergent validity for identified factors. The nine factors derived from the analysis are distinctive and, as such, demonstrate the general dimensions of marketing performance that underlie contemporary MPA systems in the studied context.

===INSERT TABLE 2 HERE===

In order to define the number of clusters in the final cluster solution, measures of heterogeneity change and direct measures of heterogeneity were applied. The pseudo F-value reached its maximum of 98.35 in the five-cluster solution, and the approximate expected overall R^2 value of significance reached its maximum in the six-cluster solution with the value of 0.29. A five-cluster solution also achieved the highest CCC value of 1.344. The five-cluster classification had a balanced distribution of cases (clusters consisting of 205, 130, 286, 251, and 285 respondents) and seemed to provide a viable choice in which within-cluster distances are fair. A hierarchical clustering (Punj and Stewart, 1983) also supports this classification. Thus, the final number of clusters was set at five. The final cluster centroids are presented in Table 3.

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Accordingly, five MPA profiles representing the ways in which firms weigh different dimensions of marketing performance in their measurement systems were identified. Intuitively, these profiles suggest that the MPA systems the companies adopt at least partly differ according to factors that emerge from a firm’s business context. To test this intuition, the characteristics of each cluster were further explored by examining the key contextual dimensions. The findings are summarized in Table 4. We find a significant relationship between cluster membership and offering type ($\chi^2 = 85.40$, d.f. = 12, $p < .001$). Similarly, we find that cluster membership is significantly associated with a firm’s annual turnover ($\chi^2 = 59.88$, d.f. = 12, $p < .001$), phase of market life cycle ($\chi^2 =$

48.46, d.f. = 12, $p < .001$), and market position ($\chi^2 = 24.16$, d.f. = 8, $p < .001$). Furthermore, we compared the cluster means on the continuous variables using Waller and Duncan's (1969) k-ratio t-test. The results reveal that statistically significant differences also in terms of market orientation and financial performance exist between clusters. More specifically, 'data collectors' were associated with the highest market orientation, whereas 'parsimony seekers' and 'casual marketers' were associated with the lowest. 'Data collectors' were also associated with the highest financial performance, whereas performance differentials between the others were statistically non-significant. Cluster means carrying the same superscript in Table 4 (concerning market orientation and financial performance) do not differ at a 5% significance level. In summary, we find that the identified MPA systems are contextual in many respects and that only one of the clusters performs better than the others.

===INSERT TABLE 4 HERE===

The characteristics shared by companies within but distinguishing between the clusters help to provide a qualitative explanation for the findings. We interpret the clusters as follows:

Group 1: Parsimony seekers (205 observations; representing 18% of respondents)

Parsimony seekers exploit direct internal and external feedback received from both customers and financial statements. They do not put specific effort into collecting specific information on marketing performance but concentrate instead on readily available data.

Typical parsimony seekers operate in manufacturing or construction industries and, in comparison to the full sample, product-focused companies are slightly over-represented. Typically, these companies face either mature or declining markets and identify themselves as market challengers or followers, with the second- or third-largest market share or smaller. In terms of annual turnover, small companies are under-represented. Parsimony seekers are among the least market-oriented clusters, and their financial performance is also among the lowest. The lack of market orientation, together with comparatively steady market conditions, may explain the lack of effort on MPA.

Group 2: Casual marketers (130; 11%)

Casual marketers, who use only some metrics, miscellaneous metrics, or no metrics at all, do not concentrate on any specific dimension of marketing performance. They also have an indifferent or even negative attitude toward assessing financial performance and profitability.

This cluster is primarily composed of non-profit organizations and small companies, operating at the consumer or industrial services market. The companies are typically either market leaders or market followers with a relatively small market share. The lack of MPA might be explained either by lack of interest in profitability because of more idealistic organizational goals or by lack of resources in smaller for-profit companies. With regard to the market life cycle, declining markets are somewhat over-represented, other market-specific characteristics being in line with the size of this cluster relative to other clusters. Market orientation and financial performance in this cluster are among the lowest, which is also in line with the not-for-profit orientation.

Group 3: Data collectors (286; 25%)

Data collectors track a broad scale of metrics or even all metrics listed in the study. They collect comprehensive performance data in terms of both focus and benchmarks, including metrics that assess market position, long-term firm value, innovation, sales process, and customer base.

Firms in this cluster are generally larger companies, and the share of the largest companies is the highest of all clusters. Typical companies included in the group operate in commission and wholesale trade or financial intermediation, including financial and insurance corporations and banking. The companies are market leaders or challengers operating either in emerging, growing, or mature markets. The large number of metrics in use may be due in part to resources available for performance assessment or due to competitive pressure to track success. Data collectors are also the most market-oriented of the groups, and their financial performance is the highest, reflecting a strong motivation to MPA in terms of both effectiveness and efficiency.

Group 4: Future builders (251; 22%)

Future builders concentrate on metrics that predict growth, such as innovation, brand equity, and sales process, but they ignore static metrics that assess the current state of performance in regard to, for example, current market position or present channel efforts and relationships.

The group of future builders consists of market followers in newly emerging or growing markets in industries focused on computer and related activities and other B-to-B activities, such as legal services, accounting, consulting and research activities, and public administration. The relative amount of industrial service companies is the highest of all clusters, whereas that of consumer goods companies is the lowest. The companies typically place in the lower middle range in terms of annual turnover. Their market position is relatively evenly distributed among market leaders,

challengers, and followers. Companies in the private sector in this group seem to be strongly oriented toward growth. The market orientation of the future builders is among the highest of the clusters, together with ‘data collectors’. Nevertheless, their current financial performance is among the poorest. The turbulent market phase in which they typically operate, together with a seemingly strong orientation to growth, can explain the concentration on future-looking metrics instead of those that assess past performance.

Group 5: Conventional marketers (285; 25%)

Conventional marketers focus on classic marketing metrics that assess market position, brand equity, and financial position. However, they exclude metrics related to a broader conceptualization of marketing—concepts such as long-term firm value, innovation, and sales process.

Conventional marketers place in the upper middle range in terms of annual turnover. Typical industries in this group are consumer services like retail trade, hotels, and restaurants and recreational, cultural, and sporting activities. Consumer goods companies are also strongly represented in this group. The companies are typically market leaders or challengers in well-established – mature or growing – markets. These firms are typically roughly on average in terms of market orientation but among the best performing clusters in terms of financial performance. With a strong focus on consumer markets, the firms in this group represent a somewhat stereotypical definition of ‘marketers,’ both in terms of firm demographics and the use of marketing metrics.

Taken together, the MPA systems adopted by firms in different clusters differ significantly from each other in terms of focus placed on each of the dimensions of marketing performance.

Significant differences in firm- and market-specific characteristics between clusters were also identified.

5 Discussion and conclusions

5.1 Theoretical implications

The aim of our study was to explore the dimensions of marketing performance that underlie MPA systems in practice and to propose a taxonomy of MPA systems in contemporary firms. Nine dimensions of marketing performance and five different MPA profiles were identified. The dimensions reflect a normative model of marketing performance adopted by Finnish companies in general. The profiles, in turn, represent different ways of adapting this normative model into

specific business contexts. We also found limited evidence on performance differentials between the profiles.

Our study contributes to the existing literature in three respects. First, our findings provide empirical support for the conceptual notion of contextuality in MPA (Morgan *et al.*, 2002; Blenkinsop and Burns, 1992). However, a more general, normative model underlying the contextual MPA systems was also outlined, as reflected in the different dimensions of marketing performance. Thus, our findings suggest that the applications of the normative MPA models provided in the literature (e.g., Rust *et al.*, 2004a; Walker and Ruekert, 1987), when brought to practice, vary across different business contexts.

Consistent with the findings of Ambler *et al.* (2004), we found that the use of marketing metrics is contingent on the business sector, at least partly because competitive benchmarking requires similar metrics to be available. Other explanations for business sector dependency stem from the similarity of strategic objectives within an industry or possibly from industry norms and conventions. Similarly, Eusebio *et al.* (2006) identified significant differences in the use of marketing metrics between two industries in Spain. To expand the extant empirical knowledge, we observe that the MPA profiles also differ significantly in terms of firm-specific factors such as firm size and market orientation as well as in terms of market-specific factors such as market life cycle stage and the firm's market position, as indicated in the cluster descriptions. Thus, our taxonomy responds to calls for empirical research concerning contextual models for MPA (e.g., Morgan *et al.*, 2002).

A second contribution is our observation of only limited performance differences among the MPA profiles. In contrast to the recent calls for simplicity in measurement systems (Stewart, 2009; Clark, 1999), the group of 'data collectors', who use a comprehensive selection of measures, is identified as the best-performing group of firms in our study. However, our analysis did not reveal statistically significant differences between 'parsimony seekers,' 'casual marketers,' 'future builders,' and 'conventional marketers,' suggesting that different MPA systems are relevant and differently associated with high performance in diverse business contexts. The explanation for this finding may be twofold; on one hand, different types of marketing controls and performance data are needed in different contexts (i.e., competitive environments; e.g., Jaworski, 1988). On the other hand, as the MPA systems in use reflect managerial focus on marketing (cf. Ambler *et al.*, 2004), different contexts require different approaches (Kaplan and Norton, 1992).

Our third contribution relates to the strong correspondence of the most widely cited theoretical models of MPA (Morgan *et al.*, 2002; Rust *et al.*, 2004a) to the dimensions of marketing performance established in our field study. These dimensions reflect a general, normative model for MPA adopted by practitioners in our respondent firms. For instance, the dimensions that represent brand and customer equity as well as market and financial position correspond to the constructs of marketing assets, market position, and financial position (Rust *et al.*, 2004a). The presence of the dimensions of innovation and channel activity as well as the breaking up of classical measures of marketing communications activity under several dimensions as frail variables reflect a broadening conceptualization of marketing (Srivastava *et al.*, 1999; 1998). The normative MPA system that underlies the contextual systems roughly covers the range of all dimensions of marketing performance present in the current MPA systems. This observation provides a starting point for managers in developing context-specific MPA systems.

5.2 Implications for managers

Contextual MPA systems are those in which a firm has made a choice to focus on certain metrics and not on others. The five clusters identified in our study represent a taxonomy of such choices made by Finnish firms. Figure 1 illustrates the choices made by firms representing ‘future builders’ and ‘conventional marketers.’

===INSERT FIGURE 1 HERE===

In practice, the deviations of individual companies’ MPA systems from the normative model provides insight into the firms’ priorities in marketing and into specific adaptations needed to succeed in their environments. Thus, the identified MPA profiles provide managerially actionable knowledge on the positioning of a firm with respect to the focus in marketing (cf. Ambler *et al.*, 2004). In addition, the measurement profiles identified may, with appropriate caution and consideration, be used as benchmarks in developing MPA systems for different contexts. Identifying the cluster whose characteristics most closely corresponds to the focal firm and then comparing the firm’s current MPA system with the dimensions emphasized by the other members of that cluster may provide useful avenues for developing the firm’s MPA. On the other hand, the differences identified in this analysis may also provide insights into how a firm’s marketing focus differs from that of other similar firms operating in similar environments.

Our finding of certain performance differences among the clusters indicates that, apart from building a comprehensive MPA system, there are no universal best practices for MPA and that firms need to find the MPA systems that best fit their firm- and market-specific contexts. For instance, ‘casual marketers,’ who do not measure marketing performance at all, or ‘parsimony seekers,’ who only use readily available data, do not perform significantly worse than ‘future builders,’ who focus on future- and growth-oriented metrics, or ‘conventional marketers,’ who concentrate on classic brand- or market-related and financial metrics. Therefore, the marginal costs and benefits of collecting marketing data should be considered carefully.

5.3. Limitations

Although the present study provides an extensive description of contemporary MPA systems in the Finnish context, Barwise and Farley (2004) have demonstrated that there are significant country-specific differences in the use of marketing metrics. In light of our findings on the relevance of industry context for MPA profiles in use, differences in economic composition between countries will impact country-level observations. For example, in contrast to the UK, the Finnish economy involves a greater number of people in primary production (e.g., 18% vs. 3% of the workforce in agriculture, forestry, and fishing) (Statistics Finland [2], data from year 2009; the UK Statistics Authority, Department for Business Innovation and Skills (BIS) [3], data from the start of 2010) and less in value-added services such as wholesale and retail (Finland 13% vs. UK 20%). In light of national differences such as this, any international generalizations must be treated with caution. Furthermore, although the analyses conducted in Finland and in the UK (Ambler *et al.*, 2004) resulted in similar classifications in many respects, there are also evident differences between the findings of these two studies. This underlines the need for further international comparisons, especially in terms of the normative model reflected in the dimensions of marketing performance.

The present study primarily employs research methods that result in analytical description. Future use of theory-testing methods could be used to test the findings of this study statistically in terms of, for example, factor structure. Given the somewhat differing results from Finland and the UK (cf. Ambler *et al.*, 2004), using confirmatory factor analysis to test the structure and dimensions of marketing performance would facilitate statistical comparisons. However, given the focus of the present study, exploratory methods were necessary to capture a context-sensitive and multifaceted phenomenon.

The extent to which the performance differences identified in the present study are due to MPA systems directly (O’Sullivan and Abela, 2007; O’Sullivan *et al.*, 2009), as opposed to overall firm and market characteristics, remains unclear. For instance, a broad body of literature has shown that high market orientation is often associated with superior financial performance (e.g., Narver and Slater, 1990; Kirca *et al.*, 2005). In our study, the best performing ‘data collectors’ also have the highest market orientation score among the groups. Therefore, whether the performance differentials among these groups are essentially associated with differences in MPA systems or differences in market orientation, for example, remains an unresolved question.

The respondents were chosen from among the representatives of top management in order to focus on metrics that reach the level of top management. However, as Lehmann and Reibstein (2006) noted, the use of metrics often differs between organizational levels. Therefore, including multiple respondents from several levels of each company would have enhanced the reliability of the present study.

5.4. Implications for future research

As the present study is exploratory in nature, confirming the proposed relationships between the use of MPA systems and the different factors in the business context remains a subject for further research. More specifically, it would be interesting to further model the impact of individual factors in the business context on the use of MPA systems (cf. e.g., Gaur *et al.*, 2011), and also examine their relative weight in determining the use of MPA systems.

On the other hand, the contextuality of MPA systems may entail several levels that could be better revealed by concentrating on explicitly limited data sets concerning specific sectors or industries. Repeating the analysis procedure on a sample of companies selected by more limited criteria—for example, within a single cluster—would increase the understanding of MPA systems in more specific contexts. In this way, the contextual models identified in the present study could become normative models for more context-specific studies. Ultimately, by conducting a number of increasingly context-specific studies, a hierarchical taxonomy of MPA systems (cf. McKelvey, 1978) may be constructed. A hierarchical taxonomy would then provide industry, context, or even company-level benchmarks for developing a firm’s MPA system.

According to an old adage, “what you measure is what you get.” In the context of marketing metrics, this notion refers to both the MPA systems serving as indicators of what the top

management perceives as important and, in contrast, the tendency of managers to use metrics to assess dimensions of performance on which they already perform well (Ambler *et al.*, 2004; Hammer, 2007). As O’Sullivan and Abela (2007) and O’Sullivan *et al.* (2009) showed, the ability to assess marketing performance in itself has a positive impact on firm performance and marketing’s stature within the firm. However, to what extent this improved performance is due to the corresponding dimensions of marketing performance remains unclear. Therefore, further comparisons of different types of data would be required to provide empirical evidence on whether assessing a single dimension actually improves performance on that dimension.

Our findings suggest that the levels of MPA and market orientation go roughly hand in hand (cf. Ambler *et al.*, 2004; Eusebio *et al.*, 2006), which calls for further research on the different types of controls in marketing (Jaworski, 1988; Ambler *et al.*, 2004), especially as they relate to each other. According to a recent study by Gaur *et al.* (2011), the performance effects of the different components of market orientation—customer orientation, competitor orientation, and interfunctional coordination (Narver and Slater, 1990)—may also differ depending on contextual factors. Therefore, the relationships between different types of market orientation, with different focus placed on each of the individual dimensions, and the different types of MPA systems should be investigated further.

[1] http://www.stat.fi/meta/luokitukset/toimiala/001-2008/index_en.html (accessed 10 January 2012).

[2] <http://www.stat.fi/til/syr/tau.html> (accessed 23 August 2011).

[3] <http://stats.bis.gov.uk/UKSA/ed/sa20110524.htm> (accessed 23 August 2011).

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Table 1: Sample description

Offering type	N (%)	Turnover (EUR)	N (%)	Respondent	N (%)	Market Life Cycle	N (%)
Consumer goods	235 (21.6)	> 2M	220 (19.8)	Chairperson/CEO	476 (46.1)	Emerging	132 (11.4)
Consumer services	97 (8.9)	2M -50M	494 (44.3)	Marketing/sales director	180 (15.6)	Growing	595 (51.4)
Industrial goods	286 (26.3)	51M-500M	246 (22.1)	Other director	444 (38.4)	Mature	402 (34.8)
Industrial services	471 (43.3)	> 500M	154 (13.8)			Declining	28 (2.4)

Table 2: Factors representing dimensions of marketing performance

Factor	Metrics	Factor loading	Communality	Cronbach's alpha
<i>F1: Brand equity</i> Actual and potential customer attitudes, perceptions, thoughts, and feelings	Awareness	0.70	0.58	0.90
	Saliency	0.68	0.53	
	Perceived quality/esteem	0.68	0.61	
	Consumer satisfaction	0.63	0.52	
	Relevance to consumer	0.67	0.58	
	Image/personality/identity	0.69	0.58	
	(Perceived) differentiation	0.62	0.56	
	Commitment/purchase intent	0.64	0.54	
	Other attitudes; e.g., liking	0.65	0.55	
<i>F2: Market position</i> Position of the firm relative to competitors	Market share	0.59	0.56	0.84
	Relative price	0.61	0.56	
	Loyalty (share)	0.62	0.59	
	Penetration	0.58	0.57	
	Relative consumer satisfaction	0.59	0.63	
	Relative perceived quality	0.59	0.66	
	Share of voice	(0.50)*	0.55	
<i>F3: Financial position</i> The level of incoming cash flow and profitability as the difference between this cash flow and the investment required	Sales	0.82	0.76	0.84
	Gross margins	0.72	0.64	
	Profit/profitability	0.82	0.74	
<i>F4: Long-term firm value</i> The proportion of long-term income cash flow to investments	Shareholder value	0.74	0.66	0.76
	Economic value added (EVA)	0.78	0.72	
	Return on investment (ROI)	0.57	0.56	
	Customer lifetime value (CLV)	0.56	0.57	
<i>F5: Innovation</i> Success of innovation in terms of new product development and financial value	Number of new products in the period	0.70	0.63	0.82
	Revenue of new products	0.84	0.82	
	Margin of new products	0.80	0.77	
<i>F6: Customer feedback</i> The satisfaction outcomes and success in managing relationships with customers	Number of consumer complaints	(0.44)*	0.54	0.75
	Customer satisfaction	0.78	0.75	
	Number of customer complaints	0.84	0.83	

<i>F7: Customer equity</i> The nature and development of the customer base	Total number of consumers	0.80	0.77	0.79
	Number of new consumers	0.82	0.79	
	Loyalty/retention	0.60	0.60	
<i>F8: Channel activity</i> Success in managing the distribution side of the supply chain	Purchasing on promotion	0.53	0.54	0.67
	Distribution/availability	0.56	0.65	
	% discounts	0.56	0.50	
	Marketing spend	(0.45)*	0.50	
<i>F9: Sales process</i> Success of sales in terms of developing new customers	Number of leads generated/inquiries	0.83	0.79	0.81
	Conversions (leads to sales)	0.81	0.78	

* Loading in parenthesis denotes a marginally relevant item that is not considered in interpreting the factor.

Table 3: Cluster centroids of the groupings of companies

Cluster	<i>F1:</i> <i>Brand equity</i>	<i>F2:</i> <i>Market position</i>	<i>F3:</i> <i>Financial position</i>	<i>F4:</i> <i>Long-term firm value</i>	<i>F5:</i> <i>Innovation</i>	<i>F6:</i> <i>Customer feedback</i>	<i>F7:</i> <i>Customer equity</i>	<i>F8:</i> <i>Channel activity</i>	<i>F9:</i> <i>Sales process</i>
<i>C1:</i> <i>Parsimony seekers</i>	-0.47	-0.52	0.59	0.36	-0.39	0.47	-0.86	0.18	-0.33
<i>C2: Casual marketers</i>	-0.40	-0.21	-2.36	-0.33	-0.17	-0.14	-0.35	-0.28	-0.28
<i>C3: Data collectors</i>	-0.28	0.79	0.07	0.68	0.47	0.02	0.32	0.17	0.43
<i>C4: Future builders</i>	0.46	-0.89	0.27	-0.04	0.49	-0.05	0.28	-0.48	0.32
<i>C5:</i> <i>Conventional marketers</i>	0.40	0.46	0.35	-0.75	-0.54	-0.24	0.22	0.24	-0.34

Table 4: Description of marketing performance assessment profiles

Characteristic	Total	Parsimony seekers (18%)	Casual marketers (11%)	Data collectors (25%)	Future builders (22%)	Conventional marketers (25%)
Offering type						
Consumer goods	100 %	23 %	6 %	28 %	9 %	34 %
Industrial goods	100 %	25 %	9 %	25 %	22 %	19 %
Consumer services	100 %	7 %	13 %	27 %	18 %	35 %
Industrial services	100 %	14 %	14 %	22 %	29 %	21 %
Turnover (EUR)						
> 2M	100 %	13 %	20 %	21 %	28 %	18 %
2M -50M	100 %	19 %	10 %	22 %	24 %	25 %
50M-500M	100 %	18 %	7 %	26 %	19 %	30 %
> 500M	100 %	21 %	7 %	36 %	11 %	24 %
Market life cycle						
Emerging	100 %	13 %	13 %	25 %	36 %	14 %
Growing	100 %	16 %	12 %	26 %	23 %	23 %
Mature	100 %	21 %	9 %	24 %	15 %	31 %
Declining	100 %	25 %	21 %	14 %	11 %	29 %
Market position						
Market leader	100 %	15 %	11 %	30 %	19 %	25 %
Market challenger	100 %	19 %	9 %	26 %	22 %	25 %
Market follower	100 %	20 %	14 %	17 %	26 %	23 %
Market orientation ¹		4.75 ^c	4.86 ^c	5.21 ^a	5.09 ^{a,b}	4.96 ^{b,c}
Financial performance ²		4.21 ^b	4.11 ^b	4.61 ^a	4.16 ^b	4.43 ^{a,b}

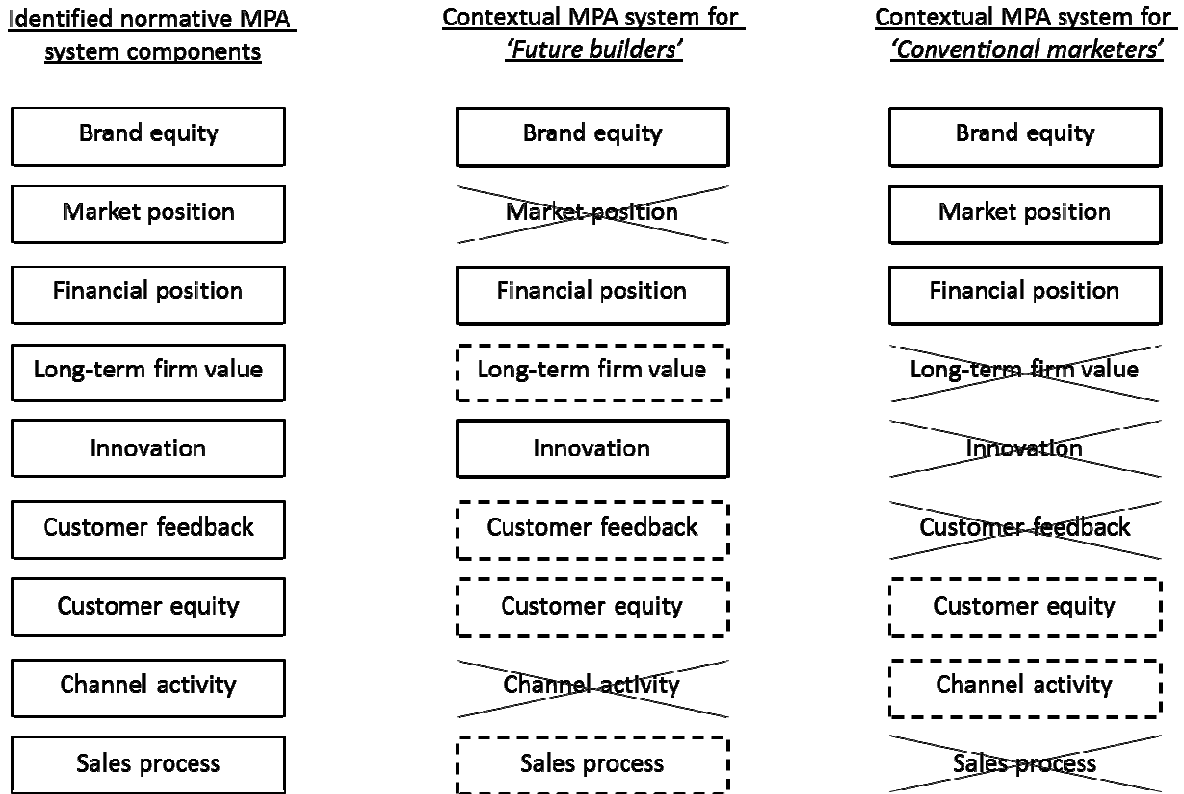
¹ The response options ranged from 1 ("strongly disagree") to 7 ("strongly agree").

² The response options ranged from 1 ("much worse than main competitors") to 7 ("much better than main competitors").

Notes: Reported values are mean values. In each row, cluster means that have the same superscript are not significantly different ($p < .05$) on the basis of Waller and Duncan's (1969) multiple-range test.

Highest means are assigned the superscript "a," the next lower means are assigned the superscript "b," and so forth.

Figure 1: Forming a contextual MPA system from normative components.



Note: Solid line indicates inclusion, dashed line marginal inclusion, and Xs exclusion