

## Management summary

### Reason for research and conceptual

Marketing accountability, the search for the financial added value of marketing for an organization has for many years topped the wish list of national and international marketing institutes as NIMA (Netherland's Institute for Marketing), MSI (Marketing Science Institute) and AMA (American Marketing Association). In general, the value of marketing for an organization is looked for via the top-line of that organization, via the sales revenue and gross margin side of the profit and loss statement. Since this way of adding value is reason for discussion for over half a century, will this research - through literature review, a quantitative research and expert interviews - try to find answers for the following questions:

1. Does marketing, mentioned in terms of market orientation, have a direct effect on corporate financial results?
2. Does marketing, mentioned in terms of market orientation, have an indirect effect on the corporate financial results through influencing the operational processes of other corporate departments?
3. Is the indirect effect of marketing, mentioned in terms of market orientation, on corporate financial results larger than the direct effect of marketing on the corporate financial results?

The possibility that marketing could have an effect on the corporate results via the processes of operational non-marketing departments has hardly been researched up to now.

Srivastava, Shervani en Fahey (1999) show that marketing could influence the corporate cash flows by influencing the core activities of an organization and Kumar, Venkatesan en Reinartz (2008) show the effect of better internal use of customer insight on the effectiveness and efficiency of the operational processes of the sales department. Researching the direct effect of marketing on multiple operational corporate processes, the direct effect of these operational processes on corporate results as well as the indirect effect of marketing via these operational processes on corporate financial results, fills a gap in the academic and management literature.

### Literature review

In his blog (August 2013) Dominique Turpin, president van IMD Business School states: "nobody has a clear idea of what marketing is and (the) marketing impact is often hard to measure". From an extensive literature review it shows that marketing literature does not have just one definition of marketing. It does show that marketing knows more operational than strategic as well as more non-financial than financial definitions. Since "market orientation is the very heart of modern marketing and strategy" (Narver en Slater, 1990) marketing in this research is explained in terms of market orientation, even though literature review shows that there is also not just one definition of market orientation. In this thesis marketing, mentioned in terms of market orientation is defined as: 'the planning and coordination of all company processes and activities in line with the needs and wants of customers and doing so in a way that there is a demonstrable and measurable impact on business performance' of the operational departments in order to improve the corporate (financial) results.

This view on marketing provides a starting point to research whether marketing has a direct effect on the operational departmental processes and therewith an indirect effect on the corporate (financial) results. The operational departmental processes are described along the lines of quality, effectiveness and efficiency, and in line with Day (1994), Heskett et al. (1997) en Stull et al. (2008) research of the following 'departmental processes' takes place:

- sales and customer service,
- HRM,
- personnel engagement,
- purchasing and material management,
- distribution and supply chain management,
- production and
- accounting and control.

Based on an oversight of financial literature, as well as on the Dupont scheme Dupont model (Blommaert en Blommaert, 2004) and the improved Dupont scheme (Srivastava et al., 2006), a broad collection of financial

and non-financial corporate results are selected to research whether marketing, as described in terms of market orientation effect these directly respectively indirectly.

## Methodology

The research follows the following methodology:

- 1 Based on an extensive literature overview (as described in chapter 2) a description of marketing, as mentioned in terms of market orientation is provided. Besides that, the processes of the seven departments are described and a selection of financial and non-financial corporate results are presented. Chapter two ends with three hypotheses, a conceptual and a research model.
- 2 Based on this literature overview an extensive questionnaire (chapter 3) is set up and sent out to members of NIMA, presented to readers of De Financiële Telegraaf and sent to over 700 studying professionals at NCOI, a Dutch educational institute. In total 932 respondents have filled out the questionnaire, from which after checking for completeness, 564 valid responses remained, being a response rate of 60%.
- 3 Through factor analyses the large amount of research items have been reduced to 26 factors, from which 23 factors remained after checking for inter-item correlation, item-to-item correlation, the Bartlett test for significance, internal consistency in line with the KMO-test, Eigenvalues and Cronbach Alpha values. This part is described in chapter 4.

## Analysis and results

The hypotheses are tested with a parallel multiple mediation model, where the effect of the three marketing factors (market orientation, process coordination and customer strategy) are linked with two corporate result factors (financial corporate results and personnel corporate results) via eighteen operational process factors. This is done using the PROCESS methodology by Hayes (2013).

The results of the research support hypotheses 1, that marketing as mentioned in terms of market orientation does not have a direct effect on corporate results, partially. Process coordination has no direct effect on either financial nor personnel corporate results, market orientation has no direct results on personnel corporate results nor on financial corporate results, excluding a direct effect through HRM. Customer strategy has a direct effect on especially personnel corporate results through a number of departmental operational processes.

The findings of the research support hypotheses 2, explaining that marketing, as mentioned in terms of market orientation have an indirect effect on corporate results via the influence of the operational processes of non-marketing departments. From research it shows that marketing via one or more factors has a direct effect on all operational departments, wherefrom the indirect effect on corporate results has been proven.

Finally, hypotheses 3 is supported; the indirect effect of marketing on corporate results is larger than the direct effect of marketing on corporate results.

As can be seen from the underneath shown data, market orientation as an indirect effect on the financial corporate results of 9,1%, as well as an indirect effect on personnel corporate results of 37,2%. Process coordination has an indirect effect on financial and 21,9% effect on personnel corporate results. Customer strategy has the largest effects on both financial as personnel corporate effects, being 40,1% and 56,6% respectively.

The influence of marketing on the corporate financial results is strongest through HRM (13,3%) and sales (10,5). The effect of marketing on personnel corporate results is strongest through HRM (28,9%), sales (28,2%) and engagement of employees (21,9%).

Tabel A: totaaloverzicht van indirecte effecten

	market orientation			process coordination			customer strategy		
sales	fin	yes	0,040	fin	yes	0,017	fin	yes	0,031
	fin	yes (total)	0,046	pers	yes	0,035	fin	yes	0,014
	pers	yes	0,056	pers	yes (total)	0,042	pers	yes	0,041
	pers	yes	0,058				pers	yes	0,074
	pers	yes (total)	0,121				pers	yes (total)	0,119
production	fin	no		fin	no		fin	yes	0,027
	pers	no					fin	yes	0,027
				pers	yes	0,049	fin	yes (total)	0,080
							pers	yes	0,062
							pers	yes	0,057
logistics	fin	no		fin	no		fin	yes	0,041
	pers	yes	0,048	pers	no		pers	no	
	pers	yes (total)	0,079						
purchasing	fin	no		fin	no		fin	yes	0,028
	pers	no		pers	no		fin	yes	0,025
							fin	yes (total)	0,046
							pers	yes	0,025
							pers	yes	0,027
engagement	fin	yes	0,014	fin	yes	0,014	fin	yes	0,037
	pers	yes	0,056	pers	yes	0,051	pers	yes	0,112
HRM	fin	yes	0,020	fin	yes	0,023	fin	yes	0,047
	pers	yes	0,068	fin	yes (total)	0,036	fin	yes	0,031
	pers	yes (total)	0,065	pers	yes	0,060	fin	yes (total)	0,077
				pers	yes (total)	0,077	pers	yes	0,106
							pers	yes	0,041
accounting & control	fin	yes	0,011	fin	no		fin	yes	0,045
	pers	yes	0,038	pers	no		fin	yes (total)	0,075
	pers	yes (total)	0,051				pers	no	

<b>total indirect effect</b>		
<b>marketing via sales</b>	fin. corp. res.	<b>10,8%</b>
	pers. corp. res.	<b>28,2%</b>
<b>total indirect effect</b>		
<b>marketing via production</b>	fin. corp. res.	<b>8,0%</b>
	pers. corp. res.	<b>18,1%</b>
<b>total indirect effect</b>		
<b>marketing via logistics</b>	fin. corp. res.	<b>4,1%</b>
	pers. corp. res.	<b>7,9%</b>
<b>total indirect effect</b>		
<b>marketing via purchasing</b>	fin. corp. res.	<b>4,6%</b>
	pers. corp. res.	<b>5,6%</b>
<b>total indirect effect</b>		
<b>marketing via engagement</b>	fin. corp. res.	<b>6,5%</b>
	pers. corp. res.	<b>21,9%</b>
<b>total indirect effect</b>		
<b>marketing via HRM</b>	fin. corp. res.	<b>13,3%</b>
	pers. corp. res.	<b>28,9%</b>
<b>total indirect effect</b>		
<b>marketing via accounting</b>	fin. corp. res.	<b>8,6%</b>
	pers. corp. res.	<b>5,1%</b>

	market orientation	process coordination	customer strategy
	total indirect effect	total indirect effect	total indirect effect
	fin. corp. results	9,1%	fin. corp. res. 6,7%
	pers. corp. results	37,2%	pers. corp. res. 21,9%
			fin. corp. res. 40,1%
			pers. corp. res. 56,6%

<b>total indirect effect</b>	fin. corp. res.	<b>55,9%</b>
<b>marketing</b>	pers. corp. res.	<b>115,7%</b>

To validate these findings, twelve specialists from the field of marketing, sales, HRM and finance were interviewed. From these expert interviews it shows that practice could validated the findings more or less. The experts explained that the companies that they worked for had not yet reached the point that marketing were to improve the corporate results through improving the operational departmental processes.

## Conclusions, academic and management relevance

Where common theory on marketing accountability is aimed at improving the top line of the company, the confrontation of theory and findings of empirical research shows that:

1. Mostly, marketing has no direct influence on improving corporate results;
2. Multiple effects of marketing on both the personnel as well as financial corporate results through operational departmental process improvement;
3. Largely, the indirect effect of marketing on both personnel as well as financial corporate results is larger than the direct effect of marketing on corporate results.

Marketing accountability theory is therefore expanded with the insight that marketing has a substantial effect on corporate results through improving the quality, effectiveness, efficiency and costs of other operational departmental processes.

The academic relevance includes an expansion of theory of both the direct and indirect effect of marketing on corporate results, but also the integration of different organizational silos, being departments. Furthermore this research adds insights on the status of marketing within organizations in general.

For the marketing practitioner this research shows that marketing has a mere indirect effect on corporate results, enabling the marketer to justify marketing budgets. Also this research proves that marketing should be (more) leading in corporate strategy making, especially in aiding non-marketing departments to better focus on

the customers' wishes and needs, resulting in better operational processes and therewith better financial (corporate) results.

Above all the findings of this research show that marketing should be more strategic than it is now. Marketing absolutely deserves a place in the C-suite, for it provides a triple-win situation: marketing gains in status, all other operational departments gain in process performance and the company gains better financial and personnel results.

It can therefore be stated that marketing truly works as value leverage for the entire company!