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GLOBAL MARKETING CONTROL

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"Half the money you spend on marketing is wasted.
The trouble is: you don't know which half!"
William Lever

Abstract

The reasoning issue of this work is to research and define the efficient methods of global marketing control. The report is focused on the following aspects: the importance of the control systems in global marketing environment, the relationship between planning and controlling, types and the process of establishment of the control systems, common problems and approaches to control.

A full Marketing Audit reviews the company's marketing environment, competition, objectives, strategies, organisation, systems, procedures and practices in every area of the marketing mix providing a basis for developing and improving the company's overall marketing effectiveness. The Balanced Scorecard represents a methodology which turns a business's strategic objectives into specific measures in four key dimensions: finance, customer, internal processes and innovation and learning for employees. Another approach connected with the Global Account Management can be used to monitor international marketing operations focused on company's global strategic customers.

The recommendations for the international companies who want to effectively control global marketing activities and benefit from "think global, act local" control strategy are: to decentralize and delegate control functions to subsidiaries; adapt and differentiate the evaluation standards to each geographical area; implement feedforward type of control; use marketing audit and benchmarking to track, compare and improve the performance of local marketing; exercise centralized control by means of global account management and financial component of the balanced scorecards.

Introduction

The control process is always seen as the final, but often neglected stage of international market planning. However, these activities not only are important for the performance evaluation, but provide the feedback necessary for the start of the next planning cycle.

And nowadays the evaluation and control probably represents one of the weakest areas of the marketing activities in many international companies.

The reason is that global marketing presents a number of problems and challenges to managers responsible for marketing control. Each national market is different from every other market. Distance and differences in language, custom and practices create communication problems. In larger companies, the size of operations and number of country subsidiaries often result in the creation of intermediate headquarters. These factors add a certain complexity to the control systems. This report, as a part of International Marketing Management module, was created in order to highlight the importance of control in global marketing management.

Problem definition

There are several methods and a number of important issues in marketing control which have vital implications for the process of establishing and adapting the control system. In order to analyze them and conclude the findings the following research will be focused on the question:

How to adapt a global control mechanism to the local market conditions?

Planning or control?

To begin with, it is necessary to define what ‘control’ actually means. In the managerial literature, control is defined as the process by which managers ensure that resources are used effectively and efficiently in the accomplishment of the organizational objectives. Control activities are directed towards marketing programs and other projects initiated by planning process. Data measures and evaluations generated by the control process in the form of a global audit are also input to the planning process (Keegan & Schlegelmilch 2000: 551). Figure 1 illustrates the connection between the marketing plan, the marketing budget and the control systems (Hollensen 2004: 658).

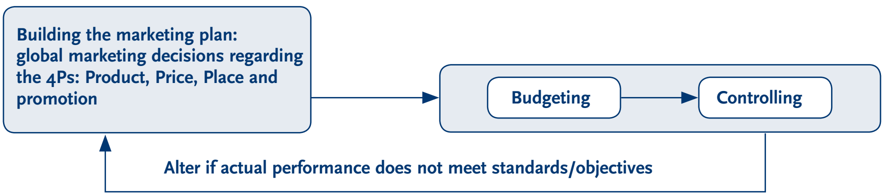

Figure 1 *Relationships between budget, plan and control system within marketing*

Thus there is no planning without control. And nowadays it becomes an even more important part of the cycle. The environment in which businesses operate is constantly changing. So it is obvious that business must adapt to reflect changes in the environment and make decisions about how to change the marketing mix in order to succeed. Sometimes this is quite a straightforward task. For example, in many small businesses there is only one geographical market and a limited number of products. However, there is another situation, the challenge faced by marketing management in a multinational business, with hundreds of business units located around the globe, producing a wide range of products. In this case well-organised marketing planning was usually considered as a vital activity to keep control of marketing decision-making (source: tutor2u.net). While control processes were undervalued.

However, all the planning systems failed to help businesses to overcome the complexity that was brought to the market by the credit crunch in 2008. The companies operating in the automobile industry, for example, were not able to predict demand and future sales of the vehicles correctly, as well as Microsoft Corporation who was enforced to reduce planned and officially announced sales pipelines for 2009.

The problem was not in the lack of planning, but it showed the inability of the planning system to intercept quickly the emerging problems. This function is related to the control process which was probably underused in the majority of organizations. Today the importance of marketing controlling is realised and companies turn to establishing and optimizing their control mechanisms: evaluation processes, control styles, feedback and corrective actions. Moreover, marketing control system should become forward looking and perspective, instead of being remedial in its outlook. The control with feedback information should be replaced by feedforward control (Hollensen 2004: 662) which starts at the same time as the planning process.

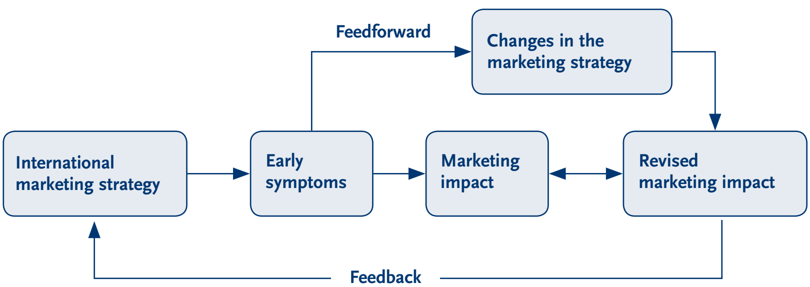

Figure 2 *Feedback and forward control systems within marketing*

By means of feedforward control system the deviations could be controlled before their full impact is felt. Such a system is a proactive and would help to ensure that planning and control are treated as concurrent activities.

Types of control

Both theory and practice divides the marketing control into two complementary processes: strategic control and operations control. Strategic control refers to a company's goals, objectives, strategies and capacity to perform. It ensures that the organization is following the right direction and on the one hand defines the fit between the capabilities and objectives of an organization and on the other hand its environmental threats and opportunities. While the operations control is concerned with the task of how well the organization performs its marketing activities regarding its planned outcomes.

The design of the control system used in regulating subsidiaries can be divided into two groups dependent on the object of control. The first one is *output*, or *formalised*, control which is typically based on financial measures (i.e. balance sheets, sales and production data, product line growth, etc.) (Keegan & Schlegelmilch 2000: 551), which are accumulated at regular intervals and typically forwarded from the foreign subsidiary to headquarters, where they are evaluated and criticised based on comparison to the plan or budget. This type is widely used in western organizations where managers are usually judged on financial criteria – profit contribution.

In countries, where formal control mechanisms are less important, in Japan, for example, values and culture are objects of control. This *behavioural*, or *cultural*, control often requires an extensive socialisation process, and informal, personal interaction. Substantial resources are spent to train the individual to share the corporate culture (Hollensen 2004: 659).
It is assumed that in global companies, shared values are more appropriate to link the subsidiaries than formal control methods. However, there is no clear link between these two types of control and it is still more likely for companies to use traditional financial criteria and treat behavioural ones with a degree of scepticism.

Another classification of control in marketing was made by Kotler and it distinguishes four types of control each involving different approaches, purposes and allocation of responsibilities (Hollensen 2004: 663-664):
- Strategic control with its purpose to examined if planned results are being achieved;
- Efficiency control with the purpose to examine ways of improving the efficiency of marketing through the sales force, advertisement, or distribution means;

– Annual plan control aimed to determine the extent to which marketing efforts over the year have been successful;
– Profit control which examines where the company is making and losing money.

Establishment of a control system: stages and problems

There are several stages in the process of establishing a global marketing control system, all in all it consists of deciding marketing objectives, setting performance standards, locating responsibility, evaluating performance against standards, and taking corrective or supportive action. Each of these elements is simple to understand, but in practice they create tensions and problems. It is important for a company to set reliable control system, not only the illusion of control. An ineffective of defective control could cause a lot of problems and even harm the corporate strategy.

Establishment of standards is a necessary part of the system. In general, the corporate headquarters' personnel together with the local marketing organization set the standard through a joint process. Efforts of managers are directed through the standards which they should clearly define and accept. Due to their extreme importance, standards should be strongly connected to the strategy of the corporation and the sources of long-term competitive advantage. There are no doubts, that marketing performance measures and standards will vary by company and product according to the goals and objectives stated in the marketing plan. However, the compatibility of standards established for different markets is vital as well.
Regarding the locating of responsibility, in some cases it ultimately falls on one person (brand manager, for example); in others it is shared between the sales manager and sales force, for instance. Anyway, people involved needed to be convinced that the purpose of the control is to improve their own levels of success and that of the company.

The monitoring and evaluating of the performance can occur at various levels in the organization. Three financial measures are used most to evaluate international performance: return on investment, budget analysis and historical comparison. Actually, in 95% of the cases the same evaluation technique is used for both foreign and domestic operations. And the rate of return was mentioned as the single most important measure (Keegan & Schlegelmilch 2000: 554). Because of aspects such as foreign currencies, different rates of inflation or different tax law the return on investment can cause problems when applied to international operations. Both the net income figure and the investment base may be seriously distorted.
When the actual performance falls short of the expected standard, management is forced to initiate actions. In order to achieve the corporate goals and to reduce the variation between established standards and actual performance, several options exist: either the

actual performance is improved, the performance standard is changed, or both options applied. In an international setting this can be rather difficult because of geographical and cultural differences.

However, even a well-organized marketing management control system is affected by many aspects. One of these is a communication, the distance between the head office and the overseas divisions. The greater the distance, the more likely time, expense and errors will increase. Even the use of electronic communication systems that operate in real time cannot fully reduce this negative effect. Besides the distance, the location plays an important role in communication: the more advanced the telecommunications of a country, the easier the communication process; as well as developed IT systems reduces a lot of geographical constraints.

The other aspect that creates problems is the availability of economic, industrial and consumer information necessary for controlling. In countries where this data is readily available and reliable, both marketing planning and control could be done on basis of these external data. Where such data are not readily available or reliable (for instance, in Russia some companies still report lower output to avoid taxation), as is the case in many developing countries and markets, there are problems. Such aspect as a diversity of the environment is also influencing the development of the marketing plans and thus its implementation and control. The following variables could affect and cause problems in international control process compared to domestic one (source: www.fao.org) :

Domestic Environment	International Environment
Single language and nationality	Multilingual/multinational/multicultural factors
Relatively homogeneous market	Fragmented and diverse markets
Data available, usually accurate and collection easy	Data collection a large task requiring significantly higher budgets and personnel allocation
Political factors relatively unimportant	Political factors frequently vital
Relative freedom from government interference	Involvement in national economic plans; government influences business decisions
Individual corporation has little effect on environment	"Gravitational" distortion by large companies
Chauvinism helps	Chauvinism hinders
Relatively stable business environment	Multiple environments, many of which are highly unstable (but may be highly profitable)
Uniform financial climate	Variety of financial climates ranging from over-conservative to wildly inflationary
Single currency	Currencies differing in stability and real value
Business "rules of the game" mature and understood	Rules diverse, changeable and unclear
Management generally accustomed to sharing responsibilities and using financial controls	Management frequently unautonomous and unfamiliar with budgets and controls

Table 1 *Domestic versus International Environment*

All these factors and variables bring a certain complexity to the process of global marketing control.

Global marketing control tools

Marketing audit

The term ‘audit’ is typically associated with financial audits where accountants and professional auditors pore over company financial statements to ensure that appropriate procedures are established and followed. In this way, an audit, whether conducted internally or by external auditors, can help a company refine its business practices and improve its productivity and profitability. Marketing audit is a comprehensive examination of a company's or business unit’s marketing organization, strategies, tactics, objectives, and activities, which is conducted with the objective of identifying existing and potential problems and opportunities and recommending a plan of action to pinpoint more effective uses for the marketing resources and improve a company’s marketing performance. A good marketing audit is also:

- Systematic. It follows a logical, predetermined framework - an orderly sequence of diagnostic steps. The marketing audit will indicate improvements needed to accomplish your company’s goals. An audit results in a comprehensive action plan to address short and long term marketing needs of the company.
- Comprehensive. It considers all factors affecting marketing performance, not just obvious trouble spots. Marketers can be fooled into addressing symptoms rather than underlying problems. A comprehensive audit identifies the real sources of problems.
- Independent. Audits where managers complete a checklist lack objectivity and independence; the best audits come from outside consultants who are objective, have broad exposure in a number of industries, and some familiarity with your industry.
- Periodic. Marketing operates in a dynamic environment with an ever-increasing rate of change. Marketing audits are typically done in a crisis, after sales have fallen and morale is low. Periodic audits can benefit companies in both good and bad times

(source: www.wmg-mn.com).

A marketing audit begins with a meeting between the company’s senior management and the individual conducting the audit – it could be conducted internally or by external auditors. They decide on the audit’s objectives, report format, timing, and other matters. The audit could be broad or it could be a narrowly focused assessment. A full marketing audit reviews the company’s marketing environment, competition, objectives, strategies, organisation, systems, procedures and practices in every area of the marketing mix, including product, pricing, distribution, communication, customer service, and research strategy and policy. The audit also presents a number of problems and pitfalls. Setting objectives can be a pitfall, if indeed objectives are blind to a major problem. It is important for the auditor to be open to expanding or shifting objectives and priorities while conducting the audit (Keegan & Schlegelmilch 2000: 557), as well as be flexible to new directions and sources that appear in the course of the audit investigation.

When the audit is complete, it will provide a basis for developing comprehensive action plans to improve your overall marketing effectiveness. A marketing audit provides three major benefits to a company.
- Firstly, senior management will gain an independent, objective view of their firm's marketing performance.
- Secondly, the assessment of the firm may lead to an entire re-evaluation of the company's direction, not just a fine-tuning of current marketing efforts.
- Thirdly, the marketing audit will help management set priorities for the marketing programs. The auditor can help management focus on important changes, while avoiding the political struggles that hinder change

(source: www.wmg-mn.com).

In fact the specific contents of a marketing audit are unique to each firm and each audit conducted for that firm. For instance, a new approach to the audit was presented by KPMG in 1994 (Keegan & Schlegelmilch 2000: 560). Their idea concerning Business Measurement Process (BMP) delivers an audit focusing on the client's business processes and risk. Being an accounting and consultancy firm, KPMG decided to go beyond the numbers and traditional transaction-based auditing in order to provide the client with insight about its business and industry. BMG adds another dimension to the audit process by evaluating business processes and risks. BMG approach is defined by five principles: strategic analysis of the client's operations, business process analysis, risk assessment, business performance measurement, and continuous improvement. This last principle includes the gap-analysis aimed to identify client's performance improvement opportunities. In this stage, the team focused on both financial and non-financial measures most likely to generate the improvement the client seeks.
One of the KPMG client said: "BMP is not just a once-a-year-audit – it's a year round relationship." As well as traditional marketing audit that has a "value as a one-off free-standing exercise, but its greatest use is as an ongoing regular practice of the company, so that comparison can be made between the results of each audit" (Wilson 2002). It is one of the reliable control tools for evaluating and improving a company's global marketing operations.

The balanced scorecard

Many companies, such as IKEA, have recognised that the traditional command-and-control budgeting systems do not fit into a changing environment, thus they decrease the emphasis on formal budgeting and control and implement balanced scorecard.
The balanced scorecard is defined as a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals (source: www.balancedscorecard.org). This concept offers a way for a corporation to a wider perspective on its strategic decisions rather than looking at financial measures alone in assessing organisational performance. It represents a methodology which turns a business's strategic objectives into specific measures in four key dimensions: finance, customer, internal processes and innovation and learning for employees (Keegan & Schlegelmilch 2000: 561) The modified approach to scorecards, called a "strategy map", links the long-term plan or competitive strategy of a business with its operational activities. It illustrates the cause-and-effect relationships between different key performance indicators that are included in a balanced scorecard.
While implementing this control tool, it is necessary to identify five or six goals within each of the perspectives, and then make inter-linking between these goals by plotting causal links on the diagram. Having reached some consensus about the objectives and how they inter-relate, the balanced scorecard has to be devised by stating suitable measures for each objective.

The reasons to use balanced scorecards may be the following:
- Drive strategy execution;
- Clarify strategy and make strategy operational;
- Identify and align strategic initiatives;
- Link budget with strategy;
- Align the organization with strategy;
- Conduct periodic strategic performance reviews to learn about and improve strategy.

Despite the convenience and benefits of the balances scorecards, there are several problem areas. The first is that the scores are not based on any proven economic or financial theory. The process is entirely subjective and makes no provision to assess quantities (e.g., risk and economic value) in a way that is economically well-founded. And another one is that the balanced scorecard does not provide a bottom line score or a unified view with clear recommendations: it is simply a list of metrics.

To sum up, the implementation of such a control tool requires a lot of changes in existing management information and reporting systems. However, international practice shows that even financial organizations, such as banks, namely, the Royal Bank of Scotland, introduce and implement balanced scorecards as a method of global control.

Besides marketing audit and balanced scorecard methods of control, the approach connected with the Global Account Management (GAM) can be used to monitor international marketing operations. GAM is defined as an organizational form used in the global organization to coordinate and manage worldwide activities, by serving an important customer centrally from the headquarters (Hollensen 2004: 649). Thus the controlling activities connected to the certain global account could be centralized as well. This approach could not replace the standard system of control, in which different markets and subsidiaries are evaluated separately, but could significantly narrow down the number of operations that should be controlled worldwide.

Conclusion

The key issue for good controlling in global marketing is a flexible structure or framework which enables organizations to respond to relevant differences in the markets in which they operate, but, at the same time, delineates relationships clearly between parts and personnel of the company. Organizations can only work effectively if structure is defined, standards of performance are designed and communicated, and the control framework is fair, clear to all and agreeable. This is not to say that once the structure is defined, it cannot be changed. In fact, the current situation is forcing international companies to re-evaluate their control systems and adapt them to the local environment.

Recommendations

The establishment, continuous improvement and relevant adaptation of the global marketing management control system is a great challenge for organization. Answering the question how an international company could adapt its control system to the local conditions, the following list with key recommendations was created:

- Decentralization – to delegate the control functions to the local subsidiaries, divisions, or intermediate headquarters responsible for the certain geographical regions;
- Differentiation – to adapt evaluation standards and performance measurements to the local markets;
- Feedforward control – to be proactive and anticipate the environmental changes;
- Marketing audit – to track and improve the performance of local marketing processes and actions;
- Benchmarking – to control the position on the certain geographical market and ensure the competitiveness of the current marketing strategy;

– Global account management and control – to create long-term global relationships with strategic customers;
– Modified balanced scorecards (see figure 3) – to provide a headquarter with clear and comparable financial results (in ratios, like the rate of return) to ensure the effective allocation of the corporate financial recourses, which is vital in the current crisis situation.

Figure 3 *Modified balanced scorecards*

Applying these recommendations to practice, international companies will be able to control effectively their marketing activities worldwide and benefit from “think global, act local” control strategy.

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