The role of informal perspective on marketing control combinations

Paola Ortiz-Rendón
Institución Universitaria Esumer
José Munuera-Alemán
Universidad de Murcia
Luz Montoya Restrepo
Universidad Nacional de Colombia

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Abstract:

Decisions involving marketing control combine formal and informal mechanisms, which can be the result of the mixing or substitution of different types of control and also generate other systems that affect organizational results in a more favorable way. The aim of this paper is to identify the relationship between control combinations and organizational results, and to analyze the relationships between the variables attributed to the marketing managers with marketing control combinations. The paper is based on 301 cross-sectional surveys involving managers at Colombian companies, using PLS-SEM. The results show that, when managers implement high-control systems, the market-related and financial results are always higher compared to high-clan control. In addition, the manager's satisfaction levels and work motivation are higher in high control systems than they are with other control systems.

Keywords*: marketing control combinations, organizational results, informal control.*

Track*: Marketing strategy & theory*

1. Introduction

Control is a fundamental activity in the decision-making process in marketing, because it allows the timely evaluation of the objectives' scope (Verhoef & Leeflang, 2009). As such, marketing productivity increases when managers use appropriate metrics and control systems. Traditionally, control has been analyzed in isolation, indicating the existence of a formal and informal typology (Malek et al., 2018). Formal control is associated to a professional's evaluation of skills, capacities and results, with the aim of avoiding dysfunctional behavior (Jaworski & MacInnis, 1989). Informal control is related to professional and cultural aspects, which encourage teams to work together and affect the scope of results. In that sense, organizations need to establish an adequate balance in their control systems to make sure that team activities are in alignment. Furthermore, that alignment must not be based on control mechanisms that focus on behavior and results alone, because that would lose sight of the informal variables associated with culture and self-control, which means that control systems use a synergetic combination of formal and informal typologies to align people's efforts and realize the objectives that have been set (Jaworski et al., 1993). Based on the outline presented above, it has been estimated that, when it comes to marketing control decisions, combining formal and informal typologies can lead to the following levels of control: high, bureaucratic, clan and low control (Cravens et al., 2004).

Based on the four control combinations mentioned above, various analyses have been carried out to test their role in organizations. From the perspective of marketing managers, Jaworski et al. (1993) determined that the size of organizations, the interdependence among work groups, the routine in their tasks and the evaluation of their activities are all variables that help predict the four alternatives of control combinations. Furthermore, the authors concluded that control systems have a significant impact on people's work satisfaction, the level of conflict between employees and the marketing manager, and on clarity with regard to their responsibilities. However, they found insufficient evidence to affirm that control combinations affect the performance of people. On the other hand, Cravens et al. (2004) analyzed the consequences of the control mechanisms on sales people using variables similar to the ones mentioned earlier. In contrast to Jaworski et al. (1993), their findings do show that, with a high level control system, people tend to perform better. Furthermore, in the empirical study by Cravens et al. (2004), the implementation of bureaucratic control emerges as the most important factor, while in Jaworski et al. (1993), that is high level control, followed by clan control. As such that, there appear to be differences between the control systems implemented by the marketing department compared to other areas of the organization.

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Additionally, to evaluate the productivity of the marketing process, it is essential to analyze the relationships between marketing decisions and organizational results (Edeling & Fischer, 2016; Katsikeas et al., 2016). As far as marketing control decisions are concerned, their influence on organizational performance has been explored more than any other from the perspective of people's performance results, not from that of other control aspects like their capabilities, skills and the work environment. As such, it should be noted that, there is a limited understanding of the effect of other types of control on company performance; we also need to examine the relationships that may emerge among marketing control mechanisms that result in systems combining various decisions) (Malek et al., 2018; Moorman & Day, 2016). These combinations can result from combining of substituting different types of control; they can also cause other systems to affect organizational results in a more favorable way (Malmi & Brown, 2008).

As stated before, there has been an interest in understanding the effects of control systems on people's performance, and on business results in general. However, it is also important to explore which preceding variables influence decision-making involving the combination of control types, as well as their intensity. In that context, Jaworski (1988) conducted a theoretical analysis of the way the external environment, competition and internal environment variables of companies determine the use of formal and informal control mechanisms. In turn, Liang & Frösén (2019) explored how the types of business strategies affect the relationship between control mechanisms and the market-based learning capacity. However, there is limited empirical evidence regarding the impact certain characteristics of marketing managers have on control decisions, despite the importance of evaluating how the presence of a manager, as well as their level of training, motivation, and experience, affect a company's performance (Moorman & Day, 2016). Such is their interest in establishing control mechanisms to achieve the objectives that have been defined. Our study contributes to existing knowledge by analyzing the effect that marketing control combinations have on business results and expands the explanation about how marketing actions add value to organizations (Malmi & Brown, 2008), in addition to providing insight into the intensity levels of control combinations that improve the performance of a company's marketing process.

As such, the aim of this paper is to examine the relationship between control combinations and organizational results, in particular market-related and financial results. From the combinations of formal and informal control perspective, and based on the outline presented above, it is also interesting to analyze the relationships among the variables

attributed to the marketing managers, including their experience in the role and in marketing, and their work satisfaction and motivation in relation to marketing control combinations.

2. Research Method

2.1 Data collection and sample characteristics

To collect the data, we used an online cross-sectional survey. The sampling frame included 2935 companies that operate in Colombia and that apply a marketing process. To that end, marketing and budget decision-makers from SBUs in various economic sectors were approached by email, requesting them to fill in the survey, explaining the study's objective and guaranteeing anonymity. Once a manager agreed to answer the questionnaire, a link was sent that redirected the manager to the platform where the questionnaire was hosted. In addition, respondents were asked to fill in the questionnaire evaluating only the SBU that they managed. It was explained that this SBU corresponds to a category of products or services with an independent budget and with its own clients, consumers and competitors. After following up with managers who expressed their interest in responding and sending out three rounds of reminder e-mails, 301 questionnaires were completed in full. Table 1 shows the sample characteristics.

Table 1. Sample characteristics

Sector	Total	%	Sales (U$ mill)	Total	%
Manufacturing	108	35,9	< 5	103	34.2
Wholesale trade	32	10,6	5 – 10	52	17.3
Professional, scientific, and technical services	29	9,6	> 10	146	48,5
Construction	25	8,3	Total	301	100
Health care and social assistance	20	6,6			
Finance and insurance	19	6,3			
Information	15	5	**Educational level**	**Total**	**%**
Arts, entertainment, and leisure	13	4,3	Technician	6	2,0
Agriculture, forestry, fishing, and hunting	11	3,7	Technologist	11	3,7
Other services	8	2,7	Professional	91	30,2
Retail trade	7	2,3	Specialist	104	34,6
Educational services	6	2	Magister	84	27,9
Mining, quarries, oil, and gas extraction	5	1,7	Ph.D.	3	1,0
Transport and storage	3	1	N/A	2	0,7
Total	301	100	Total	301	100

2.2 Measurements

The survey used items from earlier studies. Each survey component included items that were measured on a 7-point Likert scale. The formal control mechanisms construct was measured using the scale proposed by Miao & Evans (2014), which focuses on assessing the

capabilities of marketing professionals, while the informal control construct was designed based on the scale proposed by Jaworski et al. (1993). This indicator is recognized for its significant influence in studies involving organizational control (Malek et al., 2018).

The variables regarding the years of experience in marketing, the years active in the current marketing role, as well as the manager's satisfaction and motivation, were quantitative variables that were expressed with a decimal number, while both satisfaction and motivation to stay in the position were rated on a scale from very dissatisfied / unmotivated (1) to very satisfied / motivated (7). With regard to market results, the types of marketing indicators most frequently used by organizations to measure performance were selected (Ambler et al., 2004; Barwise & Farley, 2004; Farley et al., 2008; Sampaio et al., 2011). Subsequently, market metrics with significant impact on organizational value results were analyzed (Edeling & Fischer, 2016; Katsikeas et al., 2016). The proposed metrics for the financial results construct also include indicators associated with the measurement of organizational value, such as return on assets, the company's gross income (EBITDA), and the organization's general performance (Morgan, Vorhies, & Mason, 2009). Return on assets was also included as a variable designed to measure performance (O'Sullivan & Abela, 2007).

To guarantee the psychometric properties of the scales, an exploratory factor analysis was carried out, indicating that all the items in the questionnaire have a factor load greater than 0.7, which means they have a high influence on each construct. In addition, for each construct, the average variance extracted (AVE) is higher than the recommended minimum level of 0.5 (Hair et al., 2014, p. 100), and each item's communalities are higher than 0.5. These statistics show an optimal consistency and validity of the scales used in this study. On the other hand, the AVE's square root is greater than the correlations among the different constructs, indicating that there are no issues involving discriminant validity (Fornell & Larcker, 1981).

3. Empirical Testing

To identify the marketing control combinations, the classification procedure based on metric distance implemented by Jaworski et al. (1993) was considered. It should be noted that, under this procedure, the ties between pairs of control combinations remain uncategorized. In addition, a control combination is classified with the minimum distance criterion, even though the value of this distance is very close to another. Taking these considerations into account, the distances for each case have been reviewed individually (301), while the relative

percentage of the distance has been calculated for each control combination. When performing this calculation, the percentages and the lowest distances were reviewed. It was analyzed whether, for the same SBU, there is another close percentage with a difference of no more than 5%. In addition, the ties were also grouped at the lowest distances.

The rankings based on the groupings discussed above are shown in Figure 1. High control continues to come in first position. To validate the new control combination classifications, a hierarchical cluster analysis was carried out with the formal and informal control results. The Ward's method was used (Hair et al., 2014), and from the agglomeration coefficients, significant increases were identified in conglomerates two to three (53%). With these findings, the non-hierarchical cluster analysis was implemented for two and three conglomerates. The data distribution for two conglomerates is not heterogeneous for cluster 1, since the same number of high-clan control cases and unclassified cases are grouped. The data distribution for three conglomerates turns out to be more heterogeneous. For cluster 1, 73% (82) of the cases correspond to high-clan control, for cluster 2 97% (165) to high control, and for cluster 3, 100% (19) correspond to no classification.

Figure 1: New control combinations
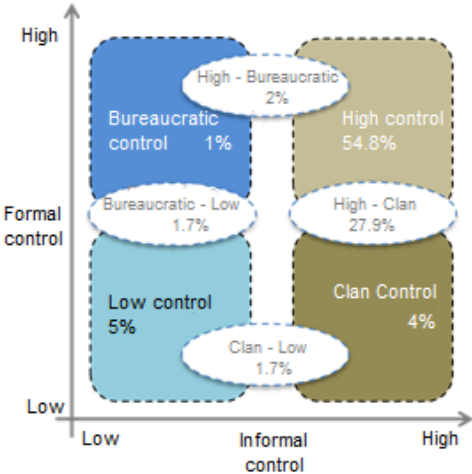
Source: Own elaboration from the data collected.

The data analysis was supported by the IBM SPSS Statistics 24 software. Table 2 presents the correlations matrix among variables.

Table 2: Correlation matrix

	1	2	3	4	5	6	7	8	9	10	11	12
1. Formal control												
2. Informal control	0,66**											
3. Market coverage	0,23**	0,21**										
4. Brand equity	0,22**	0,16**	0,50**									
5. Relative price	0,15*	0,04	0,40**	0,36**								
6. Digital Marketing	0,19**	0,10	0,22**	0,30**	0,16*							
7. Product Quality	0,23**	0,27**	0,24**	0,32**	0,23**	0,29**						
8. Customer loyalty	0,23**	0,19**	0,40**	0,35**	0,32**	0,33**	0,36**					
9. Finance	0,28**	0,30**	0,45**	0,25**	0,27**	0,30**	0,27**	0,39**				
10. Experience in the role	-0,07	-0,08	0,03	0,02	0,05	-0,10	0,00	0,04	-0,01			
11. Experience in Marketing	0,09	0,02	0,04	0,01	-0,01	-0,16	-0,04	-0,02	-0,05	0,37**		
12. Satisfaction	0,37**	0,32**	0,13*	0,10	0,03	0,10	0,19**	0,14*	0,24**	0,08	0,19**	
13. Motivation	0,35**	0,29**	0,21**	0,08	0,03	0,15*	0,15**	0,19**	0,28**	0,08	0,14*	0,68**
**. Correlation is significant in level 0,01 (bilateral).												
*. Correlation is significant in level 0,05 (bilateral).												

Source: Own elaboration from the data collected

To explore the effect of satisfaction, motivation and experience in marketing, and experience in the role in the control combinations, a discriminant analysis and ANOVA test were carried out. To determine the relationship between the control combinations and the market-related and financial results, an ANOVA was performed (see Tables 3 and 4).

One of the problems any organization faces is the need to establish an adequate balance between formal and informal control mechanisms, in order to build a system that allows the organization to achieve the alignment of activities of work teams and achieve the desired objectives. As the findings of this research indicate, there are several reasons why organizations must insert informal controls into marketing control systems. First, marketing departments have a high level of responsibility for innovative and non-standardized processes that favor a differentiation strategy, which in turn enhances the organization's results and provides a more flexible management of human resources where employees actively participate in the configuration of organizational processes and dynamically increase their levels of self-control. On the other hand, organizations with a tendency for bureaucratic structures are inclined to use formal controls, making it difficult to continuously adapt to what the ever-changing market demands, the unforeseen actions of competition or to technology. Thirdly, marketing professionals perform tasks that require constant creativity and innovation, then it is necessary to promote autonomy and self-regulation.

Table 3: Relationship between control and variables attributed to the marketing managers (Discriminant analysis and ANOVA)

Independent variables	Model 1: Metric distance classification (Jaworski et al., 1993)						Model 2: Metric distance classification with tie adjustment				
	Mean (DS)						Mean (DS)				
	High	Clan	Low	Discriminant load function I	F-value	Sheffe Test (p < 0,05)	High	High-Clan	Discriminant load function I	F-value	Differences
Experience in the role	3,90 (4,23)	4,78 (5,10)	5,16 (6,86)	-0,38	1,13	None	4,06 (4,50)	4,05 (4,41)	-0,17	0,00	None
Marketing experience	11,23 (7,07)	10,36 (6,59)	8,58 (6,57)	0,24	1,40	None	11,47 (6,86)	9,73 (7,03)	0,28	3,94	High ≠ High-Clan
Satisfaction	6,28 (0,87)	5,34 (1,53)	5,26 (1,69)	0,48	18,84	High ≠ Low and Clan	6,37 (0,83)	5,73 (1,18)	0,41	24,78	High ≠ High-Clan
Motivation	6,25 (1,13)	5,09 (1,85)	4,84 (2,14)	0,57	19,41	High ≠ Low and Clan	6,39 (0,99)	5,49 (1,47)	0,65	30,70	High ≠ High-Clan
	Multivariate summary							Multivariate summary			
	Wilk's Lambda	Chi-squared	% variance	Canonical correlation				Wilk's Lambda	Chi-squared	% variance	Canonical correlation
Function 1	0,82 **	50,77 **	98,0	0,42			Function 1	0,88 **	30,21 **	100,0	0,37
Function 2	0,99	1,14	2,0	0,07			**p < 0,05				

Source: Own elaboration from the data collected

Table 4: Relationship between control and organizational results (ANOVA)

Results	Model 1: Metric distance classification (Jaworski et al., 1993)						Model 2: Metric distance classification with tie adjustment			
	Mean (DS)						Mean (DS)			
	High	Clan	Low	F-Value	P-Value	Sheffe Test (p<0,05)	High	High-Clan	F-Value	P-Value
Market_coverage	4,94 (1,15)	4,43 (1,20)	4,32 (0,77)	3,95	0,02	No	5,04 (1,13)	4,36 (1,15)	8,28	0,00
Market_value	5,41 (1,21)	5,06 (1,54)	4,88 (1,62)	2,14	0,12	No	5,53 (1,16)	4,85 (1,38)	15,11	0,00
Relative_price	4,58 (1,11)	4,25 (1,22)	4,47 (0,98)	2,22	0,11	No	4,71 (1,06)	4,43 (1,14)	3,51	0,06
Digital_marketing	4,33 (1,57)	3,76 (1,71)	4,07 (1,14)	1,85	0,16	No	4,46 (1,54)	3,79 (1,55)	7,78	0,00
Product_quality	5,52 (1,11)	5,14 (1,10)	4,72 (0,98)	5,60	0,00	Alto ≠ Bajo	5,63 (1,04)	5,17 (1,13)	9,44	0,00
Customer_fidelity	5,05 (1,15)	4,92 (1,23)	4,47 (0,69)	2,08	0,13	No	5,15 (1,13)	4,70 (1,24)	8,05	0,00
Financial	4,99 (1,04)	4,43 (1,22)	3,92 (0,82)	12,53	0,00	Alto ≠ Bajo y Clan	5,05 (1,05)	4,65 (1,04)	8,52	0,00

Source: Own elaboration from the data collected

These findings not only expand the existing knowledge, because they address the general need to explain marketing control decisions as a system that integrates Formal and Informal mechanisms, but also justify the insertion of Informal Control into marketing control systems in order to achieve the desired results. Finally, the analysis of control typology combinations with different levels of intensity should be considered. These give rise to other unexplored systems, and to a greater extent explain the business reality in terms of marketing decisions and their value within the organization under examination.

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