

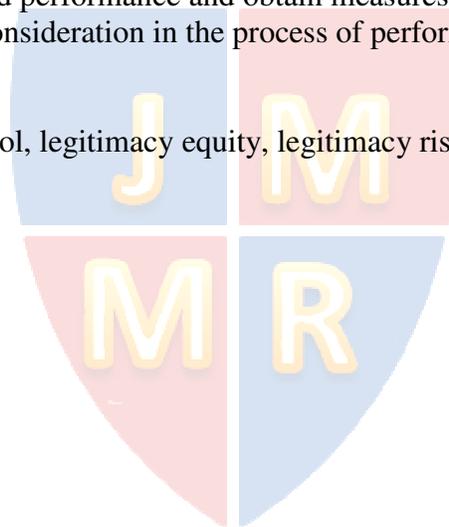
## **An essay on the realm of performance control in marketing strategy**

Nagasimha Balakrishna Kanagal  
Indian Institute of Management Bangalore

### **ABSTRACT**

The realm of performance control includes (i) decision control of strategy or directing; planning and control of strategy; performance control of strategy - strategic control and tactical control to correct strategy through a process of feedback and counter trouble if any; and dynamic adjustments to competition and market (ii) performance control of structure and associated integration and linkages issues (iii) performance control of conduct - measures to reinforce successes; measures to overcome failures by a process of learning, implementation changes; and measures to counter ruin. Useful performance control is possible through an understanding, identification and management of uncertainty, risk and goodwill. The usage of metrics to establish standards of expected performance and obtain measures of actual performance enabling control is also an important consideration in the process of performance control in marketing management and strategy.

Keywords: performance control, legitimacy equity, legitimacy risk, integration, risk, goodwill



## **INTRODUCTION AND RESEARCH SCOPE**

One of the paradigms of management can be stated as to achieve organizational goals and objectives with optimal use /deployment of resources and includes (i) strategy (includes planning, forecasting and directing) (ii) structure or organizing (includes staffing) to execute the strategy (iii) conduct or the actual process of execution (including coordinating) (iv) measuring, comparing and managing performance. Performance is the status of outcomes of decision making to the organization and / or the status of delivery of the marketing offer to the customer and / or to the firm; the status assessed on single or multiple dimensions / elements of managerial / marketing relevance.

Marketing strategy is a business cum functional strategy with a customer orientation and a competitive focus; from a functional perspective marketing strategy consists of positioning strategy, product strategy, branding strategy, pricing strategy, sales and distribution strategy, and communication strategy. The marketing strategy interfaces with the R&D and innovation strategy of a firm. The R&D and innovation strategy of a firm is guided by the technology strategy of the firm. The technology strategy interfaces with product strategy, the marketing strategy as a whole, the production and manufacturing strategy, the people and quality strategies, the financial strategy, the business strategy and the corporate strategy.

The scope of control for this paper includes the control of strategy, control of structure and the control of conduct. In addition, the scope of control needs adequate identification and management of uncertainty, risk and goodwill.

In this context it is useful to understand that criteria for evaluating alternatives to decision making include economic criteria and control criteria; control criteria includes management control and performance control. The process of management control has been extensively discussed by authors and researchers which focus primarily on strategy execution (Anthony and Govindarajan, 1998; Anthony and Dearden, 1981). The process of management control also includes the process by which managers influence other members of the organization to implement the organization's strategies, which is also called behavioral control. Behavioral control includes control with respect to culture, rewards and incentives and defining boundaries for business and management (Dess et. al, 2009). Management control would also include (i) input controls such as employee recruitment, selection, training, allocation of resources, capital outlays; (ii) process controls such as employee evaluation and compensation system, internal communication programs, line of authorities (iii) employee self-control, social control and cultural control (Jaworski, 1988). The detailed examination of management control and management control systems is beyond the scope of this paper. This study focuses more on the aspect of control from a market / customer delivery perspective or performance control perspective. The study thus examines the issues of performance control of strategy, performance control of structure, performance control of conduct, and understanding aspects of uncertainty, risk and goodwill.

## **CONTROL OF STRATEGY**

Corporate strategy or strategy of the organization is the basic strategy for planning, forecasting and directing. Business strategy is usually the strategy of a business unit commonly referred to as SBU or strategic business unit or of a division in a multidivisional organization. Business strategy defines itself on the basis of business definitions which could cross hierarchies.

The matrix structure of organizations is an example of how an organizational structure lends itself to business. Business strategy could also span across group firms when the business definition requires that the operations and management processes or market conditions require the strategy to have multiple organizations. Corporate strategy and/ or business strategy has to be informed from a functional perspective by functional strategies such as marketing strategy, manufacturing strategy, people strategy, financial strategy, and quality strategy, sourcing (purchase) strategy, and technology (R&D) strategy.

The process of marketing strategy includes (i) a strategic analysis of the external environment that includes customer, market / market environment, futures, and the internal environment of the firm; it also includes the identification of opportunities and the creation and delivery of superior customer value (ii) the formulation or development of strategy including the obtainment of sustainable marketing advantages and issues of leadership. The obtainment of sustainable competitive marketing advantages is based on the firm possessing resources in the form of assets and capabilities (skills and knowledge in both technical systems and management systems with firm specific assets and capabilities also included)) that when deployed in accordance with values, vision and norms of the organization leads to competencies that give the firm an advantage and profits / returns in the market place. The advantages / profits are more pronounced when the firm specific assets and capabilities are protected and competitive advantages not only create entry barriers but also make it difficult for competitors to imitate or replicate. In an evolving or dynamic environment the firm can sustain if it also possesses dynamic capabilities or the capability to reconfigure its assets and capabilities to the requirements of the changing market as well as the ability to competitively freewheel meaning thereby that the organization can develop capabilities in areas chosen by opportunity or business acumen. The strategizing process also involves the continual decision to opt for market vs hierarchies based on transaction cost economics. Strategy is limited by decision makers' and managers' bounded rationality but opened up by the concept of opportunism (Williamson, 1975).

Control of strategy refers to measures to assess the outcomes of strategic and tactical decision making or the problems observed in the organization and the market that are meant to be solved and therefore correct the decision making and direction setting for the future in alignment with the goals and objectives of the organization as well as the requirements of the market. Control of strategy also occurs when there is a strategic change in the market environment. Control of strategy also bases itself on the integration of planning and control systems; and is useful in stable environments where planning is the most important aspect of strategy and planning is done by top management.

The realm of performance control in marketing management and marketing strategy also refers to the measurement and management of actual performance as compared with expected performance that arises due to consumer heterogeneity, product differentiation, strategic interdependence between competing firms, market uncertainty / risk. The expected performance is a reflection of and includes the process of setting the goals and objectives of the marketing organization. The measurement of performance is enabled with the use of appropriate metrics that includes a dashboard of metrics and key performance indicators as derived from the goals and objectives of the marketing organization to satisfy: (i) the customer and the organization itself; (ii) the market society and institutional environment at large; keeping in view the product market and the market context. The process of performance control usually refers to the changes, adjustments and corrective actions taken to align the actual performance to the expected

performance or change the expected performance levels to align with the actual performance levels.

The process of performance control of marketing strategy also recognizes that individual choice behavior (that reflects in the aggregate as market share or revenue) in the market is not only heterogeneous but also probabilistic in nature. The probabilistic nature of choice has been extensively researched in marketing literature as brand choice models that postulate the probabilistic selection of a brand from a consideration set as the ratio of the utility of the considered brand relative to the sum of the utilities of all the brands in the consideration set (different utilities for different brands arises due to product and / or market offer differentiation). The utility of a brand is thus constituted by the utilities of the brand stature the brand carries (that includes the utility of the product), the price, the promotion and advertising and any other utility giving firm marketing element for that considered brand. This probabilistic nature of individual brand choice is further impacted by budget constraints of the individual buyer; the individual specific rationalities and constraints; the response of the individual consumer / buyer to the competitive store environment and competitive firm / brand environment; his / her satisfaction and loyalty levels; his / her selectivity (or perception); persuasion; involvement; learning and memory; acculturate individuality that includes lifestyle; personality; motivation; personality; self-concept; beliefs; values; attitudes; as well as macro environment conditions of the market-society and institutional environment. Under such a situation the individual level choice behavior manifests itself in the aggregate market level as oscillations of market share and sales revenues with respect to time; the oscillations could be either regular or irregular. The regular oscillations could manifest as product life cycles, deterministic trends, steady state, seasonality, business cycles. The irregular oscillations could manifest as stochastic trends. The marketing manager taking charge of these regular and irregular oscillations could in effect be addressing market share dynamics (the manager not taking charge of the oscillations of the market could result in what could be generically called as market share vacillations). Managing market share dynamics in the direction of strategy is also one of the pro-active and re-active approaches and definitions of the realm of control; this is effected by dynamic adjustments to competition and market, in addition to the decision control and performance control defined earlier.

Thus the realm of control for strategy would include (i) decision control (ii) planning and control (iii) performance control (iv) dynamic adjustments to competition and market. Each one of them is examined in turn.

## **Decision Control**

Decision control of strategy occurs when there is a strategic change in the market environment (Kerin and Peterson, 2011) owing to market evolution, technological innovation, market redefinition due to changes in the market offering and changes in marketing channels. Such strategic changes in market environment represent threats or opportunities to the marketing strategist requiring (a) development of assets and capabilities to fit the changed market success requirements, (b) shifting emphasis on product markets or (c) exiting from the industry. In marketing strategy, control is effected through market entry and selection through brand introductions, brand modifications, brand exits or withdrawals; repositioning exercises; rebranding exercises; changes in pricing, promotion, production and distribution / sales force. Insights for such control in marketing strategy are obtained through market research studies and competitive intelligence. Marketing research studies use surveys and panels and could be in the

areas of consumer behavior studies; distribution studies; positioning and repositioning studies using multidimensional scaling and semantic scales; advertising research including experiments and competitive experiments; demand forecasting; conjoint analysis; competitive sales force estimates and sales intelligence; regression analysis; factor analysis; analysis of variance and covariance; cluster analysis, discriminant analysis, data mining and big data analytics. Decision control also includes the area of contingency planning and build-up; contingency building is also done for addressing uncertainty and risk in markets.

### **Planning and Control**

Planning and control, as stated earlier is useful in stable environments where planning is the most important aspect of strategy and planning is done by top management. Planning involves the development of strategic market plans. Strategic market plans includes (i) the derivation of the marketing goals and objectives from the organization (or strategic business unit) vision, mission, goals and objectives; (ii) coming up with a marketing strategy, (iii) considerations of implementation of the strategy through appropriate structures, integration and incentives and the integration of these aspects into the planning process; (iv) evaluation and control. Control in this context includes the establishment of standards or benchmarks or targets; measure and compare actual with plan; evaluate results; establish feedback from the market through the implementation organization and take corrective action. Organizations should be able to keep the customer at the center of the planning process and include the financial; internal; learning and growth perspectives in the planning process (Kaplan and Norton, 2001).

Control of strategy based on planning and control would also include governance which includes the integration of planning and control from the doer's perspective - who plans also establishes the control. Discussion of governance is beyond the scope of this paper.

### **Performance Control**

Performance control with respect to strategy and strategic thinking lends itself to strategic control and tactical control that improves effectiveness. Performance control includes (i) review control (ii) plan control (iii) results control.

### ***Review Control***

Review control involves marketing audits, marketing effectiveness and marketing excellence reviews. Review control through marketing audits includes marketing environment audits, task environment audit, marketing strategy audit, marketing function audit that includes channel audit (Kotler et. al, 2013). Review control includes monitoring and changing the rules of the game, changing objectives, and reformulating strategy (and the consequent actions) by getting back to the basics of consumer needs / wants and market feedback. .

### ***Plan Control***

The most important document for marketing action is the annual marketing plan. The marketing plan starts out with an executive summary and includes (i) the situation analysis that encompasses the internal external and customer environments (ii) SWOT analysis (iv)

development of a focus and the stance of competitive advantage (v) derivation of marketing objectives and metrics (vi) marketing strategy for the coming year including the product strategy, pricing strategy, distribution strategy, integrated communications strategy (vii) issues of implementation and (viii) controls. The marketing plan should be comprehensive, flexible, consistent and logical and adequate think through of implementation issues is necessary for the marketing plan (Ferrell and Hartline, 2011). Annual plan control includes four types of analysis (Kotler et. al, 2013) – sales analysis that includes both sales variance (price and volume) analysis and micro-sales analysis (product sales and territory sales variations); market share analysis (sales of company or brand to market potential; sales of company or brand to market demand; sales of company or brand to sales of closest competitor); marketing expense to sales analysis (sales force expense to sales; advertising expense to sales; sales promotion expense to sales; marketing research expense to sales; marketing and sales administration expense to sales); financial analysis ( profit margin; asset turnover; return on assets; financial leverage and rate of return on net worth) .

Such marketing plan control includes the monitor and changes of quarterly and annual targets, performance review at the end of each year as against the metrics derived in point (v) above, and competitive offsetting. Plan control also includes: (a) assessment and monitoring of segment sizes and their evolution with appropriate projection of demand for the future years; (b) choice of distribution mix in various levels of distribution such as carry and forwarding agents, distributors, dealers / retailers, agents; financial projections.

### ***Results Control***

One of the most important means of performance control is through results control. Results control is very useful for time bound projects such as R&D projects manifesting as brand introductions, brand modifications; technology collaborations, repositioning exercises; advertisement campaigns; go to market strategies / post launch control; and is coupled well with decision control. Most importantly this includes budget deviation analysis and control of brand / company market shares and their variations; industry benchmarking on key performance indicators; payback period; return on investment; and market capitalization. Company and brand results monitored for control include revenues in volume and value, discounts and allowances, net revenues, maximum retail price, average retail price, price to trade, cost of goods sold, inventory holding costs, inventory disposal losses, gross margin ( net revenue net of cost of goods sold), contribution before marketing, contribution after marketing and selling expenses, interest paid, contribution after marketing and selling expenses, research and development costs and project over runs.

### **Dynamic Adjustments to Competition and Market**

An important tool of dynamic adjustments to competition and market is the concept of competitive offsetting; this refers to actions taken by marketers on both pro-active and re-active basis to create temporary disequilibrium in the market in the firm's favor that could result in long run advantages through persistence effects; a major tool for competitive offsetting is promotions. The second important tool is competitive rivalry on competitive dimensions open to rational expectations; this could include announcements and actions through signals, advertising, go to market plans or launch plans or competitive brand introductions.

Dynamic adjustments to competition and market also extends during (i) dynamic management under situations of true ambiguity such as during shocks, unexpected events such as currency devaluation, new to world product entry (ii) whenever 'nature' moves in the market place; nature is exogenous to the firm customer relationship defined market that is not under the control of the marketing strategist. (iii) management of market externalities or mega-marketing (this refers to the influence of the marketing strategist over independent decisions of bodies or firms external to the firm-customer relationship) - this includes lobbying for aligning decisions of the government; channel management including horizontal and vertical marketing systems; pitches to financial institutions; public relations; vendor management.

## **CONTROL OF STRUCTURE**

Organization structure normally refers to the structure and reporting relationships with employees, based on contract and is called the hierarchy. Corporate strategy and business strategy interfaces with the organizational structure. Corporate strategy structures normally involve planning departments, SBU heads, and the top management (or the conduct heads) and the integration or control of structure for corporate strategy takes place through the governance structure which is usually the board of directors. Business strategy involves the business structures and the most common organizational structures evolved for business purposes would include the functional structure; control of structure in business strategy thus involves the integration of functional structures that include the functional heads which is normally called cross functional integration. Other organizational structures that accommodate control and integration for business strategy includes the divisional structure, matrix structure, international divisions or overseas sales and service organizations.

Performance control with respect to marketing organization / structure aspects is also dealt with through marketing systems audit, marketing organization audit and organizational interventions / organizational restructuring. Tightly linked to performance control of structure are the issues of integration of structures within the organization and the linkages within the organizational structure, as well as the integration of value chain activities (integration of structures across organizations). Integration of structures within the organization and the linkages within the organizational structure occurs as part of the strategic organizational process, and associated with such integration are issues with respect to the structures erected to support the corporate or marketing strategy formulated. Integration of organization structures (such as sections, departments, divisions, strategic business units) occurs through hierarchy supported with incentives, controls, procedures and practices with adequate planning, communication and signaling. Linkages within the organizational structure occur through integration of business processes, such as manufacturing process, quality process, purchase process, and marketing process. Integration of value chain activities is part of business strategy and is examined under integrative activities such as forward integration (acquiring channels with appropriate channel management), backward integration (acquiring suppliers or sourcing strategies with appropriate supply chain management practices), horizontal integration (acquiring competitors as part of mergers and alliances).

Integration is also a soft issue. This means the organizational structure integrates more than once for an organization to function and deliver value to its customers. There could be integration of hierarchy or structure (on the basis of formal contract ) which is mostly used in

corporate strategy; integration of conduct or execution (through business leaders and the unification of minds), integration of functional strategies (through appropriate flow of work processes and information across functional structures), integration for a purpose (as for a new product development as suggested by the slide on cross functional integration in new product strategy below) and integration for value delivery and value maximization (as in value chain analysis within the organization) and supply chain management (sourcing strategy) outside the organization. Control of integration is through changes of hierarchy and organizational restructuring within organizations and through controllable market structures across organizations.

## **CONTROL OF CONDUCT**

Conduct involves coordination of action and delivery of value to the customer by 'doing things right' through unification of minds using (i) hierarchy, command and communication (instructions, decisions, judgments, memos / circulars) based on employment contracts (organizational identification and loyalty); (ii) interaction of dyads (conversation, meetings, discussions); (iii) group think (discussions, committees, meetings and minutes of meetings); (iv) consensus (forums); (v) rewards, incentives and disincentives (awards, promotions, increments, bonus, layoffs, efficiency bars). Associated with conduct are issues pertaining to (a) code of conduct (b) rules and regulations and (c) unifying paradigms of values. Conduct is enabled and / or enhanced in an environment of trust (reduced opportunism in small numbers situation) and involves commitment on the part of the organization and its decision makers (Williamson, 1985). Examination of processes in management control of conduct as has been stated in the section on 'Scope of Control' as beyond the scope of this paper. This paper examines performance control of conduct.

Performance controls with respect to conduct are measures taken to assess the status of delivery of the marketing offer to the customer and / or the firm. Performance control of conduct includes marketing productivity control or operations control that addresses profitability control and efficiency control as well as requiring marketing cost analysis, product-service mix analysis, sales analysis, marketing channel analysis. Profitability control includes measurement, analysis and corrective action for profit with respect to products, territories, customer groups, trade channels, and order sizes. Efficiency control involves finding methods and ways for increasing the efficiency of sales force, advertising, promotion and distribution. Appropriate operations control requires appreciation of discrimination of problems versus symptoms, effectiveness versus efficiency, and data versus information (Kerin and Peterson, 2011).

The performance control aspect of conduct can also be understood by using interactivity between marketing strategy formulation and marketing strategy implementation (Bonoma, 1984). 'Success' and 'failure' of performance occurs when formulation and implementation are either together good or together bad respectively. 'Trouble' occurs when strategy formulation is bad but implementation is good and the process of strategic control and tactical control can be used to deal with 'trouble' which has already been discussed in previous section on control of strategy. 'Ruin' occurs when strategy formulation is good but implementation is bad. It has to be taken that 'ruin' is worse than 'trouble', indicating the importance of excellent strategy implementation. The performance control aspect with respect to conduct will also refer to measures and management to deal with 'ruin'.

The issue in addition is 'how is ruin countered'. Methods include: (i) prevent damage or ruin through virtual launches, mock launches, delay of launches, early warning systems; (ii) use of 'options' to check execution effectiveness; test markets could be used for this purpose - the use of 'options' can also be made to check out markets, check out strategies, counter risk of business; (iii) modify resource flows; (iv) modify reporting structures of execution organizations; (v) modify power structures in execution organization; (vi) establish modifications of implementation paths through 'small talk' measures; (vii) establish modifications of implementation through clever polity; (viii) improve coordination by effective revamping of communication and signaling from the firm end; (ix) salvage of assets, of prestige, of people; (x) recall products, if lemons cause ruin; (xi) change people in key posts - leaders can go to the extent of replacing themselves to counter 'ruin'; (xii) find the cause of ruin and root out the problem

New product launches are an important and sensitive conduct process. Control factors for success of new product launches include (a) top management commitment; (b) selective top management involvement in the product development process; (c) development of a continuous new product development system; (d) multiple product development efforts; (e) continuous evaluation in each phase; (f) flexibility in the product development system.

Some reasons for new product failures include (a) market too small; (b) poor match or fit with company; (c) not new / not different; (d) no real benefit; (e) poor positioning vis-à-vis competition; (f) inadequate support from channel of distribution; (g) forecasting errors; (h) poor timing; (i) competitive response too good; (j) changes in customer tastes and preferences; (k) poor product or a lemon (l) insufficient return on investment (m) lack of coordination among functions such as R&D and marketing .

## **UNCERTAINTY, RISK AND GOODWILL**

Useful performance control is possible through an understanding, identification and management of uncertainty, risk and goodwill. The market is defined as the firm-customer relationship that operates in a market-society and institutional environment. Uncertainty refers to the fact that the actual outcome is different from the expected outcome. Risk is the magnitude of variation of the actual outcome or actual value of the predicted variable from the expected outcome or expected value of the predicted variable. Risk is also viewed as the potential for losing something of value (Girotra and Netessine, 2014). It is also to be noted that prospect theory (Wakker, 2010; Tversky and Kahnemann, 1992) considers that (i) the risk attitudes for gains is different from that of losses, with the loss attitude of a loss with a given magnitude 'x' greater than the gain attitude of a gain with the same magnitude 'x' and (ii) the gain (loss) utility differences decrease in a concave manner (to the gain(loss) axis) with the reference gain point increasing and the reference loss point decreasing (or the absolute value of the reference gain(loss) point increasing).

For the purpose of business marketing, the risk is categorized as (i) market risk (ii) economic risk (iii) business risk (iv) legitimacy risk. Each of them is delineated in turn.

Market risk is the risk of the aggregate of the customers or consumers that manifests as demand variations, and / or as an information risk (Girotra and Netessine, 2014) of limited (incomplete and / or imperfect) information of the customers and the target market.

Economic risk or the risk of the macro-economic systems such as the monetary and fiscal policy, the industrial and trade policy, with indicators such as inflation and the resulting

escalations in costs of inputs, unemployment, currency valuation and devaluation, increase and decrease of interest rates, growth rate of economy, business or economic cycles such as boom, bust, acceleration, deceleration, stagflation. Often economic risk is also referred as market risks.

Business risk comprises of: (a) Value chain risk or the risk due to the various entities or organizations in the value chain other than customers / consumers such as vendors or the supply chain operating as an independent entity; the independent channel members; the collaborators; the value added resellers. The value chain risk includes the risk of misalignment of objectives between the different members of the value chain such as an operations orientation organization trying to minimize costs and a marketing oriented reseller who wants to maximize sales – this is the incentive alignment risk that needs to be attended to by appropriate decisions in the business model (Girotra and Netessine, 2014). (b) Inter-firm risk which is the impact of the payoffs of one player due to market or business actions by another player; this type of risk is most prevalent in oligopolies that exhibit strategic interdependence; pricing wars is an inter-firm risk. Closely tied to inter-firm risk is also the information asymmetry risk that one firm has with the other players in the industry about information pertaining to the market. Both inter-firm risk and information asymmetry risk constitutes competitive risk. (c) Risks of factors of production that reflect as net assets in market valuation exercises such as risks of technology (limited concentration in R&D, the risks of the high technology environment with indicators such as leapfrogging, state-of-art, cutting edge, obsolescence, technology life cycles), risk of land (disputes and litigation, real estate market risk). It is to be noted that technology value reflects as tangible assets in plant and equipment and intangible assets in intellectual capital. Land reflects as tangible asset in net assets considerations.

Legitimacy risk is the risk of the market-society and institutional environment. This comprises of: (a) Political risks due to the uncertainty of the polity / governance mechanisms. (b) Government risks or the institutional risks of the government structure such as the bureaucracy, the regulatory bodies and their changes in policy (including bodies such as those of telecom, the competition policy), regulations such as pricing control and decontrol and taxes such as excise and import tariffs. Thus government risks include what in market parlance are called regulatory risks. (c) The institutional risks of entities other than the value chain members and the customers such as the public action groups, the high value investors, banks and financial institutions such as venture capital firms, the mutual funds. This in effect also includes the risk of capital (a factor of production), that reflects the efficiency and effectiveness of the financial structuring and the financial management of the firm. (d) Risks of factors of production which do not reflect in net assets of a corporation such as labor (unrest and strikes).

The worth of the business in the market-society and institutional environment (especially the banking and financial institutions and the investor market or capital markets) often reflects as legitimacy equity. On the positive side deep pockets and the goodness of the financials reflects as legitimacy equity. The legitimacy equity also includes (i) the standing of the firm in the eyes of the government with its payment of taxes and adherence to government regulations; (ii) the public image of the firm; (iii) its pockets of influence in the governance mechanisms or polity and (iv) its goodness in the labor market and the effectiveness in its labor management and industrial relations especially with trade unions. Thus the market credit worthiness of a business / firm / brand is defined as the worth of the firm in the market-society and institutional environment and is a kind of legitimacy equity that is linked to the financial standing of the business / firm / brand.

Legitimacy equity could be considered to reflect as one part of goodwill where good will is the excess of fair market value (as an outcome of market valuation exercises) of the business / firm / brand over and above its net assets that includes income producing assets of tangible in nature such as plant and equipment. Goodwill thus reflects the assets of the firm that are intangible in nature. Goodwill can be postulated to consist of (i) intellectual capital and technology value that includes the brand specific or firm specific differential value and arises on account of specific competitive advantages that the firm enjoys due to skills and knowledge in technical systems and skills and knowledge in management systems; consequently this part of goodwill impacts both competitive choice and competitive gain; (ii) brand stature value that consists of brand equity and customer satisfaction equity (that includes customer relationship equity or value) that impacts competitive choice; brand equity in turn would consist of brand program equity arising out of branding programs of the firm and reputation which is the equity that evolves out of the dignity of the business / firm / brand with the customer or target market and is hence the behavioral aspect of brand stature value; (iii) supply chain equity or value that impacts competitive gain; (iv) legitimacy equity as defined in the previous paragraph that impacts competitive gain and moderates competitive choice; (iv) the selling / advertising equity and competitive equity that impacts competitive choice and includes the competitive edge built by the firm over competitors, the resilience in confronting new entrants, substitutes.

The financial standing linked legitimacy equity or market credit worthiness that is part of goodwill could arise from sound business and industry practices, adherences to commitments and contracts, good business relationships in the market-society and institutional environment, business ethics, corporate social responsibility, shared value projects. Assessment of risk in the market, business and market-society / institutional environment along with an assessment of the market creditworthiness of a business / firm / brand leads to market credit ratings for the business / firm / brand.

For the purpose of the study, there are the following types and variations in risk: (i) market risk (including economic risk) – high and low; (ii) business risk – high and low; (iii) legitimacy risk – high and low. In addition the market credit worthiness of a business / firm / brand can be categorized as high and low. It is a matter of interest and research to assess the legitimacy equity or market credit worthiness separately; legitimacy equity could be also teased out from the total goodwill of the firm after an assessment / valuation of the other parts of goodwill namely reputation of the firm / brand, competitive resilience, supplier equity. The assessment / valuation of such legitimacy equity are beyond the scope of this paper. Given the above types of variation of risk and market credit worthiness, there are for this study, sixteen market credit ratings as outlined in Table 1 (Appendix).

## **IMPLICATIONS FOR MARKETING STRATEGISTS**

The realm of performance control includes (i) decision control of strategy or directing; planning and control of strategy; performance control of strategy - strategic control and tactical control to correct strategy through a process of feedback and counter trouble if any; and dynamic adjustments to competition and market (ii) performance control of structure and associated integration and linkages issues (iii) performance control of conduct - measures to reinforce successes; measures to overcome failures by a process of learning, implementation changes; and measures to counter ruin. Managers and marketing strategists need to be empowered to execute performance control of strategy, structure, and conduct. The firm / marketing arm of the firm

should lay out appropriate policies, procedures, systems, functions, actions, programs to enable and empower managers. Enablement and empowerment of managers is also important for front line customer end management as well as guiding 'moments of truth' between the customer and the firm that is critical for the performance of the business.

The key characteristics of markets that are relevant to marketing strategists are that markets are heterogeneous and markets are uncertain with varying degrees of risk that depends on the nature of the market demand and the nature of the industry. Heterogeneity of markets is addressed in marketing through appropriate market selection using segmentation and targeting which is a planning and control function. Uncertainty and risk management includes both strategic postures and strategic moves. Basic strategic postures are shapers, adapters and reserving the right to play. Shapers make huge investments, battle for consensus of beliefs about the future among important power players in the end-to-end value chain and progress to shape the evolution of the market and / or industry in chartered directions of their own. Adapters take the market and industry environment as given and attempt to optimize the firm moves to maximize their own positions given appropriate benefits to customers. Players reserving the right to play make a clear noticeable position in the market and wait for increasing their presence in the market in the future. Basic strategic moves would be big bets, options and no-regrets moves or robust moves. Contingency building is also done to manage uncertainty and risk. Assessment of market creditworthiness of a firm / brand as discussed in the paper is no less important in the management of uncertainty and risk through strategic postures, strategic moves and contingency building. Useful performance control is possible through an understanding, identification and management of uncertainty, risk and goodwill.

Marketing is more of a line function and less of a staff function. Marketing function is a profit center with pricing strategy and price dynamics much in the realm of marketing. Further revenues and market share the two major deliverables of the marketing function are key performance indicators of business. As such, performance control is an important aspect for marketing strategists. The usage of metrics to establish standards of expected performance and obtain measures of actual performance enabling control is also an important consideration in the process of performance control in marketing management and strategy.

## **APPENDIX**

**Table 1: Market credit ratings for business**

AA - Business risk – low, market risk – low, legitimacy risk – high, market creditworthiness – high

AB - Business risk – low, market risk – low, legitimacy risk – high, market creditworthiness – low

AC - Business risk – low, market risk – low, legitimacy risk – low, market creditworthiness – high

AD - Business risk – low, market risk – low, legitimacy risk – low, market creditworthiness – low

BA - Business risk – low, market risk – high, legitimacy risk – high, market creditworthiness – high

BB - Business risk – low, market risk – high, legitimacy risk – high, market creditworthiness – low

BC - Business risk – low, market risk – high, legitimacy risk – low, market creditworthiness – high

BD - Business risk – low, market risk – high, legitimacy risk – low, market creditworthiness – low

CA - Business risk – high, market risk – low, legitimacy risk – high, market creditworthiness – high

CB - Business risk – high, market risk – low, legitimacy risk – high, market creditworthiness – low

CC - Business risk – high, market risk – low, legitimacy risk – low, market creditworthiness – high

CD - Business risk – high, market risk – low, legitimacy risk – low, market creditworthiness – low

DA - Business risk – high, market risk – high, legitimacy risk – high, market creditworthiness – high

DB - Business risk – high, market risk – high, legitimacy risk – high, market creditworthiness – low

DC - Business risk – high, market risk – high, legitimacy risk – low, market creditworthiness – high

DD - Business risk – high, market risk – high, legitimacy risk – low, market creditworthiness – low

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