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Antecedents and consequences of marketing audits: Empirical evidence from Taiwanese firms

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ABSTRACT

The purpose of this study is to develop and test a model of antecedents and consequences for marketing audits (MAs). The research used a mail survey and a partial least square (PLS) method to test the hypotheses. Drawing on a sample of Taiwanese firms, the results show that (a) a greater environmental munificence indicates that less MAs are implemented, (b) a proactive business strategy contributes significantly to the implementation of MAs, (c) MAs can contribute significantly to marketing performance, and (d) MAs mediate the relationship between environmental factors and marketing performance.

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1. Introduction

Increasing pressure to reduce costs has recently forced marketing executives to reconsider the goals, structure, and effectiveness of their marketing arms. However, because of a lack of accountability, a loss of visibility, and dissatisfaction with marketing measurement systems the main problem identified by marketers is often the imperfect understanding of causal mechanisms (Sidhu & Robert, 2008). As the accounting audit is a tool for evaluating a company's accounting practice, the marketing audit (MA) can evaluate the appropriateness of marketing practices, ensuring that they comply with established marketing strategies and plans, and that they are effective.

As an optimum method for analyzing, evaluating, and enhancing marketing practices (Kotler, 1999), the MA has not yet reached a high level of methodological sophistication (Pimenta da Gama, 2011). Furthermore, because of the lack of clarity with which they are applied, the MA is considered by different marketing managers as merely a profusion of checklists and a distraction from the creative process that is at the heart of

marketing practices (Mylonakis, 2003). We believe that the benefits of implementing the MA rely on the marketing managers' perceptions of its ability to influence business performance (Clark, Abela, & Ambler, 2006). Therefore, whether and how MAs contribute strategic value to an organization should be analyzed.

It seems difficult to design a comprehensive checklist to serve as a universal MA model and to apply to each particular situation (Pimenta da Gama, 2011). Whether the MA implementation involves all possible dimensions of an audit depends on cost, the target markets, and the market environment (Mylonakis, 2003). However, few research studies go beyond the boundaries of a company to discuss the impact of industrial factors, especially the internal/external environmental factors on MAs. In addition, although the MA has been used since its inception in the marketing management process, scarce evidence exists for empirical validation of its effectiveness on marketing performance.

This study investigates the influence of internal/external factors (e.g., environmental munificence, environmental dynamism, and business strategies) on the MA, and examines to what extent the MA have the greatest effect on marketing performance. This study contributes to the MA literature by (a) elucidating MAs abilities to enhance marketing performance, (b) examining the influence of internal/external factors on the MA practice, and (c) showing the MA's contributions to businesses and providing a guideline for exploiting the full potential of MAs to improve the marketing performance.

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2. Theoretical background

2.1. The concept and strategic value of the MA

The concept of the MA can be traced to the late 1950s. According to an American Management Association report titled “Analyzing and Improving Marketing Performance: Marketing Audits in Theory and Practice”, the MA was defined for the first time as a systematic, critical, and impartial review of the total marketing operation; of the basic objectives and policies of the operation and assumptions that underlie them; and the methods, procedures, personnel, and organization employed to implement the policies and achieve the objective (Shuchman, Sessions, Oxenfeldt, & Crisp, 1959). They defined the marketing audits' domain including concept, objectives, issues, types and contents.

Kotler, Gregor, and Rodgers (1977) refined the MA as a comprehensive, systematic, independent, and periodic examination of an organization's marketing objectives, strategies, objectives, activities, and environment, designed to reveal problems and opportunities, and to propose suggestions that would improve the organization's marketing performance. Whereas these scholars' definitions focus on the marketing operation, Mokwa (1986) indicated that the MA has an organization-wide scope and acknowledged the multiple roles the MA can play, such as a policy innovation used to implement and evaluate marketing methods and performance, an action framework, an instrument for intervention or change. To sum up, most scholars are unanimous that MA is a comprehensive review and appraisal of the assumptions underlying objectives/policies/strategies, a prognostic and diagnostic instrument designed to identify any opportunities and weaknesses, and a preventive and curative medicine which contributes to marketing planning and strategy-making (Berry, Conant, & Parasuraman, 1991).

2.2. The implementation of the MA

Numerous insights on how MA should be implemented are provided. Kotler et al. (1977) identified six components of the MA including: (1) the marketing environment audit, (2) the marketing strategy audits, (3) the marketing organization audit, (4) the marketing system audit, (5) the productivity audit and (6) the marketing function audit. Based on the unique characteristics of services, Berry et al. (1991) proposed a checklist namely ISME (Index of Service Marketing Excellence Instrument) composed of 76 items and six dimensions. Brownlie (1993) also designed an instrument composed of 52 questions to evaluate marketing effectiveness. Moreover, Wilson (2002) provided a self-assessment checklist composed of 1500 open-ended questions included in 28 evaluative dimensions.

The major contributions of above literature were that they define the components or checklists of MAs to guide its implementation. Through using a diagnosis questions checklist, the MA not only provides information on the organization's marketing 'health' (Pimenta da Gama, 2011), but also provides a practical step-by-step guidance for the planning, implementation, and evaluation of MAs (Brownlie, 1996; Mylonakis, 2003; Wilson, 1992). However, the checklist approach has suffered from significant defects (Morgan, Clark, & Gooner, 2002). The MA may be implemented with the objective of detecting problems but not necessarily providing insights into solutions. Due to the primarily qualitative checklists, there are little empirical validation of its usefulness in marketing performance or knowledge concerning measurement properties. Finally, the checklist approach was developed as universal, normative tools, without considering internal/external environmental factors or firm-contingent influential factors.

Overall, although the MA literature elaborates the concepts and strategic value of MA implementation, and provides many practical step-by-step guidances, MA's abilities to enhance marketing performance and examining the influence of environments on the MA practice deserve more attention.

3. Research

3.1. Hypotheses and rationale

3.1.1. The influence of external and internal environmental factors on MA

Drawing on literature of MA, whether internal/external environmental factors affect the MA practice is still unknown. Researchers have defined external environmental factors as multidimensional concepts. For brevity, we focus only on environmental munificence and dynamism (Egeren & O'Connor, 1998). Environmental munificence refers to the potential for exploitable opportunities and expansion within an industry (i.e., competitive intensity), and environmental dynamism is characterized by rapid technological advancements and rapidly changing consumer preferences (i.e., market and technological turbulence).

When marketing managers perceive greater environmental munificence, they are likely faced with a plethora of growth opportunities (Dickinson & Ramaseshan, 2004). In contrast, in environments of low munificence, marketing managers are likely faced with highly intense competition (Dess & Beard, 1984); therefore, the desire to be competitive and market-oriented may provide companies with the impetus to obtain adequate environmental information, explore market opportunities, and exploit marketing resources properly (Kyriakopoulos & Moorman, 2004). An effective implementation of MAs should, therefore, ensure that all marketing activities correspond properly with business strategies and marketing plans. Based on this discussion, we propose the following hypothesis:

H1. Environmental munificence is negatively related to the implementation of MAs.

If marketing managers perceive greater environmental dynamism, they may have smaller decision windows and diminishing opportunity streams. Consequently, they must develop a sense-making capability to allow an organization to acquire, interpret, and act on information regarding its environment (Joseph & Kalwani, 1995; Morgan, Vorhies, & Mason, 2009; Neill, McKee, & Rose, 2007; Weick, Sutcliffe, & Obstfeld, 2005). Therefore, the monitoring process of MAs for the systematic and periodic review of reactions to market changes may prevent rigidity within an organization's sense-making framework.

In addition, environmental dynamism may also facilitate market orientation resulting from its boundary function, which is responsible for effecting and managing environmental changes (Gotteland & Boulé, 2006; Miles, Covin, & Heely, 2000; Song & Parry, 2009). When environmental dynamism is high, a high level of market orientation is required to encourage companies to predict and respond to changes in customer preferences (Li, Lin, & Chu, 2008; Rapp, Schillewaert, & Wei Hao, 2008). Market orientation signifies a superior market-learning capability in gathering and using information to adapt in turbulent environments (Ottesen & Grønhaug, 2004). Therefore, perceived environmental dynamism may trigger efforts in MAs to maintain a high level of market orientation and evaluation of market information because the MA is known as a tool for the comprehensive, systematic, independent, and periodic examination of market conditions (Taghian & Shaw, 2008). Based on this discussion, we present the following hypothesis:

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