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The nature and effectiveness of sponsorship performance measurement systems

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ABSTRACT

Sponsorship represents a unique component of an organisation's integrated marketing strategy. There is increasing pressure from senior management to account for the contribution made by sponsorship to firm performance. This study examines the nature of sponsorship performance measurement systems (PMS) and antecedents' factors that may contribute to its effectiveness. An empirical study is conducted using survey data collected from 57 public companies in Australia. The results show that senior management support the adoption of formal sponsorship performance measurement systems comprising financial and non-financial performance measures but that "intuition" and "trust" were used in 98% of organisations. The antecedent variables of relational marketing strategy and size were found to have a relationship with the sponsorship performance measurement system. This underscores the importance of directing attention to sponsorship investment via the formalisation of the measurement process and the value of sponsorship PMSs in the eyes of senior management.

CHINESE ABSTRACT

赞助是组织整体营销策略中十分特殊的一部分。如今，高级管理层越来越想要了解赞助活动对公司业绩的贡献。本研究将探讨赞助效果评估系统（PMS）的性质和有助于提高其效力的影响因素。本文还利用从57家澳大利亚上市公司收集到的调查数据进行了实证研究。结果表明，高级管理层支持采用正式的赞助绩效评估系统，包括财务绩效评估和非财务绩效评估，但98%的组织都是凭直觉和感觉进行评估。研究发现，赞助绩效评估系统与相关市场营销策略的影响变因和规模有关。本文旨在强调通过规范的测量流程让公司更关注赞助投资的重要性，并从高级管理层的视角看待赞助绩效评估系统的价值。
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1. Introduction

Sponsorship represents an increasingly significant component of marketing expenditures undertaken by most large organisations, yet despite this there is an absence of research directed to examining performance measurement systems used to measure its sponsorship performance. Sponsorship is a unique component of an organisation's integrated marketing strategy because it involves an initial investment decision followed by the expenditure of marketing funds at an organisation's discretion (Cornwell, 1995; Masterman, 2007; Shank, 2005). Sponsorship activities have been found to be more effective when they form part of an integrated marketing communication activity (Cornwell and Maignan, 1998; Meenaghan, 1991; Thjomoe et al., 2002). That is, where sponsorship activities are co-ordinated and integrated with other marketing and promotional activities conducted by an organisation, they are more likely to achieve the goals and objectives of that sponsorship (Masterman, 2007). Otker (1988, p. 77) noted that sponsorship requires "close cooperation" between sponsorship and marketing elements such as advertising, sales promotion, publicity and product PR, to achieve its greatest potential.

While management accountants appear to view sponsorship outlays as discretionary costs, from a marketing perspective, the size of sponsorship expenditures (comprising initial sponsorship outlays as well as expenditures designed to exploit initial sponsorship investments) are such to warrant the undertaking of assessments of sponsorship outlay effectiveness. Meenaghan (2005) claims that despite the importance of measuring sponsorship expenditure effectiveness, measurement systems tend to be inadequate as they fail to address these two distinct components.

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This challenge surrounding the measurement of sponsorship expenditure effectiveness should be considered in the context of increasing senior management pressure exerted on marketing managers to account for marketing's contribution to firm performance (Brown, 2005; O'Sullivan and Abela, 2007; Sidhu and Roberts, 2008; Verhoef and Leeflang, 2009). Performance measurement systems have been the focus of both marketing and accounting literature with the latter calling for the use of theory to contextualise findings (Ambler and Roberts, 2008; Bonnemaizon et al., 2007; Morgan et al., 2002; Rust et al., 2004). Marketing research has documented a lack of research attention directed at "understanding the marketing performance process and the factors that affect the design and use" of such processes within organisations (Morgan et al., 2002, p. 363). Lamberti and Noci (2010) concluded that although marketing performance measurement is a highly relevant issue, most organisations recognise that they adopt "incorrect or imprecise" measures and "mainly deal with informal, qualitative and poor objective measures" (p. 151).

This study aims to contribute to the development of theory concerned with the measurement of sponsorship performance. To this end, factors have been examined for a potentially significant antecedent role that they may play in affecting the application of the measurement processes relating to sponsorship performance. These factors comprise: marketing strategy, organisation structure, the perception of senior management's satisfaction with sponsorship performance and size. This focus on antecedents can be viewed in the context of the management accounting literature concerned with the way accounting practices (such as performance measurement) vary across contextual settings (Carr et al., 2010; Haka, 2006). In seeking to advance our understanding of factors impacting on the application of sponsorship performance measurement systems, the study also seeks to advance understanding of the nature of sponsorship performance measurement systems (PMS).

The remainder of this paper is organised as follows. The next section discusses the literature that provides the theoretical framework for this study. The third section describes the research methods and the following section presents the empirical results. Finally, the summary and conclusion of this study are presented.

2. Literature review

As there has been little research addressing the application or development of sponsorship PMS, the formative stages of this study drew significantly on the marketing and management accounting literatures concerned with the need for marketing to become more accountable (O'Sullivan and Abela, 2007; Sidhu and Roberts, 2008; Verhoef and Leeflang, 2009). Indeed it is this lack of accountability that appears to have marginalised the role of marketing in the view of senior management as an area of priority (Srivastava et al., 1998).

Management accounting is often described in terms of providing information for decision-making (Horngren et al., 2013; Langfield-Smith et al., 2006). Traditionally, organisations have relied heavily on accounting based measures to evaluate performance (Verbeeten and Boons, 2009). Much of the early literature relating to the accounting perspective of performance measurement can be found in accounting textbooks that emphasise the evaluation of managerial and departmental performance based on responsibility accounting, budget variances and other financial measures such as return on investment (ROI) (Horngren et al., 2013). The increasing significance of non-traditional aspects of business such as intellectual capital and intangible assets including brand assets has undermined the role of short-term accounting measures (Chenhall and Langfield-Smith, 2007). Although there have been a number of accounting studies examining linkages between marketing-based performance measurement systems and those used in accounting (Aaker, 1996; Foster and Gupta, 1994; Guilding and McManus, 2002; Ittner and Larcker, 1998), none have examined the performance measurement system in a sponsorship context or the antecedents affecting sponsorship PMS design.

Chenhall (2005) notes that management accounting systems have increasingly sought to provide information for developing a strategic orientation to organisations' operations, notably through performance measurement systems (Ittner and Larcker, 2001; Kaplan, 1994; Shank and Govindarajan, 1993; Simons, 2000). Organisations benefit from performance measurement systems that facilitate managerial decision-making through the adoption of diverse, strategically aligned metrics (Chenhall, 2005; Ittner et al., 2003; Kaplan and Norton, 2001; Simons, 2000). It has been argued that such performance measurement systems play a key role in better aligning financial evaluation practices and the pursuit of growth opportunities (Simons, 2000).

Strategic performance measurement systems are designed to present managers with both financial and non-financial measures to provide an integrated set of performance measures. This link between financial and non-financial measures is of growing importance as marketing investments and the resultant intangible assets, such as brands, customers and channels are seen as playing an important role in driving organisation performance and value (Mizik and Jacobson, 2003; Srivastava et al., 1998). Lehmann and Reibstein (2006, p. 9) discuss the financial measures of performance in terms of "marketing metrics (awareness, preference, loyalty, satisfaction, etc)" leading to "market results (sales, market share, profits, ROI, cash flow etc.)." The scope of these metrics has been enhanced to include the measurement of customer retention and relationships, for example by measuring customer lifetime value, customer loyalty and customer satisfaction (Lamberti and Noci, 2010; Rust et al., 2004; Srivastava et al., 1998).

Using a widely accepted taxonomy (Barwise and Farley, 2004; O'Sullivan and Abela, 2007), Lamberti and Noci (2010) identified four main categories of marketing measures: (1) single financial output measures that compare the marketing costs expended with their outcomes, (2) marketing outcomes measured through non-financial, qualitative measures such as market share and brand equity, (3) input measure analysing marketing budgets or behaviours, and (4) multiple measures that examine the many dimensions and interrelationships among the different dimensions. These measures have been developed to assess the spectrum of performances that are identified as important parts of the PMS. The third variable in characterising a PMS examines how managers assess performance and how they manage the information collected within the system. These systems include a reliance on both formal (measurement initiated controls aimed at aligning marketing objectives with outcomes) and informal (employee initiated activities aimed at influencing behaviours) information with the extent of reliance on each determining the PMS (Jaworski and Kohli, 1993).

Recent commentaries in the literature highlight the need for marketers to make greater use of financial terms in their communications with senior management (Ambler and Roberts, 2008; Peppers and Rogers, 2005; Sidhu and Roberts, 2008). There is evidence however that senior management is becoming more accepting of the use of multiple performance measures and will use a range of performance measures (Clark et al., 2006; Reibstein et al., 2005). The use of non-financial metrics as a supplement to financial metrics carries the advantage of greater visibility given to performance dimensions that do not lend themselves to monetarily denominated measurement. In addition, it should be noted that the lag in providing financial analysis can be substantial and non-financial metrics provide leading predictive indicators that may assist managers in the performance measurement process (Kaplan and Norton, 2001).