

# BUSINESS MANAGEMENT- PRACTICE AND THEORY IN THE 21ST CENTURY

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## ABSTRACT

The economic life was varied, provided both positive and negative experiences for all countries. Which is still common to all European countries, is staying on the market to achieve a good competitive position, and their acquisition and preservation? These factors led the countries of continuous thinking, always had to develop a new idea. In recent years, it has become essential for business managers to have new ways of thinking in order to sustain performance and growth. There is an increased intensification of market competition. This tough "fight" to win customers resulted that marketing has an ever increasing place in businesses' strategic and operational activities. Marketing is not quite understood at many companies which often rest upon the fact that it has been one of the least measurable functions in a business. Therefore, planning the marketing expenses may be a determining factor to develop a quantitative monitoring system. Marketing decisions are often made without the information, expertise and measurable feedback needed. As a result of the above mentioned it is evident why controlling of marketing sub-processes alias Marketing-Controlling was created. Controlling basically means "results-oriented management". This means that the data gathered, evaluated and a decision is made on that basis. In contrast, the marketing expresses a "market-oriented management". Regarding sales decisions, market values are at the center because as we know half the money I spend on advertising is wasted; the trouble is I don't know which half." (J. Wanamaker). The Marketing controlling needs to resolve the conflict between the two concepts. (Weber, J / Schäffer, U., 2005.) Thus, we see that the marketing activities should include not only the transmission of new information but also has to be future oriented in-particular focus on customers and competitors.

**KEY WORDS:** marketing, effectiveness, marketing-controlling

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## INTRODUCTION

Marketing as a function is in charge of measure customer demand, the need for novelty and the collection of reactions and feedbacks which can be after analysed. The question is what happens if we want to install it to the system of controlling or we try to use their combination in order to be successful?

### 1.1 Strategic Marketing Controlling

As we can see on the figure, marketing controls these activities where controlling plays only a coordination role and helps decision making and the analysis of strategic processes.



Figure 1. Marketing Controlling, Source: own construction

As Kandikó (2006) says marketing controlling is an integrated sub-system of the organisation's controlling system, which provides both strategic and operative planning, their budget plans, plan-fact analysis and information service. Organisations should use it which has a well-defined marketing sub-process. He also adds that MC 's main target is to increase utilization efficiency of marketing costs or simply decreasing them, primarily with the help of correction, acting in time and tries to avoid impeachment.

Now let's have a look at some possible MC aims for the SMEs (Bruhn 1999).

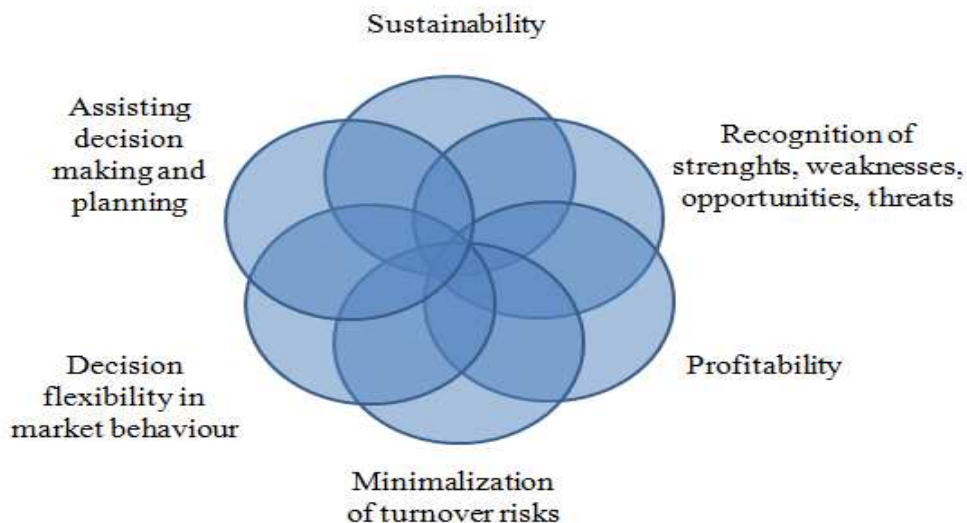


Figure 2.: Aims of the marketing controlling, Source: own construction

### 1.2 Strategic and operative Marketing Controlling

Regarding the measurement of marketing performance there are two main approaches in the literature. Anglo-Saxon approach focuses strongly on financial metrics, using financial indicators to measure marketing performance; often called Marketing Performance

Measurement or Marketing Metrics. German approach on the other hand relies more on psychographic factors (see Figure 3.)



Figure3. System of objectives, Source: Gaál, 2008

The operative marketing-controlling focus more on existing results primarily gap analysis and various financial calculations. Its aim is to determine short-term returns, results and liquidity using accounting data. In contrast, strategic marketing-controlling is more future oriented and applies different analytical techniques such as portfolio analysis, benchmarking in order to achieve the desired results. Marketing controllers are also responsible for monitoring deviations based on plan-fact analysis and providing information to strategic management. In some cases they perform only as moderators or support coordinators mainly at the early stage of the strategy compilation, when the assessment of current marketing status or benchmarking is carried out. However, controllers have a significant role in the phase of strategic planning, contingency plans, annual tactical plans and the integration of these into the main strategic plan (Reinecke, 2010).

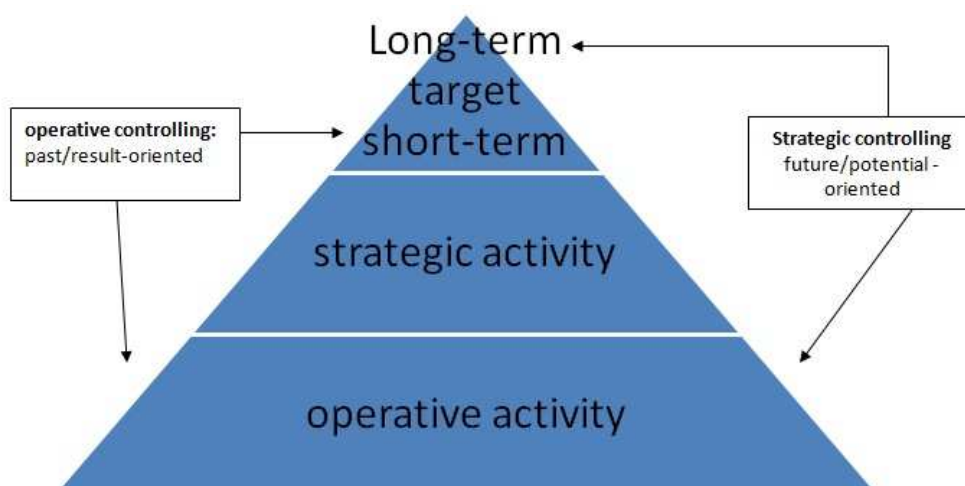


Figure 4: strategic and operative MC ; Source: adopted from Becker, 2001

Regarding the strategic tools, companies in Hungary tend to avoid using them; sometimes they do but not properly. Smaller companies do not realize the advantages of some analysing methods. Unfortunately they only start implementing them once the organisation is insolvent.

	<b>Strategic MC</b>	<b>Operative MC</b>
<b>Orientation</b>	Environment and company	Company
<b>Target</b>	Growth, sustainability, competitive advantage, exploring success factors, exploitation	profitability, marketing profitability, solvency
<b>Distribution criteria</b>	opportunities, threats, strengths and weaknesses of the company	indicators and scorecards used by marketing
<b>Source</b>	comprehensive environmental and corporate analysis	primary internal corporate accounting and statistics

Table 1: Differences between operative and strategic MC; Source: adopted from Becker (2001) and Horvath (2003)

## 2. Marketing Controlling in practice

Marketing-controlling can greatly contribute to the success of the company regarding its function and efficiency. The development of a marketing-controlling system depends on several factors. Firstly we shall meet the requirements that are specific to a particular market segment and defines the company's individual profile.

The general features of the system builders are useful in all cases, such as:

- Information service: Marketing-controlling gains the necessary information mainly from the financial areas i.e. Accounting, Finance and Sales (Reinecke, 2000).
- Planning support: Marketing controlling supports management in marketing, planning and management activities, while taking into account market, competition and other conditions too (Becker 1998).
- Control and audit: Control is based on past plan-fact comparison. We can distinguish between process and result monitoring. Marketing is focusing more on the result. The audit is more future oriented (Töpfer, 1995).
- Forecast: Marketing-controlling is able to recognize trends in time happening around the corporation. It provides relevant information to help decision makers, thus reaching marketing targets (Liebl, 1989, Presissner, 1996).
- Management: A well-developed and properly used MC system can show the way and help to implement the necessary changes, moreover define strategic decision alternatives.

It is hard to find a general form for marketing-controlling, since it is influenced by several, company specific factors such as marketing dynamics, business goals and sectors.

## 3. Measuring soft factors

Our knowledge and information-based management started paying attention to some new success influencing factors, which are hard or perhaps impossible to measure, so-called soft factors. Balanced Scorecard, marketing-monitoring and marketing-controlling indicators help companies to realize these factors.

Marketing-monitoring can also be interpreted as the continuous monitoring of the marketing environment. This observation extends to a number of factors, such as the measurement of the

effects of the reaction of customers and competitors or new entrants, as a result of the chosen marketing decisions. Marketing collects event data from promoters, co-workers, distributors but also relies on the external network of experts, organizations specialized in market research.

After obtaining the information, all we have to decide is which the point of view we would like to do our examination and define the analytical aspects. We need to clarify whether to do the analysis based on future or already existing resources. Then, standards should be established, which are the basis of comparison. They can quickly and easily determine the company's change of direction, be it negative or positive.

The performance assessment of future organizations was a major aim Kaplan and Norton, proving that companies strictly relying on financial indicators are outdated. According to their research the result was a new indicator system called "Balanced Scorecard" named and organized around four distinct perspectives. The "Scorecard" includes: financial performance, customer, operational processes, innovation and learning perspective. The "Balanced" indicates that result indicators and indicators for future performance elements should be balanced so do the financial and non-financial indicators. In the following figure we would like to demonstrate a possible marketing BSC.

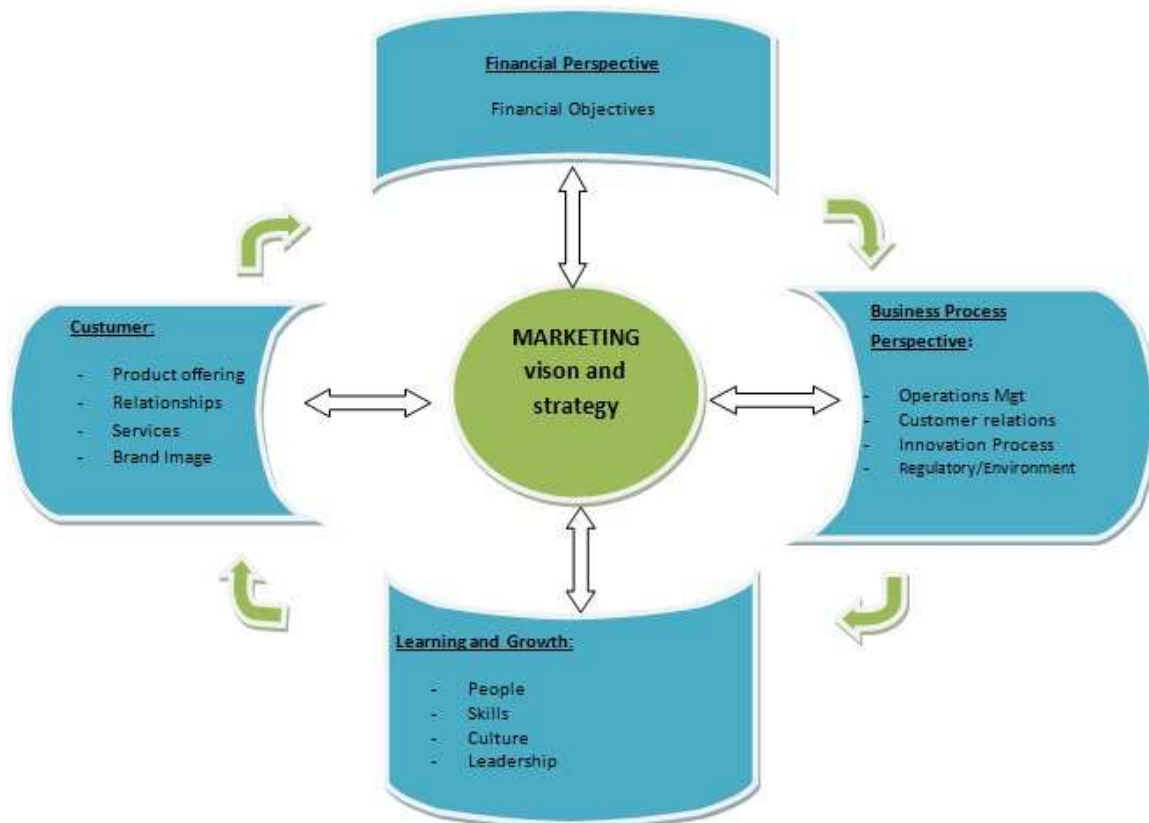


Figure 5: Marketing controlling BSC Source: Own construction

The BSC combines nonfinancial and financial measures in the internal corporate reporting process so that managers can assess the efficacy of strategic plans and actions. The BSC typically reflects four interrelated perspectives of a company:

- Financial
- Customer
- International business process
- Learning and growth

In our figure the first perspective, marketing and its controlling benefits in a positive way for the company's financial position when the company manages to save on a new innovation, or a negative way, when the company spends too much on the new technology. The customer perspective is one of the most important parts of the figure, which shows how customer oriented our marketing is. We can have the best new technology if our customers do not detect it. Therefore, it is necessary to have a proper market orientation, test. In the following section, we can find the objectives and performance measures associated with the organization's internal productive processes.

Result of each perspective ultimately is reflected in the financial perspective. Only by succeeding at satisfying customers, optimizing internal processes, and remaining innovative will a company ultimately succeed financially.

Finally, the scorecard helps to determine how we can measure the change and development of the company due to marketing controlling, describing the amount of time spent on training courses, continuing education.

#### **4. Summary**

In our study we have highlighted the importance of marketing-controlling. Even though, it is has an important function, businesses can sometimes can forget about it or apply it but often unconsciously. Hungarian enterprises have shown a number of examples that if the controlling system is reasonably well-used, it has a stable place in the market and gain a competitive advantage.

It all requires a concerted effort, between managers and controllers. Thus, they are able to create a marketing information system to help in assessing the needs of the consumers, the company's quick response and also in triggering innovation. Every company's target in the market is to stay on the market, gain profit, and reach competitive advantage. The aim of the following years is to understand this in the corporate sector, apply, and we are sure that the desired goal of innovation and enterprise targets do not only remain objectives, but achieved results.

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