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Working Paper Series

Marketing/Accounting Synergy: A Discussion of its Potential and Evidence in E-business Planning

Paul Phillips
Kent Business School

Sue Vaux Halliday
University of Surrey

**Marketing/accounting synergy: a discussion of its potential and evidence in
e-business planning**

Professor Paul Phillips
Kent Business School
University of Kent
Canterbury
Kent, CT2 7PE
Tel: (01227) 824417
Fax: (01227) 761187
Email: p.a.phillips@kent.ac.uk

Dr. Sue Vaux Halliday
School of Management
University of Surrey
Guildford GU2 7XH
Tel: 44 - 1483 686353
Fax: 44 – 1483 686346
E-mail: s.halliday@surrey.ac.uk

Abstract:

Advances in technology create opportunities for new forms of arranging work, such as collapsing the boundaries between marketing and accounting. This makes it possible for management to identify the key attributes and processes required for a more integrated marketing/ accounting process.

This paper sheds light on how e-business planning is taking place and identifies the key areas that are, together, acting as barriers to aligning organisation design, structures and people in the digitized world. The study presents empirical evidence of *de facto* leadership being taken by the IT function, to the detriment of what might otherwise have been developed: a synergistic relationship between the marketing/accounting planning interface and business performance. We set this in the context of converging demands on the marketing and accounting professions and of the literature suggesting that complex marketing/accounting metrics need to be developed to enable effective performance management.

Results from our study in e-business planning and our discussion of the potential for increasing marketing/accounting synergy shed some initial light on how both marketing and accounting practices can perpetuate themselves by embracing and interacting with IT infrastructures and data on business performance. If accountants are to remain influential in the digital age, and marketers are to regain their seat at the top table, it is necessary to develop both a metrics dashboard and changes in organisational design. This will facilitate learning and flexibility to demonstrate credible planning processes and enable improved strategy implementation.

Keywords: Marketing/accounting interface, business performance, digitization

Bio each author:

Paul A. Phillips is Acting Director of the Kent Business School, University of Kent and Professor of Strategic Management. Paul is a qualified accountant and marketer and holds a PhD in strategic planning systems from Cardiff University, in Wales. With more than 15 years experience of strategic management, performance management and more recently e-business strategy, Paul acts as a conduit for those organisations who are trying to address technological and business change management issues. Paul has specialised experience for private sector, Governments and Government Agencies. Professor Phillips has published extensively in national and international academic journals.

Sue Vaux Halliday is a Senior Lecturer in the marketing group in the School of Management, University of Surrey. In an earlier career she spent more than a decade in business, practising marketing as an integral process, not a communications bolt-on accessory, in service firms. She focused on developing a marketing orientation as an organisational change process. She recently published an extended case study in a textbook on organisational change. She provides consultancy services to organisations developing collaborative services and innovations. She publishes on relationship

marketing and service innovation in a range of journals, including the Journal of Management Inquiry, the European Journal of Marketing and the Journal of Services Marketing.

Marketing/accounting synergy: a discussion of its potential and evidence in e-business planning

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Introduction

The digitized world has radically altered the ways in which firms interact with their internal and external stakeholders. As organisations continue to embrace the Internet, one of the burning issues management face is that of getting people to adjust to new organisational processes. Organisations operating in digitized environments need to be continually enhancing a combination of inside-out and a range of competencies.

There has been significant managerial interest in the opportunities available to use e-business solutions to create competitive advantage. As stated by Swaminathan and Tayur, (2003) e-business can be defined as a business process that uses the Internet or other electronic medium as a conduit to fulfil business transactions. However, a critical assumption is that business encompasses e-commerce, and goes far beyond e-commerce to include the application of information technologies for internal business processes as well for the activities in which a company engages in commercial activity with suppliers and customers (Phillips, 2003). These internal activities can include functional activities, such as marketing, accounting, human resource, and operations.

Deshmukh, (2006) notes that the effects of the Internet on accounting has given prominence to the term Extensible Business Reporting Language (XBRL). The flow of e-business velocity has highlighted the need for increased speed of available data for strategic decision-making. Consequently, applications such as XBRL have now evolved to enable business data to be made more readily available (Trites, 2004). The role that XBRL can potentially play in enhancing internal and external communication of financial information suggests that this could revolutionise the entire accounting/marketing interface. To prepare the groundwork for further study in this potential, we discuss an exploratory piece of research that investigates the levels of formality, participation and thoroughness in e-business planning. For the purposes of this study, the focus is on the marketing/accounting interface : the thrust of this study is to make a preliminary, subjective assessment of whether an effective e-business planning process is associated with higher levels of business performance. If so, then a further, broader study into marketing/accounting synergy in the digitised environment is warranted.

We consider that marketers, who are keen to 'regain a place at top table' (Webster et al 2003) would do well to recall that accountants have remained influential and survived within organisations due to their flexibility to readjust in two main ways (Ezzamel, Wilmott and Wilmott 1997). Over a significant period of time, accountants have taken advantage of IT to manage large databases, information sharing and networking. They have demonstrated the capacity to promote new ways of performing financial calculations. In addition, the history of how the concept of

capitalism was invented is an illustration of the influence of accounting ideas on economies (Chiapello, 2007). Accounting is a fundamental function within capitalism, but this alone does not fully explain the influence wielded by accountants in the UK. Marketing is a fundamental function that is nevertheless much less influential globally; as particularly researched in the US (Webster et al 2003). Kotler is currently telling marketers that to have the influence that the function is due, they must respond to 'increasing pressure for financial accountability' with 'smarter marketing' (2006 p.17).

At the same time,, the digital economy is now reshaping traditional work practices of the accountant and CEOs are now expecting accountants to be customer oriented with a broad understanding of the business. Processes and techniques that accountants could use to add value to the e-business planning process has not yet been explicated, so this paper seeks to partially address the lacuna in existing knowledge by exploring the broad areas where accountants can contribute. This convergence of concerns for marketing and accounting professionals lends urgency to addressing the marketing/accounting interface.

This paper, therefore, addresses three important gaps in knowledge regarding the marketing/accounting interface, that are, together, acting as barriers to aligning organisation design, structures and people in the digitized world. First, we examine the normative marketing/accounting literature from a performance perspective, and highlight the different focus of traditional marketing metrics (lead) and finance metrics (lag). Second, we propose that in a digitized world, and in ever changing markets, organisations should seek to develop a more integrated marketing/accounting planning process. Third, we present empirical evidence of the e-business planning process, including levels of participation by various functions, from which we draw a

preliminary relationship between marketing/accounting planning and business performance. The study's design and methods and research model are described. Results, conclusions and implications for further research, more directly focussed upon the marketing/accounting interface are discussed.

Literature review

Context

Relational assets are now seen to be central to a firm's success. Despite this the recent dot.com boom illustrates the temptation to ignore business fundamentals in pursuit of an immediate return on investment. It is worth musing, given hindsight, that the IT perspective dominated, at the expense both of building sustainable customer relationships and financial caution. So in the digitized age fundamental truths are reinforced rather than superseded. Our discussion of context sets the scene for focusing on the potential for increased marketing/accounting synergy in a digital world.

All marketers know that the key asset that a firm has is its customer base. Other assets are valuable largely inasmuch as they support this key asset. A key reason why relationships and partnerships have taken centre stage, as all acknowledge (c.f. Vargo and Lusch 2004 for an overview), is that it is generally cheaper to keep customers than to compete for new customers. Retaining customers is therefore the driving focus of relationship marketing, which necessitates, in turn, an emphasis on aligning internal relationship processes (Voima 2000). This internal focus will maximise

marketing opportunities when it is re-organised around new IT capabilities in information processing. In this way, marketing in the digitized age, given that detailed, accessible data can be held even by mass marketers, can benefit from integrating its processes with accounting processes. New technologies have exploded the channel options and made identifying ‘the levels of expenditure for each channel (given expected revenues from customers)’ much more urgent (Rust et al 2004 p.84).

Styles and Ambler (1994), when considering the antecedents of export performance, included a combination of external and internal resources of relationships and alliances, of long-term commitment and investment. It has been argued, as we show below, that it is more efficient to outsource skills and share them, even sometimes with competitors, than for each firm to have duplicate internal competence (Kay 1993). This suggests the potential synergy in the marketing/ accounting space in any firm. In the digitized world this also suggests that a complex set of processes need to have a multi-discipline, or multi-function set of performance metrics. Ambler and Roberts have since created a neat definition of marketing that takes it out of any marketing function, per se, and re-presents it as a core business process: ‘what the whole firm does to source and harness cash flow’ (2006a p.3)

Two elements that come to the fore when considering this form of marketing are time and space. For it is over long periods that organisations build up a body of knowledge and skills through experience and learning-by-doing. This is a component of intellectual capital, the difference between book and market valuation in so many firms. The market valuation is not visible: it is not, therefore, straightforward to

account for it. Marketing, and the market, deal with value creation and this is a potentiality for value to be derived. Roslender and Fincham (2004, in a discussion of how accountants might best account for intellectual capital note that value realization is the more accessible process for the accountant than putting a cash value to value creation, which has no attached cash flow. As they discuss the accountant's perspective on this they divide intellectual capital into three parts: 'human capital, customer or relational capital and organizational and structural capital' (p.5). This presents new challenges for accountants, when measuring: human capital (intangible assets relating to employees), relational capital (non-financial performance measures linked with knowledge embedded in customers and suppliers) and structural (new ways of financial reporting, such as narrative reporting in company accounts).

Timing is an important element of each part.although there is a future, potential dimension here, Kay (1993) suggests that the external linkages (perhaps akin to relational capital) that a company has developed over time and the investment in this network of relationships (generated from its past activities) form a distinctive competitive capability. Indeed, Kay argues that firms should outsource activities if carrying them out internally would require excessive investment to attain the lowest unit cost. Moreover, this can be transformed into competitive advantage when added to additional distinctive capabilities such as technological ability and marketing knowledge. When Ambler cites an example of successful marketing and development of useful metrics to hold it accountable, he uses Diageo. They use 'key metrics over time and across brands and countries, because showing its market places as they really

builds trust – and trust is crucial to investment and improvement (2006 p.26). In other words, Diageo's metrics cover time and space.

To continue to set the scene for this paper promoting marketing/accounting synergy it is worthwhile noting that marketing competence in a firm will include a learning capability. Relationship marketing has shown interest in learning in relationships (Ballantyne 2003; Halliday 2005; Halliday and Cawley 2000) and learning has been seen as core to innovation in the new product development literature (Kok, Hillebrand and Biemans 2003; Toivonen 2004). Trusting relationships have been seen as vital for a firm to create value (Halliday 2004; Vargo and Lusch 2004). This applies externally and internally. Again, this embracing of new organisational process is complex. This has been partly modelled by Sinkula et al:

Figure 1 about here

Their framework brings us back to our initial point for the paper: that for organisations operating in the digitised environment to succeed they need to be able to continually enhance their competencies. That is to say, they need to have processes in place for market-based learning.

A final element to setting the context for this paper is to consider perceptions of how marketing has lost influence over the past ten to fifteen years. Webster et al (2003)

were commissioned by the Marketing Science Institute to review the period since Webster's seminal article predicting the future of marketing, published in 1992. Chief executives interviewed for this review stated unequivocally that financial pressures had eroded 'strategic thinking, customer focus and brand equity' with a resulting 'negative impact on long-term business performance' (p.34). To reverse this focus on the short-term some companies had altered their incentive schemes to incorporate evaluation of long-term performance and to punish individuals for short-term sales increases achieved at the expense of long-term margins. 'Others have strengthened the metrics they use to evaluate and reward marketing performance' (p.39). However, the thrust of their research findings is that marketing is now less highly valued.

What are marketing metrics?

As we have just seen, Webster et al (2003) have painstakingly researched the inability to quantify marketing's contributions to the firm (p.29). They concluded that 'the issue of measuring marketing productivity is the number one problem facing marketing management as it seeks to regain its seat at top table' (p.49). This is of concern to accountants as much as to marketers in that it is in the marketing space that the firm creates value. It is a challenge for accountants as this is largely the puzzle of how to account for 'hidden value' (Roslender and Fincham 2004 p.2). The significance of intellectual capital, of this hidden value, 'lies in the contribution these assets make to sustained value creation' (p.1). As we noted earlier, Roslender and Fincham acknowledge that the accounting profession is not well placed to account for marketing's contribution, when it is seen as a subset of intellectual capital. In a study

they carried out interviewing accountants specialising in intellectual capital they found little concerted effort to manage or account for it (Fincham and Roslender 2003). This is clearly disappointing, since Ambler summarised that ‘for modern companies the creation of value increasingly depends on the control of intangibles such as brands, intellectual property, systems and data, human capital and market relationships’ (2002 p.47). So the challenge to quantify marketing’s contribution is there to be met. From the marketing space Ambler proposed a set of metrics to indicate what is to be included in a working definition. He lists sales information, market share, marketing investment (into the brand), relevant end user satisfaction, relative price, perceived product quality, customer retention, sales to new customers, share of turnover of the previous three years’ products launched, distribution, glossary of terminology [part of marketing management educating general management] and any particular measures chosen by the board (2002 p.49) Rust et al (2004) concluded their review of the current field of measuring marketing productivity by noting

The evaluation of marketing productivity ultimately involves projecting the differences in cash flows that will occur from implementation of a marketing action. In contrast, from an accounting standpoint, decomposition of marketing productivity into changes in financial assets and marketing assets of the firm as a result of marketing actions might be considered.

p.86

This is a somewhat rudimentary understanding of metrics and the differences between marketing and accounting perspectives. Yet it provides us with a baseline for

discussion of three issues in the marketing-accounting space in the firm, as identified below.

Issues identified in designing performance metrics for marketing

How to take a holistic view of the firm's performance?

Today marketing metrics are at the top of the research priorities identified by the Marketing Science Institute. And the Journal of Marketing Management has commissioned this special edition to review the state of the field where marketing links with accounting to address marketing accountability. Yet, in 1999 Piercy discussed marketing and performance. He then defined marketing as 'an informational and cultural attribute of an organization, which describes essentially its market understanding and responsiveness to customer imperatives' (p.638). As we have already noted, Ambler has since succinctly and sweepingly defined it as 'what the whole firm does to source and harness cash flow'. Meanwhile the two key tasks for marketers are building and using brand equity (2006). The definition of performance has similarly evolved. What Piercy defined as 'the commonly desired achievements of the organization' (p.624) at the outset of his paper was complicated by the research he carried out. For his key finding was that to achieve superior performance 'the internal marketing targets in such an approach would be better conceived as organizational systems development and inter-functional relationships'. Marketing, when linked to performance and accountability, has to be seen in the context of the whole firm – this does nothing to render the search for the 'silver

metric' any easier. Most recently Phillips identified (2004 p.46) a key issue for marketing accountability as competing organisational silos. These are still preventing accounting from taking a holistic view. 'The challenge is the interpretation of multi-product, multi-functional information.

Bose (2006) identified that the key issue is to develop key performance indicators (KPIs) that provide a holistic and balanced view of the business. 'One potential approach is to think of individual KPIs not just as a singular metric, but as a balanced metric that incorporates several alternative dimensions' (p.56). This very balance is derided by some, (Reichheld, 2003; and Peppers and Rogers 2006). Peppers and Rogers recently proposed one 'silver' metric: return on customer. Another, currently welcome example, was introduced in December 2003, by Reichheld : a new loyalty metric, called net promoter. Reichheld states that the path to sustainable profit growth begins through the creation of more promoters and fewer detractors. The net promoter metric is the one number needed to successfully grow the firm.. Reichheld (2006) later provides examples of how the single metric is sweeping corporate boardrooms, and reveals that some customer surveys only requires two questions: (1) How likely are you to recommend XYZ to a friend or colleague (0="not at all likely", and 10="extremely likely"), and (2) What is your primary reason for your rating in Question 1?

Although this is simplistic, it is clearly attractive to senior management. This may be partly due to the fact that it tackles the perception that with a range of metrics marketers are seen as ducking and diving between each different metric's

implications, always suggesting a counterbalancing one, in order to evade hard questions being asked of marketing effectiveness. However, Ambler and Roberts (2006b) affirm that ‘to believe that multiple measures are needed to describe multiple, partially independent and critical dimensions is not unreal’ (p.21).

What is to be measured?

Given the complexity of discerning what metrics are available and relevant, there is the issue of the content of the ‘metrics dashboard’. Ambler has been cited as defining marketing metrics, but, as we have seen, the actual definition is still contested. Bose writes of a range of outcomes: ‘to aid goal setting, monitor implications of organizational decisions, facilitate internal benchmarking, identify inefficiencies in core operations and identify cost saving and operations improvement opportunities’ (p.43). Voelpel et al (2006) update the Balanced Scorecard approach having identified the danger of only counting that which is measurable. This concern, in turn, links to the issue of scope, for they noted that ‘the properties of the parts are not intrinsic properties, but can be understood only within the context of the larger whole’ (p.47). They write of the context of ‘an inter-connected and networked world’ (p.54). Bose (2006) suggests that subjective measures need to complement hard data. But how measurable are ‘customer empathy or employee morale’ (p.50)? The search for the silver metric (or should this read, Holy Grail of the 21st century business planning bosses?) continues. Peppers and Rogers argue that they have found it: return on customer. However, Ambler and Roberts are clear in the debate fostered in the Marketing Science Institute working paper series, that this flatters to deceive.

How to combine perspectives on purpose and period under review?

Discounted cash flow calculations put all future options onto a level playing field. This is of great value when comparing across functional performance and different kinds of measurables. What it does not do is actually manipulate the real future. It again flatters to deceive. Any metrics need to align an organisation's activities with its strategic objectives (Swank 2003). If the two core tasks of marketing are building and then using brand or customer equity, innovation comes centre-stage with relationships. Taking advantage of opportunities as they present themselves is a necessary capability for continued market success. Nandone (2006) warns that a focus on past performance and understanding how it was caused leads to the danger of 'creating a culture devoid of risk taking, limited in vision and scared to reach for success' (p.1). Voelpel et al (2006) affirm that the 21st century is an innovation economy. This is a key challenge to the linear approach of the Balanced Scorecard metric, since, they argue, collaborative synergies can be harnessed from within, by innovation and partnering, by 'co-creating the business environment pro-actively' (p.51). This surely is what is required in the age of digitization of business processes. An important element of the innovation economy is that purpose then moves from the individual firm to the cash flows that could be created within networks of firms. Voelpel et al are clear that shallow metrics such as a reliance on customer satisfaction are outmoded by the new emphasis, and ability of networks of firms to 'devote their energies to organizational fitness in creating and meeting customer need experiences' (p.45). Indeed in developing their systemic scorecard they emphasise that 'the properties of the parts are not intrinsic properties, but can be understood only within the context of the larger whole' (p.47)

What is sought is an aid to goal setting and identifying the financial implications of organisational decisions (Bose 2006). How can evaluation of the past most usefully drive good decisions for the unknown and contingent future? Phillips (2004) asked what business planning processes might take the place of accounting-based control processes? This question surfaces a really fundamental issue in that accounting deals with the past (lag) and decision making about marketing strategies and consequent verdicts on its performance is a forward looking process (lead).

Summary

We have identified a key business challenge: getting people to adjust to new organisational processes in the digitized world. We see e-business as a challenge of organisation design in general and of collapsing boundaries between marketing and accounting processes in particular. We have seen that this collapse is part of the flexibility required to compete in the current innovation economy voiced by Voelpel et al (2006). We have discovered that literature spanning the marketing-accounting space is embryonic. Encouraged by priorities set at the Marketing Science Institute (in turn set by practitioner demand) there has been a concern with marketing metrics – with providing accountability for marketing expenditure and with redefining marketing costs as investments. There is a welcome concern to increase marketing effectiveness as a contributor to business performance. Issues facing those designing new metrics across the marketing-accounting space have been identified in this as yet embryonic literature. We highlighted three: how to take a holistic rather than functionally fragmented view of the firm's performance; how to decide exactly what

is to be measured and to what purpose and time frame. We therefore sought to deepen understanding of these issues by collecting primary data from practitioners currently involved in designing and evaluating their firm's performance metrics.

Research design and methods

The research problem

We designed our study to build upon our understanding that, in a digitized world, and in ever changing markets, organisations should seek to develop a more integrated planning process. Therefore, our initial approach considers the relationship between an effective marketing/accounting planning process and perceptions of business performance. We wanted this exploratory piece of research to survey three elements of the e-planning process: formality, participation and thoroughness.

Hypotheses

The following hypotheses were proffered.

H1: Level of e-business planning formality will be positively related to business performance.

H2: Level of e-business planning participation will be positively related to business performance.

H3: Level of e-business planning thoroughness will be positively related to business performance.

Therefore we administered a questionnaire to participants at an accounting e-business conference. A key feature of the event was the need for accountants to work closer with their marketing departments. Since participants were mainly members of one of the leading professional accounting bodies and given the nature and focus of the conference, they were ideally placed to complete the questionnaires. The sample selected was not random, being drawn from the delegates at a conference. Demographic data relating to participants' organisational positions, industry type (service and manufacturing) and size of organisation (sales turnover and number of employees in an organisation) are detailed in Table 1.

Table 1 about here.

Prior to the conference the instrument was pilot tested with groups of marketing managers, management accountants and academics to refine the design and focus the content. There was no evidence to indicate any misunderstanding of the survey items. The questionnaire was designed to preserve anonymity of participants, so they were not prenumbered for identification and participants did not have to reveal themselves or their company. The questionnaires were distributed at the conference and several reminders were made by the researcher and conference chairman for delegates to complete them. This resulted in 68 usable responses, which represented a response rate of 75%.

The research model

The multidimensional constructs of planning formality, participation and thoroughness have been operationalised in a variety of academic studies (Phillips, Davies and Moutinho 1999) and will be the core planning characteristics of the proposed framework. The marketing/accounting planning characteristics and business performance attributes were measured using a judgmental approach on 7-point Likert scales (1 to 7).

1. **Planning formality:** Formal strategic planning is an explicit and ongoing organisational process, Steiner (1979), with several components, including establishment of goals and generation and evaluation of strategies. However, as many earlier studies suffered from methodological deficiencies relating to the dichotomisation of planners into formal and informal, it was necessary to develop more rigorous methods for gauging the formality of the strategic planning process. Making use of Guttman scales, several researchers created a more sophisticated scaling procedure for the formality dimension. Pearce, Freeman and Robinson (1987) investigated the relationship between planning formality and financial performance. The formality construct being operationalised through the use of Guttman scales developed by (Wood and LaForge 1979), which was later endorsed by (Shrader, Taylor and Dalton 1984).

Key attributes for planning formality were:

- Setting explicit e-business goals
- Producing a written e-business plan
- Assigning implementation responsibilities to specified individuals/groups

- Seeking commitment to the e-business plan
- Developing plans by market segments
- Timely review of actual business performance against plan

2. **Planning participation:** Participation has been identified as a salient component of the planning process. Pearce, Freeman and Robinson (1987); McDonald (1982) concluded that it is essential for senior management to participate and be committed to planning, otherwise it will be impossible for the management team to initiate planning procedures and systems that can be used in a meaningful way. Piercy and Morgan (1989) argued that participation in planning from all management functions and at all levels is the only way to gain ownership and commitment to strategic plans.

Key attributes for planning participation were the involvement of the following functions in e-business planning:

- Accounting
- Marketing
- IT
- Operations
- Personnel

3. **Planning thoroughness:** In today's tumultuous environment it seems logical that executives would benefit from obtaining guidelines or benchmarks associated with good strategic planning. By comparing such information with their own planning practices, they can incorporate good practices used by other

organisations into their business unit. The identification and implementation of such key characteristics would cause an organisation to develop better strategic plans. These critical planning procedures can be evaluated by the measure of thoroughness.

Key attributes for planning thoroughness were:

- We use knowledge and experience from different levels of staff
- We utilise marketing data from a number of different sources (e.g. consultants)
- We utilise sales and cost data relating to different e-business market segments
- This organisation provides adequate e-business training for staff
- This organisation uses a variety of motivational factors to encourage good e-business planning
- The time allowed for e-business planning is adequate

4. Performance

In today's competitive environment businesses are rightly concerned with confidentiality. This has always been a problem for researchers attempting to understand how to improve business performance. This study seeks to incorporate the important facet of business performance in terms of the ability of data being able to be pooled easily and electronically, and to mitigate the problem by not requiring participants to divulge sensitive financial or numerical information of any kind.

Respondents were asked “how would you assess the overall business performance of your organisation relative to major competitors over the past year?”

Limitations

Respondents were not equally shared across the functions in the firm that contribute to e-business planning; future studies into the marketing/accounting interface would most usefully pair responses to the survey instrument. Perceived business performance is a subjective measure based on perceptual, self-reported data. Despite, marketing research relying heavily on perceptual, including subjective performance measures (Haugland, Myrtveit, and Nygaard, 2007), future studies should rely on objective measures (O'Sullivan and Abela, 2007). For example, it would also be useful to pair perceptions of business performance with more objective indicators of business success. Not least to gain an idea of whether part of the synergy of the marketing/accounting interface might be in developing shared perspectives on performance that are more accurate when compared to objective results.

Results

The descriptive statistics for e-business planning characteristics and business performance are shown in Table 2. Traditional planning thoroughness activities such as making use of knowledge and experience from different levels of staff (Mean = 5.04) and utilising marketing data from a number of different sources (4.57) had the first and second highest mean scores. Interestingly, the use of motivational factors scored the lowest mean score of 3.32.

Table 2 about here

Planning formality activities would appear not to be as mature as the other dimensions of the research model. The highest mean score was activities relating to assigning implementation responsibilities to specified individuals/groups (4.10), which was the lowest top score of planning: thoroughness (5.04), and participation (5.16). The variable with the lowest mean score was timely review of actual business performance against plan (3.12) is a timely reminder of the problems relating to the dot.com boom.

Planning participation was dominated by IT (5.16) and Marketing (4.88), whereas, personnel scored the lowest mean score of 2.37. These latter results highlight the reluctance of participants to involve personnel in the e-business strategy process. Interestingly the accounting function scored the second lowest mean of 3.91.

Business performance scored 3.74, which highlights the difficulties faced by the participants in the study. In order to conduct more in-depth tests for this study it was necessary to re-code data using percentile values of SPSS. Using aggregate scores for each planning characteristic the data were divided and recoded into three groups of low, medium and high as illustrated in Table 3.

Table 3 about here

Tables 4 to 6 provide the descriptive results for the relationships between each of the e-business planning characteristics and business performance. The one-way analysis of variance (ANOVA) results obtained from the testing the differences in business performance between planning levels are provided in Table 7.

The business performance mean scores and standard deviations were calculated for each e-business planning characteristic. The business performance scores for the planning formality levels for low, medium and high groups were 2.67 (N=27), 3.53(19) and 5.23 (22) respectively.

Table 4 about here

The business performance scores for the planning participation levels for low, medium and high groups were 3.09 (23), 3.88 (25) and 4.30 (20) respectively.

Table 5 about here

The business performance scores for the planning thoroughness levels for low, medium and high groups were 2.39 (23), 4.19 (27) and 4.78 (18) respectively.

Table 6 about here

An ANOVA was undertaken to analyse relationships, as the objective was to assess the effect of a category variable (level of e-business planning) on a quantitative dependent variable (business performance). The reliability of the scale used to measure e-business planning was appraised using Cronbach's co-efficient alpha (Churchill 1979). The coefficient alphas for formality, participation and thoroughness were 0.9479, 0.7246 and 0.8317 respectively, which reflects the reliability of the

scales. Table 7 presents the means and ANOVA summary results. It can be seen that all e-business planning characteristics were significant at a level $p < 0.05$. Overall, one may conclude that there is support for the hypothesized relationships.

Table 7 about here

To conclude the results, we note below that all three hypotheses were supported by the data collected.

H1: Level of e-business planning formality will be positively related to business performance - An ANOVA was conducted with planning formality and business performance. The ANOVA procedure showed a statistically significant difference ($F = 24.13, p < 0.000$) between high level and low level formal planners H1.

H2: Level of e-business planning participation will be positively related to business performance - The ANOVA procedure showed a statistically significant difference ($F = 3.119, p < 0.05$) between high level and low level participative planners H2. These results therefore support H2.

H3: Level of e-business planning thoroughness will be positively related to business performance - The ANOVA procedure showed a statistically significant difference ($F = 17.638, p < 0.000$) between high level and low level participative planners. These results therefore support H3.

Discussion

The results of this study suggest that planning formality and participation levels in the process are positively correlated with performance. In turn, the more detailed the planning, the more effective it is. And yet the accountants within our sample were not “strategically” influential in the e-business planning process. This is the case even though accounting has arguably been one of the most significant and pervasive forms of information processing within organisations. The study’s results also show that personalised interaction and streamlined processes will deliver business results. And yet it appears that neither marketing nor accounting information is being used by those professionals. Rather, one of the salient issues identified in this study is the influence of the IT department vis-à-vis the accounting function during the e-business planning process. This confirms previous findings; whereas marketing strategy was once the driver of IT, it has now been replaced by IT driving businesses into the digital age (Venkatraman and Henderson 1998).

An interesting observation is that IT departments took a temporary lead in the e-business field, from accountants, in creating the early business models. Unfortunately, this led to the dot-com bubble, which eventually burst, so spectacularly. These earlier business models failed the number test, and fundamental financial rules were broken, such as net present value calculations, the cost to buy market share, and the medium and long term cost of serving the customer base.

Our findings also underline recommendation that accountants need to appreciate the fact that the Internet should be viewed as a disruptive technology (Phillips and Kirby

2002). It is therefore important for accountants and for marketers to understand the salient e-business strategy issues. Cooper (2002) also mentions the importance of accountants being well versed in IT.

Brouthers and Roozen (1999) assert that strategic accounting is a new, virtually unexplored area of strategic management. We consider that the synergy that could come from the marketing –accounting space being transformed into a genuine interface has the potential to provide the necessary information for much improved, strategic, decision-making. This interface, better understood and then implemented may be appropriate to help accountants and marketers improve the e-business planning characteristics of formality, participation and thoroughness. Strategic accounting could address some of the weak areas identified in this study. A good strategic accounting system, linked to marketing metrics capturing core relational assets should help e-businesses perform (i) environmental analysis, (ii) identify new e-business strategies, (iii) screen e-business strategy alternatives, (iv) formulate an e-business implementation, (v) implement the e-business strategic plan and (vi) control/evaluate the e-business planning process.

Margretta (2002) asserts that a business model is not the same thing as strategy, even though many people use the terms synonymously; business models only describe, as a system, how the pieces of a business fit together. They ignore two important dimensions – competition and organisational dynamics. A more contextual and dynamic approach is captured in the Systemic Scorecard (SSC). Voelpel et al (2006) propose four foci to the SSC: to improve network shareholder value; to improve

customer success and partnerships; the robustness and resilience of business-network processes, both competitive and collaborative and systemic knowledge management and innovation on each of four dimensions – financial, customer, business processes and learning and growth (p.55). To further the findings of this study we need to address questions such as: What are the characteristics of successful programmes for creating the marketing/accounting interface? For example, how should the firm emphasise cultural changes, change management processes, restructuring activities? It may be that this could now most usefully be explored by replicating Voelpel et al's study to other sectors and contexts to assess its contribution to the marketing and accounting interface.

Conclusion and managerial implications

Despite the exploratory nature of the study and limitations of sample size, this study sheds light on how e-business planning is taking place. We conclude that a more systemic and multi-dimensional, holistic approach is needed to derive full benefits from the availability of tools such as XBRL and the transferability and accessibility of digitized data. If accountants are to remain influential in the digital age, if marketers are to regain their seat at top table, we believe that it is necessary to develop a metrics dashboard and the changes in organisational design that will facilitate learning and flexibility to demonstrate credible planning processes. If the lag and lead approaches can be combined synergistically at the accounting/marketing interface, the potential added value in enhancing the e-business planning process appears considerable. Traditional function or department based approaches to process improvement frequently have failed to deliver the required gains in overall performance. We are

focussed on improving strategy implementation.

This paper reinforces the importance of the core e-business planning systems with emphasis on the planning characteristics of formality, participation and thoroughness. Naturally, practitioners at the marketing/accounting interface need to consider a wide variety of both environmental and organisational factors when designing, implementing, and improving e-business systems. A key to sustainable competitive advantage is having capabilities that are not easy to copy. The question remains, however, for researchers to identify those strategic marketing and accounting activities that are central in formulating strategy. Despite the recent calls for greater involvement by accountants in strategic planning, (Langfield-Smith 1997; Ittner and Larker 1997) there have been relatively few empirical papers. In the third millennium developing and implementing effective e-business systems should become a priority for accountants, working with others in the marketing-accounting space in firms.

Wang (2000) is of the opinion that e-business should be viewed less as a phenomenon of purely online business and more as a challenge of organisation redesign. Phillips (2003) asserts that organisations looking to implement an e-business strategy must align themselves internally with the demands that the dynamic environment imposes on strategic behaviour. We recommend investment in the design and execution of a further, broader study into metrics to create greater marketing/accounting synergy in the digitised environment.

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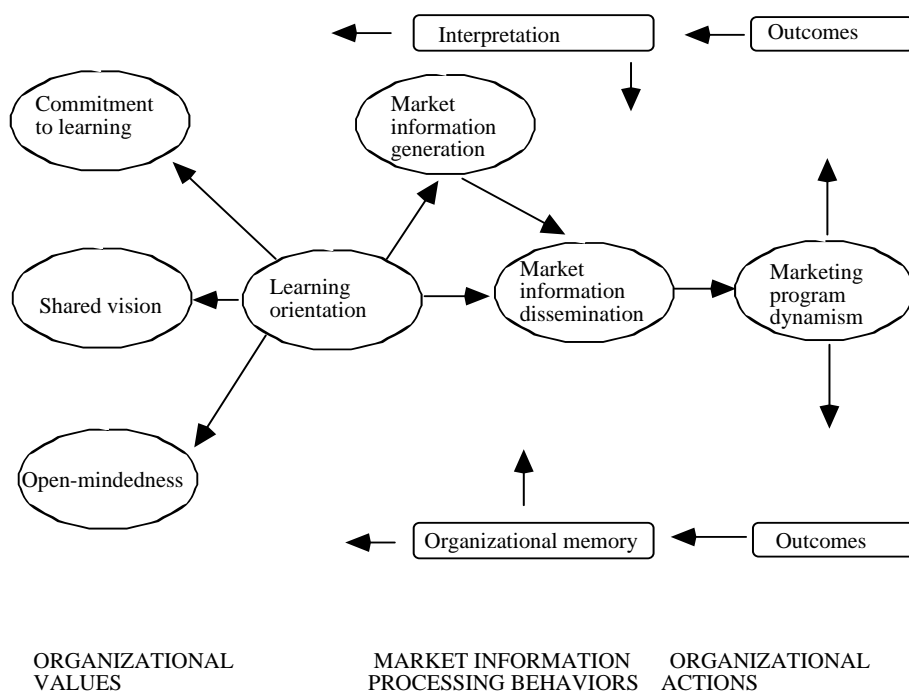
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Figure 1: A framework for market-based organizational learning



Source: Sinkula, Baker and Noorderwier (1997)

Table 1: Demographic data

Industry Type	
Service	53
Manufacturing	15
Total sample	68
Position of respondent	
Chief accountant/Controller	24

Financial Manager	13
Analyst	13
Project Accountant	9
IT	6
Other	3
Total sample	68
Size of organisation	
No. of employees	
0-10	5
11-50	10
51- 250	7
>250	46
Total sample	68
Sales turnover	
£0-£0.5m	4
£0.51m-£4.2m	8
£4.21-£24m	8
>£24m	48
Total sample	68

Table 2: Descriptive Statistics (Likert Scale 1 to 7)

Variables	Mean	Std. Deviation
Planning thoroughness		
We use knowledge and experience from different levels of staff	5.04	1.77
We utilise marketing data from a number of different sources (e.g. consultants)	4.57	1.55
The time allowed for e-business planning is adequate	3.49	1.56
We utilise sales and cost data relating to different e-business market segments	3.44	1.71
This organisation provides adequate e-business training for staff	3.43	1.56
This organisation uses a variety of motivational factors to encourage good e-business planning	3.32	1.69
Planning formality		
Assigning implementation responsibilities to specified individuals/groups	4.10	1.90
Seeking commitment to the e-business plan	3.90	1.88
Setting explicit e-business goals	3.54	1.90
Developing plans by market segments	3.46	1.99
Producing a written e-business plan	3.34	1.88
Timely review of actual business performance against plan	3.12	1.74
Planning participation		
IT	5.16	1.81
Marketing	4.88	1.74
Operations	4.00	1.89
Accounting	3.91	2.01
Personnel	2.37	1.41
business performance	3.74	1.68

Table 3: Re-coding variables into quartiles

	<i>Low</i>	<i>Medium</i>	<i>High</i>
Variables			
Thoroughness	< 20	20-26	>26
Formality	<18	18-26	>26
Participation	<18	18-23	>23

Table 4: Descriptive results of planning formality and business performance

Level	Mean	N	Std. Deviation	Minimum	Maximum
Low	2.67	27	1.64	1	5
Medium	3.53	19	.84	2	5
High	5.23	22	1.11	3	7

Table 5: Descriptive results of planning participation and business performance

Level	Mean	N	Std. Deviation	Minimum	Maximum
Low	3.09	23	1.78	1	7
Medium	3.88	25	1.54	1	7
High	4.30	20	1.56	1	7

Table 6: Descriptive results of planning thoroughness and business performance

Level	Mean	N	Std. Deviation	Minimum	Maximum
Low	2.39	23	1.53	1	5
Medium	4.19	27	1.08	2	7
High	4.78	18	1.56	1	7

Table 7: Post Hoc ANOVA analyses for differences in business performance between planning levels

Planning	F	P	Test for significant paired differences
Formality	24.131	0.000	High> Low, Medium
Participation	3.119	0.051	High > Low
Thoroughness	17.638	0.000	High>Low, Medium

University of Kent

<http://www.kent.ac.uk/kbs/research-information/index.htm>