Management Accounting in Marketing – in Search for Strategic Fit[#]

Jakub STRÁNSKÝ[*] – Ondřej MATYÁŠ[**]

Information systems and management control systems in particular, are likely to change and develop hand in hand with business environment. Now it has been over one and a half century that business has been developing and excelling their manufacturing information/control systems but the last four decades of the marketing era tend to tell them to shift the traditional controller perspective. Managers now face the challenge of governing the marketing process. It may seem they have already mastered the process itself however they should have developed proper controlling tools alongside. This assumption does not hold and some managers are now seeking for effective management accounting tools that would help them catch up. The practice and the academics jointly gradually gain knowledge about how to conceive management control systems in the area of marketing process, how to describe this process, how to set up its desired performance, how to measure the real performance and how, through all this information, to manage it.

An inadequacy persists between the importance of information for a business and the information actually gathered and reported by controllers to management. The businesses put substantial effort and resources into marketing of products and services and consider the performance marketing process to be crucial for the businesses' vitality. On the other hand most controllers preferably focus on traditional process of resource transformation into products and services. With this contrast in mind we can

[#] The article is an output of a research project *Strategic management and its information support* registered by the Grant Agency of Czech Republic under the registration number GAČR 402/04/0879.

[*] Ing. Jakub Stránský – Ph.D. student; Department of Managerial Accounting, Faculty of Finance and Accounting, University of Economics, Prague, W. Churchill Sq. 4, 130 67 Prague, Czech Republic; <jakub.stransky@seznam.cz>.

[**] Ing. Ondřej Matyáš – Ph.D. student; Department of Managerial Accounting, Faculty of Finance and Accounting, University of Economics, Prague, W. Churchill Sq. 4, 130 67 Prague, Czech Republic; <omatyas@vse.cz>.

see the potential for development of the theory and practice of accounting is big and sources of inspiration are rich.

In this paper we aim to describe and interpret our experience from projects of implementation of information systems that support management with the emphasis put on customer who virtually decides about every activity in the supplier company. Our aim is to sketch a customer-oriented information system that allows managers to control the marketing process from the customer perspective. Therefore this paper only covers some business processes. The paper is divided into three chapters:

1. Assumptions for development of a management accounting system for use in marketing process.

2. Management accounting system for first line and tactical management of marketing process.

3. Information support for strategic management of marketing process.

In the first chapter we state the theoretical foundations of the paper; we define what we understand as the marketing process and we identify the boundaries of the developed information system and the integrated enterprise-wide information system. The prerequisites for the developed information system are discussed.

In the second chapter we lay down the marketing process value-creation model and build upon it to obtain the management information system suitable for management of the marketing process; the management information system is designed (this is often called the controlling concept) in order to merge the management of marketing process activities (typically automated or supported with CRM applications) with the value management of the marketing process. This results in a joint (activity and value) management information system integrating both CRM and accounting modules of an ERP providing relevant value-base information that marketing managers need to measure and evaluate performance of their business.

The third chapter is dedicated to strategic perspective of marketing process and to metrics for the customer perspective of the Balanced Scorecard concept. We offer an approach to the Balanced Scorecard design so that it encapsulates in the best possible way a company's strategy and so that is motivates the managers' decisions in the desired trajectory. Having this all in mind the Balanced Scorecard should become an effective communication tool integrating all company processes.

Assumptions for development of a management accounting system for use in the marketing process

In the paper we use the theoretical framework of management control systems to develop the designed management accounting system. This framework naturally results in a broader scope of the whole paper; we also consider aspects that are interrelated with construction of an information system. These are mainly the consequences of a deployment of such a system that impact behavior of employees, their mutual communication and attitudes to their work.

In management accounting we are used to derive the pertinence of value-based information from use of natural-based information that is available from the respective operations management system. Such is the common principle of an enterprise resource planning (ERP) system: to combine both natural-based information and the derived accounting (value-based) information and to present both in the same time. In the field of marketing process the source of natural-based information would be what is generally accepted as a Customer Relationship Management application (CRM). We assume the use of a CRM system within the target company.

As for the target user of the modeled management accounting system we have chosen an industrial company that produces and supplies its customers with products with important share of direct material costs. Speaking in terms of economic theory the target company transforms resources into physical products output realized in a non-perfect competitive environment with a greater quantity of customers. We are persuaded this is a very realistic assumption that fits best the situation of most industrial companies today.

We have also adopted a truly contemporary approach to industrial business management which is management by processes. We thus assume the target company is organized and managed by processes which are a firm foundation for the management accounting system. This assumption will allow us to roll out a process map of the target company and to conceive the information system on the base of such a process map.

We assume that the target company processes may be classified in a quite traditional way into three groups – the main (core business) processes, the support processes and the corporate governance processes. The main (core business) processes are those that add value for customers, and that company management considers essential for the business success. The support processes do still add value for customers but only through the main (core business) processes; they are very often outsourced from a third party. The corporate governance processes do not add value for customers but are necessary for the company to exist and perform. We will leave aside the two latter groups of processes and will focus only on main (core business) processes.

We assume that these main (core business) processes may be divided into two distinct parts of the transformation process – we will call them marketing and logistics processes. The logistics process transform resources into products or services according to the customer specification. The marketing process is responsible for the products realization on the market (this means the search for customers, negotiation and conclusion of the business) or in other words it guarantees and facilitates the inflow of customer specification into a company. Our distinction between marketing and logistics processes is quite common in management practice but is not always defined in the same way. A substantial evolution can be noticed in the case of the term "logistics". Historically it was understood as activities ensuring constant supply of resources for an organization but the term has evolved and today it is used to describe the whole of activities ensuring that the flow of mass (supply, stocking, transformation, and customer delivery) corresponds to the needs of an organization. We keep and apply the latter definition.

The reasons for split of main processes between marketing and logistics are not only the factual differences between the two (different needs of employees, style of work, relationships with external business partners) but also the need for delimitation of responsibilities and access to confidential information for all employees of a company. Top managers are likely to keep confident and separated customer knowledge, customer database and individual pricing schemes on one hand and real production costs and purchasing contracts on the other hand. The organizational split does not put into question need for close co-operation between the two groups of employees – people from marketing rely heavily on logistics, and people from logistics do reciprocally. An important point about the split of processes is that the better responsibilities are specified, the more effective mutual communication and co-operation result.

There has been much effort spent on the design of management accounting systems for logistics processes of companies. But the marketing side is often underestimated and underdeveloped in today's business practice. In this paper we therefore focus uniquely on the marketing side of a company.

We are now going to describe the first steps necessary to design the described management accounting system. We make a list of decisions that must be made prior to implementation of the system that would support the marketing processes. That is why we define the product of the entire marketing process. In the last part of this chapter we will lay down a detailed process map of the overall marketing process so that we obtain reliable foundations for an accounting concept that is consistent and manageable.

Product of marketing process

The theory of management by processes attributes a product to each of company processes. The product stands for the outcome, and the purpose of a process.

To define a product is a much simpler job in case of logistics process where intuition is often a sufficient tool – the product is a physical product or a service resulting from resource transformation. But it is not trivial any more to define the product of the marketing process. We have to go back to economic theory and review the theory of allocation effectiveness of markets. The moment of allocation of a product on a market is the same as, from the business point of view, the moment of product realization (i.e. moment of sale). It is result of a fruitful business relationship, of the process of setting a fair price and the moment of making exchange. The aggregate result of such efforts of all economy is the allocation effectiveness of markets (and competitive environment) and one element of that aggregation is a company's marketing process.

We can now say that marketing processes of all companies are part of a global mechanism that cleans markets. This effort materializes in the well-known interaction of supply a demand, with an inequality due to the fact that markets for industrial goods are supply driven today. Therefore the supplying company is even more active in such interactions today. All marketing activities of a company result in the fact that exchange takes place, and that is the nature of the outcome of such a process. We call it either quite academically as "the market realization moment" or in a more business-like way as "delivery of value to the customer".

The above defined product of the marketing processes determines our approach to development of the whole information system (customer-oriented management accounting). Let us underpin some differences that are keys for our concept.

The product of marketing process is the moment of realization of a company's value added on market, and therefore it is the moment of the profit creation. Customer is the central point of all effort within the company – not physical product or service supplied, as it has been viewed traditionally. This focuses employee activity on and motivates them to serve customers.

As our approach is not very common we choose to illustrate it here briefly.

For an individual company we may define the product as delivery of value to a specific customer segment. We would measure it in sales volume units such as thousand of EUR. This product can be further analyzed in a multidimensional way, on multiple axes such as customer type, market segment, distribution channel or geographical territory. A typical management question saying "What was the cost of a product?" will now be translated as "What was the cost of 1 000 EUR in sales from French retail in May?"

This possibility to differentiate the means of value realization is crucial for the management of profit side of entrepreneurship. The ability to influence selling price is the key characteristic of the non-perfect competitive environment and helped to create a fundamental concept of marketing – market segmentation and positioning. Our aim is to project the segmentation concept into the management accounting system.

Let us see the marketing process in detail through sketching its process map.

Map of marketing process

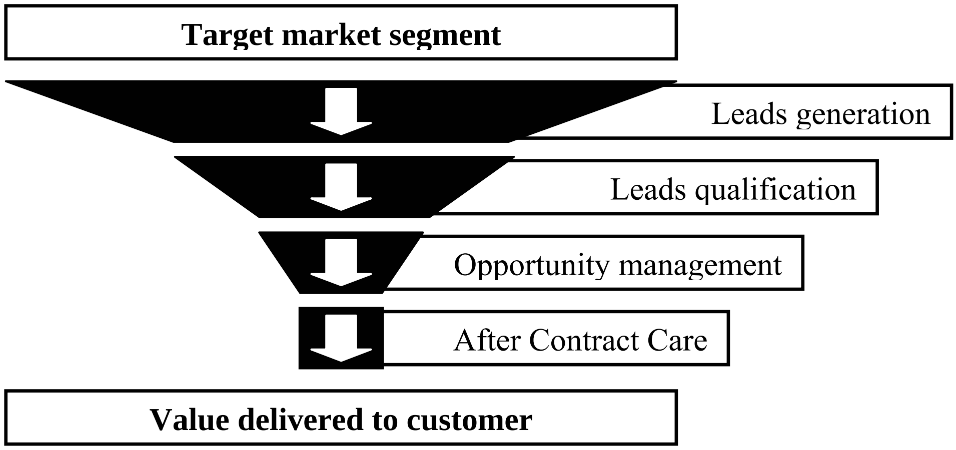
We use the following method of process description: We follow the build up of value added by a company into the defined product of marketing process from the very beginning of the customer relationship to the final moment of product which is the moment of delivery of value to the customer.

Let us use an analogue example from the well-know overall logistics process. Its product is built through a chain of consequent operations performed on a material-based semi-products treated up to the final moment of finished product (or service). Product creation is hence started in corporate purchasing, followed by the manufacturing of parts, then completion, packaging and distribution to the place specified by customer. All of it is called the logistics process map. The same approach may be now applied to the overall marketing process. From now on we are going to reserve the term “product” only for the final product of the marketing process (i.e. the moment of delivery of value to the customer).

The map of the marketing process is a specific approach of the authors build upon a CRM functional layout published by SAP. We have put all of the marketing activities into a logical chain that builds up for customer relationship. Many refer to this chain as to the “sales pipeline” or “opportunity pipeline” and it is often visualized as a funnel.

We keep this funnel-shaped visual interpretation in the following chart:

Fig. 1: Opportunity pipeline



Source: SAP and authors.

The chart shows the number of customer relationships managed at each stage by the company employees. It is funnel-shaped because of decreasing number of the mentioned relationships. This constantly decreasing number of relationships is a voluntary expression of company efforts to select among a huge number of potential partnerships those that will become lasting and mutually rewarding. With the description of each stage we will also define its respective "semi-product" i.e. the desired maturity of a relationship before it is passed further on.

The first stage of the overall marketing process is called leads generation. A marketing process starts with the make of strategic decision about a target market segment. (This decision is part of the strategic process that is part of the corporate governance activity of a company and we have stated this area can not be covered with our model.) Upon a described target market segment (or, in many cases, this is just a target market) a company has to describe a target customer in a set of key characteristics. Such customers are then searched and a list of potential customers or a database of leads is ready for use. Leads generation is conducted without any one-to-one communication by means of market research and commercial database exploration. A company's ability to cover the whole target market segment is a determinant for the number of leads generated and, by the end of the whole marketing process, the number of paying customers. The acquired leads are then passed for qualification.

Leads qualification is another stage of the whole process. Every single lead has to be evaluated with the specific regard on its potential to yield solvent demand. In larger companies the leads qualification is done in a specialized department such as call centers. Employees question each of them in order to confirm its relevant classification as target market segment. If negative the leads are evaluated as trash or cold leads (blue flag). If positive each lead is evaluated for its willingness and readiness to purchase a company's products and services. According to the phase in its purchasing cycle the leads are systematically and periodically tested and re-iterated from the pool of interested leads (orange flag) to hot leads (red flag). The latter are passed on to the opportunity management stage for a more sophisticated treatment.

The next stage is called opportunity management because of the ephemeral quality of hot leads. The offering company must be very active and provide timely response to the customer that is in the phase of purchasing consideration and decision. The offering company and the potential customer, or both partners, are building a personal relationship at this moment; they learn to know each other and they proceed in the definition of the customized solution. This stage has to be managed in quite a sophisticated way and its ability to manage it is key to a company commercial success. This phase also tests the quality of co-operation between the two major business areas – the marketing and the logistics processes. The agents from the logistics processes also enter into negotiations and their skills are part of the success. This stage positively results in a an engagement to exchange (a contract) between the two companies. In most cases the engagement takes the form of an order (with the general sales condition playing the role of contract) but in complicated cases a sophisticated contract may be elaborated through a time-consuming process.

The last stage of a marketing process concerns the after contract care. Although an engagement to exchange has already been taken it remains uncertain that the delivery will materialize. The risks on both sides remain: The customer may withdraw from the contract in some pre-specified conditions the supplier may not be able to fulfill the order in a way specified in the contract. The aim of this stage is to reduce these risks and to control the delivery to be done as specified above, the customer to be billed and cashed and finally, to ensure customer satisfaction, eventual warranty claims taken in account. Customer satisfaction has to be measured not only for necessary supplier feedback but also for the customer to figure out if and why he or she was satisfied. This is particularly important for the probability of future orders and long-term customer retention.

Let us make a summary of what we have yet done in the previous paragraphs. We have defined the product of marketing process and we have described the stages of the value added. We have observed all the milestones on a way to successful and lasting customer relationships. We are now going to use the described process map to sketch a concept of the management accounting system and value-based management of the process.

Management control system for the first line and tactical management of marketing process

The basic concept of the value-based process-oriented management is to define a process product and to consider it as a basic accounting object. Revenues and costs may be easily associated to the selected product and controlled. We do so for the intermediate "products" (that were defined for each stage of the overall marketing process in the last chapter). These intermediate "products" are consumed by successive stages of the whole process. In between the two stages we may therefore observe a decrease in quantity but, on the other hand, the relationships are funneled into a smaller number of more desirable ones.

This exercise may turn to be a tricky one because of the unsuccessful leads. While we can easily imagine the consumption of these inherently with the successful ones (thus increasing costs of the consecutive stage) the problem lurks in the instability of status of each lead.

Let us make an example: A lead may seem to us as not interested on January (thus should be accounted as unsuccessful while increasing costs with no extra revenue), it may show up on February as a ready to order opportunity that should be funneled to opportunity managers. There is another way of addressing this issue – it is always possible to consider the unsuccessful as not attributable (direct) costs but as expenses or indirect costs that are put aside. This issue has to be considered and a decision must be made during implementation of such a system.

We will now have a closer look at accounting methods suitable for each stage of the marketing process.

Management of leads generation

All the other stages of marketing process seem to reveal better estimated results than this one. A company is never sure about the quality of the leads database obtained through acquisition or research. Multiple sources are available be it a pre-paid monitoring service (advising about future construction or public administration projects), search of potential customers in industry-oriented press, quite expensive participation at industry fairs or facilitating of specialized events. The job is most often done by external marketing research services or internally by own communication specialists.

The basic tool for leads generation most often used by companies is budget. There are different types of budgets and there are different means (as illustrated above) of leads generation – the type of budget is therefore chosen according to the performed activity. We may not suggest single use of internally pre-priced lead which would result in constantly falling quality of leads, and thus constantly falling ratio of hot leads from the whole database.

For the design of a management control system the key task for the internally organized leads generation would be to not surpass the budget constraint while linking the motivation of individuals to the quality of leads. The quality shall be evaluated by the consecutive stage (leads qualification) which is a desirable relationship between the two parts of the overall marketing process.

The natural-based information used to drive accounting system is gathered from a transactional system and from some external sources. The budgets are to be set based on external-supplied estimates. A database of leads is saved in a CRM system and each lead is classified with origin (i.e. when and how was it acquired). By the end of the leads generation campaign we sum the expenses and compare it to the desired budget. An average price per lead may be then calculated and associated to the leads database.

Management of leads qualification

There are two distinctive process variants for leads qualification. The first one is known as the “push strategy”; it means that a company is pushing customers into interaction with the information about their characteristics and needs. Such strategy assumes the use of leads generation ahead of qualification. The second variant is known as the "pull strategy" - it is not based on leads generation but works with target profiles (or target audiences) only. Both variants end up with similar quality results, i.e. a hot leads list. But the proceedings are different depending on the described strategy type.

The first strategy essential beginning is the prior leads generation phase. The leads database is then tested for up-to-date state, leads quality in terms of target market segment. This means that trained specialists contact the leads one-by-one and evaluate them shortly. In case of large databases big contact centers are employed to complete this task. Or it can be done through direct mailing or by individual meetings.

The CRM applications play a key role in this stage. All customer contacts are monitored and stored in the system so that every lead is numerically qualified. A report run upon the leads database shows its success ratio. All costs may be automatically allocated to the activities recorded (the cost drivers being the number or the length of a phone call, number or price of the mailed messages, number, length or expenses for personal meetings).

The second variant of leads qualification, the "pull strategy", works with the target profiles addressed with advertisements. The offerings are not channeled on a one-to-one basis to individuals but they are radiated to all public. The responses have to be identified and related the relevant campaign.

The most important issue for this variant are resources spent on the advertisement campaigns that are available from the accounting system. Direct allocation of the total to leads identified would be misleading – we would end up with enormous cost per lead. Any advertisement campaign serves multiple purposes; not only to attract leads but also to influence existing customers or to build up corporate image and so on. The marketing communication activities are therefore organized in a simple expense centre with no value-based link to the leads. The negative aspect of this variant is the absence of the cost per lead information which is generally quite important for the management of acquisition of new customers.

Opportunity management

Opportunity management is the most difficult to manage out of the whole marketing process. Nothing is that delicate as the correct beginning of a business relationship, this is a key factor determining the future success of the sale, i.e. the estimate revenue and estimate resources consumption. There is a set of important factors that are not related with the subject of exchange (opportunity window is causing stress, readiness to make offers and to design a customized solution, asymmetric information, mutual empathy). The desired result is an engagement to exchange with a given amount of revenue and a specification of customized solution.

On the very beginning the two partners do not know each other and do not know their respective needs. The customers differ in their declared willingness to look for information about the supplier offering and according to this level of interest does the supplier choose a selling strategy. The aim of the supplier is to gather the customer's characteristics and risk factor and the customer's budget involved in the business – a set of information needed for the decision about the amount of resources that should be approved for negotiation. A CRM application comes handy as a source of all last negotiations experience. From the point of view of salespeople, the CRM system serves not only as source of information but also defines a clear company-wide defined policy for customer description.

On the basis of all information gathered, an executive manager or the vice-president for marketing approves the method of bidding, person responsible (and a whole team in case of big projects) and a budget for each individual opportunity that the responsible bidding person is authorized to use for the conclusion of engagement to exchange.

After the budget decision is made the negotiation starts generally for long and complicated process which is quite interesting to follow but always equally difficult to capture into a management accounting system. All activities are recorded and saved in the CRM system to serve as source of primary information for accounting. The elaboration of bids requires the co-operation of logistics processes employees or third parties involved in the solution – these are the major cost drivers for the spending debited from the approved opportunity budget.

Through a time-consuming interaction a customized solution is specified and the specification is immediately sent to the pricing department.

The pricing specialists are responsible for setting of a minimum bidding price that can never be lowered by the salesperson responsible for the project (unless any change to the specification is made).

The goal of the salesperson is responsible and motivated to negotiate the price in a way that it is higher or equal to the minimum bidding price. The marketing process management may set other constraints to the price negotiations but they can hardly be recommended due to the yet quite difficult agenda. The evaluation of salespeople will probably based on their past results and the negotiated premium to the minimum bidding price.

After contract care management

This stage begins with handing of a customized solution on to the logistics process. The customized solution is then manufactured / fulfilled according to specification while the consumption of resources must be obviously controlled. We have previously stated that this paper will not address these issues, we are leaving them aside. Let us focus on the marketing process that is still of great importance to follow. The aim of the last stage is to communicate timely and effectively between the customer and the supplier not only to guarantee the contract specifications but also to promptly respond to eventual changes.

The delivery of value shall proceed according to customer's expectations. It shall not only materialize but also be equipped with all necessary documents. Finally the customer should not be aware of possible (and frequent) production conflicts. The main sources of customer disappointment are difficult negotiation of customer desired adjustments prior to production and delivery postponements due to internal capacity constraints. That is why the responsible salesperson is granted a small budget for the maintenance of customer relationship. The same salesperson is still responsible for the changes made to the specification to minimize the risk on both sides – to assure fluent and satisfactory communication with the customer and to control that the financial benefit from the project does not evaporate do to excessive changes during production. The salesperson should negotiate in a way that all major changes have impact on the revenue side of the project. If a fixed price contract was concluded, then an emphasis should be put on the quality control to guarantee that delivery complies with the initial contract.

We have gone through all the stages of the overall marketing process resulting in the delivery of value to the customer. We have seen how information is organized and what the possible interpretations for operations management. Let us see, in the last chapter, what is the top management view.

Information support of the strategic management of marketing process

The use of Balanced Scorecard for strategic management of the marketing process

For the strategic management of the marketing process the most frequent solution would be the Balanced Scorecard methodology. This tool has recently and not surprisingly become a standard among the strategic management tools. It is appropriate to note here that BSC – and, with special regard to this paper – the customer perspective of entrepreneurship – does not mean only setting out of metrics and their use to measure performance. BSC is not primarily a marketing process performance measuring tool but it is mainly a tool for the successful business navigation; it offers a generic layout for formulation, communication and implementation of a company's strategy in a way that all corporate structures are and eventually act in line with the strategy. Therefore the process of setting out of measures for customer perspective is just a step – and coincidentally the last one – in the BSC implementation within a company. That is why in our paper we regard the whole process of implementing and managing with use of BSC.

Neither academic society nor practice has yet been clearly formulated by how much the substance of BSC is meant for the first steps towards strategic business management, in our example towards the formulation of strategy in the area of marketing process. But experienced business consultants say there are only a few companies where top managers share the information about markets, their position and their strengths and weaknesses that effectively that they can formulate the strategy from scratch without necessity to revise it significantly before putting it into practice. The main contribution of the BSC for a company is thus the reinforcement of communication within the company. In other words companies may view the BSC primarily as a efficient communication tool for strategic management that allows to find solutions even for operations problems that would have otherwise stay conserved for years.

It is not very common to define the BSC as an intra-corporate communication tool but this approach in its essence is neither quite revolutionary. We may just analyze the implementation process of BSC in the area of marketing process (in terms of BSC, the customer perspective) to discover quickly why and how much BSC drives the need for communication and thus helps all corporate entities to co-operate better. That leads naturally to better quality and usability of strategies developed this way; strategy evolves from reasonable resolutions into a written document that helps to better understand not only what company's present and desired future position are but mainly what is needed to be done to reach such a position. And in the same time the needed measures come from realistic expectations and company competencies that have been discussed and that are widely understood and accepted.

We may conclude that the marketing strategy (target market segments, marketing policy, way of communication and customer relationship management) may be done without the framework of BSC. But the choice to do so assumes a risk that the chosen strategy would turn as inadequate and it would need to be changed fundamentally or, to be honest, substituted with a new one. Even though we have divided the corporate processes between corporate governance, core business processes (marketing and logistics) and support processes the three (or four) are supposed to co-operate and thus should have all part in the setting out of the marketing strategy so that it is in line with real competencies and strengths of the company.

This conclusion is often learned – unfortunately in most cases only after spending much effort with limited results – by companies mostly in specific target market segments when companies tend to neglect the specific aspects of their production and simply copies generally accepted goals of the whole industry. Surely are – to some extent of generality and in long term only – marketing policies of all companies convergent, formulated as growth of their market share on the most lucrative market segments. But should an individual company formulate realistic measures of how to reach these goals it has to build on its specific competencies which make difference from the hypothetical industry standards and which yield its competitive advantage.

Formulating the marketing strategy

The strategic-level communication between the logistics and marketing processes takes obviously place during an activity. The first activity carried out should be the single work on a company's SWOT analysis, which is the first step towards the formulation of a corporate strategy. In the case of a SWOT analysis a certain level of abstract thinking takes place which is mainly the case for the lack of interdependence and hierarchy between the strengths and weaknesses. The next step is the collaboration on marketing strategy, i.e. formulation of strategic goals and the opening of strategic projects that would bring the suggested changes. A whole set of relations between the goals is identified and, backwards, a certain hierarchy between strengths and weaknesses. Then the chart is discussed to drop the projects of minor impact or blurred specification. The results are visualized in the form of a strategic map.

Consequentially to the first step, the developed map of strategic goals, to bring the formulated strategy to life brings the next step (a) specification of metrics for the fulfillment of goals and (b) specification projects and/or activities that would cause the company to reach the goals. Let us illustrate these with an example: If the company identifies its important weakness in its production planning (which is often in conflict with customer orders priorities) and if this weakness is the key constraint to the future development of its market share then would the goal state as “change of the system of production planning”. The metric of this goal may be the ratio of orders delivered on time. An inadequate measure would be the average time-to-delivery. It may seem very adequate to bring the TTD down the effect of this measure would be problematic. The desired trend of the metric does not imply that the priority orders will be delivered on time.

The above mentioned bottleneck and the derived strategic goal are not a randomly chosen example: the performance of the marketing process is influenced greatly by the ability of both marketing and logistics processes to communicate effectively which is very often a neuralgic point of a company. We can thus frequently witness the positive effect of BSC implementation on atmosphere of rivalry and tension between the logistics and marketing processes. It is also this example that made us underpin that BSC is an important tool of corporate communication.

Apart the metrics explaining the success of goal fulfillment projects and/or activities are defined to ensure the factual realization of the desired changes. For our example it could be the creation of a system that would treat the orders according to priorities defined by marketing, i.e. the extension of the CRM functionality into the enterprise manufacturing and resources planning system. This project would have (in line with the theory of project management) its time-frame defined, a managing structure appointed, its human and financial resources approved and metrics controlling the project progress designed (schedule, milestones etc.).

We should now point out one ambiguity about the methodology of BSC that turns up during its implementation. Every company faces the question of how complex will be the use of BSC to map the whole marketing process and if its is appropriate to use BSC as a tool for day-to-day control and performance measurement in a company, even if it is an easy to understand tool. There is an opposite and widely accepted approach stating that BSC is a tool suitable for strategic change management. The defined metrics should then aim mainly to capture the difference made to marketing process on the basis of the approved marketing strategy and not to monitor routinely a company's operations which are regularly included in controlling reports.

One of bold advantages of BSC is its universality, versatility and adaptability. The implementation and use of BSC vary greatly from company to another, BSC has to be custom-tailored – a quality that was born with the creation of the whole concept by its authors. And that is why both above mentioned approaches are relevant because they are part of the flexibility of the BSC concept. Even though the question remains open we are persuaded that BSC is primarily oriented to strategic management due to the following reasons.

It is desirable to keep BSC as a strategic tool if there is a hierarchy in management and control. It is also obvious that strategic management and realization of strategic changes should be key issues that attract the attention of top managers. These arguments sound logical but it should have some real impact onto a company management. The appropriate tool for division of first-line and strategic management is to encapsulate strategic management into BSC. Not only this incorporates certain sense of rule but also enables BSC to remain clear and comprehensive when it is not overloaded with excessive number of goals and mainly of metrics needed by the first-line management to control the day-to-day life but not related to the strategic changes under way. We believe this is the way how to keep strategic and top level management simple and transparent.

Our approach does not exclude the possibility of each process to define its own operations performance metrics, such as key performance indicators (KPI) but these would be reported separately in the framework of routine reporting. This logic respects the management hierarchy and focuses attention of managers in the desired direction.

Conclusions

There is only a limited space dedicated to the value-based management of marketing process. One of the reasons may be that marketing is considered in general as a difficult to structure a process. Or it may be truly a less researched field – most companies have been building their management accounting systems with strong preference for production. But today's economy has shifted much importance to the marketing process in all industries and that the reason is why many are adopting a different optic but do not want to share their view with their competitors.

With regard to the rising importance of resources spent worldwide on industrial marketing there is a strong need for value-based management and neither company without such approach is going to enjoy its financial results without. In this paper we try to show that there is a simple way for value-base marketing process management given we structure the whole process into several stages. If we are able to imagine a slightly different approach to products our concept is comprehensive and we want to promote it.

References:

[1] Burns, J. – Vaivio, J. (2001): *Management Accounting Change*. Management Accounting Research, 2001, vol. 12, no. 4, pp. 389-402.

[2] Creelman, J. (1998): *Building and implementing a Balanced Scorecard*. London, Business Intelligence, 1998.

[3] Gentle, M. (2002): *The CRM project management handbook: building realistic expectations and managing risk*. London, Kogan Page, 2002.

[4] Kaplan, R. S. – Atkinson, A. A. – Young, S. M. (2004): *Management Accounting*. Upper Saddle River, Pearson Education, 2004.

[5] Kotler, P. – Turner, R. E. (1998): *Marketing management – analysis, planning, implementation, and control. Scarborough*. Englewood Cliffs, Prentice-Hall, 1998.

[6] Král, B. et al. (2002): Manažerské účetnictví. (Management Accounting). Praha, Management Press, 2002.

[7] Merchant, K. A. – Van der Stede, W. (2003): *Management control systems: performance measurement, evaluation and incentives*. Englewood Cliffs, Prentice Hall, 2003.

[8] SAP (2005): *Sales Methodology in mySAP CRM Opportunity Management*. [on-line], Walldorf, SAP, c2005, [cited 12 November 2006], <http://www.sap.com/solutions/business-suite/crm/pdf/Opportunity_Mgmt_50046200.pdf>.

European Financial and Accounting Journal, 2006, vol. 1, no. 3, pp. 57-77.

Management Accounting in Marketing – in Search for Strategic Fit

Jan Stránský – Ondřej Matyáš

ABSTRACT

Company controllers have been traditionally putting more emphasis on design, development and operating of management control systems in the field of manufacturing. Hand in hand with today's challenging business environment they search to extend their scope to cover all company functions, and substantially strategic management level. The umbrella effect of such broad approach to management accounting brings controllers into marketing processes that used to be a sacred land of marketing experts and salespeople. They not only seize the levers of control thus empowering managers to govern the marketing area better but also bring accounting knowledge and systemic approach to this field.

The paper is based on empirical field study jointly conducted by the authors. According to the identified management information needs they suggest a prototype accounting model for management control of the marketing process. The model shifts the perspective view on company products and allocates costs and revenues to customer segments instead of traditional approach that addresses product groups. This approach overcomes the state of art in the area of CPA presenting a comprehensive management control system applicable for all management levels.

The model is based on an easy-to-understand process-based methodology framework. The control system is directly linked to a customer relationship management system and is suitable to plan, run and control the flow of value on a day-to-day basis thus allowing effective management control and intervention. The paper addresses also the behavioral aspects of implementation of such system in a company, with regard to the specific mentality of salespeople that influences substantially the information system in most aspects.

Key words: Marketing Processes; Management Control Systems; Strategic Management

JEL classification: M41.