

FIRM PERFORMANCE: MARKETING AND FINANCIAL MEASURES

DR. ISHTIAQ HUSSAIN QURESHI

ASSISTANT PROFESSOR
THE BUSINESS SCHOOL, UNIVERSITY OF KASHMIR
SRINAGAR-190006 INDIA.

ABSTRACT

Performance measurement although very vital is a complex construct. It is very perplexing as its measures range from subjective to objective, marketing to finance based, accounting and market related and thus have been difficult to model to present the true picture of a firm. Many of the measures and approaches available in the literature focus mostly on accounting measures to reflect the firm performance. However, it has been widely criticized as it reflects the previous performance of a firm and has little information about the future potential of the firm, which is the main concern of strategists and investors. As such this paper tries to educate the strategy scholars and managers about the need to develop the link between market based drivers of performance and firm performance measures. It proposed in the paper that marketing based assets and intangible assets are better determinants of firm performance which should be measured by Tobin's q-a market based measure of firm performance.

KEY WORDS: Firm Performance, Marketing Assets, Competitive Advantage, Financial Performance Measures, Marketing Performance Measures.

References:

- Agarwal S, Erramilli M.K. and Chekitan S.D., (2003), "*Market Orientation and Performance in Service Firms: Role of Innovation*", Journal of Services Marketing, Vol. 17. No.1, 68-82.
- Anderson, Eugene W. and Sullivan Mary W., (1993), "*The Antecedents and Consequences of Customer Satisfaction for Firms*", Marketing Science, 12 Spring, 125-43.
- Anderson, Eugene W., (1996), "*Customer Satisfaction and Price Tolerance*", Marketing Letters, 7 (July), 19-30.
- Anderson, Eugene W., Fornell, Claes, and Mazvancheryl Sanal K., (2004), "*Customer Satisfaction and Shareholder Value*," Journal of Marketing, Vol. 68 Oct. 172-185.
- Bharadwaj, Sundar G., P. Rajan Varadarajan, and John Fahy, (1993), "*Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions*." Journal of Marketing 57 (October): 83-99.

- Boulding William, Ajay Kalra, Richard Staelin, and Valarie A. Zeithaml, (1993), “*A Dynamic Process Model of Service Quality: From Expectations to Behavioral Intentions*”, *Journal of Marketing Research*, 30 (Feb.), 7-27.
- Boulding William, and Staelin Richard, (1995), “*Identifying Generalizable Effects of Strategic Actions on Firm Performance: The Case of Demand Side Returns to R&D Spending*”, *Marketing Science*, 14 (3) G, 222- G236.
- Boyd, B. K., Gove, S., & Hitt, M. A. (2005). Construct measurement in strategic management research: illusion or reality? *Strategic Management Journal*, 26(3), 239-257. doi: 10.1002/smj.444
- Buzzell Robert D. and Bradley T. Gale, (1987), “*The PIMS Principles*”, New York the Free Press.
- Combs, J. G., Crook, T. R., & Shook, C. L. (2005). The dimension of organizational performance and its implications for strategic management research. In D. J. Ketchen & D. D. Bergh (Eds.), *Research methodology in strategy and management* (pp. 259-286). San Diego: Elsevier.
- Crook, T. R., Ketchen, D. J., Jr., Combs, J. G., & Todd, S. J. (2008). Strategic resources and performance: a meta-analysis. *Strategic Management Journal*, 29(11), 1141-1154. doi: 10.1002/smj.703
- Day, George S. and Robin Wensley, (1988), “*Assessing Advantage: A Framework for Diagnosing Competitive Superiority*”, *Journal of Marketing*, 52 (April), 1-20.
- Day, George S., (1994a), “*Continuous Learning about Markets*”, *California Management Review*, (Summer), 9-31.
- Day, George S., (1994b), “*The Capabilities of Market-Driven Organizations*”, *Journal of Marketing*, 58, (October), 37-52.
- Dekimpe Marnik G. and Dominique M. Hanssens, (1995), “*The Persistence of Marketing Effects on Sales*”, *Marketing Science*, 14, Winter, 1-22.
- Fornell Claes, (1992), “*A National Customer Satisfaction Barometer: The Swedish Experience*”, *Journal of Marketing*, 56 (Jan.), 1-21.
- Fornell Claes, Michael D.J., Eugene W. Anderson, Jaesung Cha and Barbara Bryant, (1996), “*The American Customer Satisfaction Index: Description, Findings and Implications*”, *Journal of Marketing*, 60, (Oct.), 7-18.
- Fornell Claes, (2002), “*CFI Group*”, *Marketing News*, Oct., 28, 41.
- Geyskens, Inge, Katrijn Gielens, and Marnik G Dekimpe, (2002), “*The Market Valuation of Internet Channel Additions*”, *Journal of Marketing*, 66, April, 102-119.
- Glick, W. H., Washburn, N. T., & Miller, C. C. (2005, August). The myth of firm performance. *Proceedings of the Annual Meeting of American Academy of Management*. Honolulu, Hawaii.
- Guo C., (2002), “*Market Orientation and Business Performance: A Framework for Service Organization*”, *European Journal of Marketing*, Vol. 36, Nos. 9/10, pp. 1154-63.

- Heskett, J.L. Jones, T.O., Loveman, G.W. Sasser, W. E. Jr. and Schlesinger, L.A., (1994), "*Putting the Service Profit Chain to Work*", Harvard Business Review, March-April, pp. 164-74.
- Hoffman N.P., (2000), "*An Examination of the Sustainable Competitive Advantage Concept: Past, Present and Future*", Academy of Marketing Science Review volume 2000, No. 4.
- Hooley G J, Saunders J. A. and Piercy N.F, (1998) "*Marketing Strategy and Competitive Positioning*", 2nd ed. Prentice Hall Europe
- Hunt, Shelby D. and Robert M. Morgan, (1995), "*The Comparative Advantage Theory of Competition*," Journal of Marketing, 59 (April), 1-15.
- Jacobson Robert D., (1988), "*Distinguishing Among Competing Theories of the Market Share Effect*", Journal of Marketing, 52, Oct. 68-80.
- Jarillo, J. Carlos, (1988), "*On Strategic Networks*", Strategic Management Journal, 9, 31-41.
- Ketchen, D., & Hult, G. T. M. (2011). Marketing and organization theory: Opportunities for synergy. Journal of the Academy of Marketing Science, 39(5), 1–3.
- Kohli, Ajay K. and Bernard J. Jaworski, (1990), "*Market Orientation: The Construct, Research, Propositions, and Managerial Implications*," Journal of Marketing, 54, (April), 1-18.
- McFarland, Henry, (1988), "*Evaluating q as an Alternative to the Rate of Return in Measuring Profitability*," Review of Economics and Statistics, Nov., 70, 614-22.
- Morgan, Robert M. and Shelby D. Hunt, (1996), "*Relationship-Based Competitive Advantage: The Role of Relationship Marketing in Marketing Strategy*," working paper, The University of Alabama.
- Narver, John C. and Stanley F. Slater, (1990), "*The Effect of a Market Orientation on Business Profitability*," Journal of Marketing, 54, (October), 20-35.
- Nonaka Ikujiro and Hiro Takeuchi, (1995), "*The Knowledge Creating Company*," New York: Oxford University Press.
- Ohlson, J., (1995), "*Earnings Book Values and Dividends in Security Valuation*," Contemporary Accounting Research, 11, (2), 661-87.
- Porter, Michael E., (1985), "*Competitive Advantage*", New York: The Free Press.
- Rao, Vithala R., Agarwal, Manoj K. and Dahlhoff Denise, (2004), "*How is Manifest Branding Strategy Related to the Intangible Value of a Corporation?*," Journal of Marketing, Vol. 68, Oct. 126-141.
- Reichheld, F.F., Sasser, W.E., Jr., (1990), "*Zero Defections: Quality Comes to Service*," Harvard Business Review, Sept-Oct.
- Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009). Measuring organizational performance: towards methodological best practice. Journal of Management, 35(3), 718-804. doi: 10.1177/0149206308330560
- Slater, Stanley F., (1997), "*Developing a Customer-Value Based Theory of the Firm*," Journal of the Academy of Marketing Science, 25, (2): 162-167.

Srivastava, R.K., Shervani, T.A. and Fahey, L., (1998), "*Market Based Assets and Shareholder Value: A framework for Analysis*", Journal of Marketing, Jan Vol. 62, No. 1, 2-18.

Stevens, Jerry L., (1990), "*Tobin's q and the Structure-performance Relationship: Comment*", The American Economic Review, Vol. 80, No. 3, June, pp.618-623.

Tobin, James, (1969), "*A General Equilibrium Approach to Monetary Theory*", Journal of Money, Credit and Banking, vol. 1, pp. 15-29.

Varadarajan, P.R., Cunningham, M.H., 1995. Strategic alliances: a synthesis of conceptual foundations. Journal of the Academy of Marketing Science 23 (4), 282-296.

Walley, K.E. and Thwaites D., (1990), "*Marketing Assets-The Key to Successful Differentiation*", The Chartered Building Societies Institute Journal, 43, 16-18.

Wernerfelt and C. Montgomery, (1988), "*Tobin's q and the Importance of Focus in Firm Performance*", American Economic Review, 78, March, 246-50.

Woodruff, Robert B., (1997), "*Customer Value: The Next Source for Competitive Advantage*," Journal of the Academy of Marketing Science, 25, (2), 139-153.