

Establishment of Performance Evaluation System for Marketing Companies - Based on the Perspective of Strategic Management Accounting

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Abstract: Establishing a performance evaluation system can assist a company in conducting a comprehensive examination of its previous performance and determining the direction of future development by comparing it to its long- and short-term objectives. Traditional performance evaluation approaches, on the other hand, exclusively consider the value of financial data and ignore the impact of non-financial metrics. As a result, this study uses the balanced scorecard approach to develop a performance evaluation system for marketing companies, as well as the analytic hierarchy process to determine the weights of various metrics. The proposed performance evaluation system can better assist marketing firms in evaluating their performance in reference to their strategic goals.

Keywords: Performance evaluation system, balanced scorecard, strategic management accounting, analytic hierarchy process

1. Introduction

In modern corporate management, it is not only the financial performance that can measure a company's performance, but also non-financial performance, which has been increasingly valued as a key factor in measuring company performance^[1]. In marketing companies, this combination of financial and non-financial factors to measure a company's performance is even more important for its strategic development. In order to increase the competitiveness of marketing companies and take a place in the global competition, it is necessary to evaluate the company's overall performance in all aspects. In the past, companies only reflected their company's operations through their financial information by using traditional accounting, which measures only analyze the company's historical data without guiding the future development of the company. Therefore, for marketing companies to achieve long-term strategic development, the performance evaluation system with a strategic management accounting perspective is needed to be more forward-looking when adjusting their development strategy according to its vision.

Strategic management accounting refers to an organization's internal accounting system, the outcomes of which are essential financial and non-financial information that helps managers perform their functions of planning, controlling, and decision-making^[2]. Traditionally, accounting systems relied heavily or exclusively on financial measures, leading to financial perspective being of the greatest importance in decision making. However, for an accounting system to be effective, it must also include non-financial data^[3]. This leads to the use of the balanced scorecard, which relies not only on the financial perspective but also on the customer, internal business process, and learning and growth perspective^[4].

The balanced scorecard was first proposed by Norton and Kaplan in 1992, which identified the drivers for creating long-term value for the company's stakeholders^{[1][5]}. It was generally used for performance measurement and companies' strategic management. The balanced scorecard emphasizes the concept of 'balance', which is reflected in the following aspects^[6]: first, it balances the financial and non-financial indicators of the company so that the company can not only measure the company's performance from the past financial information but also use non-financial information to focus on the company's future performance creation. Second, it balances internal and external information, allowing the company to evaluate performance not only from its internal processes but also by aggregating external customer feedback to determine whether the company's strategy is being realized. Third, it balances lagging information with leading information. Financial information represents past performance, while learning

and growth represent future direction. The combination of past and future information can help a company achieve its long-term strategic goals. Finally, it balances short-term interests with long-term goals. Excessive pursuit of short-term financial performance can lead to a lack of long-term strategic planning for a company. A balanced scorecard balances short-term and long-term goals and improves a company's strategic management system.

A key management function where strategic management accounting assists in is the controlling function. Controlling is the supervision of an organization's activities to ensure that its performance is within an acceptable level—this includes performance evaluation. Strategic management accounting aids by providing financial and non-financial information, which can be used for establishing a performance evaluation system^[7]. In recent years, performance management has also been deeply entwined with strategic management accounting^[8].

This paper combines the objectives of strategic management accounting with the establishment of a performance evaluation system for marketing companies, linking short-term financial information with long-term goals for company development through a balanced scorecard approach to comprehensively evaluate the performance of marketing companies at financial level, customer level, learning and growth level and internal process level.

2. Methodology

Strategic management accounting requires accountants to be able to understand the company's operations in a comprehensive manner along with information related to corporate strategy, which includes the company's long and short-term goals, strategies for company development, financial and non-financial information, and even key information about competitors^[9]. Thus, the balanced scorecard approach can help companies to come up with effective performance evaluation systems. Guided by the content of strategic management accounting, this paper proposes a performance evaluation system for marketing companies that includes both financial and non-financial metrics to evaluate the company's performance from a comprehensive and integrated perspective.

Table 1 shows the performance evaluation system which are proposed based on the balanced scorecard. It includes metrics of the balanced scorecard and the indicators to be further evaluated. The indicators are weighted based on the Analytic Hierarchy Process (AHP), which is a tool for decision-making under complex scenarios^[10]. The experts give scores for each item, then MATLAB is used for getting the weights to the items.

Table 1: Performance Evaluation System Based on Balanced Scorecard^{[11][4][11]}

Goals	Criteria	Alternatives
Establish a performance evaluation system for marketing companies	Financial perspective	1. Revenue Variance (RV)
		2. Expenses Variance (EV)
		3. Return on Asset (ROA)
		4. Cash Flow from Operations (CFO)
	Customer perspective	1. Customer Satisfaction (CS)
		2. Brand Awareness (BA)
		3. Customer Loyalty (CL)
		4. Market Share (MS)
	Learning and growth	1. Talent Extension (TE)
		2. Information Capital (IC)
		3. Leadership Competence (LC)
		4. Teamwork Participation (TP)
	Internal process	1. Operations Management Process (OMP)
		2. Customer Management Process (CMP)
		3. Innovation Process (IP)
		4. Regulatory & Social Process (RSP)

3. Results and Discussions

The results are presented in the tables below. By calculating the consistency ratio (CR) using MATLAB, the CR values in all tables are less than 0.1, indicating that the comparison matrix passes the consistency test, which means there is consistency in all weights.

Table 2 shows the results at the criteria level. Customer perspective is given the highest weight, followed by learning and growth, internal process, and financial perspective. It indicates that among the four metrics, the customer perspective should be paid the most attention in evaluating the company's performance because the customers are the end-users of the products and the services. Without customers, marketing companies will not be able to generate revenue. Therefore, their feedbacks are vital in identifying the performance of the marketing companies.

Table 2: AHP Results at Criteria Level

Item	Eigenvector	Criteria Weight	CR
Financial Perspective	0.405	10.115%	0.04
Customer Perspective	1.248	31.212%	
Learning and Growth	1.198	29.962%	
Internal Process	1.148	28.712%	

Table 3 shows the results at the alternative level in terms of financial perspective. Among the alternative indicators, cash flow from operations is given the highest weight, which means that liquidity is of the most importance for marketing companies in identifying their financial performance. To sustain itself and perform well, a marketing company should generate enough cash from its operations to cover its day-to-day activities, pay a return to investors, pay creditors, and acquire long-term assets necessary for operations. Cash flow from operations is followed by return on asset and expenses variance, which means that utilizing assets and reducing expenses is also of greater importance for marketing companies in identifying their financial performance.

Table 3: AHP Results at Alternative Level in terms of Financial Perspective

Item	Eigenvector	Alternative Weight	Priority Weight	CR
RV	0.718	17.938%	1.814%	0.009
EV	1.030	25.746%	2.604%	
ROA	1.082	27.062%	2.737%	
CFO	1.170	29.255%	2.959%	

Table 4 shows the results at the alternative level in terms of the customer perspective. Among the alternative indicators, brand awareness and customer loyalty are given the highest weight, which means that for marketing companies, being able to build up brand awareness and have customer loyalty is a powerful criterion to evaluate the performance. Brand awareness is the first step in the marketing funnel. Without awareness, a marketing company will not be able to acquire and complete transactions with customers, negatively impacting the company's performance. Customer loyalty is also imperative. A returning customer requires a lower cost than a new customer, and a loyal customer can also help reach new customers through referrals.

Table 4: AHP Results at Alternative Level in terms of Customer Perspective

Item	Eigenvector	Alternative Weight	Priority Weight	CR
CS	0.912	22.801%	7.117%	0.002
BA	1.044	26.112%	8.150%	
CL	1.044	26.112%	8.150%	
MS	0.999	24.975%	7.795%	

Table 5 shows the results at the alternative level in terms of learning and growth. Among the alternative indicators, talent extension is given the highest weight, which shows that a well-performed marketing company can attract talents. It is helpful for the company to keep growing and improving its overall performance.

Table 5: AHP Results at Alternative Level in terms of Learning and Growth

Item	Eigenvector	Alternative Weight	Priority Weight	CR
TE	1.146	28.661%	8.587%	0.017
IC	1.044	26.095%	7.819%	
LC	0.933	23.317%	6.986%	
TP	0.877	21.928%	6.570%	

Table 6 shows the results at the alternative level in terms of internal process. Customer management gets the highest weight, which implies that a marketing company that is excellently performing should have a complete customer management process. It is important for helping the company develop and

retain good relationships with the customers.

Table 6: AHP Results at Alternative Level in terms of Internal Process

Item	Eigenvector	Alternative Weight	Priority Weight	CR
OMP	1.048	26.188%	7.519%	0.047
CMP	1.093	27.315%	7.843%	
IP	1.008	25.207%	7.237%	
RSP	0.852	21.291%	6.113%	

4. Conclusions

The balanced scorecard helps establish the performance evaluation system for companies from the perspective of strategic management accounting because it views a company as a whole and considers both financial and non-financial information. This paper is able to discover the perception and the metrics that the marketing companies should pay more attention to, which is to manage customer perspective and learning and growth, therefore, achieving or retaining a high level of performance. This proposed performance evaluation system will help marketing companies to develop their strategic goal and realize long-term development.

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