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The influence of formal and informal control on market and financial results

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Abstract

Purpose – This paper aims to examine the relationship between control mechanisms and marketing performance based on a sample of marketing managers. To that end, this paper focuses on the relationship between the types of controls used in marketing and the market and business results.

Methodology – This study collected the data through a survey among marketing professionals with experience and decision-making capacity involving marketing budgets and plans, in practical terms a sample of 97 marketing managers and analyzed the data via a structural equation model using Smart PLS 3.

Findings – The findings confirm that marketing control mechanisms have a significant impact on business results, demonstrating the relationship of formal controls with market results and the relationship between informal controls with financial results. Likewise, the authors were able to prove that there is a relationship between formal and informal control.

Practical implications – The implementation of the control mechanisms should be based on the development of a detailed evaluation system of the activities carried out by the marketing employees and an analysis of their capabilities and abilities. In addition, managers should integrate formal control decisions into their marketing strategy to improve organizational results.

Originality – The results of this study help explain the relationship between marketing control mechanisms and organizational results and allow to understand what the level of influence is that marketing control mechanisms have on market and financial results.

Keywords Formal control, Informal control, Market results, Financial results, Marketing department, Product quality, Market coverage, Relative price, Brand value, Loyalty, Digital marketing, Marketing controls

Paper type Research paper

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La influencia del control formal e informal en los resultados de mercado y financieros

Resumen

Objetivo – Examinar la relación entre los mecanismos de control y los resultados a partir de una muestra de directores de marketing. Con ese fin, el documento se centra en la relación entre los tipos de controles utilizados en marketing y los resultados de mercado y financieros.

Metodología – Los datos fueron recolectados a través de una encuesta entre profesionales del marketing con experiencia y capacidad de toma de decisiones sobre presupuestos y planes de marketing. Contando con una muestra de 97 gerentes de marketing. Los datos se analizaron mediante un modelo de ecuación estructural (SEM) utilizando Smart PLS 3.

Hallazgos – Se confirma el impacto significativo de los mecanismos de control de marketing sobre los resultados organizacionales, demostrando la relación del control formal con los resultados de mercado, y la relación entre el control informal con los resultados financieros. Asimismo, se pudo comprobar que existe una relación entre el control formal e informal.

Originalidad – Los resultados ayudan a explicar la relación entre los mecanismos de control de marketing y los resultados organizacionales, y permiten comprender cuál es el nivel de influencia que tienen los mecanismos de control de marketing sobre los resultados de mercado y los financieros.

Implicaciones prácticas – La implementación de los mecanismos de control debe basarse en el desarrollo de un sistema de evaluación detallado de las actividades realizadas por los empleados de marketing y un análisis de sus capacidades y habilidades. Además, los gerentes deben integrar las decisiones de control formal en su estrategia de marketing para mejorar los resultados organizacionales.

Palabras clave – Control formal, Control informal, Resultados de mercado, Resultados financieros, Departamento de marketing, Calidad del producto, Cobertura de mercado, Precio relativo, Valor de la marca, Lealtad, Marketing digital

Tipo de artículo – Trabajo de investigacion

正式和非正式控制对市场和财务结果的影响

摘要

目的 – 基于对营销经理的抽样调查, 研究控制机制与营销业绩之间的关系。为此, 本文着重研究了市场营销中使用的控制类型与市场和经营结果之间的关系。

设计/方法/途径 – 我们通过对具有涉及营销预算和计划的经验和决策能力的营销专业人员的调查来收集数据, 实际上是对97名营销经理的抽样调查, 并通过使用Smart PLS 3的结构方程模型（SEM）来分析数据。

研究结果 – 研究结果证实, 营销控制机制对商业结果有重大影响, 证明了正式控制与市场结果的关系, 以及非正式控制与财务结果的关系。同样, 我们也能够证明正式控制和非正式控制之间存在着关系。

原创性/价值 – 本研究的结果有助于解释营销控制机制与组织结果之间的关系, 使我们能够了解营销控制机制对市场和财务结果的影响程度如何。

实践意义 – 控制机制的实施应该建立在对营销员工所进行的活动制定详细的评估体系, 以及对他们的能力和水平进行分析的基础上。此外, 管理者应将正式的控制决策纳入其营销战略, 以提高组织结果。

关键词 – 正式控制 ▫ 非正式控制 ▫ 市场结果 ▫ 财务结果 ▫ 营销部门 ▫ 产品质量 ▫ 市场覆盖率 ▫ 相对价格 ▫ 品牌价值 ▫ 忠诚度 ▫ 数字营销

纸张类型 – 研究论文

1. Introduction

In recent years, the need to demonstrate how marketing investments help increase the value of current and future marketing performance in particular (Markovitch *et al.*, 2020) and the value of organizations in general has become apparent (Rust *et al.*, 2004), as company management applies increasing pressure to show how business and marketing decisions influence organizational results (Marketing Science Institute, 2014; Liang and Gao, 2020). This premise has brought forth a surge in studies into the effect strategic marketing decisions have on organizational results (Edeling and Fischer, 2016; Katsikeas *et al.*, 2016). These studies confirm that the effect of marketing programs and market results on financial results and organizational value has been analyzed extensively, displaying significant levels of influence. They also show how market orientation, strategies and marketing capabilities have a significant impact on organizational results (Cacciolatti and Lee, 2016). However, although the definition of marketing strategy involves the design of control mechanisms that allow the timely evaluation of the extent to which objectives have been met, so far, few studies have analyzed whether the marketing control mechanisms also affect business results (Edeling and Fischer, 2016).

Marketing control is applied to programs, plans and people (Cravens *et al.*, 2004), and its scope is determined by the marketing strategy and objectives involved (Liang and Frösén, 2020). There are two marketing control typologies: formal and informal. Formal control occurs when management attempts to align the behavior of marketing professionals with established goals through policies and procedures (Jaworski, 1988). Meanwhile, informal control is an unwritten form of control that is typically worker-initiated, where there are interactions between professionals creating conditions designed to self-regulate their behavior and decisions and supported on values, norms and objectives (Malek *et al.*, 2018). Therefore, the correct implementation of control requires marketing managers to oversee the activities involved, such as understanding organizational culture elements to meet solid criteria to explain the effects of marketing decisions in terms of organizational performance.

Earlier studies have linked organizational control with company performance (Gong and Ferreira, 2014; Bedford, 2015). In addition, marketing control mechanisms have been related to different categories of outcomes at the salesperson and sales-force level as antecedents, but not to a large extent to organizational level outcomes (Malek *et al.*, 2018). Hence, this study focuses on understanding the level of influence that marketing control mechanisms have on the market and financial results. From an academic point of view, this article continues to expand existing research into the relationship of control systems with organizational results, in line with recent studies (Liang and Frösén, 2020; Ortiz-Rendón *et al.*, 2020; Liang and Gao, 2020), while, from a business point of view, it is essential to evaluate the role control mechanisms play in marketing decisions, as a key element in demonstrating the return on investment (ROI) and ensure future budget allocation. This is how it has been shown that formal control has a direct impact on market-focused learning capacity and therefore on organizational performance, while informal control strengthens this relationship (Liang and Frösén, 2020). In addition, the use of control mechanisms in the decision-making process improves the explanation of the impact of all marketing investments.

As such, this study is relevant because it empirically demonstrates the relationship between marketing control mechanisms and market and financial results. First, we conduct an analysis of existing literature on marketing planning, the concept of marketing performance for the company and its consequences and marketing control mechanisms. Next, we discuss the methodology, working out some issues pertaining to the used instrumentation, the characteristics of the obtained sample and the information gathering method. Third, we analyze the data obtained from a sample of 97 marketing professionals using structural equation modeling systems (SEM), before addressing the practical effects of the results of this study and how they can influence the decision-making of marketing professionals. Finally, we discuss the managerial implications, limitations and avenues for future research.

2. Conceptual framework

The strategy and design of a marketing plan are essential elements in marketing departments, given that, in recent years, there has been an increasing demand from the management of many companies to show how marketing activities contribute to improving marketing-related and organizational results (Rust *et al.*, 2004; Markovitch *et al.*, 2020), making it necessary to develop an adequate strategic plan if a company wants to achieve steady growth, which means that the marketing department has to demonstrate how the actions being implemented affect the results of the company and what the outcome of these decisions will be (Marketing Science Institute, 2014). Otherwise, the role of marketing in the decision-making process will be reduced. In addition, assessing the value of marketing is important for it to be able to have an influence at the highest levels of an organization, which will to a large extent determine the scope of the marketing plan's role within the company (Hanssens and Pauwels, 2016). To that end, the marketing department has to make a plan and collect market results, to show its importance and impact within the organization. As such, driven by the growing pressure to justify the contributions of marketing activities, marketers have shown considerable interest in improving their marketing performance measurement systems (Liang and Gao, 2020).

The function of control, the final stage of marketing strategy design, is to ensure compliance with the plan by influencing and guiding marketing professionals to achieve the desired results (Liang and Frösén, 2020). To that end, it is important to measure the results of the actions being undertaken, to assess the extent to which the planned objectives have been realized and if necessary, to take corrective measures. In that sense, authors like Baldauf *et al.* (2001) show that, when it comes to sales, the development of the control strategy is an important precedent for organizational effectiveness and companies that exert a greater degree of control end up with a strategy that yields better results in the sales unit and in satisfaction with sellers. In addition, Clatworthy and Peel (2013) indicate that, at the accounting level, not performing the voluntary audit results in higher levels of error in the annual accounts and also has other negative effects, for instance, making it more difficult to secure external financing. Therefore, despite taking place in the final phase, control has an effect on earlier phases by reviewing the plans and actions carried out in the planning and execution phases. Consequently, its correct use is essential for the implementation of the strategy (Liang and Frösén, 2020).

There are two types of control. First, there is formal control, which is the traditional form of control that is formulated by management to compare the expected results, capabilities and abilities against those that have actually been achieved (Jaworski, 1988). Second, there is informal control, which is not established by management, but created by the interaction of the company's own staff during the development of their activity, thus generating values, implicit norms and a way of working that self-regulates their behavior (Malek *et al.*, 2018).

The two types of control have each been divided into different categories. For example, Jaworski (1988) identifies the types of input, process and output within formal control, qualifying the types self-control, social and cultural as informal; Challagalla and Shervani (1996) divide formal control into the control of activities, capabilities and results; while Malmi and Brown (2008) identify the types of management, planning, cybernetic and compensation control within formal control, qualifying cultural types as informal.

To develop an effective monitoring program, thorough performance measurement is essential. The concept of performance refers to the results obtained once the established plan is implemented (Rust *et al.*, 2004). The first perceptions of performance measurement revolved around financial production measures, considering them as unique. As the implementation of the philosophy and direction of marketing activities evolved and was implemented in the management of organizations, so did the performance indicators, adding a variety of non-financial metrics, with a greater focus on the market. As such, financial results and market results are seen together as a way of evaluating the effect of marketing decisions (O'Sullivan and Abela, 2007). With regard to financial results, efforts generally focus on measuring output per unit of information to assess the contribution of marketing to business success (Clark, 1999), as becomes clear in the classification made by Katsikeas *et al.* (2016), who differentiate between two categories incomes (sales and sales variation) and profit (profitability, profit margin, ROI, return on assets [ROA]). While, with regard to market metrics, a large number of performance measures have been developed such as market share, relative price, consumer behavior, the launch of new products or attitudes towards buying among many others (Ambler *et al.*, 2004; Barwise and Farley, 2004; Farley *et al.*, 2008).

As indicated, there is no empirical evidence to relate the control mechanisms of marketing to organizational results, although there are some studies that come close, for instance, Jaworski *et al.* (1993), who present the evidence on the relationship of some types of control, whether formal or informal, with the marketing director is presented and Homburg *et al.* (2012), who propose a complex model based on contingency, where the marketing performance measurement system is itself a control system and, more recently, Liang and Frösén (2020), who examine the effects of formal and informal control mechanisms on organizational performance and Liang and Gao (2020), who examine the neglected mediating effect of marketing capabilities on the relationship between marketing performance measurement systems and performance.

On the other hand, some studies establish a link between control and the performance of the organization. Duh *et al.* (2006) analyze how strategy and technological applications influence planning and control of organizational performance. Gong and Ferreira (2014) demonstrate that control system design decisions through delegation, performance measurement and incentive compensation, positively influence organizational performance measured, whereas Bedford (2015) examines the use of control systems in different modes of innovation and the effects these produce on company performance, measured through financial results, sales growth, market share and overall performance.

Keeping in mind that marketing control mechanisms derive from strategy and apply to people (Jaworski, 1988) and considering the fact that organizational control has been widely related to organizational performance, there is a theoretical basis for connecting marketing control mechanisms to marketing performance, as part of the dimension of strategy, resources and activities, which positively influences marketing programs and ultimately, financial results as well. As such, by identifying and selecting the metrics that align with their marketing plan for the control system design, organizations are able to link control mechanisms and market metrics; increase the managers' ability to make diagnoses with a short- and long-term orientation and increase the capacity to build cause-and-effect relationships that support decision-making (Katsikeas *et al.*, 2016).

It is worth highlighting the distinction between short-term and long-term metrics. Short-term metrics have an operational scope that is typical of marketing management, for instance, decisions involving product policy, price, channels, productivity and communication (Farley *et al.*, 2008). Long-term metrics, on the other hand, are more closely related to the effects that are achieved through market assets on organizational results (Ambler *et al.*, 2004) and involve issues like stability of strategy or growth prospects (Thomas, 2007). Best (2012) points out that market metrics are process-oriented indicators that collect the results of the external environment of the organization, representing the effects marketing decisions have on the market and playing a fundamental role as sensors in the feedback system. Both the quantification and collection of these metrics are complex and require organized actions from management, which is the reason that formal control can be related to market results, which leads to the following hypothesis:

H1. Formal control over marketing decisions has a significant and positive influence on market results: perceived product quality, market coverage, relative price, brand value, loyalty and digital marketing.

In general, traditional organizational control literature places formal control in a position of greater relevance, because it is considered more feasible to measure (Malek *et al.*, 2018) and therefore has received greater recognition in organization management. However, since the emergence of informal organization, it is clear that both formal control and informal control coexist and do not operate in isolation (Jaworski *et al.*, 1993). Furthermore, the relationships between formal and informal control have been suggested to prove that these two typologies occur together in organizations (Cravens *et al.*, 2004; Malek *et al.*, 2018). Some have even argued that the management of formal control of behavior and control of results leads to the implementation of informal control, which denotes a probable relationship between both typologies (Anderson and Oliver, 1987). When managers encourage the use of formal controls, such as skill and outcome controls, teams of professionals show greater interest in their responsibilities, enjoy their work and are more effective, which is also reflected in their well-being (Miao and Evans, 2012). Because of these intrinsic motivational aspects, managers tend to pay more attention to components of the organizational culture, making them more aware of the presence and function of informal controls, even in shaping them. Based on this development, we propose the following hypothesis:

H2. Formal control in marketing decisions has a positive influence on informal control.

It is assumed that management control mechanisms have a positive effect on company performance and that they are made up of subsystems derived from the management in the different departments of a company (Malmi and Brown, 2008), including the marketing department and we can assume that marketing control mechanisms also have a positive effect on an organization's overall performance. With regard to the type of marketing control that must be implemented to influence organizational objectives, commercial teams with a favorable sense of belonging to the organization, which is related to informal cultural control, tend to be better at market orientation and perform better overall (Homburg *et al.*, 2012). In addition, organizations with a high level of flexibility promote interactions between their employees, have lateral communication channels and a greater flow of information in the organization (Henri, 2006), which all leads to informal controls being used and there being a greater interest in inserting more organizational performance indicators in the organization's control mechanisms.

As mentioned earlier, informal control emerges through the system of values, beliefs and commitment to the goals of an organization. As such, informal control mechanisms, like social and cultural control, are likely to have a positive influence on the financial results of the organization, which is why we propose the following hypothesis:

H3. Informal control in marketing decisions has a positive influence on financial results.

Figure 1 shows the conceptual model resulting from these hypotheses, after conducting the literature review.

3. Methodology

3.1 Sample

We conducted the empirical study through a cross-sectional questionnaire in a Southern European country, a country we selected because it presents economic and business

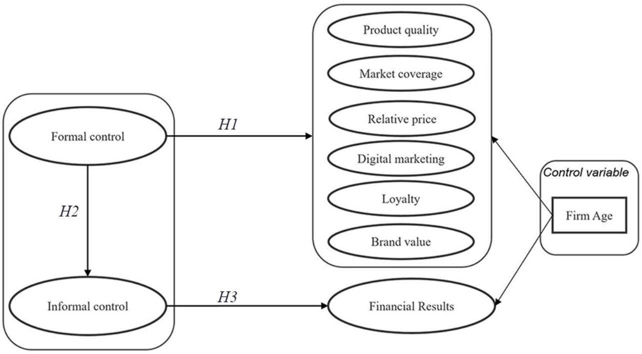


Figure 1.
Model

indicators that are similar to the EU-27 average. In addition, the managed to maintain sustainable growth in marketing investment in recent years (Statista, 2020), a condition that encourages the use of control mechanisms. We contacted marketing professionals with decision-making capacity and were responsible for the corresponding decisions on budgets and marketing plans. They must have university degrees, more than three years' experience in positions of marketing responsibility and more than one year in their current job and the company where they worked had to have a minimum of €1m in turnover, to guarantee an adequate size to indicate that the companies consciously develop the control strategies under study. These are demanding requirements for our research population to meet. In the data collection process, the sample was pre-analyzed to make sure they met the relevant requirements. Once they passed that first hurdle, we contacted them to send them the questionnaire.

Following these guidelines, we created a database with a total sample of 589 marketing managers. In each case, we assessed the location of the company, the position the person occupies, the years of experience in positions of responsibility related to marketing and their education. We collected the data through electronic surveys carried out after sending private messages explaining the aim of the study, asking them to take part and containing a link to the survey portal. The data collection period ran from November 2018 to February 2019.

From the overall of 589, we obtained a sample size of 97 individuals, representing a response rate of 16.8%. The respondents were mainly marketing managers (25%), chief executive officers (11%), product managers (7%), general directors (5%) and chief commercial officers (5%).

As far as the companies where the respondents' work is concerned, generally speaking, they are large companies with an average of 679 employees (standard deviation [SD] = 1,505), although their SD is high, showing a high dispersion of the data. They are active mainly in the sectors of food and beverages (22.7%), services (18.6%), trade (14.4%) and metallurgy, machinery and vehicles (9.3%). And their marketing departments are generally small, with only 1–3 marketing professionals in 50.5% of the business units analyzed, while the business sector with the highest percentage of respondents is food and beverages (22.7%), followed by services (18.6%).

3.2 Measurement scales

To realize the aim of this study, the measurement instrument must contain variables associated with the marketing control mechanisms, market results and financial results.

Firstly, to measure marketing control mechanisms, we looked at two earlier studies that use different scales, because they have been widely cited and applied to academic research. For this, an intersection of the works of Jaworski *et al.* (1993) and Miao and Evans (2014), which coincided in the category of result control and that for the category of process control, was explained in greater detail by its division into the control of activities and control of categories of capabilities.

With regard to measuring the market results, we selected variables pertaining to studies that analyze the type of market metrics used to assess the performance of organizations in different countries (Ambler *et al.*, 2004; Barwise and Farley, 2004; Farley *et al.*, 2008). We then refined the resulting list to select, on the one hand, the non-financial metrics and on the other hand, the marketing metrics (Edeling and Fischer, 2016). After the pilot test, marketing managers selected six metrics commonly used to assess the performance of the following marketing decisions and market assets: perceived quality of the product, market coverage, price relative to the competition, brand value, customer loyalty and the conversion rate of digital marketing.

The measures proposed to study financial results include metrics like earnings variance, ROI, firm performance, profitability of assets, Earnings before interest, taxes, depreciation, and amortization (EBITDA) and the general performance of an organization. To define them, different studies were analyzed, including Morgan *et al.* (2009), who assesses organizational performance using results associated with profitability; O'Sullivan and Abela (2007), who, among other things, propose ROA as a metric to measure performance; and Katsikeas *et al.* (2016), who collect various accounting evaluations and general results of the organization, making a selection of the dimensions of financial results. Finally, we validated these metrics with marketing managers to determine the final variables.

Once we compiled the questionnaire, we conducted a pretest among 20 marketing managers from companies operating in different economic sectors, including food, telecommunications, advertising services, courier services, retail, commerce and technology. Eight marketing academics also took part in assessing the instrument within the framework of the conceptual model.

For each question, the level of agreement was rated on a scale from 1 to 7. With regard to the variables of the marketing control mechanisms, the statements were evaluated by levels of agreement on the control-related activities carried out in the department, while, with regard to the variables of market results and financial results, the objective was to evaluate the level of scope of each type of result in the organization through a scale on the level of performance perceived by the respondents of the different indicators. Because the recording of market results measurement metrics is not mandatory for companies, the option of "I do not use this indicator" was proposed and when calculating the results of said variables, it scored null.

In addition, in line with previous studies, we include a control variable commonly recognized in the marketing and strategy literature as influencing the performance of the company: the age of the company (O'Sullivan and Abela, 2007; Homburg *et al.*, 2012), based on the number of years the company has been in the market (O'Sullivan and Abela, 2007).

3.3 Reliability of measurement scales

To analyze the data, first a confirmatory factor analysis was performed to study the relationships between the constructs and analyze the reliability for each one.

To measure reliability, we checked Cronbach's alpha and composite reliability for each of the constructs, requiring a result greater than 0.7 to accept the existence of sufficient internal consistency. In Table 1, this is accompanied by the variability extracted in each construct (average variance extracted [AVE]), mean (M), SD and the factorial loads of each item within its factor once the scales have been cleaned. Thus, it shows that the composite reliability of all the constructs is accepted by presenting values greater than 0.7, the extracted variance is greater than 0.5 in all constructs and all the factor loadings of each item are above 0.7, thus meeting the minimum values to accept the confirmatory factor analysis (Hair *et al.*, 2014). Remaining as an effect nine constructs, six of which refer to market results (perceived quality of the product, market coverage, relative price, brand value, loyalty and digital marketing), one to financial results and two to the systems of control (formal control and informal control).

It should be noted that, in general, factor loadings are around 0.8 or even higher. Cronbach's alpha shows levels above 0.8 for all constructs and the composite reliability far exceeds the minimum levels required, approaching, or exceeding 0.9 levels for all constructs. For all the items listed above, we can conclude that the analysis will add credibility to the results obtained.

4. Results

Once the confirmatory factor analysis was verified, the convergence and discriminant validity of the constructs were tested, followed by the analysis to contrast the hypotheses through a SEM using the SmartPLS 3 platform for said analysis.

Table 2 shows the discriminant validity of each construct. The square root of the AVE is presented on the diagonal. The data involved is compared with the lower part of the diagonal, which represents the correlations. Thus, when verifying that neither below nor to the left of the diagonal any correlation is greater than the diagonal, we can affirm that there is discriminant validity by the Fornell–Larcker criterion. In addition, to reinforce this idea, the values of the HTMT indicator are placed above the diagonal, which, having values lower than 0.85 for all cases, reaffirm the discriminant validity of the data presented.

According to Table 1, informal control has a mean value of use among respondents of 5.5 out of 7, while formal control has a mean value of 5.16, slightly lower than informal control. This indicates that, although a significant level of control is detected in both perspectives, in general, higher levels of informality are used in marketing departments compared to formal control. With regard to the financial measures, the financial results have an average valuation of 4.84, which indicates medium-level results. On the other hand, of the six indicators representing market results, the variable with the highest levels of results is loyalty (5.28), followed by the perceived quality of the product (5.25) and the value of the brand (5.18). Relative price (4.61) and market coverage (4.36) would be located at a certain distance. While digital marketing presents the lowest value (4.11), as it is an indicator that, although it has been growing in importance, it does not have the levels of development and consolidation the other market indicators display.

On the other hand, to underline the contrast of the study hypotheses, a partial least squares SEM analysis was conducted through the SmartPLS 3 statistical software. For the correct implementation of the contrast, we applied a bootstrapping technique in the process on 5,000 random subsamples to determine the significance of the hypotheses raised in the model. Figure 2 shows the results of that analysis.

As shown in Figure 2, the results confirm all hypotheses mentioned earlier in this study. *H1*, which refers to the relationship between formal control and market results, is confirmed in the results, indicating that formal control significantly affects (p-value < 0.01) all of the

Constructs and ítems		*M*	SD	Loads
Product quality	*(α = 0.831; CR = 0.923; AVE = 0.858)*	5.25	1.22	
Product quality in the last year		5.330	1.250	0.959
Product quality in the past 3 years		5.165	1.369	0.899
Market coverage	*(α = 0.812; CR = 0.882; AVE = 0.714)*	4.36	1.26	
Distribution channels coverage in last year		4.506	1.546	0.817
Market coverage in last year		4.495	1.478	0.809
Market coverage in past 3 years		4.227	1.428	0.891
Relative price	*(α = 0.909; CR = 0.960; AVE = 0.923)*	4.61	1.20	
Relative price of competition in the last year		4.656	1.231	0.966
Relative price of competition in the past 3 years		4.556	1.257	0.961
Brand value	*(α = 0.886; CR = 0.948; AVE = 0.902)*	5.18	1.34	
Brand value in the last year		5.366	1.310	0.954
Brand value in the past 3 years		5.011	1.509	0.948
Loyalty	*(α = 0.881; CR = 0.946; AVE = 0.897)*	5.28	1.14	
Client loyalty in the last year		5.376	1.145	0.945
Client loyalty in the past 3 years		5.167	1.258	0.952
Digital marketing	*(α = 0.916; CR = 0.963; AVE = 0.928)*	4.11	1.51	
Client loyalty in the last year		4.300	1.528	0.966
Client loyalty in the past 3 years		3.867	1.586	0.966
Financial results	*(α = 0.900; CR = 0.922; AVE = 0.665)*	4.84	0.94	
Profit variation		4.670	1.128	0.753
Return on investment (ROI)		4.876	1.195	0.847
Firm performance		4.784	1.038	0.816
Return on assets (ROA)		4.887	1.192	0.862
EBITDA		4.897	1.214	0.816
General organizational performance (meeting the objectives)		4.948	1.116	0.794
Formal control	*(α = 0.892; CR = 0.913; AVE = 0.569)*	5.16	1.11	
Marketing professionals are informed quarterly by their boss about the activities expected of them		5.454	1.513	0.735
The activities required by marketing professionals are monitored by their boss		5.417	1.441	0.715
Marketing professionals know if they meet expectations about the activities to be carried out		5.515	1.168	0.759
When necessary the activities of marketing professionals are readjusted		5.753	1.285	0.716
Marketing professionals receive recognition if they do their activities good		5.278	1.477	0.832
The skills that marketing professionals use to carry out their tasks are evaluated quarterly		4.711	1.553	0.705
Marketing professionals receive quarterly guidance on how to improve their skills		4.433	1.723	0.740
Marketing professionals are motivated to learn about how to use tools that make their work more effective		4.876	1.542	0.822
Informal control	*(α = 0.919; CR = 0.961; AVE = 0.925)*	5.50	1.27	
The work environment encourages marketing professionals to feel part of this SBU		5.464	1.363	0.962
The work environment encourages marketing professionals to take pride in this SBU		5.546	1.268	0.961

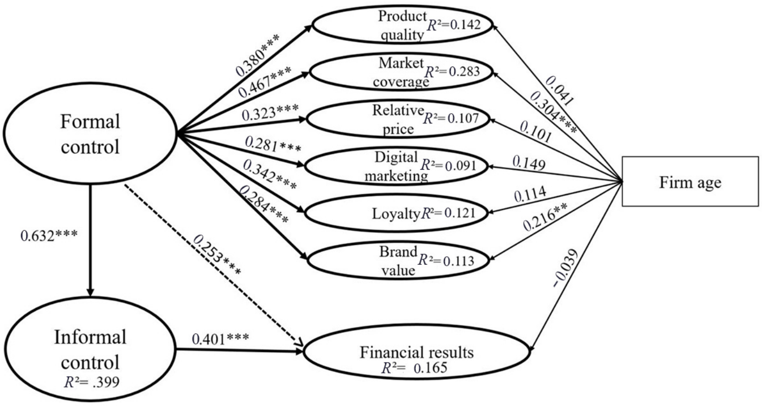
Notes: α = Cronbach's α; CR = composite reliability; AVE = average variance extracted

Table 1.
Factorial analysis

Constructs	1	2	3	4	5	6	7	8	9	10
Informal control (1)	**0.96**	0.68	0.42	0.38	0.33	0.16	0.25	0.37	0.35	0.08
Formal control (2)	0.63	**0.75**	0.51	0.43	0.45	0.34	0.29	0.36	0.27	0.11
Financial results (3)	0.40	0.47	**0.82**	0.46	0.55	0.31	0.44	0.48	0.19	0.08
Product quality (4)	0.33	0.37	0.42	**0.93**	0.36	0.52	0.45	0.63	0.06	0.09
Market coverage (5)	0.29	0.44	0.43	0.28	**0.85**	0.34	0.56	0.37	0.39	0.29
Relative price (6)	0.14	0.31	0.28	0.45	0.26	**0.96**	0.32	0.46	0.11	0.08
Brand value (7)	0.25	0.26	0.39	0.39	0.49	0.29	**0.95**	0.31	0.26	0.19
Loyalty (8)	0.34	0.33	0.43	0.54	0.31	0.41	0.28	**0.95**	0.03	0.10
Digital marketing (9)	0.34	0.26	0.13	0.04	0.32	0.09	0.24	0.02	**0.96**	0.14
Firm age (10)	−0.08	−0.11	−0.07	0.00	0.26	0.07	0.19	0.08	0.12	**1.00**

Notes: The diagonal elements (bold text) are the square root of the AVE. Values below the diagonal elements are the inter-construct correlations (Fornell and Larcker's test). Values above the diagonal indicate the HTMT ratio

Table 2.
Discriminant validity



Note: $p < 0{,}01$; $^{**}p < 0{,}05$

Figure 2.
Results

variables making up the market results. In addition, the influence is positive, meaning that formal control is positively related to market results, which in turn supports *H1*. Similarly, *H2* is supported by the existence of a positive and significant relationship (p-value < 0.01) between formal control and informal control. Finally, *H3* is also supported because of the results indicating that informal control exerts a significant direct and positive influence (p-value < 0.01) on financial results. Therefore, formal control indirectly influences financial results through informal control. With regard to the control variable, the age of the company only exerts a significant and positive influence on the brand value and the coverage of the distribution channels.

5. Discussion

The findings of this study confirm that marketing control mechanisms have a significant impact on company results, which means that the data presented in this paper is consistent and allows us to corroborate what authors like Jaworski *et al.* (1993); Liang and Frösén (2020); Liang and Gao (2020); or Ortiz-Rendón *et al.* (2020) presented in their work, by proposing the relationship and influence of marketing control on both market and financial results, providing these results with empirical evidence to support the hypotheses of this study. Therefore, given that the sample involves a country with levels similar to the EU-27 average in terms of economic and business indicators and the results are consistent with those developed in previous studies, we would argue that we can extrapolate the results of this study to other geographic markets.

First of all, we empirically demonstrated that there is a positive relationship between formal control and market results (*H1*), a relationship that is based on the fact that, to achieve market results, proper planning and execution of formal control measures by management is important, because these results depend not only on department management but also on market forces (Liang and Frösén, 2020). As such, to increase the likelihood of realizing the marketing objectives and even achieve better results, it is important to use strategic planning that uses formal control mechanisms.

Secondly, this study shows that formal control has a significant and positive impact on informal control (*H2*) and that the correct formulation of formal control measures leads to higher levels of informal control, which gives rise to more complete control systems. On the other hand, there is empirical evidence that there is a positive relationship between informal control and financial results (*H3*). This relationship is based on the ability on the part of management to identify and communicate clear and concise objectives and persuade employees to take ownership of organizational objectives, allowing employees to become involved in realizing these objectives. Thus, informal control allows management to connect employees with the established strategic plan, promoting an appropriate work environment (Pan Fagerlin and Lövstål, 2020). In addition, we were able to demonstrate an indirect relationship between formal control and financial results through informal control, which can have important repercussions, because it can lead marketing departments to implement flexible management systems, which include controls focusing, not only on operating results but also on long-term business results that promote sustained growth over time. In this sense, Malmi and Brown (2008) comment on the importance of implementing other ways of managing human resources in marketing departments, in which cooperation and coordination are promoted to a greater extent, compared to traditional hierarchical approaches. In addition, the results of this study support the claim by Verhoef and Leeflang (2009) that this flexibility is required more in work environments with high levels of uncertainty, a common factor in marketing departments. This is consistent with the results obtained by identifying that marketing departments implement more informal control than formal. While for other departments with more routine tasks and less uncertainty such as production, formal control will hold more weight than informal control.

A possible explanation for why formal control has a greater influence on the perceived quality of the product and market coverage may be that these two are essential variables for the marketing department, because controlling the perceived quality of the products and the coverage of the company in the market is extremely important to react quickly to market changes in general and mainly for companies immersed in expanding markets where investment in product innovation, services and processes is very relevant. In addition, another explanation could be that these variables present a greater ease of access to data to develop an effective control, while variables like loyalty or brand value can present greater difficulties when it comes to obtaining the data involved.

Because formal and informal controls are positively related to results, it will be beneficial for companies to implement high control, consisting of both high formal and informal mechanisms (Jaworski *et al.*, 1993). Formal control is easily manipulated, as it is designed by marketing management to monitor activities, capabilities and results, to compare the expected results with the ones actually achieved. In addition, it is measured in objective and generally speaking, numerical variables. As for informal control, its management and development are more complicated, because it is not established by management and arises from the company's own culture. Therefore, marketing management must also allow for open communication channels, as well as a free flow of information between professionals, to promote social and cultural control (Henri, 2006), considering that because they are typically initiated by professionals (Jaworski, 1988), they turn out to be more consistent and durable compared to formal controls, which require constant supervision. This consistency over time allows marketers to align their decisions more easily with organizational goals.

The findings of this study also show that, in marketing departments, both formal and informal control are very important and that they are both highly valued. These high levels of control are consistent with what earlier studies, for instance, Rust *et al.* (2004), Marketing Science Institute (2014), Hanssens and Pauwels (2016); and Markovitch *et al.* (2020), who argue that company management is increasingly demanding marketing departments to prove their usefulness, as well as showing results in customer orientation, long-term performance and return on marketing expenses. This means that top management needs to be convinced that marketing really is an investment and not just an expense. The execution of control mechanisms provides the department with internal and external information, which can be used to make decisions about future plans and implement corrective measures concerning the plans being executed and in turn allows the marketing department to demonstrate the usefulness of marketing as a whole for the company in future plans. As such, a combination of formal controls over results, capabilities and skills and informal controls based on implicit values and norms, can provide the necessary and accurate information to align marketing actions with expected results at both the marketing department level and that of the company in general.

Based on the results of this study and of earlier research (Liang and Frösén, 2020; Liang and Gao, 2020; Ortiz-Rendón *et al.*, 2020), it is clear that the implementation of high levels of control is important. In addition, our data shows that the use of controls is common among companies and not applying them would put companies at a competitive disadvantage, in addition to the fact that they have proven to be very useful for the management of the marketing department, allowing to contribute to the correct execution of the marketing plan, measuring the results of the actions carried out, diagnosing the degree of achievement of the planned objectives and taking corrective measures when necessary and ultimately, making the company more efficient as well.

6. Management implications, limitations and avenues for future research

In line with the results of this study and of recent articles, like Liang and Gao (2020) and Ortiz-Rendón *et al.* (2020), it is clear that the management of result metrics for marketing directors, within the management of the formal control of a department, is essential. Thus, the implementation of the control mechanisms should be based on the development of a detailed evaluation of the activities carried out by the marketing employees and an analysis of their capabilities and abilities (Bande *et al.*, 2021). Certainly, the marketing manager should examine the activities of his subordinates. In addition, they must know and enhance the capabilities and abilities of their employees to ensure that each one performs the tasks for which they are the most prepared, thus managing to perform them more effectively. In this way, the minimization on the deviations between the expected and actual performance is something to look forward to and when it comes to the ability to easily identify the causes of those deviations, these activities will speed up the implementation of corrective measures and help realize the objectives that have been set.

On the other hand, once formal control is established, attempts must be made to introduce informal control. Thus, through measures involving leadership, communication and efficient management of human resources, the generation of common values, implicit norms and a way of working that influences the behavior of workers, should be promoted. For example, in the case of salespeople, through the development of an incentive and recognition system, the implementation within the department of informal rules on expenses, sales volume limits or on the number of customers visited could be favored, in such a way that the group exerts internal pressure if any member deviates from what is accepted and agreed upon by the rest of the team. In the same way, an environment focused on teamwork could be fostered through the use of techniques such as group dynamics or motivational workshops that focus on achieving greater team cohesion and strengthening support for the individual tasks of its members.

To conclude, given the greater demand on marketing departments to demonstrate the value they bring to a company (Markovitch *et al.*, 2020), it is important to treat marketing control mechanisms as a strategic element, not only because of the importance of control but also because of the positive relationship with the organizational results. Table 3 summarizes the main conclusions and main theoretical and managerial implications.

This study also has some limitations. For future research, it will be interesting to use the combination of the two types of controls defined by Jaworski *et al.* (1993) and classify them according to the presence of more or less formal and informal control, creating four different categories: bureaucratic control, high control, clan control and low control, in light of the fact that, in practice, control is carried out in marketing departments through a combination of both types.

On the other hand, as the results of this study show, all the hypotheses have been supported. Although, when it comes to market results, some variables clearly relate to formal control to a greater extent than others, such as the perceived quality of a product and market coverage. Exploring why that is the case and whether it is related to the size of a company or other related variables could also be an interesting subject for future research. Another limitation has to do with the fact that it is the marketing managers themselves who value aspects like customer loyalty or product quality, which can cause a response bias. For future research, using quantitative measures involving actual data from marketing

Conclusions	Theoretical and managerial implications
Formal and informal controls are positively related to results, it will be beneficial for companies to implement high control, consisting of both high formal and informal mechanisms.	Marketing managers should examine the activities carried out by his subordinates. In addition, he or she must know and enhance the capacities and abilities of his employees to ensure that each one performs the tasks for which they are the most prepared, thus managing to perform them more effectively
It is important to consider marketing formal and informal control mechanisms as a strategic element because of the positive relationship with the organizational results.	Managers must introduce informal control through measures involving leadership, communication and efficient management of human resources, the generation of common values, implicit norms and a way of working that influences the behavior of workers should be promoted

Table 3. Conclusions, theoretical and managerial implications

departments or audited financial data would be a viable option, which, in turn would make it possible to compare the perceptions of marketing managers and the actual results of a company. Also, this study could be replicated using a larger and more geographically diverse sample to examine the influence of other variables related to features of the business environment.

Another future research avenue this study opens is the possibility of considering alternative models next to the one developed in this paper. This could include the study of the mediating relationship of formal control through informal control over financial results, which, as we have already seen, can be based on the indirect effect identified in the results obtained in the study, or the possible mediation of market results on the relationship between marketing and financial results. Alternatively, we could focus on more traditional companies that are characterized by a certain structure, a minimum turnover and some experience in the sector in which they operate. We omitted the proliferation of new business models with a dynamic cut from this study and focused on current trends, which demand a more agile ability to adapt to constant market fluctuations (Fonseca *et al.*, 2021). As such, it could be interesting to reflect on the control systems for these business models.

Finally, it would be interesting to see whether the positive relationship between formal and informal control presents a linear trend, or whether there are, at some point, diminishing returns and to determine the optimal balance between the two types of control, in marketing departments and in entire companies.

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