

THE MARKETING AUDIT: FIVE DECADES LATER

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This article traces the development of the marketing audit from its introduction to the marketing literature in the 1950's to the emergence of the audit as the discipline's most comprehensive, strategic control mechanism in the 1990's. Specific attention is paid to the evolution of the concept, significant applications, use issues and unresolved research issues, primarily in the audit practices area, which need to be more fully addressed.

The article further examines the audit in the context of its capabilities for the emerging requirements of the 21st Century and concludes that the concept, while well developed, will need to be enhanced to maintain its viability as a premier, strategic control tool. The enhancement efforts are likely to be focused primarily on the addition of explicit global perspectives, "green" marketing considerations, and more seamless periodic and continuous control and resource evaluation efforts.

The article concludes with the development of a profile of the likely characteristics of a 1995, "best practices, world class" marketing audit effort which can serve as a useful benchmark for the organization contemplating using the audit to improve the effectiveness of its marketing efforts.

INTRODUCTION

The marketing audit, first introduced to the marketing literature by Abe Shuchman in 1959, has become a very important component of the process for control and evaluation of marketing programs over the past five decades. Not surprisingly, this gradual evolution and development of the marketing audit occurred during the

same time period in which much more attention was being devoted to general corporate control and evaluation processes and principles.

The purpose of this paper is to provide a detailed historical perspective on the development of the marketing audit from its inception in the 1950's to the present date. this multi-era approach is designed to:

1. Identify and understand the progress which has been made in the development, application, and testing of the concept.
2. Determine the current status of the concept and its most productive applications and associated use issues.
3. Provide the background for an assessment of the role of the marketing audit as a critical strategic tool for the 21st Century.
4. Identify opportunistic marketing audit research areas which will further enhance the capability of an important strategic control tool.

ERA ONE: Definition of the Marketing Audit: 1950's

The marketing audit was formally introduced to the marketing literature in 1959 with an American Management Association report, *Analyzing and Improving Marketing Performances. "Marketing Audits" in Theory and Practice*, which focused on defining the domain of marketing audits (AMA, 1959). The marketing audit approach developed in this report included seminal works by Shuchman (1959), Sessions (1959), Oxenfeldt (1959), and Crisp (1959). Shuchman defined the marketing audit as a systematic, critical, and impartial review and appraisal of the total marketing operation: of the basic objectives and policies of the operation and the assumptions which underlie them as well as of the methods, procedures, personnel, and organization employed to implement the policies and achieve the objectives (Shuchman, 1959). The report pointed out that this definition is not complete because it conveys no sense of the purpose of the audit. The market audit was described as a prognostic tool as well as a diagnostic tool. The value of a marketing audit can be just as important for prosperous firms as it is for companies that are experiencing difficulties in the marketplace.

Three main problems facing marketing executives when conducting a marketing audit were described in the AMA report. The selection of auditors who possess critical, impartial, knowledgeable, and creative qualities is issue one. The scheduling of a marketing audit and the challenge of staying on the scheduled timetable within the context of organization's operations is issue two. The substantial impact upon the marketing personnel and the organization's current effectiveness is a final issue. Each of these critical concerns needs to be addressed to ensure that the marketing audit provides unbiased, timely data and, at the same, time is not disruptive to the functioning of the marketing effort (Shuchman, 1959).

The stated purpose of a marketing audit was defined during this era to enable company's management to exercise sound judgment in determining which of a number of alternative courses of action are most likely to maintain and, preferably, to enhance its position in the market (Sessions, 1959). The responsibility for the marketing audit rests with marketing management and it is appropriate for management to be directly involved in the various phases.

In order to establish a simple and useful conceptual framework for a marketing audit, it is suggested to begin with the end product conclusions to be developed by the audit. The end product of the audit consists of three elements:

1. A goal, namely, the degree to which the company's market position can be improved within a certain period of time, expressed as the desired level of dollar and/or unit volume (and the profit therefrom).
2. A detailed program, projected on both a time schedule and an event schedule, which has been designed to achieve the goal.
3. The organization necessary to execute the program, also projected on both a time schedule and an event schedule, and including all proposed revisions or extensions of structure, procedure, or staff (Sessions, 1959).

Although these three elements may be visualized as separate aspects of the marketing audit end-product, they cannot be treated as separate entities. These components are not as much a logical framework as they are components of a judgment and decision mix, and therefore, interrelated. The frequency of audits is a concern and the conclusion is that an audit should be conducted as frequently as is necessary to convert the company in question into a completely market-oriented enterprise. Therefore, the marketing audit should become a standard operating procedure and be conducted on a periodic basis.

The AMA report emphasized appraisals are part of management function and the failure to adopt this view stems from a misunderstanding of an appraisal's objectives and potential value. The early researchers had pinpointed one of the critical issues in the auditing process, which is the resistance of extant marketing managers to formal and systematic examination of their marketing efforts. The audit identified six separate aspects of marketing activities

for appraisal: (1) objectives, (2) policies, (3) organization, (4) methods, (5) procedures, and (5) personnel. The marketing audit was to be the evaluation of the total program. Piecemeal examination of individual functions does not constitute a systematic marketing audit (Oxenfeldt, 1959).

According to Oxenfeldt, one of the early advocates of the marketing audit concept, in order to be more fruitful in the pursuit of increased revenues and reduced costs in marketing, management must devise a total evaluation program which ensures that each area of the marketing operation is appraised rigorously in each of the six different aspects (Oxenfeldt, 1959). He noted that although such a program is difficult to develop and execute, the benefits will almost always outweigh the costs. In support of the need for comprehensive audits, these critical observations were made :

1. There are tremendous variations from industry to industry in the level of marketing competence and effectiveness.
2. The level of marketing competence required to achieve and maintain leadership in any industry is somewhat higher than the level of the number two firm in that industry.
3. Maintaining industry leadership against a constantly shifting competitive line up requires continuing attention to the caliber of the company's and the industry's marketing skill (Crisp, 1959).

These observations led researchers to identify two types of marketing audits: horizontal and vertical. The horizontal audit examines all the elements that are conducted in the entire marketing effort. The vertical audit focuses the auditing effort on one of the functional elements of the marketing operation and subjects it to a thorough, searching study and evaluation (Crisp, 1959).

At this time, it was recommended that both qualitative and quantitative standards must be used in a marketing audit. The AMA report strongly supported the use of quantitative standards. It was emphasized that satisfactory quantitative standards and measures could be developed and applied in most areas of marketing activities. This push to quantifying marketing activities met with resistance from executives of the "old school" who maintained that certain things could not be measured, therefore, leading to rejection of quantitative evaluation of marketing

performance. The AMA contention was that a serious and determined effort to quantify standards in the marketing field was likely to lead to results that far exceed expectations and provide the basis for measuring marketing performance.

Once the decision to perform a marketing audit is made, where should attention fall? Two primary factors emerged: (1) the proportion of the company's total sales expense dollars devoted to any given activity; and (2) management's judgment of how reducible those expenditures were. A fundamental issue became who could objectively measure marketing efforts? It was concluded that there could be: (1) self-appraisal approach; (2) "audit from above" approach; (3) the task-force approach; and (4) role of the outside consultant approach.

The value of a marketing audit increases in more competitive environments. A marketing audit allows a fresh look at the functional elements of the marketing operation and, therefore, identifies weak functions relative to competitors in the marketplace. Exhibit One provides major contributors to the marketing audit literature and their contributions (see Exhibit One).

ERA TWO: Organizational Application of the Marketing Audit: 1960s

The 1960s brought an increased interest in the marketing audit and the conceptualization of marketing functions that could be classified according to their scope, timing, and intensity. Within this context, Oxenfeldt characterized the marketing audit as a total (scope), infrequent (timing), and in-depth (intensity) appraisal of the marketing function within an organization. At this point in the evolution of the marketing audit, it was emphasized that the audit was not a substitute for the entire set of other ongoing appraisal activities. Rather, the function of the marketing audit would represent the firm's most comprehensive appraisal of its marketing functions. By recognizing the difference between the on going marketing control process and the marketing audit, the need for a continuous marketing control process was underlined.

During the 1960s the marketing audit was redefined as an independent examination of the entire marketing effort of a company, or some specific marketing activity, covering objectives, program, implementation, and organization in an attempt to determine what is being done, appraising what is being done, and recommending what should be done in the future (Oxenfeldt, 1966).

EXHIBIT ONE

Marketing Academicians Contributions to Marketing Audit Literature

1950s : ERA ONE : Definition of the Marketing Audit		1980s : ERA FOUR : Implementation of the Marketing Audit	
Shuchman	System, impartial review, total marketing operation	Wilson (M.)	Integration of marketing audit in organizational planning efforts . . . Impact on competitiveness in marketing. Perception survey to identify current needs of various constituents . . . and those presently met by competitor
Session	Goal program organization of the audit		
Oxenfeldt	Objectives, policies, organizations, methods, procedures and personnel Qualitative / Quantitative	Wilson (A.)	Practical how-to design/conduct audit checklist
Crisp	Horizontal – Across Function : Vertical – One Function “Audit from Above”	Bonoma	Case illustrations of how audit was conducted, recognition of need for audit impact.
1960s : ERA TWO : Organizational Application of the Marketing Audit		Mokwa	Broadened role of an audit in organization . . . additional role intro/reorienting fundamental perspectives within the organization Intervene for policy change . . . change agent for organization.
Oxenfeldt	Scope – timing – intensity	Castle	External assessment of effectiveness of marketing strategy . . . multiple perspectives.
Kotler	System-level audit – Areas that need attention Activity-level audit – In-depth analysis after determined need Advantages / disadvantages of auditor types	1990s : ERA FIVE : Expanded Application of the Marketing Audit	
1970s : ERA THREE : The External Environment and the Marketing Audit		Boyd Walker	Objective, strategy, personnel of SBU . . . plan of action to correct weaknesses
Tirmann	Marketing environment review Marketing system review Special market areas review	Mann	Company management open/committed to audit, managers from all levels involved, prepared to act on the audit.
Kotler Gregor Rodgers	Need because of volatile environment Comprehensive, systematic, independent – periodic Marketing environment Marketing strategy Marketing organization Marketing system Marketing productivity Marketing functions	Barry Conart Parasuraman	Inclusion of service marketing Index of services marketing excellence . . . post-presentation of audit findings with management team
		Barrow	Canada
Capella Sekely	Operationalization of audit / resulting problems Suggested checklist approach . . . means to reduce friction between auditor and marketing managers.	Enis Garfield	Computer Driven Marketing Audit Computerized marketing audit (CMA) . . . foundation for marketing plan
Naylor & Wood	Emphasis on market environment / checklist	Webster Brownlie	Audit procedures to assess marketing culture of a service firm. European small/large organization intervention process to step back and think.
		Cravens	Last in the strategy process - first in next cycle of the planning of strategy . . . Benchmarking to determine incremental improvement

As mentioned by authors in the 1950s decade, the researchers of the 1960s agreed that the marketing audit was not intended merely to detect and correct serious difficulties, but was also intended for successful organizations to modify their efforts to make incremental improvements. Kotler introduced the concept of a system-level audit, similar to Crisp's horizontal audit, that calls for evaluation of the entire marketing operation (Kotler, 1967). He described three basic elements of this new approach. The first is that performance of audits is to be done periodically as opposed to evaluations only during times of crisis. Evaluation needs to include the basic framework for marketing operations as well as the performance within the framework as the second element. Last, a comprehensive appraisal of all elements in the marketing operation are necessary and not just those focusing on the perceived problem areas.

Four basic components of the system-level audit were thought to be important enough to warrant auditing. Understanding the company's marketing objectives was an important starting point. This understanding would then provide the framework for determining the adequacy and efficiency of the marketing program. The audit should explore and render an assessment of the implementation of the program plan. Finally, the system-level audit should conclude with an appraisal of the organizational design and marketing personnel. Kotler noted that a system-level audit essentially points out the areas that need detailed examination but does not actually perform those assessments.

The activity-level audit, on the other hand, was portrayed as an in-depth examination of a particular part of the marketing program within an organization. The components of an activity-level audit are the same as a system-level audit except that it is an evaluation within a specific activity as opposed to a broad evaluation of the organization. In addition, the activity-level audit is likely to be driven by the findings of the system-level audit.

Selecting auditors to conduct the marketing audits depends upon the individualized company situations; therefore, the selection of the most appropriate auditors depends a great deal on the company, industry, and availability of qualified auditors. Audits could be in the form of a self-audit; audit-from-across, e.g., conducted by functional counterparts in the organization; audit-from-above, e.g., auditors from senior management positions; company auditing office; company task force audit; or outside auditors. The primary goal of the audit process is to engage an objective group to examine the effectiveness of the activity being managed. The auditor determines

what is being done, appraises what is being done, and recommends what should be done in the future to improve the performance of the system.

ERA THREE: The External Environment and the Marketing Audit: 1970s

The general consensus of opinion was that companies were attracted to conducting a marketing audit because they have reached a desperate position. Therefore, the audits typically undertaken are only limited marketing reviews or *detailed activity audits*. Tirmann emphasized that detailed activity audits tend to deal with symptoms rather than basic problems. The characteristic outcome of a detailed activity audit was depicted in the literature by a case study of Bitbak Company, a medium sized European chocolate manufacturer (Tirmann, 1971).

The problems discovered in Bitbak's sales force were immediately addressed with corrective action. Initially, Bitbak profits improved due to the increased efficiency of the sales force, yet sales continued their plateau-like trend. Bitbak's stagnant sales was due to its failure to address the actual problems in its marketing efforts. In order to avoid such pitfalls, the scope of a marketing audit should address the entire marketing function due to the interrelationships among the functions. A three-step process by which a marketing audit could be conducted was proposed: (1) marketing environment review which evaluated the company's efforts to understand its environment. This step included an assessment of the company's markets, competitive situation, customer profiles, and trade structures and practices; (2) marketing system review - the purpose of this step was to perform a comprehensive appraisal of a company's internal marketing system. The marketing system review evaluated the structure and content of a company's marketing objectives, programs, implementation, and organizations; (3) detailed review of specific marketing areas identified by the overviews of the first two steps of the process (Tirmann, 1971).

The stated goal of the marketing audit is to improve the overall marketing efficiency by presenting a corrective action plan to management. Two types of action plans were identified. The first type was a short-term action plan which involves improvement of current operations, while the second type is more strategic in focus and is integrated with the corporate marketing plan.

To effectively conduct a marketing audit, an internal audit department or an outside consultant were envisioned as auditors in the 1970s. Tirmann stated that ideally a

company would develop an internal marketing audit group which would periodically use outside expertise. The most appropriate approach selected for the audit would be driven mainly by the need for independence.

In order for marketing audits to be successful, they must be broad based and periodic, a detailed design for the audit program must be developed and agreed upon, the audit should be action-oriented, and the auditor must be reasonably independent of the current marketing operations.

Kotler stated that all companies need to review, with a marketing audit, their marketing operations from time-to-time to ensure that they are in line with the changing environment and emerging threats and opportunities (Kotler, 1976). It was pointed out during the 1970s, that although the marketing audit had not yet been developed into a standard management tool, it should be conducted with a standard set of procedures similar to a financial audit. It was an implicit recognition by academics that the concept of the marketing audit was not being embraced by marketing practitioners.

In the 1970s, Kotler further refined the definition of the marketing audit as being "a periodic, comprehensive, systematic, and independent examination of the organization's marketing environment, internal marketing system, and specific marketing activities (Kotler, 1976). The objective of the examination is to determine problem areas and recommend a corrective action plan to improve the organization's overall marketing effectiveness. Kotler illustrated the impact of the marketing audit with the A.C. Gilbert Company, indicating that the findings developed by the marketing audit enabled the A.C. Gilbert Co. to execute a corrective action plan and to successfully improve their competitive position in the marketplace.

One issue that prompted marketers to reexamine the marketing audit at this time was the comparison of marketing strategies of the 1970s with those of the previous two decades and the seemingly rapid obsolescence of these marketing strategies. The uninterrupted growth pattern of the prior two decades had been replaced by a much more volatile environment which produced new strategic complexities that were not present during the 1950s or 1960s. As a result of this increased volatility, the need for reorienting marketing operations to changed environments had never been greater. The turbulence of this era witnessed an increase in management acceptance of the marketing audit as a means to monitor the changing external environment and to

recommend changes in the firm's marketing efforts to meet the needs of the market.

In this era, the definition of the marketing audit was sharpened to be a comprehensive, systematic, independent, and periodic examination of a company's—or business unit's—marketing environment, objectives, strategies, and activities with an objective to determine problem areas and opportunities and to recommend a plan of action for improving the company's marketing performance (Kotler, Gregor & Rodgers, 1977).

Three basic processes fundamental to conducting a successful marketing audit, as well as the problems that may occur at each step, were stressed during this ERA. In the first instance, agreement must be reached among company officers and the auditors on the objectives, coverage, depth, data sources, report format, and the time period for the audit, e.g., the detailed audit plan (Kotler, Gregor & Rodgers, 1977). Gathering data is the second critical process in conducting of a marketing audit and is likely to consume the greatest part of the time allocated to the audit. For this phase, two significant problems associated with the data gathering phase were envisioned. First, managers who believe they are affected by the audit will feel threatened by the auditor and may not fully cooperate. A lack of cooperation by key managers could hurt the audit's effectiveness. The second issue which evolved was the need for frequent communication between the auditor and the company executive who hired the auditor. The importance of a balance between the company executive providing direction and the auditor's guidance of the audit becomes a critical fulcrum of the auditing process.

Preparing and presenting the report is the final stage in the marketing audit process. The marketing auditor collects notes from the data gathered and prepares a visual and verbal presentation for the company officers. This step in the marketing audit holds the most value for the company if properly managed. The marketing auditor provides the framework and findings, but it is the process through which managers assimilate, debate, and develop their own concept of the needed marketing actions that is most desired (Kotler, Gregor & Rodgers, 1977).

The major contribution of this era was the identification of six fundamental components of the marketing audit. Also, a detailed list of major marketing auditing questions associated with each component was published to aid those interested in conducting an audit. The six fundamental components of the marketing audit identified were:

(1) Marketing Environment Audit. The marketing environment audit consists of both the *macro-environment* and the *task environment*. The macro-environment is concerned with the forces and factors that influence the company's future on a large scale. The task environment consists of markets, customers, competitors, distributors and dealers, suppliers, and marketing facilitators.

(2) Marketing Strategy Audit. The marketing strategy audit determines the consistency of the company's strategy relative to the opportunities and threats facing the company.

(3) Marketing Organization Audit. The marketing organization audit assesses the effectiveness and quality of interaction between the marketing and sales organization. The authors noted that this interaction must also be examined across other key company functions including manufacturing, finance, purchasing, and research and development.

(4) Marketing Systems Audit. The marketing systems audit examines the procedures currently being used to gather information, plan, and control the marketing operation. The marketing audit may reveal that marketing is being performed without adequate systems of planning, implementation, and control.

(5) Marketing Productivity Audit. The marketing productivity audit assesses key accounting data to determine where the real profits of the company lie, as well as an examination of the potential reductions in marketing costs.

(6) Marketing Function Audit. The marketing function audit examines key marketing functions in depth based on prior audit findings (Kotler, Gregor & Rodgers, 1977).

It was felt by researchers of the 1970s that all companies could benefit from a marketing audit; however, production-oriented and technical-oriented companies, troubled divisions, high performing divisions, young companies, and nonprofit organizations are likely to have greater returns from a marketing audit.

During the 1970s researchers surveyed a broad set of middle and upper level marketing executives in an effort to identify the problems experienced by firms as they conducted marketing audits. In addition, they studied the auditing methods employed and their associated strengths and weaknesses. The highlights of these findings included: (1) The major problem encountered in the conduct of an audit was the lack of information necessary

for the audit. The second most reported problem was the "friction" generated by the audit between the auditors and the existing management team, (2) A wide range of auditing methods was utilized with the outside audit and the self audit methods most popularly employed (Capella & Sekely, 1978). The researchers recommended that organizations considering an audit deal with the information problem by using the comprehensive checklists available for guiding audits. Likewise, they recommended that the "friction" problem be addressed by a comprehensive communications effort before, during, and after the audit for all likely participants.

The critical importance of assessing the market environment when conducting the marketing audit became a focal point of researchers in the 1970s. The market environment audit, as it was defined, is concerned with the current status of the market, the effect the economy has on the market, the effect of the economy on customers, and an examination of the organization's position relative to the market (Naylor & Wood, 1978).

The marketing systems audit was described as an essential step in understanding the performance of the total business. The marketing system audit should entail an assessment of the marketing and sales organization, marketing information system, marketing planning system, marketing control system and new product development system. The authors recommended using a questionnaire (checklist) for efficiency and speed. In-depth assessment of the marketing mix; products, price, promotions, and distribution and what factors to take into account when conducting those audits was also recommended by researchers in the 1970s (Naylor & Wood, 1978). They reiterated their goal of enhancing profitability through the best possible use of marketing resources. The key to ensure implementation of the marketing audit is to present the final report to top management and secure their support for the recommended actions.

ERA FOUR: Implementation of the Marketing Audit: 1980s

The ERA of the 1980's started with a confirmation of the role of the marketing audit as a tool to address the competitive effectiveness of the marketing activities of the company, to identify strengths and weaknesses in the operation, and to report the findings to top management (Wilson, 1980). But, the marketing audit findings were envisioned to be integrated into the organization's planning activities. An additional component of the marketing audit added during this ERA was to initiate the

audit with a perception survey which sought to identify the current needs of the various constituents of the company's marketing system. This same survey could also be used to evaluate how well these needs were being met by the company as well as its competitors. This information then provided the background for an intensive review of each element of the company's marketing mix, e.g., product, pricing, distribution, and promotion, with specific guidelines or questions for examination of each mix component (Wilson, 1980).

It was concluded that the audit's focus on fundamental premises of marketing activity represented a great deal of its value since the truly difficult balance any organization had to achieve was to profitably sell what it could currently make while identifying and developing what can be profitably sold in the future.

During this same time period, while marketing audits were particularly valuable for organizations wishing to better understand the effectiveness of their marketing operations, very little practical, how-to information was available to help the organization design and conduct an audit. Several proposed solutions to this dilemma were presented by academic researchers to integrate the marketing audit with the checklist approach. The checklist approach provided a reliable shortcut in assembling information and an insurance that no vital issue or question would be omitted (Wilson, 1982). It also insured that the fundamental design of the audit could not be biased by the auditor or by the marketing management of the company. The standardization of topics and questions made the marketing audit more available to companies.

This approach can be best demonstrated with a sample of the checklist that was produced for one area, Marketing Strategy and Planning. This sample includes the following lists: Do we have a formal marketing plan?; Is it compatible with other operational plans?; What period is covered?; When was it last reviewed and revised?; Do we have agreed quantitative and qualitative objectives?; etc. (Wilson, 1982). The checklist approach is extremely comprehensive with additional perspectives provided with each overview topic of lists to help guide the user.

Researchers began to report a series of case studies on the development of the marketing audit and its use in the evaluation of a firm's marketing program. In the case illustrations, Bonoma illustrated how organizations came to the understand the need for a marketing audit (Bonoma, 1984). The author also explained how the auditors perform the three fundamental audit phases of gathering

data, analysis, and report presentation. The cases demonstrated in detail the close communication patterns that are critical between the auditors and the marketing executives who hired them. The significance of these reports to the marketing audit was that the concept had finally begun to be utilized by marketing practitioners and through their efforts, needed modifications in the audit were demonstrated.

During the same period, the need to think more broadly about the possible roles an audit could play for an organization was introduced in the literature. In addition to the conventional role of the marketing audit as a comprehensive evaluation of the marketing effort of an organization, it was suggested that the audit could also become an effective tool for introducing or reorienting fundamental marketing perspectives within an organization (Mokwa, 1986). Taken further, Mokwa indicated that the marketing audit could become an intervention mechanism for creating policy change and innovation within the organization. The marketing auditor is being conceptualized as a formidable change agent and the audit itself is both the strategy for change and change itself. The adoption of the marketing audit as an element of the organization's policy system is a normative objective at best since few organizations have reached this level of marketing and organizational sophistication (Mokwa, 1986).

An additional dimension of the marketing audit introduced in the 1980s was the need for external assessment of the effectiveness of the marketing strategy being implemented. This external assessment should include publications, analysts, customers, prospects, competitors, distributions systems and the like. Objective input gained from these sources becomes the most important element in the conduct of a successful audit (Castle, 1988). This external benchmarking becomes the comparison of externally secured information to internal perspectives held by the organization's management and can be particularly useful in understanding problems and developing effective and creative solutions for marketing problems.

ERA FIVE: Expanded Application of the Marketing Audit: 1990s

The marketing audit was also considered to be an effective business tool for action by a Strategic Business Unit (SBU). The marketing audit would provide an assessment of the SBU's competitive position as well as insights into relative marketing strengths and weaknesses. The audit should also result in a plan of action. Boyd and Walker

believe that experienced, outside specialists produce the best audit results because of their inherent objectivity and independence (Boyd & Walker, 1990).

Specific industry applications for the marketing audit appeared during this ERA with the use of the marketing audit by three major insurance industry companies (MONY Financial Services, The Principal Financial Group, and Sun Life of Canada) which resulted in highly favorable results (Mann, 1990). The general benefits of the audit reported by the companies included an opportunity for peer analysis and assessment, specific inclusion of field managers in the process, audit results forced company action, and presentation of audit findings and discussion of outcomes and possible actions was a very stimulating and healthy process for creating constructive change.

The experiences of the three audited companies demonstrated that the effectiveness of an audit can be enhanced by ensuring that company management is open and committed to the process; that people from all levels of the organization are involved in the audit; and that an organization should not consider an audit unless they are prepared to act on the audit outcomes.

Since the services marketing area is one of the most rapidly growing areas of marketing, a framework for the conduct of a marketing services audit, called the Index of Services Marketing Excellence (ISME), was developed in the 1990s (Berry, Conant & Parasuraman, 1991). This index is defined as a "systematic, periodic, objective, and comprehensive examination of an organization's preparedness for services marketing and its current effectiveness along the dimensions of marketing orientation, marketing organization, new customer marketing, existing customer marketing, internal marketing, and service quality."

In the process of adapting the marketing audit to service organizations, researchers identified specific service related attributes, the exclusion of the external/macro-environmental factors, and the avoidance of the audit word as the key differences between the ISME and the more traditional marketing audit. A field test/case of the ISME framework confirmed the need for, and value of, a services marketing audit. Two additional guidelines for implementation of the process to service organizations were identified: (1) use of an independent, objective, external organization to administer the process; (2) a post-presentation, follow-up meeting with the process administrators and management team (Berry, Conant & Parasuraman, 1991).

The first computer driven approach to the marketing audit was introduced during this ERA. The effort to computerize the audit process is based on the belief that computerization solves the inherent time lag problem associated with conducting the audit, that it generates much more "ownership" in the process and outcomes, that it helps identify and reduce the problem of hidden disagreements among the audit participants, and, finally that, the computerization of the process helps the organization achieve intra-organizational consensus.

The Computerized Marketing Audit (CMA) was presented as a comprehensive, logically consistent, computer driven, communicable appraisal of past and future marketing plans (Enis & Garfein, 1992).

The process for the CMA includes a first phase which is similar to the traditional marketing audit, during which interviews are conducted with management to focus and shape the audit for the CMA. The second phase of the process, the computerized portion, occurs over a two-day retreat at an off-site location. Participants proceed through the audit process by responding to questions, reported results, and the like via their PC which is networked to provide individual and aggregate results on each aspect of the audit process. The authors report that the CMA does not solve marketing problems; rather, it is the enhanced communication between managers and consultants that is driven by the CMA process which enhances results. The third phase of the CMA includes the preparation and presentation of a final report in draft form for final review and discussion by the retreat participants. This summary report typically includes material on customers, constraints, communications, capital, compression (speed to market), and culture. The discussion developed from this draft report enables the preparation of the final report and action steps with assigned responsibility. The CMA can provide a firm foundation for the development of strategic marketing plans and is likely to further extend the application of the marketing audit (Enis & Garfein, 1992).

In an effort to explore the "softer" issues in an audit efforts were made to examine the organizational culture, the pattern of shared values and beliefs that help individuals understand organizational behavior and provide norms for behavior, one of the most important ingredients for successful marketing of services. The notion of organizational culture can be extended to the more specific marketing culture which refers to the importance the firm as a whole places on marketing and the way "marketing things" are done in the firm (Webster, 1992). An audit format to assess the marketing culture of a service firm

can be developed. This audit assesses the importance placed on service quality, internal communications, innovativeness, organization, inter-personal relations, and the selling task. In addition, the results of the audit be used to help bridge the gap between the actual and desired marketing culture with specific programs in a number of areas including communication areas to help the employees better understand how their behavior contributes to the achievement of a more desirable marketing culture.

Positioning the market audit should focus on the role of the strategic audit as the last and, therefore, the first stage in the marketing strategy process which is properly conceptualized as a continuous, dynamic process (Cravens, 1994). This ongoing process seeks to find new opportunities and avoid emerging threats, maintain performance consistent with expectations (earnings per share growth), and solve the specific problem or issue confronting the organization. The marketing audit is particularly useful when an organization is initiating a strategic evaluation program which will then provide benchmarks for a broader set of specific marketing activities and processes.

ERA SIX: The 21st Century and the Marketing Audit

The marketing audit has evolved through five decades and has become a constructive control mechanism to provide marketers with information on the performance of their marketing efforts. As the marketing audit "matured", the application of the concept was broadened and was seen as an effective means to appraise marketing programs in a wide variety of organizations and industries. How should the marketing audit be enhanced to ensure its use in the future? There appear to be five areas which need to be addressed in the marketing audit for the 21st Century: (1) globalization of the marketing audit; (2) support for the marketing controller position in the organization; (3) incorporation and measurement of the ecological efforts of the marketing programs in the organization; (4) integration of the periodic and continuous marketing control efforts to provide a seamless control mechanism; (5) broadening the marketing audit concept to focus on resource management and control. Each of these topics is briefly discussed to illustrate their importance in revitalizing the marketing audit concept for the next century.

(1). Globalization of the Marketing Audit-World trade exceeded seven and one half trillion dollars in 1993 with the United States representing thirteen percent of the total (Direction, 1994). Of the top 500 multinational

corporations (MNCs) in the world, 161 are headquartered in the United States. Many MNCs based in the United States derive a substantial portion of their sales and profits from sales in foreign countries (see Exhibit Two). The recent passage of the North American Free Trade Association (NAFTA) and the ratification of the Uruguay Round, General Agreement on Tariffs and Trade (GATT) should stimulate the level of international trade. How should the marketing audit be modified to effectively address the complexity of the ever-increasing level and importance of international trade for companies based in the United States?

The scope and nature of the marketing audit needs to be broadened to ensure adequate assessment of global marketing efforts. The scope of the marketing audit needs to be expanded to encompass the multiple levels of uncontrollable factors companies face in the international marketplace. For each country in which a company is operating, it must examine the levels of economic development, competitive structure of industry, legal constraints, variation in consumer behavior based on culture and sociological differences, as well as, differences in technology. All need to be taken into account during an international marketing audit. The marketing audit must determine the effectiveness and efficiency of the marketing effort for each environment in which it is operating in and then develop a composite picture of the marketing effort for the international dimension as well as the domestic operations. Without differentiating between international and domestic marketing efforts, the audit will not accurately depict the varying levels of proficiency that will exist among international markets when comparing international efforts to the domestic marketing campaign (Sears, 1994).

As the scope of the marketing audit is being broadened to take into consideration differences between countries, the nature of the audit must also be modified. Additional attention needs to be paid to the intangible assets of the marketing effort. The intangible assets associated with the marketing programs of a company may be divided into categories: (1) the "having" capabilities, e.g., products, distribution, market reputation; (2) the "doing" capabilities, e.g. new product development process, customer service; (3) people dependent - customer loyalty, employee loyalty, quality of customer service (Hekimian & Jones, 1967; Brummet, Famholtz & Pyle, 1968); (4) people independent - data base, research programs; (5) protection by law, e.g., trademarks, logos, patents; and (6) no protection by law - relationships with channel of distribution members, suppliers and customers (Hall, 1993). Intangible assets are a critical dimension of building successful long-run marketing programs in the

international market. To accurately portray marketing endeavors, the marketing auditor must seek to objectively monitor intangible aspects of the marketing effort. Benchmarks by type of country, e.g., cultural distance, level of economic development, level of competition, and the like need to be developed to allow unbiased interpretation of marketing in an international context. The "soft" assets are too important to ignore or to dismiss because they are difficult to measure (Hall, 1992; Lusch & Harvey, 1994).

(2) Support for the Market Controller Position in the Organization-The role of the marketing auditor is to provide financial perspective to potential marketing programs, measure the effectiveness of marketing efforts, and to determine the profitability of programs once they have been implemented (Goodman, 1972). If there is not a marketing controller the calculations of profit and/or effectiveness of marketing campaigns are seldom accepted by others outside the marketing department, are estimated by a marketing manager who may not have the

capabilities, or by someone in the finance area who is not familiar with the specific goals of the marketing program (Trebus, 1976).

The marketing controller position is vital in establishing a credible source of longitudinal data on the activities in the marketing department. The marketing controller should establish a means to monitor and determine what channels should be used, which are most profitable; which market segments and customers in each segment are most profitable; what the seasonal, cyclical, and other selling trends are present to assist in selection of advertising; which goals are accomplished and which are not attained by the present marketing effort (Christopher, 1984). The primary roles of the marketing controller are to establish and maintain a continuous marketing control system and to provide financial analysis expertise to *ad hoc* projects in the marketing department. The continuous monitor/control system provides marketing managers with assurance that resources are obtained and used effectively and efficiently to accomplish marketing objectives. In addition, there must be operational control that assures

EXHIBIT TWO

United States MNC's : Foreign Sales / Profits

Rank	MNC	Foreign revenues (in millions of US \$)	Foreign sales as % of total sales	Foreign net profits (in millions of US \$)	Foreign profits as % of total profits
1	Exxon	79,227	76.8	4,207	77.9
2	General Motors	42,344	32.0	2,185	P-D**
3	IBM	39,890	61.8	-1,445	D-D**
4	Mobil	39,055	68.1	1,482	86.7
5	Ford Motor	35,700	35.7	-1,016	D-D
6	Texaco*	26,311	52.6	712	47.9
7	Chevron*	20,573	44.1	872	39.5
8	Citicorp	19,249	60.3	1,266	175.3
9	E.I. DuPont de Nemours	17,468	46.9	685	70.3
10	Procter & Gamble	14,582	49.7	428	22.9
11	Philip Morris Companies	13,873	27.7	1,180	23.9
12	General Electric	9,644	16.9	447	10.4
13	Dow Chemical	9,433	49.7	228	38.1
14	Xerox*	9,328	45.6	261	P-D
15	Hewlett-Packard	9,198	56.1	334	37.9
16	Eastman Kodak	8,781	43.5	430	43.3
17	Digital Equipment	8,777	63.0	-421	D-D
18	United Technologies	8,703	39.5	335	272.4
19	Coca-Cola	8,699	66.5	1,375	73.0
20	American Inter'l Group	8,261	44.9	752	46.3

*Includes proportionate interest in unconsolidated subsidiaries or affiliates.

**P-D: Profit to deficit; D-D: Deficit to deficit

SOURCE: Data taken from *Forbes*, July 19, 1993, pp. 182-183.

specific tasks, e.g. advertising, new product development, new distribution, are carried out effectively and efficiently (Constantin & Lusch, 1994). The marketing controller is in effect a financial analyst to functional managers, e.g. advertising, sales, distribution and financial officer within the marketing department (Feder, 1965; Monoky, 1994; Flesher, 1993).

The role of the marketing controller becomes paramount when the scope of the marketing audit is expanded and when intangible assets are to be assessed. Without the objective input of the marketing controller, many of the benefits derived from marketing programs could be lost. The continuous monitoring process provides the data that is needed to defend marketing efforts to top management. The marketing controller could also play an instrumental role in becoming the communication link to those individuals conducting a marketing audit. The controller function is essential to the operations in the marketing department (Pipkin, 1989).

(3) Incorporation of Ecological Dimension of Marketing Efforts of the Organization-There have been profound negative global trends in the environment that are attributed to MNCs (French, 1992; 1993; Harvey, 1994). The degradation of the global environment provides an unprecedented marketing opportunity to "green" marketers in the global economy. Marketing managers must consider the ecological impact of each marketing decision to demonstrate environmental sensitivity and responsible behavior (Dandurand, Lapidus & Pinney, 1993). The concept of sustainable development of the world economies requires environmentally proactive decision making, particularly on the part of marketers from developed countries (MacNeill, Winsemius & Yakushiji, 1991).

The marketing audit must include the ecological appraisal of marketing activities. For example, products must be evaluated on the raw materials used and their scarcity, energy cost of production, waste/byproducts of production, environment impact, and after-use impact on the environment, i.e. recycling potential (Varble, 1972). Companies that do not monitor/audit the ecological consequences of their product offering will lose a unique opportunity to differentiate the company in an ever-increasingly environmentally aware marketplace. The marketing audit could play an instrumental role in maintaining a mechanism to document the environmental characteristics of the company's products. This dimension of the marketing audit could provide valuable data when dealing with regulatory bodies in the United States and in many foreign countries. Legislation directed at

determining the environmental impact and pollution characteristics of products being imported to a country can be found in Denmark, Finland, France, Germany, The Netherlands, and Norway (Geiser, 1991; McMurray, 1991; Lapidus, Dandurand & Pinney, 1993). Many global ecology experts predict "green" legislation will continue to grow throughout the world (French, 1992).

(4) Integration of Periodic and Continuous Marketing Control Efforts-If the marketing audit is perceived to be an integral factor in the marketing management and control process, it must be incorporated into a continuous marketing control system (Brownlie, 1993). In a recent Yankelovich, Clancey & Shulman survey, CEOs were interviewed to determine their knowledge and understanding of the marketing operations within their organizations. It was determined that the CEOs had inadequate knowledge of marketing and the performance level of their marketing programs (Pesmen, 1993). Many of these same CEOs could not articulate the means for monitoring their organization's ongoing marketing activities.

The marketing audit should not be perceived as the only control mechanism that should be used in assessing marketing performance. The larger, more complex the organization and its marketing effort, the more there is need for a monitoring control system for its marketing activities. The control system would measure the efficiency of the total marketing effort as well as the individual marketing functions. The marketing control system should include: (1) standards - internal measures as well as external market based benchmarks; (2) performance measures - techniques that determine both the efficiency and effectiveness of the marketing functions. Both the tangible results, i.e., sales volume, number of new products introduced, number of channels of distribution, as well as the intangible dimension, i.e., customer awareness, satisfaction, loyalty, brand reputation must be measured (Constantin & Lusch, 1994); (3) causal analysis - why the marketing effort was effective/ineffective; and (4) corrective actions - that will improve the performance of the marketing effort during the next planning period.

The continuous control mechanism provides the foundation for conducting the periodic marketing audit. The role of the marketing audit is to conduct a cross-sectional assessment of the marketing efforts to verify the results of the marketing programs and functions. The marketing audit is analogous to an accounting audit which is used to verify the adequacy and accuracy of the financial reporting system of the firm. The accounting audit is

carried out on a regular timetable and is considered to be an indispensable control element but not as a substitute for a formal accounting and control system. The marketing audit should also augment the marketing control system.

(5) Broadening the Marketing Audit Concept to Focus on Resource Management and Control—The historic concept of the marketing audit has been tied to analyzing the marketing environment, marketing system, and marketing functions. This structured approach to conducting an audit was adequate when the marketing efforts being analyzed were in a domestic context and the nature of the audit was to evaluate tangible outcomes of the marketing department. As the scope and nature of the audit is expanded, the issues to be considered also need to be broadened. We recommend using resource management as the focal point for the marketing audit for the 21st Century.

Resources are things an organization depends upon and are means to attaining its objectives. The organization is a managerial resource system driven by all relevant tangible and intangible resources, in both the internal and external environment (Constantin & Lusch, 1994). There are several premises this contention is based upon:

Premise 1: An organization's resources are a package of tangibles and intangibles, with people and ideas at their center—marketing managers must effectively employ/manage two sets of resources, physical and cultural, to meet the organization's goals (Zimmerman, 1933; Constantin & Lusch, 1994).

Premise 2: Managerial and cultural forces affect resource availability, since, resources are a dynamic functional concept that expand and contract in response to wants and human culture that can convert neutral things and resistances into want-satisfying resources (Peach & Constantin, 1972; Constantin & Lusch, 1994).

Premise 3: The state of demand and the state of supply drives resource management and both states are constantly in flux (Constantin & Lusch, 1994).

Premise 4: Resource management is management of functions and resource packages (systems) to attain given ends. The functional continuum of management starts by determining the function of a business and moves through

the strategic, managerial and operational roles of management (Constantin & Lusch, 1994).

Premise 5: Resource management is management of environments, which centers on three basic activities: (a) those related to the product/service as well as the processes required to get it to customers; (b) those activities related to customer service before/after the sale; and (c) those related to innovation/adaptation to changing needs in external and internal environments (Zimmerman, 1933; Constantin & Lusch, 1994).

The advantage to expanding the marketing concept to a resource management perspective is to broaden the scope and, at the same time, include the value of intangible dimensions of the marketing effort of the firm. The more traditional assessment of the marketing environment, marketing system, and the marketing functions does not deal effectively with the dynamic nature of all three dimensions or emphasize intangible elements that are important in a marketing effort. The marketing audit for the 21st Century must take these issues into consideration. The recent resurgence of interest in the role of the firm's resources as the foundation for the firm's strategy (Grant, 1991) reinforces this expanded concept of the marketing audit.

SUMMARY/CONCLUSIONS

An observation of a 1995, "best practices", "world class" marketing audit, based on a synthesis of the literature dedicated to the topic since its inception, would be likely to reveal the following important characteristics:

- An audit of a business unit which had just completed one of a series of highly successful years.
- An audit which is comprehensive, systematic, and periodic.
- An audit which is designed and led by an individual or team not from the business unit being audited.
- An audit which focuses on the business unit's marketing environment, objectives, strategies, and implementation efforts.

- An audit which begins the audit process with an externally based assessment of certain aspects of the business unit's marketing program.
- An audit which successfully identifies problem areas as well as opportunities for the business unit.
- An audit which creates an environment in which change and constructive action steps resulting from the audit findings are expected by the business unit and viewed positively by most, if not all, audit participants.
- An audit which results directly in changes in parts or all of the marketing program of the business unit which result in improved marketing program processes and outcomes.

While the above “best practices”, “world class” scenario may be overly optimistic relative to current practice, it is certain that the introduction, growth, and development of the marketing audit over the past five decades has resulted in the emergence of a widely known, comprehensive, and systematic method for the evaluation and improvement of an organization's marketing efforts.

This article has clearly traced the highlights of the development path which the marketing audit has traveled. This path included conceptual refinement of the audit components and process, development of detailed checklists and guidelines for an audit, adaptation of the audit concept to the services industry, computerization of parts of the audit process, and numerous recommendations for application of the audit to the high technology and industrial product sectors.

Surprisingly, given the attention paid to the audit and the audit process as well as the highly dynamic environment faced by most organizations during the past five decades, only one empirically based study has addressed the specific issues associated with the implementation of audits. While anecdotal case evidence has been presented which supports the general notions associated with the marketing audit, such more work needs to be done around the problems and opportunities associated with the design and implementation of an effective marketing audit. In addition, an assessment needs to be made of the actual impact of completed audits on business units' marketing programs.

However, even more work needs to be done to properly configure the marketing audit for the evaluation and control issues likely to be created by the emerging environment of the 21st Century. Chief among the issues for proper implementation of a marketing audit in future years are:

- Assessment of the organization's relative success in adapting to the requirements of a global marketplace.
- Assessment of the role and relative value of the organization's intangible assets including brand equity, distribution networks, people, legal, etc.
- Integration of internally based continuous control efforts with the periodic audit evaluation cycle.
- Identification and tracking of relevant benchmarks of world class marketing performance data to provide better, more comprehensive evaluation norms.
- Increased awareness of the organization's ability to integrate effectively with the growing “Green Marketing” imperatives.

In conclusion, the marketing audit has clearly become, over the past five decades, an integral part of the control and evaluation phase of the overall strategic process by which organizations allocate resources to market opportunities. Much attention has been properly paid to definitional and conceptual aspects of the marketing audit as the evaluation tool was developed.

Unfortunately, not much attention has been paid to the practice of marketing audits. This gap in knowledge needs to be addressed if marketing audits are to assume their rightful place as one of the premier, strategic evaluation and control techniques.

Likewise, significant attention must be directed to the new audit requirements likely to be imposed by the emerging environment of the 21st Century. These new requirements are likely to expand significantly the scope of work for the effective marketing audit of the future.

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