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"Role of Advertising and Marketing in Corporate Governance"

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Abstract

Marketing is often overlooked is that directors usually lack experience in the marketing function so they pay more attention to the areas with which some have more familiarity, such as finance and acquisitions. Directors seem to take comfort that financial measures or selected balanced scorecard measures will eventually account for whatever marketing says they do or will do. In some cases, the density or drift of presentations from marketing executives can re-enforce directors' inclination to limit their time investment in marketing examination. Unfortunately, when weak marketing performance does show up in poor financial results, it may be hard to reverse direction and irreparable damage may have been done. What can be done if marketing has already focused on the wrong customers with the wrong value proposition and the wrong message, for example? By the time errors in marketing are uncovered, it may be too late for the company and very expensive to remedy. Many boards would benefit from the representation of an experienced and independent marketing director from outside the company asking thoughtful questions and make reasoned assessments of the answers provided and marketing performance, more generally.

Key Words: **Misguided information, *Organic Growth,* Experience and attention.**

1.1 Introduction

It is not uncommon for marketing to receive little attention at board meetings and for board committees to concern themselves about matters other than marketing. A review of the Management Information Circulars issued by publicly traded companies suggests few directors have had hands-on marketing roles and fewer participate in board committees focused on marketing. Given this lack of experience and attention, boards have difficulty providing effective governance of the marketing function. Where boards do focus on marketing, they often ask the wrong questions, receive too much or misguided information in response, and may engage in discussions of an anecdotal nature that are unaligned with the board's mandate. Screening of the latest advertising or presentation of marketing initiatives confirm to board members what they suspected all along, that marketing is a right brain activity unsuited for much time and attention of the board.

Shareholder complaints put pressure on publicly listed firms, yet firms rarely directly address the actual issues raised in these complaints. The authors examine whether firms respond in an alternative way by altering advertising investments in an effort to ward off the financial damage associated with shareholder complaints. By analyzing a unique data set of shareholder complaints submitted to S&P 1500 firms between 2001 and 2016, supplemented with qualitative interviews of executives of publicly listed firms, the authors document that firms increase advertising investments following shareholder complaints and that such an advertising investment response mitigates a post complaint decline in firm value. Furthermore, results suggest that firms are more likely to increase advertising investments when shareholder complaints are submitted by institutional investors, pertain to nonfinancial concerns, and relate to topics that receive high media attention. The findings provide new insights on how firms address stock market adversities with advertising investments and inform managers about the effectiveness of such a response.

Before looking into social advertisement, we must first be very clear about what Advertisement means for society. If we try to understand it generally, it is basically a tool to inform and persuade consumers about a product or service to get their needs satisfied. The effect of advertising on society is positive as well as negative. Some of the counter arguments about the effect on society are-sometimes the claims are false, misleading and deceptive; children are unable to evaluate messages; advertising increase the product prices; advertising helps increase monopoly; advertising changes values and lifestyles of the society; advertising makes people materialistic and unhappy with what they have and it also creates false needs. But there are some social advertisements that help a lot in social change. Since Advertiser applies art to promote product and service, we think they are artist. We also know what Plato said about art-Art is powerful, and therefore dangerous Poetry, drama, music, painting, dance, all stir up our emotions. All of the arts move people powerfully. They can strongly influence our behavior, and even our character. For that reason Plato insisted that music (especially music), along with poetry and drama and the other arts, should be part of the education of young citizens in his ideal republic, but should be strictly censored to present, at first, only the good. But in the modern society this fact is re-thinkable. In this paper we want to focus on social advertising that helped milestone change in the society. We have been looking lots of changes in the society since we born. Some of them took place due to movement, some of them due to legal provisions and some of due to other reasons. But some of the changes we notice took place due to social communication of social advertisement. These advertisements have played an important role in changing the moral/ social values, awareness of the society. There was a period when girls were not treated as boys but now the scenario is changing, it may be slightly. This change occurred because of some social advertisement focused on girls" wellbeing like-save the girl child and many others. The rural area of India was not so aware about health specially during pregnancy of mothers, but now they know what precautions should be taken during pregnancy and the helpline no. provided by Indian government to call in emergency. Some of the other examples to increase awareness in society are "Jago grahak jago", "Atithi devo bhavah" and the most milestone change took place due to "Do boond zindagi ki" for pulse polio which eradicated polio completely from our country and Advertising helped a lot to finish Polio so fast. Women issues are also considered seriously now. This is the era in which you cannot impose your idea upon someone forcibly whether it is right or wrong. People are getting more educated and they are more aware about their rights and other things. The main changing weapon for changing in society could be advertising.

1.2 Review of literature

Rapid economic development, technological advances, unsustainable consumption and the increasing global population can no longer be separated from the negative impacts on the environment. This has led to major environmental degradation and disasters faced today. Drastic changes in climate, water and air pollutants, damage to flora and fauna, ozone layer depletion, acid rain and deforestation are among the so often occurring negative environmental disasters and events. Ecological destruction continues unabated due to human activities and economic growth (Selles, 2013). the An effective way of reducing this consequence on the environment would be through the green consumption at an individual’s level (Yadav & Pathak, 2017). According to Sreen et al. (2018), companies have started concentrating on ‘Sustainability’ as a business aim by embracing strategies of green marketing to encourage green product purchase to potential as well as current customers. This gives an opportunity for marketers to venture into a new category of green products to increase and maximize profits while expanding their market share but in the meantime, they face a big challenge to develop and communicate strategies effectively to arouse intentions to buy green products and ensure optimal sales. Godelnik (2012) states that although consumers’ spending increases, including for green products, “green glass ceiling” still unbreakable and its market share is still very small. The author further clarifies based on the company's market report by Mintel, that despite that millions of people around the world have adopted an alternative to the traditional use (sustainable consumption) in 2012; this shift seems to still represent a minor share of overall economic activity. In the following year, Gleim et al., (2013) estimated the market share for green products is less than 4% worldwide.

Accordingly, numerous investigations have been carried out over the last 20 years to identify and understand the factors that promote pro-environment behavior among consumers (Suki, 2015; Wu et al., 2015; Thongplew et al., 2013), however, most have addresses marketing strategies rather than consumer behavior. Without an in-depth understanding of consumer behavior for this product category, this seems to be among the greatest barrier to sustainable consumption (Tseng and Hung, 2013) and also difficult to devise effective marketing strategies. Thus, based on mentioned the alarming condition of the environment, very small market share of green products as well as previous research findings, the main objective of this study is to investigate the factors motivating consumers' intention to purchase green products. Based on an extensive review of the literature and to the best of author's knowledge, only a few studies focused on the impact of cultural values on green products purchase intentions. This study focuses on purchase intentions rather than behavioral, for intentions has broader implications and often will have a positive impact on individual actions (Schlosser et al., 2006; Pierre et al., 2005; Ajzen & Driver, 1992).

Purposeful marketing means leading with responsibility, values, and inclusion. People are looking for brands to be authentic and act with purpose, especially in the face of change and uncertainty, and marketers play a powerful role within their companies to build trust and business value through purpose-driven marketing. The big question around trust is how best to create it. Leading with values builds trust by putting customers and communities first. The key is authenticity and genuine, personalised experiences woven together through an ethical advertising strategy.

1.3 Ethical advertising

Ethics are a set of moral principles that govern a person's or organisation's behaviour, or the conducting of an activity. Ethical advertising is about truth, fairness, and equity in messaging and consumer experience. An ethical advertisement is honest, accurate, and strives for human dignity. It also considers the advertising environments that are chosen for placement, and it examines potential for data bias in analytics.

Based on the latest Edelman 2020 Trust BarometerOpens in new window, ethics are more important to creating trust in companies than competence.1 Transparency is the most important ethical guiding principle, as well as the need to conduct ourselves, our businesses, and our relationships with consumers in a fair, honest, and forthright manner.

1.4 Impact of marketing on Social values

Marketing has built fortunes and depleted others, so it does behoove directors to provide close scrutiny of and governance to the firm's marketing function and initiatives. It is striking that in the collapse of companies, mention is often made of shortcomings in financial governance. But what about marketing governance? While weak or absent marketing governance may not cripple a company immediately, over time the effect may be no less damaging. And even if marketing is benign or ineffective, shareholder value is still depressed. Gaps in marketing performance that can be highlighted by marketing governance are leading indicators of financial problems. Simply put, most boards should pay more attention to marketing governance to accomplish two main benefits for the company: shareholder value enhancement and the effective management of those emerging and future risks which marketing might affect. This article discusses the linkage of marketing to shareholder value and risk, and notes important areas for boards of directors to consider if they are to achieve clearer insight and better oversight of a firm's marketing function and its performance.

1.5 Adertising affects shareholders value

The primary mandate of directors is to protect and increase shareholder value. Before directors question the specifics of the firm's marketing, they should therefore ask how marketing may put shareholder value at risk, create new shareholder value and, more generally, what linkages exist between marketing and shareholder

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value.

This last-mentioned linkage is important to recognize and address if the Board is to focus on marketing for its strategic potential and avoid the trappings of details, of which marketing has many. There are several approaches for assessing marketing's contribution to shareholder value, including:

- EVA (Economic Value Added), which employs financial performance and capital attribution models popularized by firms such as Stern Stewart & Co., and McKinsey & Company;
- VBM (Value Based Management) principles are becoming more frequently used to focus management on managing the factors that are the main determinants of shareholder value;
- The DuPont method[1] can be employed to link marketing drivers to return on investment.

Directors should pay special attention to the measurements of marketing effectiveness in the context of both sources of growth. Secondary focus should be on operating impacts of marketing, such as marketing margin drivers and how marketing affects capital investment, as these are obviously also important in creating or damaging shareholder value. Merger and acquisition activity also links to marketing, as suggested in the following chart, but this activity is usually outside the control of the marketing department until the acquisition is completed and is not discussed further here.

Marketing contributes to business growth from two main sources: organic growth and discontinuous or step-wise growth.

Organic growth occurs when marketers achieve better revenue results with what they already have – their current product, market and customer portfolios. Organic growth can come from changes to, for example, market segmentation and target market definition, strategies for pricing, positioning, advertising and promotion, line extensions, packaging, merchandising, sales effectiveness, distribution channels and e-marketing. Detailed consideration of issues such as these would take up too much time to be considered at every board meeting but could be covered once a year or at a special board meeting convened for the purpose.

1.6 Marketing can destroy shareholder value

Marketing can detract from shareholder value in at least as many ways that it can create such value and directors seeking to manage risk should be alert for the signs. For example, shareholder value can be erased when marketing fails to achieve results that are better than industry averages or below analysts' expectations. Some of the major culprits of shareholder value destruction include pursuit of quarterly revenue targets by poorly conceived pricing and margin sacrifice, an approach one Director called "mortgaging the future" to ensure the optics of good results now. In the intermediate term, Directors might observe marketers who diminish shareholder value by undertaking actions such as the following:

- Product and company positioning that departs materially from historical investments in consumers' minds without extensive research and a "gut-check" for reasonableness;
- Brand equity extension that depreciates brands by over-leveraging them, such as by new entries in far-flung product categories,
- Market segment or customer targeting that does not effectively balance size, growth rates, profitability and competitive intensity;
- Knee-jerk competitive reactions such as to product launches and price cuts, instead of proactive competitor targeting or planned competitive response;
- Slow re-alignment of product, customer and market, and channel portfolios;
- Ineffective structuring of the marketing function;
- Inadequate control of all aspects of marketplace demand and its management, such as customer and channel service, pricing and product innovation to pick three areas where marketing controls are sometimes weak.

In the longer term, marketing can destroy shareholder value by failing to think and act broadly and strategically in areas such as changing business models, disruptive technologies, value chains, converging industries/products/technologies and changing customer value drivers. The absence of deep thinking should be a warning sign to Directors that the future might not be as good as is the present. This leads to a discussion of marketing leadership.

A demonstration of marketing leadership is to be found by considering, for example:

- The extent to which marketing has identified and focused on core customers – those on whom the future of the firm will depend most, and competitor targets – those competitors that core customers say represent the greatest threat and opportunity in the intermediate term;
- Whether marketing has deployed marketplace metrics to secure organizational alignment in support of achieving competitively superior customer value;
- Evidence of improved positioning in respect of key value drivers;
- Development of insightful and comprehensive plans to accelerate profitable revenue growth; and
- Leadership in identifying, describing and deploying strategic capabilities for the firm that affect marketplace performance, such as customer relationship management technologies, processes and competencies.

Another indication of marketing's leadership is to be found in the nature of personnel hired and the extent to which new hires address knowledge and capability gaps. One clue that marketing is driving forward by looking in the rear-view mirror is when all new marketing personnel match the unchanged profiles of past hires.

In addition to inclusion of an external marketing director, the board could consider the appropriateness of the following:

- An annual marketing meeting of the board with marketing executives, delivered by marketing and comprising two elements: a situation analysis of the company's products and markets in the present and near future, and a review of plans to achieve a desired future position;
- The establishment of a marketing sub-committee, led by a Director, whether or not the annual marketing meeting suggests a more intensive marketing review by the Board is required;
- Development of a marketing dashboard comprising high level indicators to be reviewed at each Board meeting.

It may be appropriate for the board to use a consultant to assess the effectiveness of the board's engagement with, and assessment of, marketing, and oversight of concomitant risks.

1.7 Conclusion

Advertising also affects the rituals, morals and human behavior in the society. The growth of company always decided by the interrelationship among the variables. Advertising and marketing by its very nature is interesting, and it is easy for directors to engage with elements of marketing that may or may not affect shareholder value, such as communications, visuals, analytics or various applications of discretionary spending. This engagement might cause some directors to think that they have explored the essence of marketing at the firm. Usually, this has not happened, and directors seizing only upon content presented to them without focusing on those issues that link marketing to shareholder value – creating it and mitigating downside risks – and challenging marketing accordingly, may not yet be representing shareholders adequately. When marketing abdicates strategic responsibilities it naturally becomes the simultaneous serf of sales and finance departments, pulled one way to increase sales and another to build profits. There is little more dangerous to the future of a company than marketing enmeshed completely in day-to-day challenges. Marketing needs to build creative and strategic tension into the usual tug-of-war between sales and finance departments. Where there is peace with marketing today, there is often strategic trouble brewing so the comfort of sales and finance executives with marketing and their initiatives is not a sufficient benchmark for marketing's effectiveness.

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