Aalto University
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Marketing investment courage and financial performance - A study of profiles and financial implications among Finnish firms

Marketing

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AALTO UNIVERSITY SCHOOL OF ECONOMICS ABSTRACT
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MARKETING INVESTMENT COURAGE AND FINANCIAL PERFORMANCE
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The purpose of this study is to research what marketing investment courage is and how it can impact firms' financial performance. The literature review provides a theoretical overview of marketing investments, their characteristics and targets, investment courage and the routes through which marketing investment courage can impact firms' financial performance through actual investments. The empirical study investigates the current state of marketing investment courage among Finnish companies.

The empirical data were collected through an online survey aimed at CEOs and marketing directors of Finnish companies. The effective sample of the survey was 545. Several multivariate data analysis techniques were used to study the current state of marketing investment courage within Finnish firms. First, the data were analyzed with factor analysis to identify the dimensions of marketing investment courage in terms of investment targets. Second, different marketing investment courage profiles in terms of courage to invest in sets of marketing-related actions and sub-goals were identified by clustering the respondents, and the groups were characterized through contextual background variables. Finally, these groups were examined with analysis of variance to discover the possible differences in financial performance between the groups with different marketing investment courage profiles.

The findings of the study identified five dimensions of marketing investment courage in terms of investment targets, named "Awareness creation and communication", "Customer relationship and product/service development", "Skilful workforce", "Distribution networks and company acquisition" and "IT-systems for customer relationship management". These dimensions were emphasized differently in the different marketing investment courage profiles identified. Differences in the financial performance between the groups were found, especially indicating a lower profit performance of the group having little courage to invest in any marketing-related actions and sub-goals compared to the other groups.

The study provides an overall view of the current marketing investment practices in Finland and sheds light on how marketing investment courage can impact financial performance. The results serve as a ground for further investigations concerning particular industries or countries and qualitative studies on the underlying reasons for specific marketing investment practices.

KEYWORDS: Marketing investments, financial performance, investment courage, factor analysis, cluster analysis, analysis of variance

AALTO-YLIOPISTON KAUPPAKORKEAKOULIU TIIVISTELMÄ
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MARKKINOINTI-INVESTOINTIROHKEUS JA TALOUDELLINEN TULOS
– Tutkimus profiileista ja tulosvaikutuksista suomalaisyrityksissä

Tutkimuksen tarkoituksena on selvittää mitä markkinointi-investointirohkeus on ja millä lailla se voi vaikuttaa yritysten taloudelliseen tulokseen. Kirjallisuuskatsaus tarjoaa teoreettisen tarkastelun markkinointi-investoinneista, niiden ominaisuuksista ja kohteista, investointirohkeudesta sekä investointirohkeuden vaikutuksesta yritysten taloudelliseen tulokseen toteutuneiden markkinointi-investointien kautta. Empiirinen tutkimus selvittää suomalaisten yritysten markkinointi-investointirohkeuden tilaa ja yritykset jaotellaan ryhmiin investointirohkeuden perusteella.

Tutkimuksessa käytetty empiirinen aineisto kerättiin suomalaisyritysten toimitus- ja markkinointijohtajille suunnatun sähköisen kyselylomakkeen avulla. Tutkimukseen vastasi 545 päättäjää. Useita monimuuttujamenetelmiä käytettiin tulosten analysoinnissa. Ensin markkinointi-investointirohkeuden keskeisimmät ulottuvuudet investointikohteiden suhteen pyrittiin selvittämään faktorianalyysin avulla. Seuraavaksi vastaajat jaettiin ryhmiin markkinointi-investointiprofiileittain perustuen rohkeuteen investoida erilaisiin markkinointitoimenpiteisiin. Tämän jälkeen ryhmiä kuvailtiin taustamuuttujien perusteella. Lopuksi varianssianalyysin avulla selvitettiin eroavatko eri markkinointi-investointirohkeusprofiilin omaavat ryhmät taloudellisen tuloksellisuuden perusteella.

Tutkimuksen perusteella tunnistettiin viisi keskeistä markkinointi-investointirohkeuden ulottuvuutta investointikohteiden suhteen, jotka nimettiin seuraavasti: “Tunnettuuden lisääminen ja kommunikaatio”, “Asiakassuhteiden sekä tuotteiden ja palveluiden kehittäminen”, “Osaava työvoima”, “Jakeluverkostot ja yritysostot” ja “Asiakassuhteiden johtamista tukevat IT-järjestelmät”. Nämä eri ulottuvuudet painottuivat eri lailla tunnistetuilla ryhmillä, jotka edustivat erilaisia markkinointi-investointirohkeusprofiileita. Ryhmien kesken löydettiin eroja taloudellisen tuloksellisuuden perusteella ja tuloksissa painottui vähiten rohkeutta investoida markkinointitoimenpiteisiin omanneen ryhmän huonompi tuloksellisuus verrattuna muihin ryhmiin.

Tutkimus tarjoaa katsauksen suomalaisyritysten nykyisiin markkinointi-investointikäytäntöihin ja selvittää, miten markkinointi-investointirohkeus voi vaikuttaa yrityksen taloudelliseen tulokseen. Tutkimuksen tulokset toimivat pohjana tuleville tutkimuksille keskittyen tarkempiin tutkimuksiin tietyillä toimialoilla sekä kvalitatiivisiin tutkimuksiin, joiden avulla voidaan selvittää tarkempia syitä tietyille markkinointi-investointikäytännöille.

AVAINSANAT: Markkinointi-investoinnit, taloudellinen tuloksellisuus, investointirohkeus, faktorianalyysi, klusterianalyysi, varianssianalyysi

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1. Introduction

This Chapter introduces the topic of the study and provides background and motivation for the research. The research problems and objectives of the study are defined and key concepts are introduced. Finally, the structure of the report is outlined.

1.1 Background

There has been a long-lasting discussion in the marketing literature around the subject of marketing investments. The most common debate has been ongoing around whether marketing expenses should, in the first place, be seen as current expenditure or as an investment. It has already a long ago been suggested that marketing expenses should, indeed, be seen as an investment because it satisfies the criterion about futurity, meaning that its effect can cannot be seen immediately but appears in the long-run (Dhalla, 1978; Johansson & Mattsson, 1985; Slywotzky & Shapiro 1993). Marketing actions are also usually done to reach a certain goal (Ambler & Kokkinaki, 1997), and their aim is to create a long-term effect, which also suggests a natural classification as investments. When it comes to the current status of this literature, it now seems established that expenditure made to marketing-related activities and assets can have both short- and long-term effects on firm sales and profits – and should therefore be considered as investments (Danaher & Rust, 1994 & 1996; Dhalla, 1978; Dekimpe & Hanssens, 1995 & 1999; Sheth & Sisodia, 2002; Rust et al., 2004; Mizik & Jacobson, 2007).

However, in practice many firms still see marketing as a pure expense due to the fact that appropriate metrics to measure marketing performance and validate the value of marketing actions are few (e.g. Sheth & Sisodia, 2002; Seggie et al., 2007). This again stems from the fact that the assets that are created through investing in marketing-related actions are in most part intangible (Johanson & Mattsson, 1985). According to Rust et al. (2004), to fully leverage these intangible assets, managers need to move beyond the traditional inputs and outputs of marketing analysis and incorporate an understanding of the financial consequences of marketing decisions, which include their impact on cash flows. In fact, the financial impact of marketing and its value to firms is currently in the heart of marketing research discussion (e.g. Rust et al., 2004; Srinivasan & Hanssens, 2009; Stewart, 2009).

There has been positive progress in studying marketing investments and their financial impact in objective terms (e.g. Rust et al., 2004; Srivastava et al., 1998). However, what has remained largely unstudied is the subjective aspect of managerial or organizational attitudes towards making marketing investments. This study addresses this research gap by concerning one important aspect of organizational attitude related to investments: organizational courage to make marketing investments and its effects on financial performance. Marketing investment courage is fundamentally a subjective organizational attitude towards making marketing investments despite the uncertainty related to them. Examining this concept is especially important because the effects of marketing investments are always subject to considerable uncertainty (Johanson & Mattsson 1985). Thus, marketing investments – and, thereby, their potential effects on firm performance – inevitably depend on organizational courage to make the investments.

This thesis examines the concept of marketing investment courage and how it can have an impact on firms' financial performance through actual investments. The empirical data have been collected through a vast online questionnaire with 545 respondents. The investment practices, investment courage and their financial impact within Finnish firms is studied from a new perspective; subjectively reported by managers of Finnish firms. The results of the empirical research shed light on the current marketing investment practices in Finland as well as the managers' subjective perception of their organizational courage towards making investments in sets of marketing-related actions.

1.2 Research problem and objectives

The objective of this thesis is to examine organizational marketing investment courage and how it can affect firms' financial performance. It is first theoretically discussed what is meant by investment courage and how it can impact firms' financial performance through actual marketing investments. In the empirical part, different marketing investment courage profiles are identified within Finnish firms and their financial performance is compared to make conclusions about the impact of marketing investment courage on the financial performance of a firm. The following research problems are posed to capture the objectives:

Main problem:

What is marketing investment courage and how can it affect firms' financial performance through actual marketing investments?

Empirical sub-problems:

What are the underlying dimensions of marketing investment courage in terms of investment targets?

What type of marketing investment courage profiles can be found among Finnish firms in terms of courage to invest in sets of marketing-related actions and sub-goals?

How can firms with different marketing investment courage profiles be characterized in terms of other attributes?

Can there be found differences in financial business performance between firms with different marketing investment courage profiles?

Through answering these questions, the study sheds light on the current state of marketing investment courage among Finnish firms and show how it can affect firms' financial performance. This provides managers with a mindset of thinking about their organizational attitudes towards making investments in marketing-related actions and helps them depict what types of financial implications these attitudes can have.

1.3 Key concepts

In the following, key concepts of this research, marketing investments and financial performance, are discussed and defined. Other important concepts to this study, including investment courage and marketing assets, are discussed and defined in the following Chapter.

Marketing investments

In order to define marketing investments, let us first define marketing and investments separately.

Kotler et al. (2008) define marketing as

"*a process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return."*

The definition by Kotler et al. (2008) clearly focuses on customers as the most important stakeholder of marketing and sees marketing as a value creation/value capture process that includes the whole company. In this study, creating value to shareholders is seen as the end business goal of marketing and as customers are the main source of cash flows to businesses, they are seen as the main target group of marketing actions. The mindset is that through creating value to customers, value can be captured from customers to increase value to shareholders.

What comes to investments, Johanson & Mattsson (1985) define investments as

"processes in which resources are committed in order to create, build or acquire assets which can be used in the future."

This definition of investments, created in the marketing context, fits well the purpose of this study. In the heart of this definition are assets through which value can be created. Thus, here marketing investments are seen as processes and activities in which resources are committed in order to create, build or acquire assets through which value can be created to customers and finally, to shareholders.

Financial performance

According to Kaplan & Norton (1992), financial performance *"measures whether the company's strategy, implementation, and execution are contributing to bottom-line improvement"*. Thus, financial performance is an outcome of the company's decisions and actions. Financial performance outcomes, such as revenue, cash flow, and profitability are determined by the sales performance of the firm together with the cost of sales (Kaplan & Norton, 1992; Morgan et al., 2002).

1.4 Structure

This study includes a theoretical part and an empirical part. The theoretical part of the thesis concentrates on establishing a link between marketing investment courage, actual marketing investments and firms' financial performance. Chapter 2 talks about marketing investments, their characteristics and how they can affect firms' financial performance. In addition, the concept of marketing investment courage is introduced and it is discussed how this organizational attitude towards investments can have an impact on firms' financial performance through actual marketing investments. In Chapter 3, the findings from the discussion in Chapter 2 is summarized through a theoretical framework and the research questions for the empirical study is outlined.

After the theoretical part, the research questions are studied empirically. The empirical part is structured so that Chapter 4 discusses the methodology of the empirical research and in Chapter 5, the results of the empirical part is presented and discussed. Chapter 6 summarizes the empirical conclusions and Chapter 7 follows with a discussion of the whole research and the managerial implications as well as the limitations of the study is discussed.

2. Marketing investments, investment courage and financial performance

This Chapter discusses marketing investment courage, actual marketing investments and how they can have an impact on firms’ financial performance. It is first discussed whether marketing expenses should, in the first place, be seen as an investment rather than as a current expence. Second, the differences between marketing investments and more traditional corporate investments, and their implications on the organizational attitudes of firms needed to invest in marketing is discussed. Third, the concept of investment courage and what is meant by it is outlined. Finally, different types of marketing investments, their targets and how they can affect firms’ financial performance is discussed to create a link between marketing investment courage and firms’ financial performance.

2.1 Marketing actions as investments; characteristics and implications

The discussion of whether marketing expenses should be seen as an investment rather than as a current expenditure started a long ago in the marketing literature. Already in 1966, Dean started the discussion by suggesting that advertising should be included in the capital budget. Dean supported his view by the facts that advertising is done to achieve benefits in the future, it ties up capital in expectation of these future benefits, the economic life of the benefits is indeterminate, and the benefits are multiple and hard to measure and predict.

From an accounting point of view the most determining factor in allocating marketing expenditure across budgets relates to whether marketing-related actions have effects that last over one year’s time - since the standard accounting practice is to view actions that only have short-term effects within the current year as expenses. The discussion led to several studies investigating the duration of advertising effects on sales (e.g. Peles, 1970; Abdel-Khalik, 1975; Clarke, 1976; Falk & Miller, 1977; Picconi, 1977), yet the conclusions of the studies varied from advertising having an effect lasting only months rather than years or having no sales effect (Clarke, 1976; Picconi, 1977) to advertising having a sales effect lasting over several accounting periods (Peles, 1970; Abdel-Khalik, 1975; Falk & Miller, 1977). Despite the contradictory results of the empirical studies, the mindset started to change in favor of the point of view that marketing expenditure should be treated as an investment rather than as a current expense.

During the next decades, different models through which the long-term value of advertising and marketing expenditure could be measured more appropriately were suggested (e.g. Dhalla, 1978, Dekimpe & Hanssens, 1995 & 1999). Also models that would optimize certain marketing investments such as media spend (Danaher & Rust, 1994), and advertising campaigns (Danaher & Rust, 1996) were created. Furthermore, more studies that showed marketing actions' long-term financial impact occurred and most of the findings suggest that the expenditure made to the most common marketing actions do have a long-term effect on financial performance. More recently, the research on marketing investments' financial impact has shifted towards an even more strategic focus, on showing that marketing actions can also have an impact on shareholder value.

Investments in advertising have been the most studied and their effects have been found to have a positive long-term effect on different financial performance indicators (e.g. Dekimpe & Hanssens, 1995; Jedidi et al., 1999; Fee et al., 2009), as well as on stock price (e.g. Agrawal & Kamakura, 1995; Mathur et al., 1997; Cornwell et al., 2005; Miyazaki & Morgan, 2001; Mathur & Mathur, 1995 & 2000; Joshi & Hanssens, 2004 & 2009 & 2010). Also new product introductions have been found to have a positive long-term impact on financial performance (Pauwels et al., 2004) and stock price (Pauwels et al., 2004; Sorescu et al., 2007; Srinivasan et al., 2009). New channel introductions have been found to have a varying effect on stock price depending on the maturity of the firm (Geyskens et al., 2002). Price promotions, again, have only been found to have a positive short-term effect on sales while the long-term effect on financial performance (Jedidi et al., 1999; Pauwels et al., 2004) as well as stock price (Pauwels et al., 2004; Srinivasan et al., 2009) has been found to be negative. In addition to different marketing actions' impact on financial performance and stock price, also a link between different marketing assets and stock price has been found. A positive stock price effect has been found linked to brand equity (Barth et al., 1998; Simon & Sullivan, 1993; Kerin & Sethuraman, 1998; Krasnikov et al., 2009; Mizik & Jacobson, 2008 & 2009; Madden et al., 2006; Hennig-Thurau et al., 2009; Tuli & Bharadwaj, 2009), customer equity (Anderson et al., 2004, Gruca & Rego, 2005; Fornell et al., 2006; Kumar & Shah, 2009), and product quality associations (Aaker & Jacobson, 1994; Mizic & Jacobson, 200; Tellis & Johnson, 2007).

The empirical evidence on different marketing actions' and assets financial impact supports the view that investments in most marketing-related actions and assets do not only have an impact on short-term financial performance but the effects occur over time. Hence, the empirical evidence suggests that marketing expenditure should be seen as an investment rather than as a current expense. This mindset has been adopted in an increasing amount in the academic marketing research discussion. However, in practice, this mindset still remains widely unimplemented which streams from some fundamental characteristics that marketing investments have setting them apart from more traditional corporate investments. These special characteristics and their implications to marketing investment management is discussed in the following.

Maybe the most distinctive difference compared to traditional capital investments is that most of the assets that are created through marketing investments are intangible and can be rarely found in the balance sheet (Johanson & Mattsson, 1985; Srivastava et al., 1998). There have been several discussions of how to treat marketing assets in accounting and how to incorporate intangible marketing assets in the balance sheet (Barrett, 1986; Guilding & Pike, 1990; Mullen, 1993; Piercy, 1986; Sidhu & Robets, 2008; Wilson, 1986). There have even been suggestions of transforming the whole accounting system into more customer-focused to demonstrate the value of intangible assets (Gupta & Lehmann, 2003 & 2006; Gupta et al., 2004) but the suggested practices still remain unimplemented in practice. This shows that although firms have realized the value of marketing assets, the practices through which it could be captured in an optimal way have not been implemented; most probably due to persistent traditional accounting practices as well as organizational attitudes. Also the metrics, through which marketing investments' financial value could be captured in a long-term context, are few and the difficulty lies in defining the causality between marketing and financial outcomes (Seggie et al., 2007). Therefore firms can be hesitant to invest in marketing actions that, due to not having appropriate metrics, cannot be valued accurately.

The intangible nature of marketing assets also imply that the assets cannot be stocked or divided physically into specific portions (Srivastava et al., 1998), which makes them harder to be defined and classified. Johanson & Mattsson (1985) note that some assets created by marketing investments, such as knowledge, cannot be owned and are only partially controlled by a company. They also note that knowledge-intensive assets are harder to transfer or sell than more tangible assets and that marketing assets, such as customer relationships, might be hard to reconstruct while tangible assets can be usually reconstructed with the help of "blue-prints". This on the one hand makes marketing assets and other intangible assets hard to manage but on the other hand makes them a valuable source of competitive advantage that cannot be copied or transferred, which has been noted also in the literature (e.g. Hall, 1992; Srivastava et al., 2001).

Johanson & Mattsson (1985) also point out that the capacity of marketing assets is hard to define because of the "human element" and the capacities of assets also change over time. However, unlike for tangible assets that deteriorate with use, intangible assets can increase their capacity through experimental learning and can be changed or maintained through certain activities, such as market research and training (Johanson & Mattsson, 1985). Also Hogan et al. (2002) remind that although other assets depreciate in value through time, customers and brands are assets that appreciate through time. This shows that marketing investment decisions are important and when managed in a successful manner, can create long-term value for a firm.

Marketing investments also differ from more traditional investments in terms of processes. Johanson & Mattsson (1985) compared marketing investments with traditional production investments and found several differences between the two types of investments in terms of processes. First of all, they noted that while investment processes are usually considered as projects, knowledge is created gradually, through activities. This is why in some cases marketing investments that create knowledge-related assets may not even be seen as investments by companies. They also state that marketing investment processes are lengthy and last at least as much time as traditional production investment processes. The timing of the processes is also very important as marketing investments are usually dependent on e.g. complementary investments and investments by competing firms. Last but not least, Johanson & Mattson (1985) note that if compared to major production investment processes, marketing investment processes are more often controlled on a lower level in a firm and the firm might also be dependent on other firms or customers and control the process only partially. These characteristics of marketing investment processes once again highlight the complexity and multidimensionality of investments into marketing, which implies the importance of marketing investment management.

Dhalla (1978) assessed the long-term value of advertising and also compared marketing investments with more traditional capital investments. He reminds that when talking about advertising investments, there is no certainty about the duration of the benefits they will bring. With this statement he refers to brand acceptance and the fact that when planted in the consumer's head e.g. by a television commercial, it may influence the customers’ purchase only once or many times in the future. He also states that advertising is provocative and it induces competitors to react to it and thereby makes the long-term effects of advertising investments difficult to predict. These notions highlight the uncertain nature of marketing investments and their long-term benefits for a firm.

Seow et al. (2006) discuss the level of illiquidity and information asymmetry related to marketing investments. They include marketing investments as part of organizational capital investments and state that marketing investments, like all organizational capital investments, usually create tacit and non-transferable know-how or brands. This usually has consequences related to the liquidity of the investments and information asymmetry related to the investment. Due to the level of tacit knowledge involved, the liquidity and transferability of marketing investments is lower than for tangible investments. Furthermore, the information available for different parties involved in the investment process may be asymmetric due to the high level of tacit and non-transferable know-how. Thus, Seow et al. (2006) conclude that relative to tangible investments, organizational capital investments have high levels of information asymmetry and illiquidity.

Seow et al. (2006) also discuss whether there are higher risks associated with the outcome uncertainty of marketing activities compared to traditional capital investments but conclude that the literature has not offered any precise evidence on this. However, they say that while organizational capital investments typically have a high project risk, namely, future cash flows directly from those investments are highly uncertain, some researchers argue that they may serve to reduce the business risk of a firm as whole. As for the latest statement, they refer to Madden et al. (2006) who found that firms in the Interbrand list of "Best Global Brands" have a significantly lower market risk than their benchmark firms suggesting that brands may have a role in reducing the volatility and vulnerability of cash flows. This shows that strategic marketing investment management requires significant long-term planning and the capability of tolerating short-term uncertainty to create long-term success.

The discussion above shows that while it has been empirically proven that marketing actions and their financial impact have characteristics that makes marketing expenses appropriate to be treated as investment, marketing investments have some fundamental differences when compared to more traditional capital investments. Marketing investments mostly create intangible assets that do not appear in the balance sheet, they are highly uncertain and include high project risks. Due to these challenging characteristics marketing investments are hard to manage but can create substantial long-term value to a firm when managed strategically. A key issue in managing marketing investments that arises from these characteristic is investment courage, which is discussed in the next part.

2.2 Marketing investment courage

As discussed in the previous part, marketing investments have certain characteristics that make them challenging to manage. Like all investments, their effects are uncertain (Johanson & Mattsson, 1985) and their effects can only be seen after a certain time period (Dhalla, 1978). In addition to these characteristics that all investments have, it was noted that unlike traditional capital investments, marketing investments and their effects cannot be easily measured (Johanson & Mattsson, 1985; Seggie et al., 2007), the investments have high levels of information asymmetry and illiquidity (Seow et al., 2006), the duration of the benefit is highly uncertain (Dhalla, 1978) and the assets created though them are at least partly uncontrollable (Johanson & Mattsson, 1985).

Due to these facts, what is needed from a firm to make investments in marketing-related actions, in addition to resources and financial assets, is a right kind of a mindset. First of all, a firm or a manager must have a positive attitude towards marketing and see marketing expenses as an investment rather than as a current expense and be willing to invest in marketing-related actions. In addition to this, firms need a mindset that is stressed due to the special characteristics of marketing investments. This mindset is in this study called marketing investment courage and it is fundamentally an attitude towards making investments, an organization’s thrust to make investments in spite of the uncertainty and irreversibility related to the investment decisions. Understanding the concept of investment courage is important because it is a determining factor in firms’ investment behavior and investment decisions inevitably depend on courage to make the investments. Thus, the organizational attitudes towards investing also become partial determinants of the potential effects of firm performance. In the following, investment courage and its characteristics are discussed in more detail.

When talking about investments and investment courage, risk-taking is always a relevant concept to be discussed. The importance of risk-taking stems from the fact that uncertainty is a standard element of investment decision (Sauner-Leroy, 2004) and as mentioned, marketing investment decisions usually include significant amount of uncertainty (Johanson & Mattsson, 1985; Dhalla, 1978) and a high project risk (Seow et al., 2006). Investment decisions might also be irreversible, meaning that the decision made today might close some options out for the future (Henry, 1974). And as the future is uncertain, courage is needed to make investments that may have substantial long-term effects. Thus, both tolerance towards uncertainty as well as courage to take risks are key issues when examining marketing investment courage.

Managers' risk-taking behavior and risk aversion is a largely studied subject and it is usually studied in the context of decision-making in general, not particularly in the context of investment decisions outside the field of finance (Sauner-Leroy, 2004). Sauner-Leroy (2004) studied the effect of managers' perception of uncertainty and managers' risk aversion on making productive investments and their empirical study showed that uncertainty about the future states of nature and the managers' risk aversion have a restrictive impact on productive investments. This proves that some level of tolerance towards uncertainty as well as inclination to risk-taking is necessary to make productive investments.

However, what differentiates risk-taking from investment courage is that when talking about risk-taking, especially in the context of finance, the mindset is that there is always a tradeoff between risk and return. In the context of investment courage, this does not need to be the case. Even though both investment courage and risk-taking are prerequisities for making investments in general, having investment courage does not necessarily mean that a firm would make riskier investments. Rather, investment courage is a positive subjective concept that does not necessarily correlate directly with risk. As an example, an organization might see themself making courageous investments if they invest in different targets than before even though the investments are not more risky from a financial point of view. In addition, where risk-taking is usually investigated on a managerial level, investment courage is seen as an organizational attitude.

The discussion on risk-taking inclination is linked to another concept reflecting investment courage, namely; confidence. To make investments, organizations need to have confidence in the future and in their own capabilities of realizing the potential gains. However, in the academic research, the discussion on managerial overconfidence seems to outweigh the discussion on healthy confidence that is needed to make productive investments. It has been studied that managerial overconfidence can account for corporate investment distortions due to the fact that overconfident managers overestimate the returns to their investment (Malmendier & Tate, 2005). Overconfident CEOs also underinvest in information production before making investment decisions, which sometimes results in suboptimal investments (Goel & Thakor, 2008). However, Goel & Thakor (2008) studied CEOs' overconfidence and its impact of firm value and found that risk-averse CEO's overconfidence enhances firm value up to a point. Yet they also found that if the CEO is risk neutral or risk loving, any level of overconfidence will lead to excessive risk and reduce firm value. The link between managers' confidence and risk-taking inclination and their optimal relationship is a complex question. Goel & Thakor's (2008) study shows that while moderate overconfidence diminishes underinvestment inefficiency due to risk-aversion, higher levels of overconfidence create overinvestment. Ironically, they conclude that the best outcome for the shareholders is thus to have a CEO who is overconfident but not too overconfident.

As can be seen from the discussion above, both risk-taking and confidence have mostly been studied as managerial attributes and are many times seen in a rather negative light. Investment courage, however, is seen as an organizational attitude and it is anticipated to be seen as a positive character also by organizations.

Furthermore, the investment courage that is studied here does not imply any overweighting of probabilities or attraction to risk itself leading to unoptimal investment decisions. Thus, having too much of investment courage, or “over-courage” as a company to invest in different targets, is not seen as a relevant phenomenon in the context of investment courage.

The discussion on investment courage could also be linked to the literature in strategic entrepreneurial behavior. The discussion of entrepreneurship has long roots and it has been studied from many angles, including e.g. corporate entrepreneurship (Barringer & Bluedorn, 1999; Sathe, 1988; Zahra, 1993) and entrepreneurial orientation (Lumpkin & Dess, 1996). A long ago, Schumpeter (1934) defined the essence of entrepreneurship to lie in the perception and exploitation of new opportunities in the realm of business. This is relevant to the discussion of investment courage because exploiting new opportunities usually requires investing either money or resources into venturing new opportunities. Also risk-taking is considered to be a key feature of entrepreneurial behavior (e.g. Lumpkin & Dess, 1996) and entrepreneurs are found to be more optimistic than employees (e.g. Fraser et al., 2006). Both of these characteristics are needed to make investments. However, in the same manner as with confidence and risk-taking, also optimism is often seen in a negative light and approached through extremes. There are several studies where it is stated that optimism can come in too large quantities which leads to over-optimism that can have a negative effect on venture performance (Hmieleski & Baron, 2009; Lowe & Ziedonis, 2006). Thus, even though entrepreneurial behavior shares similar characteristics with what is meant here by investment courage, it is chosen not to be referred to the notion of entrepreneurial behavior but rather to investment courage.

From the discussion above, it can be concluded that investment courage is a complex concept and shares some characteristics with organizations risk-taking, confidence, optimism and entrepreneurial behavior. However, as was noted, investment courage differs from these concepts in a sense that it is seen as highly subjective, as a positive characteristic, and it should be investigated on an organizational level rather than on a managerial level. The importance of investment courage is crucial especially in the context of marketing investments due to the characteristics of marketing investments discussed earlier including higher uncertainty and project risk, asset intangibility and uncontrollability. Eventually, investment courage is a prerequisite to making marketing investments and thus, to realizing their financial effects.

2.3 Marketing investment types and their impact on financial performance

Now we have defined what type of an organizational attitude a firm needs to be ready to invest in marketing-related actions. This attitude was called investment courage and having this attitude is a prerequisite for making any investments and having more of it increases the possibilities of a firm to make investments. Here we are also interested in examining how investment courage can affect firms' financial performance, and because the true financial effects naturally realize through actual investments, it is also worth studying what types of marketing investments firms can make and how these investments can create a financial impact.

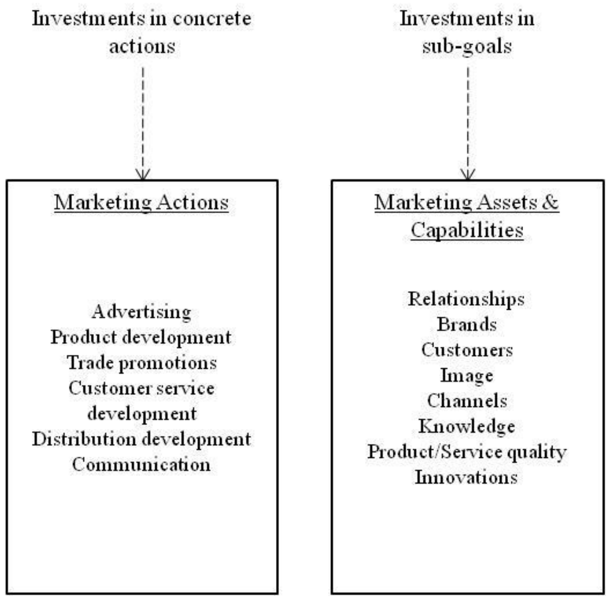
In the academic literature, there have been suggested several ways to classify different types of marketing investments and their targets. Johanson & Mattsson (1985) for example separate marketing investments from market investments and define marketing investments as resource commitments through which internal marketing assets are created and market investments as resource commitments developing the firm's positions in the network. In the context of this study, both investments they define are seen as part of the large block of marketing investments.

In the center of the marketing investment discussion is separating investments in marketing actions from investments in marketing assets and capabilities (Srivastava et al., 1998; Rust et al., 2004; Ramaswami et al., 2009). Examples of marketing actions that a firm can invest in are e.g. advertising, promotion, price, distribution, product development and customer service (Hogan et al., 2002). Marketing assets or market-based assets, again, relate to the firms internal resources or stakeholders. In this study, we use marketing assets and market-based assets as synonyms.

Rust et al. (2004) talk about market-based assets and include e.g. customers, brands, channels, and innovations as such. Srivastava et al. (1998) also talk about market-based assets and define them as assets that arise from the commingling of the firm with entities in its external environment. Srivastava et al. (1998) divide market-based assets into relational and intellectual assets. By relational market-based assets they mean assets that are outcomes of the relationship between a firm and key external stakeholders, such as distributors, retailers, and customers. With intellectual market-based assets they mean the knowledge a firm possesses about the environment, such as the emerging and potential state of market conditions and the entities in it, including e.g. competitors, customers, and channels. These intellectual market-based assets are in some context also called market-based or marketing capabilities (e.g. Ramaswami et al., 2009) which they are also referred to in this study.

When talking about investmens in marketing assets and capabilities, they can also be thought of as investments in reaching marketing-related sub-goals, such as strengthening the firm’s position in a market place or improving the perception of product or service quality (Johanson & Mattsson, 1985). This classification is also natural from a practical point of view; when making investment plans and budgets, firms tend to decide on certain marketing-related sub-goals that they want to achieve and decide to invest a certain amount of money in achieving this goal. However, within this large investment goal, firms then invest in more concrete marketing-related actions to achieve this goal. Thus, here investments in marketing assets and capabilities are seen the same as investing in marketing-related sub-goals. This relationship is presented in Figure 1.

Figure 1. Classification of marketing investments and their targets



What comes to the relationship between investments in marketing actions and investments in marketing assets and capabilities, in the literature it is suggested that marketing assets and capabilities can be created and leveraged through investing in concrete marketing actions (Srivastava et al., 1998; Rust et al., 2004). Srivastava et al. (1998) suggest that marketing assets can be created e.g. through advertising and superior product quality, by developing business relationships with the firms' stakeholders or by having excellent and alert customer service. Thus, by investing in marketing actions that enhance the above mentioned, a firm can create or enhance a marketing asset. Rust et al. (2004) note that marketing assets are valuable on their own, but they deliver greater value in use. They suggest that firms can create financial value through marketing by either investing in creating marketing assets or through investing in leveraging existing marketing assets.

To examine how different marketing investments can affect firms' financial performance, let us take a look at how firms' financial performance is created and in what ways marketing can be involved in it.

An obvious way of how firms' financial performance can be affected is through sales revenues. Marketing's role in this is clear, as marketing actions can impact sales revenues though affecting customers' buying behavior. Different marketing actions can have an impact on customer awareness, customer attitudes, customer associations, customer attachment or customer experience, which again are forms of marketing assets (Rust et al., 2004). If the impact on these is positive, in the best case, marketing actions can increase sales through acquiring new customers or by selling more to existing customers.

In addition to increasing revenues, firms' financial performance can also be enhanced by lowering costs, lowering working capital requirements, or lowering fixed capital requirements (Srivastava et al., 1998). Thus, the impact can be made either through increasing incoming cash flows or by decreasing outgoing cash flows. Marketing can also play a role in accelerating cash flows and in reducing the volatility and vulnerability of cash flows (Srivastava et al., 1998). The cash flow effects can be of short- or long-term nature but what is interesting in terms of firms' financial performance is whether the positive cash flow effect is larger than the cost of making a certain action. Thus, here we are talking about the productivity of marketing investments. Measuring marketing productivity requires metrics that weigh the return generated by the marketing action against the expenditure required to produce that return (Rust et al., 2004). These metrics include e.g. return on investment (ROI), internal rate of return (IRR), net present value (NPV) and economic value added (EVA). How these metrics can be used in marketing and the net effects of marketing investments measured accurately, is and ongoing debate in the marketing literature (see e.g. Ambler & Roberts, 2006).

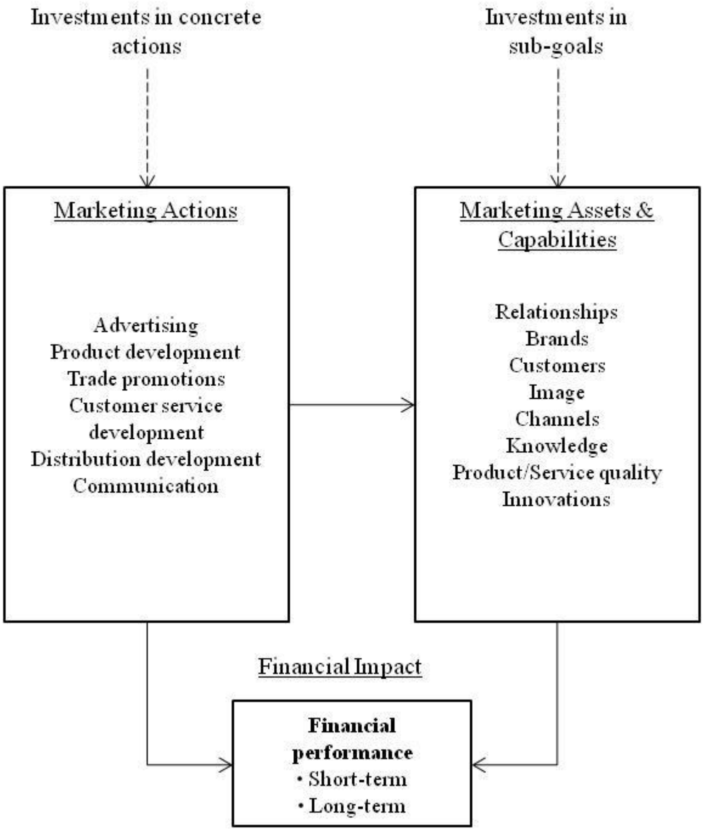
Srivastava et al. (1998 & 1999 & 2001) see marketing's role in providing value for different business functions and see marketing assets as the link between marketing and financial value. They suggest that marketing assets, such as brands and customer relationships, can enhance cash flows e.g. by helping to attain price premiums, lowering sales and service costs, creating new uses, cross-selling products and services and reducing working capital. When it comes to accelerating cash flows, marketing assets can reduce the time to market acceptance, create earlier brand referrals and trials and speed up the response to marketing efforts. In terms of volatility and vulnerability of cash flows marketing assets can impact those e.g. by creating customer loyalty and retention and by increasing switching costs. They suggest that through these effects, a firm can create sustainable customer value and competitive advantage, which then if exploited, creates financial performance. (Srivastava et al., 1998 & 1999 & 2001)

Marketing capabilities' role in creating financial value is seen to happen through improving core marketing business processes, namely, new product development, supply-chain management and customer relationship management (Ramaswami et al., 2009) and through being able to effectively leverage the resources available (Hanssens et al., 2009).

Rust et al. (2004) suggest that firms can affect the cash flows of the firm by making decisions of their marketing expenditure through two different routes. The first route is by investing in tactical marketing actions and affecting firm cash flows either directly or through creating marketing assets or capabilities. The other route is by investing in leveraging their marketing assets, such as brand or customer equity and through that affecting the financial position of the firm. In more detail, investments in marketing actions can have an impact on customers, which results in improvements in marketing assets, such as brand equity. Leveraging these influence the firm's market share and sales, thereby influencing its competitive market position. The financial impact of the change in the market position can then be seen in cash flow, profits and other measures of financial health (measured e.g. by ROI, EVA, etc.). Rust et al. (2004) also see that marketing actions can be used to balance the investments to both short and long-term value by harnessing them to create short-term profits. This is an interesting suggestion as it shows that investments in marketing actions can serve multiple roles in the value creation process.

The link between investments in concrete marketing-related actions and sub-goals and financial performance is illustrated in Figure 2.

Figure 2. Marketing investments and their impact on financial performance



As can be seen from Figure 2, creating an impact on financial performance through marketing investments is an interplay between marketing actions, marketing assets and marketing capabilities. The financial impact through investments in concrete marketing-related actions can happen either directly through incoming or outgoing cash flows or indirectly through creating or leveraging marketing assets or capabilities. A firm can also invest in marketing-related sub-goals including creating marketing assets or capabilities, and create a financial impact through marketing assets and capabilities that enhance core marketing business processes and create competitive advantage.

The discussion on how investments in marketing actions and sug-goals can impact firms' financial performance also establishes a link between investment courage and financial performance. Investment courage is needed to make investments and the financial impact is realized through the actual investments. As investment courage is a prerequisite to making investments, it is also a prerequisite to realizing the financial effects of marketing investments. The link between different marketing investment courage profiles and firms' financial performance is investigated in the empirical part of the study.

3. Theoretical framework and research questions for empirical research

In this Chapter, key points from Chapter 2 are summarized and a theoretical framework will be established based on the discussion in Chapter 2. Furthermore, the research questions for empirical research are outlined.

Chapter 2 began with a discussion of whether marketing expenses should be seen as an investment rather than as a current expense. It was showed that based on empirical evidence, investments in marketing actions and assets can have a financial value lasting over a one year accounting period and should thus be seen as investments. However, it was also noted that this mindset is not yet widely implemented in practice.

Second, the characteristics of marketing investments that set them apart from traditional capital investments were discussed. The discussion showed that marketing investments mostly create intangible assets that do not appear in the balance sheet, they are highly uncertain and include high project risks. The assets created through investments in marketing are only partially owned by a company and are hard to transfer which makes them hard to manage but also makes them a valuable source of competitive advantage for firms. Due to their intangible nature and the difficulty in defining causal linkages between marketing investments and financial outcomes, the financial effects are also hard to measure. Due to these challenging characteristics marketing investments are difficult to manage but can create substantial long-term value to a firm when managed strategically.

Taking into account the special characteristics that marketing investment have, it was noted that to make marketing investments, firms need a certain kind of a mindset or an attitude that was in this context called investment courage. Investment courage was defined as a highly subjective positive organizational attitude towards making investments despite the uncertainty and irreversibility related to them. The importance of this attitudinal concept is crucial because investment courage is eventually a prerequisite to making investments and thus, realizing their financial gains. Furthermore, studying this concept is especially important in the context of marketing investments due to their special characteristics tha make marketing investments highly uncertain.

As one objective of this study was to show how investment courage can impact firms' financial performance, and as the true financial effects naturally realize through actual investments, it was also studied to which targets firms can invest within marketing and how these investments can create a financial impact. It was noted that firms can make investments on the one hand, in concrete marketing-related actions and on the other hand, on marketing-related sub-goals which include creating marketing assets and capabilities.

Furthermore, it was discussed how different investments in marketing can affect firms' cash flows. It was noted that marketing investments can increase firms' sales revenues and decrease costs. Marketing investments and marketing assets were also found to have a role in accelerating cash flows and reducing the volatility and vulnerability associated with cash flows. Creating an impact on financial performance through marketing investments was found to be an interplay between marketing actions, marketing assets and marketing capabilities. It was established that the impact on financial performance through investments in concrete marketing-related actions can happen either directly through impacting incoming or outgoing cash flows or through creating or leveraging marketing assets or capabilities. Investments in marketing-related sub-goals including creating marketing assets and capabilities, again, create a financial impact through enhancing core marketing business processes and through creating competitive advantage.

Through the discussion on investment courage and its effects on making marketing investments and the discussion on marketing investments' financial impact, a link between investment courage and firms' financial performance was created. This link is illustrated in Figure 3.

Figure 3. Marketing investment courage and financial performance

As illustrated in Figure 3, marketing investment courage has a link to financial performance through enabling actual marketing investments. Marketing investment courage is on the one hand, a prerequisite for making marketing investments and on the other hand, increases the possibility of a firm to invest in marketing-related actions and sub-goals. The empirical part of the study concentrates on investigating the link between marketing investment courage and financial performance. This is done by first identifying main dimensions of marketing investment courage in terms of investment targets through factor analysis. Both courage to invest in marketing-related actions as well as courage to invest in marketing-related sub-goals are studied and the dimensions established include both.

After this, marketing investment courage profiles in terms of courage to invest in sets of marketing-related actions and sub-goals are identified and the financial performance of the firms having different marketing investment courage profiles are compared. The emphasis is on tracking whether the overall marketing investment courage profile has an effect on the firms' financial performance rather than tracking courage to invest in individual marketing-related targets and its effects on financial performance. A focus on the combined effects of marketing investments to financial performance has also been a notable recent development in the marketing investment literature. There are recent studies that take into account the combined effects of or interactions between investments in different marketing activities or mix elements, such as advertising and price promotions and their combined effect on firms' financial performance (e.g. Narayanan et al., 2004; Naik et al., 2005). However, this study provides another empirical approach into this discussion as it focuses on measuring marketing investments courage to invest in sets of marketing-related actions and sub-goals rather than actual investments and their effects on financial performance.

4. Empirical research: Data collection and methods

The following chapter describes the design of the empirical research conducted to answer the research questions. The objectives of the research as well as the research approach is described followed by a description of the data and the collection methods. The measures used in studying the research problems are presented and finally, the methods of analyzing the data are outlined. The results of the empirical research are presented in the next Chapter.

4.1 Objectives and research approach

The purpose of the empirical study was to explore marketing investment practices within Finnish firms in terms of courage to make investments in sets of marketing-related actions, to identify dimensions of marketing investment courage in terms of investment targets, identify and describe marketing investment courage profiles within Finnish firms and to study whether a link can be found between the found marketing investment courage profiles and financial performance. As a recap, the more specific empirical research questions were phrased as follows in Chapter 1:

What are the underlying dimensions of marketing investment courage in terms of investment targets?

What type of marketing investment courage profiles can be found among Finnish firms in terms of courage to invest in sets of marketing-related actions and sub-goals?

How can firms with different marketing investment courage profiles be characterized in terms of other attributes?

Can there be found differences in financial business performance between firms with different marketing investment courage profiles?

A mainly descriptive approach was chosen to best answer the research problem as the objective of the study was to describe the marketing investment practices in terms of investment courage among Finnish firms. For a descriptive research, a quantitative research approach was a natural choice and it was seen as most appropriate to reveal the overall picture of Finnish firms' marketing investment courage. This study also includes an explanatory part dealing with the link between the different investment courage profiles and financial performance. A further explanatory research studying the underlying reasons for certain types of marketing investment practices could be more appropriately studied through a qualitative research approach because it might be difficult to capture the essentials with structured questions (Malhotra & Birks, 2007 p.154). The subject could also be further investigated quantitatively through structural equation modeling to form a causal link between the underlying reasons and actual investment behavior.

To answer the research questions, the quantitative data collected through a web-survey were analyzed by using statistical analysis methods; factor analysis and cluster analysis, cross-tabulation, analysis of variance. First, the different dimensions of marketing investment courage in terms of investment targets were identified through factor analysis and the firms were profiled according to their courage to invest in sets of marketing-related actions and sub-goals. Second, these firms were described through various background variables using cross-tabulations and a link between firm performance and growth and the investment courage profile was studied through analysis of variance.

4.2 Questionnaire design

The questions used in the present study to examine the research questions were a part of a broad questionnaire studying the current state of sales and marketing management in Finnish companies. The final survey included questions regarding the company's courage to invest in marketing-related actions and sub-goals, the company's business performance and background information of the company and the respondent. In addition to this, the survey included questions not used in this study related to the company's business environment, the respondent company's position in it and the company's channel and network strategies. The part of the original questionnaire relevant to this study is presented in Appendix 1. The language used in the original survey was Finnish.

The questions related to marketing investments were designed based on an academic panel discussion where experts including marketing professors were asked to list first, concrete actions and second, sub-goals in which firms invest related to marketing, specifically to commercial activities. The concrete actions and sub-goals were listed separately because as was discussed in the theoretical part of the thesis, also the theoretical discussion related to marketing investments' financial impact is structured as an interplay between investments in marketing actions and marketing assets and capabilities that represent the sub-goals of marketing investments. Thus, it was also seen appropriate to investigate investment courage to invest in both marketing-related actions and sub-goals. This also allowed us to investigate the correlations between these two sets of questions.

The questions were formed to be relevant for different types and sizes of firms. The objective was that the questions would be general enough to apply to different types of companies but still to measure the selected areas accurately enough to capture a clear picture of the overall practices. The final question pattern included questions related to the most central aspects of marketing management; products and services, customers, marketing communication and distribution. Questions related to pricing were not included in the question pattern because changes in pricing do not directly require extra resources to be invested. However, from a strategic point of view also pricing decisions could be seen as investments as they always have an opportunity cost, meaning for example that the money lost through a price cut or a price promotion could have been invested in something else.

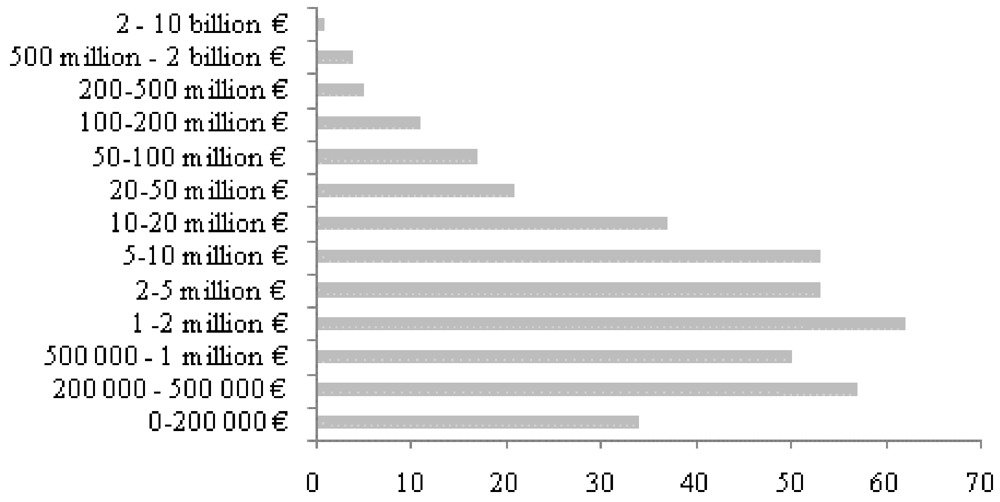
4.3 Data collection & description

The data for this study were collected in a web-based questionnaire and was collected from a sample of firms based in Finland. The data were self-reported by the firms' CEOs or general directors. A request to respond to the survey, implemented online, was sent by email to 5,000 potential respondents; to all persons with the title “CEO” or “general manager” and with an available email address in a list procured from a commercial list broker. A re-request to respond was sent to those that had not responded within 10 days. In total, 545 responses were received back. After deleting incomplete answers, the number of observations used in the analysis was 352, an *n* which allows proper statistical analyses to be conducted. The effective response rate was approximately 10%, which is a rather normal response rate for an online survey. Most of the respondents (69%) were CEOs, 20% were entrepreneurs and the rest of the respondents were marketing/sales/commercial managers.

The firms included in the final sample represented the firm population of the target country fairly well. With regard to the size of the firms in the sample, the number of personnel ranged from a couple of persons to over 5,000 persons, while the firms’ turnover ranged from below 200,000 euro to 10 billion euro. The main industries of the firms involved both consumer products and services and business-to-business products and services. However, as the sample was collected based on a list from a commercial list broker, the sample is not a random sample but rather a convenience sample which must be taken into account when generalizing the results of the study.

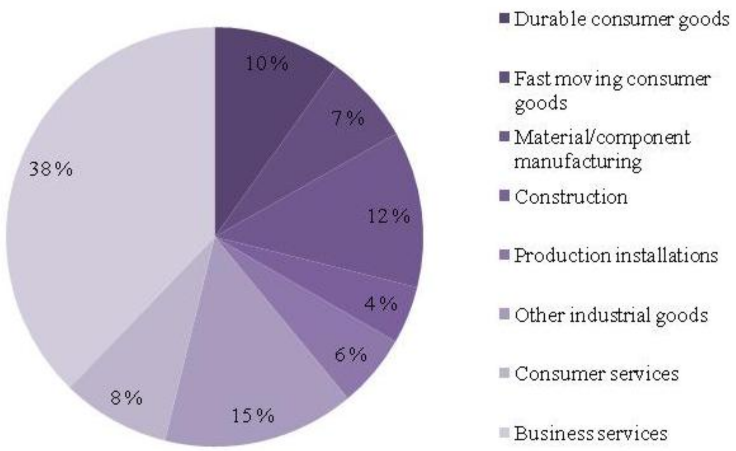
The main representativeness limitation relates to the fact that the very smallest firms (with one to five employees) were somewhat underrepresented in the list. In the final sample, firms with less than 20 employees represented 55% of the sample while in reality, 97% of the country's firm population are firms of this size. Nevertheless, the relative underrepresentation of the smallest firms (especially those of 1-5 employees) is a factor that can actually be considered to enhance the external validity of the results of this study. This is due to the fact that the sample in this study is likely to mostly include "real" business enterprises and include relatively fewer "sleeping" firms and lifestyle firms of one person or household. In the following, the data is described by company size and industry.

Figure 4. Respondent firms by turnover



In Figure 4, the respondent firms are presented by their turnover. Over 75% of the firms reported their turnover to be 10 million € or less, while only 5% of the firms had a turnover exceeding 100 million €. This reflects the situation on the Finnish market fairly well, as the average size of the companies measured by turnover is relatively small. The small size of the companies was also reflected when measured by the number of employees, as over 50% of the respondents reported the number of employees in the company to be 20 or less. However, the sample is still underrepresented with regards to the smallest firms as was discussed above. 10% of the respondent firms had a foreign parent company.

Figure 5. Respondent firms by industry



As can be seen from Figure 5, the sample firms represented a wide selection of industries. Business services was the biggest industry represented, 38% of the respondents reporting business services as their main industry. Other industries included durable consumer goods (10%), fast moving consumer goods (7%), material/component manufacturing (12%), construction (4%), production installations (6 %), other industrial goods (15%) and consumer services (8%). 21% of the respondents reported their business unit's primary business to be retailing.

4.4 Measures

The questions of special interest to this study, related to the firms' marketing investment courage, were measured by asking the respondent-manager to rate 29 statements on a Likert scale anchored by 0="strongly disagree" and 6="strongly agree". The managers were asked questions related to their courage to invest in marketing-related actions starting with "We have boldly invested in…" and questions related to their courage to invest in marketing-related sub-goals starting with "We have boldly invested in order to…". This way the questions reflected on the one hand, the objectives of the investments and on the other hand, the means of reaching the objectives. Self-estimation was seen as the most appropriate way of forming the questions as the focus of the study was to capture the aspects of subjective investment courage. The questions and the average answers are presented in Table 1.

	Investments in...
3.4	tailoring our products/services to certain parties
3.3	order to ascertain the continuation of some significant customerships
3.3	product/service development projects
3.1	order to acquire some significant cutomerships
3.1	order to develop our brand image within the target audience
2.9	training staff dealing with customers
2.8	personal communication campaigns
2.8	order to acquire first reference customers in some certain market area or segment
2.6	order to become suppliers in big corporations' production network
2.6	order to create awareness of our products/services/know-how among new audiences
2.6	increasing skilful customer service/consulting staff
2.5	increasing skilful staff doing product/service development
2.5	acruiring or developing IT-systems that support in managing customer relationships
2.4	order to train sales staff to produce and offer new product/service offerings
2.4	order to acquire customers and market share in new geographical / local markets
2.4	communication events
2.3	targeted communication campaigns
2.3	acruiring or developing IT-systems that support in customer acquisition
2.2	increasing skilful staff planning/implementing personal customer communication
2.1	order to define, test and pilot new types of product/service offerings in different market areas
1.9	order to become suppliers in big distribution channels in certain market areas or segments
1.8	increasing skilful staff planning market strategy
1.8	conducting market research
1.6	increasing skilful staff planning/implementing non-personal customer communication
1.5	order to acquire some multinational companies' filial companies' customership
1.5	establishing sales offices
1.3	order to become suppliers in international distributor/retailer networks
1.2	mass communication campaigns
1.1	acquiring companies from same or related branches

Table 1. Marketing investment targets and investment courage: Average answers

As can be seen from Table 1, the highest averages can be found regarding courage to investment in product/service development projects and customer acquisition while the lowest average is found on the question related to courage to acquire companies from the firms' own or related industries. The differences in the average answers can at least partly be explained by the subjective perception of what is included in each question and the absolute values are not further used in this study. Rather, the focus of the analysis is on categorizing the different questions and analyzing their relative importance within different groups of firms.

When it comes to measuring the financial performance of the firms, both absolute measures as well as measures relative to the previous year were used. The absolute measures were mainly used as background variables to reflect company size. To link the marketing investment courage profiles to financial performance, two relative measures were used.

First, the respondent was asked to report the *development* of turnover (i.e., turnover growth) of her firm last year, with the question: “How, approximately, did your company’s turnover develop last year from the year before?

- decreased more than 50%
- decreased 50-31%
- decreased 30-16%
- decreased 15-6%
- decreased 5-0%
- increased 0-5%
- increased 6-15%
- increased 16-30%
- increased 31-50%
- increased more than 50%

Second, the respondent was asked to subjectively assess the *development* of the operating income percentage of her firm last year, relative to the year before, with the question: “Compared to the year before last year, how did your firm succeed last year with regard to operating income %?

- much worse
- worse
- somewhat worse
- equally
- somewhat better
- better
- much better

The third measure used for firm performance was a measure of the “profitable growth” of the firm during the past year. With this measure, the two performance measures (sales growth and profitability) asked above were incorporated into a single measure. Specifically, the measure of profitable growth was a product of responses on the previous two questions. By creating a single measure, a dynamic measure of business performance development was created avoiding measuring absolute, static levels of sales or profits which would likely be explained e.g. by firm size. Thus, the third measure is expected to reflect firm performance independent of firm type or context.

To create the single measure, the responses to the first question were recoded to obtain a value corresponding to the mean of the indicated percentage range. The value was then standardized by dividing the value with double the standard deviation of all the values. The distribution of values obtained this way was, consequently, shifted to the right so that all the values would be positive. Responses to the second question were coded on an interval scale from 1-7, and values obtained this way were standardized by dividing the values with double the standard deviation of the values. The two standardized values per respondent-manager were then multiplied with each other to obtain a product value for profitable growth of the firm. The distribution of the product measure accorded approximately to normal distribution.

4.5 Methods of analysis

In the next section, the methods of analyzing the data gathered are presented. To answer the research questions, the quantitative data collected through a web-survey was analyzed by using statistical analysis methods; factor analysis, cluster analysis cross-tabulation and analysis of variance. The analyses were conducted by using SAS Enterprise Guide 4.0 software.

4.5.1 Factor analysis

Factor analysis is a multivariate statistical technique that aims at identifying a structure within a set of observed variables (Steward, 1981). In the analysis, relationships among sets of many interrelated variables are examined and represented in terms of a few underlying factors that explain the correlations among a set of variables (Malhotra & Birks, 2007 p. 646-647). In addition to identifying the underlying dimensions, factor analysis serves as a data reduction technique and can be used to minimize the number of variables for further research while maximizing the information in the analysis. It serves also as a method to search data for qualitative and quantitative distinctions and to test an *a priori* hypothesis about the number of dimensions or factors underlying a set of data. (Steward, 1981)

In this study, the objective of the factor analysis is to identify the underlying dimensions within marketing investment courage in terms of investment targets and to reduce the number of variables to be used in cluster analysis. The individual metrics serve as variables and the factors constructed represent the dimensions of marketing investment courage in terms of targets where Finnish firms invest in within marketing. Mathematically, each variable in the factor analysis is expressed as a linear combination of underlying factors (Malhotra & Birks, 2007 p. 647).

There are some preconditions that must be met to be able to use factor analysis as a method in analyzing data. The first condition is that the variables must be measured on an interval or ratio scale (Malhotra & Birks, 2007 p. 649). In this study, the questions regarding firms' courage to invest in marketing-related actions and sub-goals were measured on a 7-point Likert scale, so this condition is met. Another condition is that there should be roughly at least four or five times as many observations as there are variables (Malhotra & Birks, 2007 p. 649). In this study, the number of observations after deleting incomplete answers was 352 and the number of variables used in the factor analysis was 29, so also this condition is easily met.

For the factor analysis to be meaningful, the variables should also form a linear relationship and be correlated (Malhotra & Birks, 2007 p. 651). An appropriate test of how well the variables belong together and are thus appropriate for factor analysis is the Kaiser-Meyer-Olkin measure of sampling adequacy (MSA) (Steward, 1981; Malhotra & Birks, 2007 p.651). The index compares the magnitudes of the observed correlation coefficients with the magnitudes of the partial correlation coefficients and indicates whether the correlations between pairs can be explained by other variables (Malhotra & Birks, 2007 p.651). Steward (1981) sees MSA as one of the best methods to measure the appropriateness of factor analysis to analyze the data. Generally, if the index value exceeds 0.5, factor analysis can be seen as an appropriate method to be used in a study (Malhotra & Birks, 2007 p.651). In the present study, the overall MSA value reached 0.925 greatly exceeding the needed 0.5. Thus, factor analysis was seen as an appropriate method to analyze the data.

There are two general types of factor analyses; exploratory factor analysis and confirmatory factor analysis (Steward, 1981). Exploratory and confirmatory factor analyses tend to serve different methodological functions in multivariate research, exploratory factor analysis suiting better for theory generation and confirmatory factor analysis better for theory testing (Haig, 2005). Exploratory factor analysis seeks to uncover the underlying structure of a relatively large set of variables and is used when the researcher's *à priori* assumption is that any indicator may be associated with any factor (Garson, 2009). Exploratory type of factor analysis is the most common form of factor analysis in general (Garson, 2009) as well as in marketing research applications (Steward, 1981). Exploratory factor analysis was also used in this study because it is appropriate when the underlying dimensions of a data set are unknown and no predefined theory is tested (Steward, 1981).

Concerning the method of factor analysis, the principal components analysis (PCA), which is the most common form of factor analysis (Garson, 2009), was used in the present study. Principal component analysis was chosen over latent factor analysis because the main objective of the analysis was to reduce the data for cluster analysis. In principal component analysis, total variance in the data is considered and brought to the factor matrix and the method results in uncorrelated factors (Malhotra & Birks, 2007 p. 652; Garson, 2009). The principal components analysis is generally used when the primary concern is to determine the minimum number of factors that will account for maximum variance in the data for use in subsequent multivariate analysis (Malhotra & Birks, 2007 p. 652), which is also the aim of using the factor analysis in this study. The questions used as variables in the factor analysis included in total 29 questions related to the respondent firms courage to invest in different marketing-related actions and sub-goals. The courage to invest in marketing-related actions and sub-goals were throught to correlate in an unpredetermined way and the objective was to reduce the data in main components to identify the structure behind the variables and to facilitate the interpretability of the results of cluster analysis.

To enhance the interpretability of the factors, the factors were rotated using the orthogonal varimax procedure, which is the most common rotation method (Garson, 2009). In this procedure, the variables with high loadings on a factor are minimized and the variance of the squared loadings of a factor on all the variables in a factor matrix are maximized (Malhotra & Birks, 2007 p.652; Garson, 2009).

To determine the number of factors to be used, the Kaiser criterion, also known as the root criterion, is a widely used method (Garson, 2009; Steward, 1981; Malhotra & Birks, 2007 p.654). The Kaiser rule is to drop all components with eigenvalues under 1.0. Eigenvalue represents the amount of variance associated with the factor and thus factors with eigenvalue of less than 1.0 have no better explanatory power than a single variable because due to standardization, each variable has a variance of 1.0 (Malhotra & Birks, 2007 p.654). Another method of determining the number of factors is the scree test where the roots obtained from decomposition of the correlation matrix are plotted and the number of factors is determined based on the shape of the plot (Steward, 1981). According to Steward (1981), the type of analysis or rotation does not appear to be critical to the final solution in most situations but the extraction of too few or too many factors may have a dramatic effect on the outcome of the analysis. However, he notes that using the roots criterion and the scree test together can provide a very reliable and consistent indication of the number of factors to extract. In this study, both the Kaiser criterion and the scree test were used to determine the final number of factors. Using these guidelines resulted in five factors that together account for 61% of the total variance of the variables.

To interpret the results of the factor analysis, factor loadings are in a key position. A factor loading is simply the correlation between a variable and a factor and indicates the degree of correspondence between the variable and the factor

(Malhotra & Birks, 2007 p. 648; Garson, 2009). The factor loadings vary between -1 and 1, a higher loading denoting a higher correlation. In the academic literature, there has not been a clear opinion of how large the factor loading should be to include the variable in the factor to be interpreted and the opinions range from ±0.25 to ±0.70 (Garson, 2009). In this study, all variables reaching a factor loading of 0.50 or over were taken into account in the interpretation and those variables that did not meet this criterion on any of the factors, were removed. Due to loading below 0.50 on any of the factors, items ”Investments in establishing sales offices”, ”Investments in conducting market research” and ”Investments in order to define, test and pilot new types of product/service offerings in different (geographical) market areas”, were not taken into account in the interpretation. One of the variables, “Investments in order to acquire some multinational companies' filial companies' customership (in the hopes of acquiring other filials as future customers)” got a loading over 0.50 in two factors and it was included in both of the factors because the loadings were so similar.

Another parameter to be reported is communality (h^2), which measures the percent of variance in a given variable explained by all the factors jointly. It may be interpreted as the reliability of the indicator but its interpretation must be done in relation to the interpretability of the factors. In general however, low communalities across the set of variables indicate that the variables are little related to each other and that the factor model is not working well. (Garson, 2009) In the present study, the communalities varied between 0.46 and 0.82 for the final number of variables used and that was considered adequate.

4.5.2 Cluster analysis

Cluster analysis, also called segmentation analysis or taxonomy analysis, is a class of techniques used to identify homogeneous subgroups of cases in a population by seeking a set of groups which both minimize variation within the group and maximize variance between the groups (Garson, 2009). It is a common technique for developing empirical groupings of persons, products or occasions which may serve as the basis for further analysis (Punj & Steward, 1983). Cluster analysis can also be used as a data reduction technique to develop aggregates of data which are more general and more easily managed than individual observations (Punj & Steward, 1983).

In the present study, cluster analysis is used to identify configurations of companies that behave in a similar manner with regards to courage to invest in sets of marketing-related actions and sub-goals. According to Saunders (1994), cluster analysis has most successfully been applied using variables measured by interval or ratio scales. In this study, the factor scores formed through the previous analysis were used as a basis for the cluster analysis. The benefits of this approach are that it reduces the number of variables which have to be analyzed by the cluster analysis process and it can help the interpretation of the clusters (Saunders, 1994).

There are two types of measures to determine the similarity or difference of the observations in cluster analysis; distance measures and similarity measures. Distance measures seek for observations which are close together on all dimensions, whereas similarity measures examine the profile of the results (Saunders, 1994). The most commonly used distance method, the Euclidean distance, was used in the present study. The Euclidean distance is the square root of the sum of the squared differences in values for each variable (Malhotra & Birks, 2007 p. 675).

A nonhierarchical clustering method, K-means procedure, was chosen because this procedure is often preferred with large datasets (Garson, 2009; Malhotra & Birks, 2007 p.678). In nonhierarchical methods the number of clusters is decided in advance and the observations are reassigned to clusters based on the proximity of their centroids, in this case based on the Euclidean distance. The reassignment continues until every case is assigned to the cluster with the nearest centroid and the predetermined number of clusters is formed. Such a procedure implicitly minimizes the variance within each cluster. (Saunders, 1994; Punj & Steward, 1983) According to Punj & Steward (1983), the K-means procedure appears to be more robust with respect to the presence of outliers, error perturbations of the distance measures, the choice of a distance metric and least affected by the presence of irrelevant attributes or dimensions in the data than any of the hierarchical methods. Saunders (1994) advises to delete any observations where some answers are incomplete or an answer is missing before conducting a cluster analysis. This is what has been done in the present study.

A critical step in conducting the cluster analysis through a nonhierarchical method is determining the number of clusters. This can be done by examining within- and between-cluster variances, the relative sizes of the clusters and the interpretability of the results with different cluster solutions (Saunders, 1994; Malhotra & Birks, 2007 p.681; Punj & Steward, 1983). There are also many more sophisticated stopping rules of deciding the number of clusters, which have been widely tested by Milligan & Cooper (1985). One of the stopping rules included in their study, the cubic clustering criterion (CCC), is provided by SAS Enterprise Guide. The cubic clustering criterion is a measure of the deviation of the clusters from an expected distribution of points formed by a multivariate uniform distribution and measures the heterogeneity of the clusters. A higher value means higher heterogeneity and is preferred to a lower value. The analysis was performed with a number of clusters ranging from 2 to 6 because according to Saunders (1994), it is rare to find a cluster solution that would be statistically significant with over seven clusters. In the present study, all the cluster solutions had a negative CCC-value, which indicates a presence of multivariate outliers (Fernandez, 2003 p.134). The cluster solutions with 2 and 3 clusters resulted in the highest CCC-values and the cluster solution with 4 clusters was inferior to all other cluster solutions.

Another measure to determine the number of clusters provided by SAS Enterprise Guide is Pseudo F-statistic. It compares the goodness-of-fit of k clusters to *k*-1 clusters and highly significant values indicate that the *k*-1 solution is more appropriate than the *k* cluster solution. In the present study, the Pseudo F-statistic was increasing with a larger number of clusters indicating that a larger number of clusters would be preferable. Yet again, the cluster solution with 4 clusters was inferior to the other solutions with over 2 clusters. However, the differences in the Pseudo F-figures were not large. The distribution of the cases was most balanced with the 3 cluster solution, with 79, 139 and 134 respondents respectively. As the results of the stopping rule analysis was somewhat mixed and because a good overall picture was wanted, two different cluster solutions were decided to be taken to be further interpreted. The cluster solution with 2 clusters was considered too small to make any sophisticated conclusions. Finally, the two solutions chosen for further interpretation were the ones with 3 and 5 clusters. In the 5 cluster solution, the number of cases in each cluster was 67, 106, 77, 30 and 72 respectively.

To characterize the resulting clusters and to profile the companies comprising each cluster, a cross-tabulation was conducted between the clusters and contextual factors such as industry and company size by annual turnover and number of employees. The clusters were then characterized according to the deviations from expected values based on the overall distribution of observations.

4.5.3 Cross-tabulation & chi-square test

Cross-tabulation is a statistical technique that describes two or more variables simultaneously and can be used to examine frequencies and dependencies among variables. Cross-tabulation results in contingency tables that reflect the joint distribution of two or more variables that have a limited number of categories or distinct values (Malhotra & Birks, 2007 p. 516). In the present study, cross-tabulation is used to characterize the clusters formed through a cluster analysis and to profile the firms comprising each cluster according to certain background variables. Cross-tabulation is also used to test the internal validity of the cluster solution.

The statistical significance of the observed association in a cross-tabulation was tested by doing a chi-square test ($\chi 2$). To be able to use the chi-square test in a meaningful way, the number of expected frequencies in any cell should be preferably more than 10 and not more than 20% of the expected frequencies should be less than 5 (Malhotra & Birks, 2007 p.523). Garson (2009) also mentions that no cells should have a zero count. In the present study, there were cells with expected frequencies of less than 10 but not more than 20% of the expected frequencies were less than 5, and there were no cells with zero count so the Chi-square test could be used in a meaningful way. The most common type of chi-square significant test is Pearson's chi-square test (Garson, 2009) and this test was also used in the current study. By social scientists, a p-value of 0.05 or less is commonly interpreted as justification for rejecting the null hypothesis (Garson, 2009). This rule is also applied in the present study to determine whether the results of the cross-tabulation are statistically significant.

4.5.4 Analysis of variance

Analysis of variance is a statistical technique for examining the differences in the means of two or more populations (Malhotra & Birks, 2007 p. 546). It can be used to uncover the effects of categorical independent variables on an interval dependent variable (Garson, 2009). In the present study, multiple one-way analyses of variance are used to examine whether the clusters formed through the cluster analysis differ in terms of business performance and growth measured on different metrics.

Analysis of variance is based on examining the variation in the dependent variable to determine whether there is reason to believe that the population means differ. It does this by decomposing the observed variation in the dependent variable into variation due to within and between variation in the categories of the independent variables and the variation due to error. It can then be examined whether the observed variation is larger than would be expected by pure sampling variation and if it is, it can be concluded that this extra variation is related to differences in group means in the population.

The null hypothesis, H_0, is that the category means are equal in the population. The null hypothesis can be tested by the F-statistic that compares the different variation estimates. (Malhotra & Birks, 2007 p. 548-551) A probability value of 0.05 or less on the F test conventionally leads the researcher to conclude the effect is real and not due to chance of sampling (Garson, 2009). This rule is also applied in the present study to determine whether the results of the analysis of variance are statistically significant. A comparison of the category means will indicate the nature of the effect of the independent variable but for a more thorough examination for example Fisher's least significant difference test (LSD) that uses pair wise t-tests between groups should be conducted. By doing this, it can be examined between which groups the statistical differences can be found after the null hypothesis is rejected (Garson, 2009). The LSD test was also used in this study to see between which clusters the potential statistically significant differences can be found.

In analysis of variance, the dependent variable should be measured on an interval or ratio scale and the independent variables should be categorical. The categories of the independent variable are also assumed to be fixed. (Malhotra & Birks, 2007 p. 546-555) In the present study, the dependent variable was the cluster membership and the independent variables were all categorical. Some key assumptions in the analysis of variance are that the groups formed by the independent variables are relatively equal in size and have similar variances on the dependent variable. It also assumes that the dependent has a normal distribution for each value category of the independents. (Garson, 2009) In many data analysis situations, these assumptions are reasonably met (Malhotra & Birks, 2007 p.555). What comes to sample sizes, larger sample sizes give more reliable information and even small differences in means may be significant if the sample sizes are large enough (Garson, 2009).

4.6 Validity and reliability

Next, the validity and reliability of the research is discussed. Reliability refers to the consistency in reaching the same results when the measurement is conducted several times and validity refers to the degree to which the questions measure what they are supposed to measure (Webb, 2000).

The questionnaire was designed by academic experts of the research area which suggests a fairly good validity of the questionnaire. However, as the questionnaire used in this study had as such not been used in earlier studies, the validity of the questionnaire cannot be ascertained and it is hard to evaluate.

One concern that could also be raised in terms of the validity of the study would be related to the performance measures used. The performance measures used in this study were related to a short time-period (previous year vs. current year) while as it has been stated in the theoretical part of the thesis, the financial effect of investments can only be seen after some time has passed and the effects are usually of long-term nature. However, the questions related to courage to making the investments were not limited to any time period but was left for the respondents to determine. This way, the questions were thought to describe the overall situation fairly well, as the respondents could report their reflections of the marketing investments from a longer time-period while the effects were measured looking at the current situation. The decision to measure the questions in such a manner was done on purpose because the questions were designed to be as simple as possible to increase the response rate and to avoid non-answers to some of the questions. Increasing the time frame regarding the business performance questions could have resulted in a larger inaccuracy of the answers and in an increase of "don't know" answers.

In terms of reliability of the research, potential sources of error can be related to random sampling or to the responses. Random sampling error arises if the sample selected does not represent the population of interest in a meaningful way. Random sampling error can be defined as the variation between the true mean value for the sample and the true mean value of the population. (Malhotra & Birks, 2007 p. 83) In the present study, the sampling error was minimized by targeting the whole population of interest. However, the sampling frame was limited to those potential respondents having an available email address which may have caused a small error in the representativeness.

Other potential sources of errors in a research design are non-sampling errors which are related to non-responses or responses. A non-response error arises when some of the respondents included in the sample do not respond (Malhotra & Birks, 2007 p. 84). According to an often-used practice, non-response bias was controlled for by comparing the responses received after the first email request with those received after the second one. No statistically significant differences were found in this comparison, which suggests that non-response bias is not a serious concern in this study. A response error arises when respondents give inaccurate answers or their answers are mis-recorded or mis-analyzed by the researcher (Malhotra & Birks, 2007 p.84). As the method used in this study was an online survey, the researcher-based errors could be eliminated. To minimize the respondent-based errors, the questionnaire was carefully phrased and the wordings made as simple as possible.

To measure the internal consistency of the factor analysis which is commonly used as a measure of its reliability, the Cronbach's alpha method was used. Cronbach's alpha method is the most widely used measure for measuring the consistency of a scale and it measures internal consistency as the average of all possible split-half coefficients resulting from different ways of splitting the scale items. A Cronbach's alpha value of 0.6 or less indicates unsatisfactory internal consistency reliability and a value above 0.6 is generally accepted as a satisfactory value. (Malhotra & Birks, 2007 p. 358) In the present study, the smallest Cronbach's alpha value was 0.725, so the internal consistency reliability was considered good. All the Cronbach's alpha values are reported in Table 2 presenting the results of the factor analysis.

To measure the internal validity of the clustering solution, the cluster membership was cross-tabulated with certain background variables that were not included in forming the clusters. The probability of the cluster solution existing in practice is higher if the clusters differ also in terms of background variables (Saunders, 1994). Differences between the clusters formed in this study were found also in terms of background variables and both of the solutions interpreted were considered internally valid. The significance of each cross-tabulation was tested using the chi-square test and the results were concluded statistically significant. The results of the cross-tabulations for the two different cluster solutions can be found from Tables 4 and 6.

Accounting for the actions done to assure the reliability and validity of the research, the overall reliability and validity of the study was considered adequate.

5. Empirical research: Analysis & results

In this Chapter, the findings derived from the statistical analysis demonstrated in the previous Chapter are presented and discussed.

5.1 Factor analysis – Underlying dimensions in marketing investment courage in terms of investment targets

Through conducting the factor analysis with variables including investments in marketing-related actions as well as investments in marketing-related sub-goals, five factors were found representing the underlying dimensions of marketing investment courage in terms of investment targets. Both the variables related to the concrete marketing-related actions as well as the variables related to marketing-related sub-goals were put into the same analysis to form a complete picture of the dimensions reflecting marketing investment courage in terms of investment targets. Doing this also allows for investigating the correlations between the variables related to courage to invest in concrete actions and sub-goals which sheds light on the structure (means vs. objectives) behind the marketing investment practices.

The results of the factor analysis are presented in Table 2, where the investments in concrete marketing-related actions are marked non-italic and the investments in marketing-related sub-goals are marked with *italics*. The different questions in each factor are sorted by the factor loading, a higher factor loading indicating a higher degree of correspondence between the variable and the factor.

Factor1: Awareness creation and communication				
Metrics:"We have boldly invested…"	**Factor loading**	**h^2**	**Cronbach's Alpha**	**Variance explained**
In order to develop our brand image within the target audience	0.695	0.669		
In order to create awareness of our products/services/know-how among new audiences	0.692	0.615		
In targeted communication campaigns	0.677	0.527		
In order to train sales staff to produce and offer new product/service offerings	0.635	0.612	0.881	0.389
In order to acquire customers and market share in new geographical / local markets	0.573	0.546		
In personal communication campaigns	0.565	0.516		
In mass communication campaigns	0.561	0.611		
In training staff dealing with customers	0.504	0.559		
In communication events	0.503	0.459		

Factor2: Customer relationship and product/service development				
Metrics:"We have boldly invested…"	**Factor loading**	**h^2**	**Cronbach's Alpha**	**Variance explained**
In order to acquire some significant cutomerships	0.775	0.730		
In order to ascertain the continuation of some significant customerships	0.772	0.710		
In order to become suppliers in big corporations' production network	0.663	0.629		
In order to acquire first reference customers in some certain market area or segment	0.650	0.624	0.871	0.077
In product/service development projects	0.593	0.626		
In tailoring our products/services to certain parties	0.591	0.581		
In order to acquire some multinational companies' filial companies' customership (in the hopes of acquiring other filials as future customers)	0.534	0.604		

Factor3: Skilful workforce				
Metrics:"We have boldly invested…"	**Factor loading**	**h^2**	**Cronbach's Alpha**	**Variance explained**
In increasing skilful staff planning/implementing non-personal customer communication (other than customer service/consulting staff)	0.803	0.727		
In increasing skilful staff doing product/service development	0.732	0.691		
In increasing skilful customer service/consulting staff	0.567	0.562	0.846	0.054
In increasing skilful staff planning/implementing personal customer communication (other than customer service/consulting staff)	0.559	0.597		
In increasing skilful staff planning market strategy	0.509	0.581		

Factor4: Distribution networks and company acquisitions				
Metrics:"We have boldly invested…"	**Factor loading**	**h^2**	**Cronbach's Alpha**	**Variance explained**
In order to become suppliers in international distributor/retailer networks	0.724	0.617		
In order to become suppliers in big distribution channels in certain market areas or segments	0.603	0.622	0.725	0.046
In acquiring companies from same or related branches	0.576	0.456		
In order to acquire some multinational companies' filial companies' customership (in the hopes of acquiring other filials as future customers)	0.533	0.604		

Factor5: IT-systems for customer relationship management				
Metrics:"We have boldly invested…"	**Factor loading**	**h^2**	**Cronbach's Alpha**	**Variance explained**
In acquiring or developing IT-systems that support in customer acquisition	0.804	0.824	0.885	0.040
In acquiring or developing IT-systems that support in managing customer relationships	0.814	0.821		

Table 2. Factors representing dimensions of marketing investment courage

The five factors identified are distinct in their characteristics and the variables are spread so that most of the factors include both investments in concrete marketing-related actions and sub-goals. Together, the five factors explain in total 60.6% of the total variance of all the variables. The first factor is dominating the other factors in terms of explaining the total variance in all the variables, the first factor explaining 38.9% of the variance, while the rest of the factors all explain less than 10% of the variance. This is a normal situation in factor analysis and the first factor usually tends to determine most of the total variance. This suggests that the variables in the first factor have a lot of explanatory power within the the total set of variables. This does not, however, imply a lower explanatory power of the other factors within the sets of variables in the individual factors. After taking a closer look at the factors formed, the five different factors were named and summarized as follows:

Factor 1: Awareness creation and communication

The first factor includes high loadings on sub-goal variables related to courage to invest in awareness creation and brand image development and on action variables related to courage to invest in different types of communication campaigns. Also variables dealing with courage to invest in customer service and sales staff and its development were part of this factor. The correlation between the courage to invest in these action and sub-goal variables, assumed that the courage to invest also correlates with actual investments made, suggests that different means of marketing communication and customer service are used as tools to create awareness and build brand image. Furthermore, the brand building efforts are targeted to the whole target group whereas awareness creation efforts are done in order to attract new target groups or geographic locations. Compared to the other factors, this factor explains most, 38.9%, of the total variance in all the variables.

Factor 2: Customer relationship and product/service development

The second factor includes high loadings on sub-goal variables related to courage to invest in customer acquisition and relationship development and on action variables related to courage to invest in product/service development and modification. Thus, the courage to invest in right product/service offering correlates with courage to invest in customer acquisition as well as customer retention which suggests that product/service development is seen as a way to develop customer relationships. This factor explains 7.7% of the total variance in all the variables.

Factor 3: Skilful workforce

The third factor includes high loadings on only action variables all of them related to courage to invest in increasing skilful workforce for different types of functions. Thus, recruiting or training workforce appeared as a factor on its own rather than the different variables being part of some other factors. This suggests that firms have perceived increasing skilful workforce as a more general investment target rather than seeing themselves investing in having skilful staff in certain business functions and not others. This factor explains 5.4% of the total variance in all the variables.

Factor 4: Distribution networks and company acquisitions

The fourth factor includes high loadings on sub-goal variables related to courage to invest in becoming a supplier in distribution networks and on an action variable related to courage to invest in company acquisition. The focus of this factor is thus on increasing distribution networks and one concrete action for doing it relates to acquiring companies. This factor explains 4.6% of the total variance in all the variables.

Factor 5: IT- systems for customer relationship management

The fifth factor included high loadings on only two factors, both being action variables related to courage to invest in acquiring or developing IT-systems to support in customer acquisition or customer relationship management. IT-systems and their development for customer relationship management thus formed its own factor. This factor explains 4% of the total variance in all the factors.

All in all, the five factors found form a relatively clear picture of the dimensions of marketing investment courage in terms of investment targets and are thus a good base for grouping and profiling the firms according to their marketing investment courage through cluster analysis.

5.2 Cluster analysis – Marketing investment courage profiles

After identifying the different dimensions of marketing investment courage in terms of investment targets through the factor analysis, a K-means cluster analysis was conducted using the factor scores. The purpose was to identify different marketing investment courage profiles among the respondent firms in terms of courage to make investments in sets of marketing related actions and sub-goals. Two cluster solutions were chosen for interpretation to enable a more thorough analysis. The two solutions are examined separately followed by a discussion of the results. For each solution, the cluster means are first presented and the clusters are named and second, the clusters are characterized through background variables.

5.2.1 Cluster solution with three clusters

The clusters are interpreted through examining the cluster centroids that represent the mean values of the observations contained in the cluster on each of the factors. The final cluster centroids found in the three-cluster solution are presented in Table 3.

	Cluster 1 (N=79)	**Cluster 2** (N=139)	**Cluster 3** (N=134)
Awareness creation and communication	**1.090**	0.044	**-0.688**
Customer relationship and product/service development	**-0.546**	0.371	-0.063
Skilful workforce	**0.623**	**-0.513**	0.165
Distribution networks and company acquisitions	-0.130	**0.382**	**-0.320**
IT-systems for customer relationship management	0.229	**0.454**	**-0.606**

Table 3. Marketing investment courage profiles with three clusters

After analyzing the cluster centroids found in Table 2, the three distinct groups of firms were named and profiled as follows:

Cluster 1: Image builders

This group of firms invests courageously in investment targets related to awareness creation and communication. They also have courage to invest in skilful workforce. They do not focus on investing in customer relationship and product/service development. With this type of investment courage profile, the firms in this group seem to focus on building the company image and serving their customers in the best way through investing courageously in people rather than in product/service development. This cluster was the smallest in frequency, including 79 firms.

Cluster 2: Practical and traditional

This group of firms scores positively on all the dimensions of marketing investment targets except on investments in skilful workforce. Also the score on awareness creation and communication is quite low. The rest of the scores are positive and relatively equally distributed between investments in IT-systems for customer relationship management, customer relationship and product/service development and investments in distribution networks and company acquisitions. This type of investment pattern suggests that the firms in this group have courage to invest heavily in concrete targets such as products/services, customers and distribution channels rather than in intangible assets such as human capacity or company image. This cluster includes 139 firms and is thus the largest cluster.

Cluster 3: Non-investors

This group of firms has negative scores on all the dimensions except in courage to invest in skilful workforce which has a slightly positive score. The low scores on all dimensions suggest that the firms in this group have little courage to invest in any marketing-related dimensions or to report that they have been courageously investing in them. This group was almost as large as the second cluster with 134 firms.

The characteristics of each cluster were further explored by cross-tabulating the clusters with several key contextual dimensions, including company size in terms of annual turnover and number of employees and industry. The results of the cross-tabulation were also used to determine whether the cluster solution is internally valid. The probability of the cluster solution existing in practice is higher if the clusters differ also in terms of background variables (Saunders, 1994). The results of the cross-tabulation can be seen in Table 4.

	Image builders (N=79)	**Practical and traditional** (N=139)	**Non-investors** (N=133)	**Total**	**Chi-square test values**
Industry					
Durable consumer goods	15.2%	10.1%	5.3%	9.4%	
Fast moving consumer goods	6.3%	9.4%	6.0%	7.4%	
Material/component manufacturing	7.6%	12.2%	13.5%	11.7%	
Construction	3.8%	3.6%	4.5%	4.0%	$\chi2$=47.0 df=14 p<0.0001*
Production installations	5.1%	5.8%	5.3%	5.4%	
Other industrial goods	5.1%	18.0%	21.1%	16.2%	
Consumer services	21.5%	3.6%	2.3%	7.1%	
Business services	35.4%	37.4%	42.1%	38.7%	
Turnover					
< 1 million €	16.5%	28.1%	50.0%	33.8%	
1 - 10 million €	46.8%	48.9%	30.6%	41.5%	$\chi2$=33.6 df=14 p<0.0001*
10 - 100 million €	26.6%	17.3%	17.2%	19.3%	
> 100 million €	10.1%	5.8%	2.2%	5.4%	
Employees					
< 100	78.5%	83.5%	91.0%	85.2%	
100 - 1000	15.2%	12.9%	9.0%	12.0%	$\chi2$=10.2 df=4 p=0.0376*
> 1000	6.3%	3.6%	0.0%	2.8%	
Main business retailing					
Yes	29.1%	23.7%	13.4%	21.0%	$\chi2$=8.4 df=2 p=0.0151*
No	70.9%	76.3%	86.6%	79.0%	

*significant at 95% confidence level

Table 4. Characteristics of firms with different marketing investment courage profiles (3 clusters)

As can be seen from the Chi-square test results in Table 4, there are statistically significant differences between the clusters on all the variables tested. This suggests that the cluster solution is internally valid.

Based on an analysis of the cross-tabulation results, the clusters are further described, compared with the other clusters and analyzed in the following:

Cluster 1: Image builders

This group consists of mainly service firms, including both consumer service and business service firms. This group also includes more durable consumer goods manufacturers than the other clusters and there are more firms that have reported retailing to be their main business than in the other clusters. The average size of the firms belonging to this cluster is higher than in other clusters both in terms of turnover and number of employees. The profile of the cluster in terms of background variables seems consistent with the marketing investment patterns. The fact that this group of firms have courage to invest heavily in skilful staff is natural for service-related firms as the personnel is a key party in producing the services. The high score on courage to invest in awareness creation and communication can at least partly be explained by the larger size of the firms and the B2C-orientation in the firms' industries.

Cluster 2: Practical and traditional

This group consists of firms that much resemble the average respondent firm. The most common main industries of firms belonging to this group are business services, other industrial goods and material/component manufacturing. There are more firms that have fast moving consumer goods as their main industry in this cluster compared to the other clusters. The average firm size is medium in terms of turnover and number of employees. The fact that this group of firms is very "average" in terms of background variables is in line with their investment patterns mainly including bold investments in concrete actions rather than in intangible assets which may be seen as the traditional way of investing in marketing.

Cluster 3: Non-investors

This group of firms consists of firms operating in mainly B2B-industries, including business services, other industrial goods and material/component manufacturing. Firms belonging to this cluster had a higher percentage of firms having the above mentioned industries as their main industry than the other clusters. The firms in this cluster had fewer firms that considered retailing to be their main business than in the other clusters. The firm size in terms of turnover and number of employees is smaller than in the other clusters, 50% of the firms having less than 1 million € in turnover annually. The profile of this group in terms of background variables also fit well with their investment courage profile. The small average size of the firms as well as the concentration on B2B-industries probably explain the low scores on courage to invest in nearly all dimensions of marketing investment targets.

5.2.2 Cluster solution with five clusters

The final cluster centroids found in the five-cluster solution are presented in Table 5.

	Cluster 1 (N=67)	**Cluster 2** (N=106)	**Cluster 3** (N=77)	**Cluster 4** (N=30)	**Cluster 5** (N=72)
Awareness creation and communication	**-0.613**	**0.459**	**0.412**	**1.063**	**-0.989**
Customer relationship and product/service development	0.026	**0.493**	0.080	-0.956	**-0.438**
Skilful workforce	**-0.646**	-0.371	**0.396**	**0.964**	0.322
Distribution networks and company acquisitions	-0.161	-0.428	**1.332**	-0.832	-0.298
IT-systems for customer relationship management	**1.091**	**-0.540**	0.086	**0.960**	**-0.713**

Table 5. Marketing investment courage profiles with five clusters

After analyzing the cluster centroids found in Table 5, the five groups of firms were named and profiled as follows:

Cluster 1: Technical-focused

This group scores very high on the dimension related to courage to invest in IT-systems for customer relationship management. The only other positive score is on courage to invest in customer relationship and product/service development while all the other scores are negative. The lowest scores are on courage to invest in awareness creation and communication as well as on skilful workforce. This suggests that the firms in this group have courage to invest in rather technical items such as IT-systems and do not focus their efforts of investing in intangible assets. This cluster includes 67 firms.

Cluster 2: Customer-focused

This cluster has high scores on courage to invest in awareness creation and communication as well as on customer relationship and product/service development. All the other dimensions have a negative score, the lowest being in courage to invest in IT-systems for customer relationship management. Both of the dimensions this cluster scores high on included variables related to customer acquisition which suggests that the firms in this group focus on investing boldly in creating awareness and developing their offering, possibly in the hopes of increasing and developing their customer base. The means of doing so however, do not include investing in supporting technical tools, such as IT-systems. This cluster is the biggest with 106 firms in it.

Cluster 3: Market penetrators

This group of firms has positive scores on all the dimensions which suggest that the firms in this group are bold investors in general. The absolutely highest score can be found regarding investments in distribution network and company acquisitions which suggest a strong focus on investing in market penetration. Scoring positively on also the other dimensions suggests that the firms in this group also aim at growing their operations in general. This cluster includes 77 firms.

Cluster 4: Support builders

This group of firms has the most extreme scores; dimensions awareness creation and communication, skilful workforce and IT-systems for customer relationship management having highly positive scores and dimensions customer relationship and product/service development as well as distribution networks and company acquisitions having highly negative scores. This group resembles the “Image builders” group in the three-cluster solution by their investment courage profile but this group puts even more emphasis on skilful workforce, they also have courage to invest in IT-systems for customer relationship management and even less to the dimensions having negative scores (customer relationship and product/service development and distribution networks abd company acquisitions). One interpretation of this type of an investment pattern would be that the dimensions this group invests courageously on relate to supporting business functions that either help in growing operations or supports the firms’ business operations in a mature market. This is the smallest cluster with only 30 firms included.

Cluster 5: Non-investors

This group of firms scores negatively on all the other dimensions except on skilful workforce. This group very much resembles the group in the three-cluster solution that was named “Non-investors” and was thus named the same. This cluster includes 72 firms.

Also these clusters were further explored by cross-tabulating the clusters with key contextual dimensions. The results of the cross-tabulation can be found in Table 6.

	Technical-focused (N=67)	Customer-focused (N=106)	Market penetrators (N=77)	Support builders (N=30)	Non-investors (N=72)	Total	Chi-square test values
Industry							
Durable consumer goods	6.0%	11.3%	13.0%	13.3%	4.2%	9.4%	
Fast moving consumer goods	6.0%	3.8%	15.6%	3.3%	7.0%	7.4%	
Material/component manufacturing	9.0%	15.1%	11.7%	6.7%	11.3%	11.7%	
Construction	4.5%	1.9%	3.9%	10.0%	4.2%	4.0%	χ2=67.3 df=28 p<0.0001*
Production installations	1.5%	7.5%	9.1%	3.3%	2.8%	5.4%	
Other industrial goods	16.4%	17.9%	18.2%	3.3%	16.9%	16.2%	
Consumer services	4.5%	2.8%	7.8%	30.0%	5.6%	7.1%	
Business services	52.2%	39.6%	20.8%	30.0%	47.9%	38.7%	
Turnover							
< 1 million €	35.8%	40.6%	7.8%	23.3%	54.2%	33.8%	
1 - 10 million €	40.3%	43.4%	48.1%	36.7%	34.7%	41.5%	χ2=64.5 df=12 p<0.0001*
10 - 100 million €	19.4%	15.1%	27.3%	33.3%	11.1%	19.3%	
> 100 million €	4.5%	0.9%	16.9%	6.7%	0.0%	5.4%	
Employees							
< 100	88.1%	90.6%	64.9%	86.2%	95.8%	85.2%	
100 - 1000	10.4%	9.4%	23.4%	13.8%	4.2%	12.0%	χ2=45.4 df=8 p<0.0001*
> 1000	1.5%	0.0%	11.7%	0.0%	0.0%	2.8%	
Main business retailing							
Yes	20.9%	18.9%	31.2%	30.0%	9.7%	21.0%	χ2=12.1 df=4 p=0.0169*
No	79.1%	81.1%	68.8%	70.0%	90.3%	79.0%	
*significant at 95% confidence level							

Table 6. Characteristics of firms with different marketing investment courage profiles (5 clusters)

As can be seen from the Chi-square test results in Table 6, there are statistically significant differences between the clusters on all the variables tested. This suggests that also this cluster solution is internally valid (Saunders, 1994).

Based on an analysis of the cross-tabulation results, the clusters are further described, compared with the other clusters and analyzed in the following:

Technical-focused

Over 50% of the firms in this cluster have business services as their main industry. In terms of firm size measured by turnover and number of employees, they are very close to the average respondent firm. The heavy focus on business services as their main industry may explain the investment courage emphasis being on technical targets and especially on IT-systems that help in customer relationship management. In the business service industry, having technical tools to support in customer relationship management may be of key importance and the firms in this sector may thus see themselves investing courageously in this dimension.

Customer-focused

The firms in this cluster have business services as their main industry but there are more firms having material/component manufacturing as their main industry than in the other clusters and more than average firms having durable consumer goods and other industrial goods as their main industry. The size of the firms is smaller than the average. The small size of the firms as well as the wide scale of different industries represented suggests that these firms are growing SMEs which explains investment courage focused on increasing and developing their customer base.

Market penetrators

The firms in this cluster are less focused on business services compared to the firms in the other clusters. The firms in this cluster have durable consumer goods, fast moving consumer goods and other industrial goods as their main industry more than the average. Firms belonging to this cluster reported their main business to be retailing more often than the firms in the other clusters. In terms of business size, the firms in this cluster are biggest in terms of turnover and number of employees compared to firms in the other clusters. The large size of the firms in this cluster explains at least partly the high scores on all the dimensions and especially on bold investments in distribution networks and company acquisitions as the large size results in more resources to be invested in different types of marketing-related actions.

Support builders

The firms in this group operate mainly in the service sector with 60% of the firms' main industries being consumer (30%) or business services (30%). This group also has a bigger share of the firms working in durable consumer goods industry and construction compared to the other clusters and more than average reporting retailing to be their main business. The industry profile of this cluster suggests a more intense B2C-focus than with the other clusters. In terms of firm size, the firms belonging to this group are larger than the average respondent firm but smaller than the firms belonging to the "Market penetrators" group. This group resembles the "Image builder" group found in the three-cluster solution also by the background variables. The differences are that the firms in this group are somewhat smaller than the firms in the "Image builders" group and there are more firms having construction as their main industry. This group is also even more focused on the service industry which may explain the even stronger courage to invest in skilful workforce. The fact that this group has courage to invest more in IT-systems that support in customer relationship management than the "Image builders" group may be because of the smaller size of the firms in this group; this group is still developing the IT-systems while the "Image builders" already have the systems put in place and they only invest in developing them further.

Non-investors

This group of firms is very consistent with the "Non-investor" group found in the three-cluster solution consisting of firms operating in mainly B2B-industries, having few firms that considered retailing to be their main business and the firms sizes being the smallest of all the clusters. Also in this case, the small average size of the firms as well as the concentration on B2B-industries probably explain the low scores on courage to invest in nearly all dimensions of marketing investments.

5.2.3 Discussion

The two clustering solutions share some similarities and show some similar patterns in Finnish firms' investment practices in terms of courage to make investments in sets of marketing-related actions and subgoals. One interesting finding is that both of the cluster solution included a group of "Non-investors" that did not report investing boldly in any other dimensions than in skilful workforce. The firms in both "Non-investor" groups were small in size and concentrated in B2B-industries. This would suggest that in general, small B2B-firms do not tend to boldly invest in marketing-related actions nor sub-goals.

Another interesting finding was that clusters with a lot of service firms, especially those of medium-size, tended to invest boldly in IT-systems that support in customer relationship management. This could be seen most clearly in the investment patterns of groups "Technical-focused" and "Support builders". A conclusion to be drawn from this would be that IT-systems for customer relationship management might be seen as more important to service firms. Another note to be made is that courage to invest in awareness creation and communication tended to increase in firm size and with a high B2C-focus. One exception from this was the firm "Customer-focused" that consisted of relatively small B2B-firms from several industries that also had courage to invest in this dimension. But as was interpreted already in the previous section, these firms are probably growth firms that want to invest in this awareness creation and communication to acquire more customers. Also courage to invest in skilful workforce was stronger within firms from the B2C-industries and also to some degree within groups including firms from service-industries.

5.3 Analysis of variance – Performance implications

To examine whether the clusters formed through cluster analysis differ in terms of average business performance, one-way analyses of variance were conducted with three different variables measuring business performance and growth. These variables are described in the Measures section (4.4) in more detail. All of the variables are recorded so, that a larger number indicates better performance. The range of the first variable "Turnover development" was measured on a scale from

1 to 10, values of >5 indicating positive growth in turnover compared to previous year. The range of the second variable "Operating income % development" was measured on a scale from 1 to 7, values >4 indicating positive development from the previous year. The third variable "Profitable growth" ranges from 0 to 5.3, a larger value indicating better performance. The analyses were conducted separately for the two clustering solutions. The results of the variance analyses are presented in Table 7.

Cluster	**Turnover development**		**Operating income % development**		**Profitable growth**	
	Mean	Standard deviation	Mean	Standard deviation	Mean	Standard deviation
Image builders (N=79)	6.9	1.8	5.0	1.6	2.5	1.2
Practical and traditional (N=139)	6.9	2.0	5.3	1.5	2.6	1.2
Non-investors (N=134)	6.6	2.2	4.5	1.6	2.3	1.3
Total	6.8	2.0	4.9	1.6	2.5	1.3
F	0.74		7.36		3.01	
Significance	0.4779		0.0007*		0.0505	
Technical-focused (N=67)	6.8	2.0	5.2	1.4	2.6	1.3
Customer-focused (N=106)	6.8	2.1	5.0	1.6	2.5	1.3
Market penetrators (N=77)	7.1	1.9	5.0	1.5	2.6	1.2
Support builders (N=30)	6.9	1.4	5.0	1.5	2.5	1.1
Non-investors (N=72)	6.5	2.3	4.4	1.7	2.1	1.3
Total	6.8	2.0	4.9	1.6	2.5	1.3
F	0.95		3.10		1.58	
Significance	0.4371		0.0158*		0.1799	

*significant at 95% confidence level

Table 7. Financial performance between firms with different marketing investment courage profiles

As can be seen from Table 7, statistically significant differences between the mean values of each performance measures in each cluster were found only in terms of operating income % development. This difference was found in both clustering solutions. To examine between which groups the statistical differences exist, Fisher's least significant difference test (LSD-test), that uses pair-wise t-test between groups, was conducted. The results of the LSD-test show that in the three-cluster solution, the statistical differences in operating income % development can be found between groups "Practical and traditional" and "Non-investors", the "Practical and traditional" performing better in this performance measure. The LSD-test also shows a similar statistical difference between these groups in the profitable growth measure but the differences are not large enough between all the groups to cause the results of the analysis of variance to be statistically significant. In the five-cluster solution, the differences in operating income % development are found between "Non-investors" and "Technical-focused", "Customer-focused" and "Market penetrators", the "Non-investors" underperforming all of the latter clusters in this measure. The LSD-test also shows a similar statistical difference between "Non-investors" and "Technical-focused" and "Market-penetrators" in the profitable growth measure but once again, the differences are not large enough between all the groups to cause the results of the analysis of variance to be statistically significant.

Based on these results, it seems that the "Non-investors" tend to underperform some of the other groups in terms of profitability in both of the cluster-solutions. This would suggest that in general, higher investment courage to invest in sets of marketing-related actions and subgoals leads to better financial performance. Based on this analysis however, we cannot conclude whether the differences are caused by the different marketing investment courage profiles or some other causes. It is in any case interesting to see that there exist statistical differences in terms of profitability in this test, especially as the same results are found with conducting the analysis on both cluster-solutions.

6. Empirical conclusions

In this Chapter, the empirical conclusions are drawn and discussed based on the empirical results presented in Chapter 5.

The empirical sub-problems that were assigned were the following:

What are the underlying dimensions of marketing investment courage in terms of investment targets?

What type of marketing investment courage profiles can be found among Finnish firms in terms of courage to invest in sets of marketing-related actions and sub-goals?

How can firms with different marketing investment courage profiles be characterized in terms of other attributes?

Can there be found differences in financial business performance between firms with different marketing investment courage profiles?

To answer these questions, several statistical methods including factor analysis, cluster analysis, cross-tabulation and analysis of variance were used. Through factor analysis, 5 underlying dimensions in marketing investment courage in terms of investment targets were identified and the dimensions were named the following: “Awareness creation and communication”, “Customer relationship and product/service development”, “Skilful workforce”, “Distribution networks and company acquisition”, “IT-systems for customer relationship management”.

The respondent firms were then grouped in terms of their emphasis and courage to invest in the different dimensions through cluster analysis. To make a more thorough analysis, two cluster solutions including 3 and 5 groups, were formed from the respondents and used in the analysis. The marketing investment courage profiles formed through the three-cluster solution were named: “Image builders”, “Practical and traditional” and “Non-investors”. The marketing investment courage profiles formed through the five-cluster solution were named: “Technical-focused”, “Customer-focused”, “Market penetrators”, “Support builders” and “Non-investors”. The solutions with different numbers of clusters shared similarities which suggest a good validity of the cluster analysis. Thus, both cluster solutions can be used for further analysis and the solution chosen should depend on the level of accuracy requested. The different marketing investment courage profiles and their emphasis on the different investment targets are presented in Table 8.

3 clusters			5 clusters				
Image builders	**Practical and traditional**	**Non- investors**	**Technical-focused**	**Customer-focused**	**Market penetrators**	**Support builders**	**Non-investors**
+ Awareness creation and communication + Skilful workforce + IT-systems for customer relationship management	+ IT-systems for customer relationship management + Distribution networks and company acquisitions + Customer relationship and product/ service development + Awareness creation and communication	+ Skilful workforce	**+ IT-systems for customer relationship management** + Customer relationship and product/ service development	+ Awareness creation and communication + Customer relationship and product/ service development	**+ Distribution networks and company acquisitions** + Awareness creation and communication + Skilful workforce + IT-systems for customer relationship management + Customer relationship and product/ service development	**+ Awareness creation and communication** **+ Skilful workforce** **+ IT-systems for customer relationship management**	+ Skilful workforce
- Customer relationship and product/ service development - Distribution networks and company acquisitions	- Skilful workforce	- Awareness creation and communication - IT-systems for customer relationship management - Distribution networks and company acquisitions - Customer relationship and product/service development	- Skilful workforce - Awareness creation and communication - Distribution networks and company acquisitions	- IT-systems for customer relationship management - Distribution networks and company acquisitions - Skilful workforce		**- Customer relationship and product/ service development** **- Distribution networks and company acquisitions**	**- Awareness creation and communication** - IT-systems for customer relationship management - Customer relationship and product/ service development - Distribution networks and company acquisitions

Table 8. Marketing investment courage profiles and courage to invest in different marketing investment targets

The courage of each cluster to invest in different factors emphasizing different marketing investment targets is presented in Table 8. Factors with rather low values, either positive or negative, are marked in gray, whereas factors with very high loadings are marked in bold. As can be seen from Table 8, firms with different marketing investment courage profiles have courage to invest in different targets and in different number of targets. Such groups as “Practical and traditional” and “Market penetrators” tend to have courage to invest in several investment targets while “Non-investors” have courage to invest in only one target and not heavily even to that. To form a clearer picture of the groups with different investment courage profiles, the profiles were characterized by different background variables such as firm size and industry.

The cross-tabulation in Chapter 5 shows that groups with larger firms, such as “Image builders” and “Market penetrators”, have courage to invest more heavily on marketing-related targets in general. Also, groups that include firms in the service sector, such as “Technical-focused” and “Support-builders”, have courage to invest more in IT-systems for customer relationship management and groups that include firms in the B2C-sector, such as “Image builders” and “Support builders”, in awareness creation and communication more than others. The firms in the “Non-investor” groups were on average smaller in size and more concentrated on B2B-industries than the other groups. All in all, the classification sheds light on how firms with different business profiles have courage to invest in marketing-related targets.

When it comes to whether there were differences in financial business performance between firms with different marketing investment courage profiles, there were differences in all the measures (turnover development, operating income % development and profitable growth), but statistical differences only in terms of operating income % development. In terms of financial performance, “Non-investors” in both cluster solutions tended to underperform most of the other groups which suggests that higher courage to invest in sets of marketing-related actions and sub-goals leads to higher financial performance. However, as was mentioned before, based on this analysis, we cannot conclude whether the differences are caused by the different marketing investment courage profiles or some other causes.

7. Discussion

The main research problem of this study was to examine:

What is marketing investment courage and how can it affect firms' financial performance through actual marketing investments?

This study has provided a theoretical overview of marketing investments, their characteristics and targets, investment courage and the routes through which marketing investment courage can impact firms' financial performance through actual investments. The study also provided interesting empirical insights into the current marketing investment practices and courage within Finnish firms and how different marketing investment courage profiles can impact firms' financial performance.

While actual marketing investments and their impact on financial performance has been widely studied during the last decades as was discussed in Chapter 2, little attention has been paid to investigating managerial and organizational attitudes towards investing and their effects on firms' financial performance, especially within marketing context. Some studies include research on managers' general attitudes towards marketing and how that impacts company performance. Brooksbank et al. (1992), for example, found that just executives' positive attitudes towards marketing increased company performance in medium sized manufacturing firms in Britain.

Another more widely studied attitudinal orientation partly related to investing is entrepreneurial behavior and its effects on financial performance. The research around entrepreneurial behavior shows a positive relationship between firms' entrepreneurial orientation and financial performance (e.g. Zahra, 1993, Zahra & Covin, 1995, Lumpkin & Dess, 1996). However, these studies were not especially conducted in the context of marketing, and were not specifically related to investment behavior. This study has provided a new perspective on studying investments and their financial implications, taking into account an important organizational attitude towards investments; namely, investment courage needed to make actual investments. This study also focused on the marketing context, investigating firms' courage to invest in sets of marketing-related actions and sub-goals.

The strongest empirical finding about marketing investment courage and its relationship to financial performance was the existence of a "Non-investor" group that had very little courage to invest in any marketing-related actions and sub-goals. This group consisted of small- and medium sized firms on the B2B-industires. This finding would suggest that small firms in the B2B-industry do not tend to have courage to invest in marketing-related actions or sub-goals. Furthermore, the "Non-investor" group tended to underperform the other groups in terms of operating income % development. This finding would suggest that in general, there is a positive link between marketing investment courage and firms' financial performance. As marketing investment courage specifically and its effect on firms' financial performance have not been studied before, there are no specific earlier findings to reflect the findings of this study with. Some earlier findings partly related to investment courage, however, can be found for example related to managers' risk-taking and its effect on the pay-offs of investments. The findings are similar to the findings of this study in a sense that managers' risk aversion has been found to have a restrictive impact on productive investments (e.g. Sauner-Leroy, 2004). Thus, the findings show that a lack of managerial and organizational attitudes that encourage making investments seems to result in an inferior financial performance.

7.1 Managerial implications

The results of the study were provided some implications for managers. First, the theoretical and empirical examination shows that marketing expenditure can have a long-term impact on firms' financial performance and firm value which stresses that marketing expenses should be seen as investments rather than as a current expense. Second, the review of the characteristics of marketing investment in part 2.1 showed that planning the investments and their targets plays an important part in capturing the financial value of the investments. Thus, when investing in marketing-related actions, firms should use time in planning the investments from a strategic perspective to realize the financial gains.

Furthermore, the empirical investigation of the different marketing investment courage profiles and their comparison in terms of financial implications provides managers with a mindset of thinking about their organizational attitudes towards making investments and depict what types of financial implications these attitudes can have. The marketing investment courage profiles identified may also be used as benchmarks of how firms with different background variables currently have courage to invest in marketing-related actions and sub-goals in Finland. This can help managers to analyze their own practices and attitudes and to compare how they are in line with the general market. The dimensions of marketing investment courage in terms of marketing investment targets found through the empirical study can help managers in perceiving the potential investment targets within marketing and in planning their marketing investment portfolio.

7.2 Limitations and further research

In the current study, the research design limits making stronger conclusions regarding some findings of the empirical research. First of all, as the sample in this study did not completely represent the firm population of whole Finland, the results of this study should not be generalized without caution. Also, when studying the differences of financial performance between the firms with different marketing investment courage profiles, even though there were found some differences, valid conclusions of whether the differences were caused by the marketing investment courage profiles could not be drawn because of the possible effects of background variables. To validate the results, the research could be completed with firms with similar background variables having different marketing investment courage profiles. This would minimize the effect of background variables and stronger conclusions could be drawn if the results would show a similar relationship between financial performance and marketing investment courage profile. Replicating the study in a specific business industry or within firms of similar size would also provide interesting insights into whether the dimensions and profiles would be different compared to the current sample representing whole Finland. The results of a study conducted within certain types of firms would also offer clues of what type of an investment courage profile would be optimal in a certain business context measured by the financial impact.

The questionnaire used in the empirical research included a wide array of questions related to marketing investment targets but was not validated in previous research or specifically developed based on a theoretical framework. Thus, it would be useful to reexamine the questionnaire and validate that it captures the most important elements in studying the elements of marketing investment practices. It would also be interesting to conduct the same research in other countries to see whether the results are similar to the current study conducted in Finland. This would help in generalizing the results to be valid also outside Finland.

As was already discussed in part 4.6 when assessing the validity and reliability of the empirical research, the performance measures used in this study were related to a short time-period (previous year vs. current year) while the financial effect of investments can usually only be seen after some time has passed and the effects are usually of long-term nature. Using performance measures that capture the financial impact in a longer time-frame would be advised in future research. Furthermore, the current study did not study the financial impact of the marketing investment courage profiles in terms of firm value, which would be an interesting topic for further research.

As this research did not study the underlying reasons of investing or having courage in a certain manner, this would be an interesting topic for future research. This could be empirically studied through a qualitative research targeted to a sample of the companies taking part in the current study having different marketing investment courage profiles. The subject could also be approached quantitatively through structural equation modeling aimed at tracking the causal relationships between the reasons and actual investment behavior. The subject would also be interesting from a theoretical point of view, dealing with companies' decision making processes in the context of marketing investments.

This study started an interesting approach of studying firms' marketing investment practices in terms of organizations' subjective investment courage. Also the answers to the questions regarding financial performance development were self-reported by the respondents. This subjective approach could be further used in future research. It would also be interesting to conduct a study with the same sample that would measure the actual marketing investments made. The results could then be compared to get insights into how well the subjective courage reflects the real investment practices.

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Appendix: Questionnaire

Mikä on asemasi yrityksessänne? *Valitse asemaasi parhaiten kuvaava vaihtoehto.*

- toimitusjohtaja
- yrittäjä
- markkinointijohtaja
- myyntijohtaja
- asiakassuhdejohtaja
- kaupallinen johtaja
- myyntipäällikkö
- muu, mikä?

Onko yrityksellänne ulkomaista emoyhtiötä?

- Kyllä
- Ei

Mikä seuraavista kuvaa parhaiten pääasiallista toimialaa, jolla liiketoimintayksikkönne toimii? *Valitse yksi vaihtoehdoista.*

- kestokulutustavarat
- nopeasti liikkuvat (kerta)kulutustavarat
- materiaalit / komponentit
- rakennukset
- (tuotanto)installaatiot
- muut (teolliset) tuotantohyödykkeet
- kuluttajapalvelut
- yrityspalvelut

Onko liiketoimintayksikkönne ensisijainen liiketoiminta jälleenmyyntiä (retailing)?

- Kyllä

○ Ei

***Verrattuna edelliseen vuoteen*, kuinka liiketoimintayksikkönne menestyi seuraavilla mittareilla viime vuonna?**

0. paljon huonommin
1. huonommin
2. hieman huonommin
3. samantasoisesti
4. hieman paremmin
5. paremmin
6. paljon paremmin
7. en tiedä

liikevoitto

liikevoitto%

sijoitetun pääoman tuotto%

myyntivolyymi/liikevaihto

markkinaosuus

asiakastyytyväisyys

Kuinka paljon liiketoimintayksikkönne suunnilleen työllistää ihmisiä?

○ vähemmän kuin 20
○ 20-99
○ 100-299
○ 300-499
○ 500-999
○ 1000-4999
○ enemmän kuin 5000

Mikä suunnilleen oli liiketoimintayksikkönne liikevaihto viime vuonna?

- 0-200 000 euroa
- 200 000 - 500 000 euroa
- 500 000 - 1 milj. euroa
- 1 -2 milj. euroa
- 2-5 milj. euroa
- 5-10 milj. euroa
- 10-20 milj. euroa
- 20-50 milj. euroa
- 50-100 milj. euroa
- 100-200 milj. euroa
- 200-500 milj. euroa
- 500 milj - 2 mrd euroa
- 2mrd - 10 mrd euroa
- 10 - 20 mrd euroa
- 20-50 mrd euroa

Mikä suunnilleen oli liiketoimintayksikkönne tulos ennen veroja viime vuonna?

- negatiivinen / tappiollinen
- 0- 50 000 euroa
- 50 000 - 200 000 euroa
- 200 000 - 500 000 euroa
- 500 000 - 1 milj. euroa
- 1 -2 milj. euroa
- 2-5 milj. euroa
- 5-10 milj. euroa
- 10-20 milj. euroa
- 20-50 milj. euroa
- 50-100 milj. euroa
- 100-200 milj. euroa
- 200-500 milj. euroa
- 500 milj - 2 mrd euroa
- 2mrd - 10 mrd euroa

Miten liiketoimintayksikkönne liikevaihto kehittyi viime vuonna edellisestä?

- pieneni enemmän kuin 50 %
- pieneni 50-31%
- pieneni 30-16 %
- pieneni 15-6%
- pieneni 5-0 prosenttia

- kasvoi 0-5 prosenttia
- kasvoi 6-15%
- kasvoi 16-30%
- kasvoi 31-50%
- kasvoi enemmän kuin 50%

Miten liiketoimintayksikkönne tulos ennen veroja kehittyi viime vuonna edellisestä?

- voitollinen tulos pieneni enemmän kuin 50 %
- voitollinen tulos pieneni 50-31%
- voitollinen tulos pieneni 30-16 %
- voitollinen tulos pieneni 15-6%
- voitollinen tulos pieneni 5-0 prosenttia
- voitollinen tulos kasvoi 0-5 prosenttia
- voitollinen tulos kasvoi 6-15%
- voitollinen tulos kasvoi 16-30%
- voitollinen tulos kasvoi 31-50%
- voitollinen tulos kasvoi enemmän kuin 50%
- tulos oli tappiollinen sekä edellisenä että viime vuonna
- tulos oli tappiollinen edellisenä vuonna, mutta muuttui voitolliseksi viime vuonna

Mikä suunnilleen oli liiketoimintayksikkönne tulos ennen veroja viime vuonna?

negatiivinen	8-11 %	21-25 %
0-2 %	12-15 %	25-30 %
2-5 %	15-18 %	30-50 %
5-8 %	18-21 %	yli 50 %

Mikä suunnilleen oli liiketoimintayksikkönne sijoitetun pääoman tuotto toissa vuonna?

negatiivinen	8-11 %	21-25 %
0-2 %	12-15 %	25-30 %
2-5 %	15-18 %	30-50 %
5-8 %	18-21 %	yli 50 %

Koskien liiketoimintayksikköänne, missä määrin olet samaa mieltä seuraavien väittämien kanssa?

ASTEIKKO 0 = täysin eri mieltä... 6 = täysin samaa mieltä

	0	1	2	3	4	5	6
Olemme investoineet rohkeasti myyntikonttorien perustamiseen.							
Olemme investoineet rohkeasti massaviestintäkampanjoihin (esim. televisio, printti).							
Olemme investoineet rohkeasti kohdistettuihin viestintäkampanjoihin (esim. postitus, sähköpostitus).							
Olemme investoineet rohkeasti viestintätapahtumiin (esim. promootiotapahtumat, messut).							
Olemme investoineet rohkeasti kampanjoihin, joissa on tehty henkilökohtaista (myynti) viestintää/kampanjointia jonkin kohdearvoverkoston avainalueen toimijoiden keskuudessa.							
Olemme investoineet rohkeasti tuote-/palvelukehitysprojekteihin.							
Olemme investoineet rohkeasti tuotteidemme/palveluidemme räätälöintiin tietyille toimijoille.							
Olemme investoineet rohkeasti							

yritysostojen tekemiseen toimialaltamme tai rinnakkaisilta aloilta.							
Olemme investoineet rohkeasti markkinatutkimusten tekemiseen.	○	○	○	○	○	○	○
Olemme investoineet rohkeasti asiakashankintaa tukevien tietojärjestelmien hankkimiseen ja kehittämiseen.	○	○	○	○	○	○	○
Olemme investoineet rohkeasti asiakassuhteiden hoitamista tukevien tietojärjestelmien hankkimiseen ja kehittämiseen.	○	○	○	○	○	○	○
Olemme investoineet rohkeasti osaavan asiakaspalvelu/konsulttityövoiman lisäämiseen.	○	○	○	○	○	○	○
Olemme investoineet rohkeasti osaavan, henkilökohtaista asiakasviestintää tekevän työvoiman (muun kuin asiakaspalvelu/konsultointityövoiman) lisäämiseen.	○	○	○	○	○	○	○
Olemme investoineet rohkeasti osaavan, ei-henkilökohtaista asiakasviestintää suunnittelevan/toteuttavan työvoiman (muun kuin asiakaspalvelu/konsultointityövoiman) lisäämiseen.	○	○	○	○	○	○	○
Olemme investoineet rohkeasti osaavan tuote/palvelukehitystä tekevän työvoiman lisäämiseen.	○	○	○	○	○	○	○
Olemme investoineet rohkeasti osaavan markkinastrategiaa suunnittelevan työvoiman lisäämiseen.	○	○	○	○	○	○	○
Olemme investoineet rohkeasti	○	○	○	○	○	○	○

asiakkaiden kanssa tekemisissä olevien työntekijöiden kouluttamiseen.

Koskien liiketoimintayksikköänne, missä määrin olet samaa mieltä seuraavien väittämien kanssa?

ASTEIKKO 0 = täysin eri mieltä... 6 = täysin samaa mieltä

	0	1	2	3	4	5	6
Olemme tehneet rohkeita investointeja <u>tehdäksemme uusia yleisöjä tietoiseksi tuotteistamme/ palveluistamme/ osaamisestamme.</u>							
Olemme tehneet rohkeita investointeja <u>kaapataksemme asiakkaita ja markkinaosuutta uusilla maantieteellisillä/paikallisilla markkinoilla.</u>							
Olemme tehneet rohkeita investointeja <u>päästäksemme toimittajaksi joidenkin suuryritysten tuotantoverkostoon.</u>							
Olemme tehneet rohkeita investointeja <u>päästäksemme toimittajaksi joihinkin suuriin jakelukanaviin tietyllä markkina-alueella tai -segmentillä.</u>							
Olemme tehneet rohkeita investointeja <u>saadaksemme ensimmäiset (referenssi)asiakkaat tietyltä markkina-alueelta tai -segmentiltä.</u>							
Olemme tehneet rohkeita investointeja <u>hankkiaksemme joidenkin monikansallisten yritysten tietyn maan filiaalin asiakkaaksemme (muiden filiaalien myöhempi asiakkuus mielessä).</u>							
Olemme tehneet rohkeita investointeja							

päästäksemme joidenkin kansainvälisten jakelija-/jälleenmyyjäketjujen toimittajaksi.

Olemme tehneet rohkeita investointeja saadaksemme joitakin merkittäviä asiakkuuksia itsellemme.

Olemme tehneet rohkeita investointeja varmistaaksemme joidenkin merkittävien asiakkuuksien jatkuvuuden/pitkäaikaisuuden.

Olemme tehneet rohkeita investointeja kehittääksemme brändi-imagoamme kohdeyleisöjen keskuudessa.

Olemme tehneet rohkeita investointeja kouluttaaksemme markkinarajapinnan henkilöstöä uudentyyppisen tuote-/palvelutarjooman käytännön tuottajiksi ja myyjiksi.

Olemme tehneet rohkeita investointeja määritelläksemme, testataksemme ja pilotoidaksemme uudentyyppisiä tuote-/palvelutarjoomia eri (maantieteellisillä) markkina-alueilla.