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SMALL FIRM MARKETING:

An Analysis of Small Firm Marketing Approaches in Hong Kong

by

Wai Sum Siu

DURHAM UNIVERSITY BUSINESS SCHOOL

Thesis submitted to the University of Durham
in fulfilment of the requirements for
the degree of
Doctor of Philosophy
1997

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19 FEB 1998

ABSTRACT

Though there is common agreement that the universal principles of marketing are applicable to small firms, recent research findings (for example Siu and Kirby, 1995) suggest that the broad small firm marketing principles, specifically generated from the Western countries, may not be fully suitable for, and applicable to, some specific socio-cultural contexts, for example Chinese small firms in Hong Kong. This thesis examines small firm marketing in a non-Western context - Chinese small firms in Hong Kong - and particularly the effect of cultural influence. Methodologically, the research uses a multi-stage research approach - ethnographic research into 110 undisguised stories of successful Chinese owner managers, a mail survey of marketing practices of 158 Chinese small firms in Hong Kong and follow-up in-depth personal interviews with 26 Chinese owner managers to identify the effect of cultural influences. Theoretically, the research adopts an integrative approach - blending the process model and the contingency approach to build and advance small firm marketing theory.

The evidence of this thesis shows that the specific business environment of Hong Kong and the Chinese culture influence the marketing practices of Chinese small firms. Chinese owner managers perceive that networking, trust, creditworthiness and establishing reputation are of greater significance than marketing. Yuam, the sense of fatalism of Chinese, influences Chinese small firms not to undertake formal marketing research. The harmony with nature orientation influences the Chinese small firm owner managers to adopt a long term orientation and use steady growth marketing objectives. "Face" also makes the Chinese owner managers adopt less objective but more personal marketing control devices. A theory of Chinese small firm marketing is proposed and presented in Chapter 8.

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Various colleagues assisted in the preparation of this thesis. Mr. Gaius K. C. Tam coded the ethnographic reports and transcribed the follow-up interview scripts. Mr. Lewis L. F. Chau provided great supports in sampling. Dr. Peter McFetridge and Mrs. Priscilla Chu of City University of Hong Kong offered useful comments and suggestions for improvement to the mail survey questionnaire and follow-up interview schedule. Dr. John Dickinson of York University, Canada, provided invaluable advice on the use of the statistical multivariate analysis methods during his sabbatical leave in Hong Kong Baptist University.

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It is with all my love that I dedicate this piece of work to Him and my family.

Wai Sum Siu
March, 1997

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CHAPTER 1: INTRODUCTION

1.0 Introduction

Though there is common agreement that the universal principles of marketing are applicable to small firms, recent research findings (for example Siu and Kirby, 1995) suggest that the broad small firm marketing principles, specifically generated from the Western countries, may not be fully suitable for, and applicable to, some specific socio-cultural contexts, for example Chinese small firms in Hong Kong. Cannon (1991) suggests that the role and behaviour of the entrepreneur in the development of marketing, for example, the mechanism by which the marketing decisions are made, and the skills and aptitudes which underpin it, have received little attention. It is widely held that the key to successful small firm marketing is the owner-manager. Thus, it is vital that research into small firm marketing should understand the cultural value orientation of the owner managers - why they behave as they do and how they make their decisions and choice, under cultural influences. This research is, therefore, an attempt to understand small firm marketing in a non-Western context - the marketing practices of Chinese small firms in Hong Kong.

1.1 Background

Recent years have witnessed a change in attitudes to small businesses and entrepreneurs among policy makers, managers and academicians. Management writers (for example Brown, 1986; Cameron, 1986; Dewhurst and Burns, 1989; Waterworth, 1987) generally conclude that marketing and finance are crucial factors for small businesses development and growth. Though the basic principles of marketing are universally and equally valuable to both large and small businesses,

academic research into the marketing/entrepreneurship interface has been addressed only recently (Davis, Hills and LaForge, 1985). Since then, research studies (for example Brown, 1986; Carson, 1985; Carson and Cromie, 1989) into marketing in small business have proliferated. Nonetheless, the accumulation of empirical evidence which refers to marketing in small business has been generated in an “ad hoc” manner as a consequence of the general absence of a systematic approach to the subject (Cannon, 1991). Insufficient knowledge about marketing in small business remains (Davis and Klassen, 1991) and an appropriate marketing theory in small business, specifically related to the understanding and knowledge of strategic marketing, is absent (Hills, 1987; Wortman, 1987; Romano and Ratnatunga, 1995).

The literature in small firm marketing, where it exists, is largely descriptive or pedagogical (Kenny and Dyson, 1989; Waterworth 1987). To date, most of the discussions focus on the interface between entrepreneurship and small business (Wortman, 1986) and marketing and entrepreneurship (Hills, 1987; Hisrich, 1989; Wortman, 1987). The basic assumptions of these approaches are either marketing and small business management are different in some extent or similar in some common areas. Following these assumptions, it appears futile to attempt to construct a 'model' of marketing behaviour in small firms, since it could never be applied to specific economic and business situations without losing its relevance to others.

Hence, to date no theory of marketing in small business has been put forward. As will be shown later (Chapter 2), management writers and researchers seeking to explain the relationship between marketing and small business have tended to use four schools of thought or sets of approach: the stages/growth model of small firms (Churchill and Lewis, 1983; Tyebjee, Bruno and McIntyre, 1983), the management style of the owner managers (Carson and Cromie, 1989; Ford and Rowley,

1979), marketing as one of the management functions (Colleran, 1985; Waterworth, 1987), and the contingency approach (Brooksbank, Kirby and Wright, 1992; Carson, 1990). A framework or platform which encompasses the present disparate channels of enquiry in a dynamic way is useful and constructive to clarify the position and contribution of each discipline in the context of the others. Thus, in this context, an integrative approach - blending the process model (Brooksbank, 1990) and the contingency approach (Brooksbank, Kirby and Wright, 1992) - is proposed to build and advance small firm marketing theory. This thesis reports the use of the integrative approach in studying marketing in Chinese small firms in Hong Kong.

1.2 An Outline of the Research

1.2.1 Research Objectives

It is widely believed that the influences of Chinese culture prevail in Chinese small firms - mostly family business (Redding, 1990; Wong, 1985) and shape the marketing activities of Chinese small firms. Thus, based on the investigation of marketing practices of small firms in Hong Kong, this research seeks to

- 1) examine the marketing activities and practices of Chinese small firms in Hong Kong, and how marketing affects Chinese small firm performance;
- 2) identify the differences and similarities between Western (for example the United Kingdom) and Eastern (for example Hong Kong) marketing tenets, for example the use of strategic marketing analytical techniques and marketing planning tools; and
- 3) investigate the effect of Chinese cultural values on small firm marketing.

1.2.2 Research Stages

In order to achieve these three objectives, the research is divided into four different stages. Each stage has its own purpose and methodology. Stage One reviews the literature on the subject for the purpose of understanding the “state of the art” of small firm marketing and Chinese cultural values.

The objective of Stage Two is to identify the marketing activities of Chinese small firms in Hong Kong using an ethnographic approach. The findings are used as an input to understand the subject matter in more depth and also to facilitate questionnaire design and hypothesis formulation for further investigation.

In addition to the ethnographic approach, Stage Three involves a mail survey of owner managers or the chief marketing executives in Chinese small firms in Hong Kong. This thesis argues that the marketing tenets developed in the Western culture may not be suitable to Chinese small firms. Thus, a comparison with the findings of a major research project into Western small firm marketing (Brooksbank, Kirby and Wright, 1992) is presented to identify the similarities and differences between Western (the United Kingdom) and Eastern (Hong Kong) marketing practices. Two computer software packages, the Statistical Package for the Social Sciences (SPSS) and Statistical Analysis System (SAS), are used to analyse the survey findings. Based on the assumption that the differences are due to cultural values, a tentative model linking cultural values and specific marketing practices is constructed.

Stage Four focuses on the findings from a series of follow-up personal interviews to test the proposed model. The interviews are transcribed and the transcripts are analysed by the grounded-

theory approach with the assistance of a computer software package for qualitative data analysis - NUD.IST (Nonnumerical Unstructured Data Indexing Searching and Theory-building).

1.3 The Structure of the Thesis

There are eight chapters in this thesis. This chapter, Chapter One, provides an insight to the philosophy which underpins the study and acts as a guide map to the thesis. Chapter Two gives a comprehensive review of the literature on approaches of small firm marketing. Chapter Three addresses the research rationale, research questions and research objectives. It also describes the research design and research methodology. It provides the rationale for choosing a specific method and technique for each stage of the research. It also discusses the theoretical framework underpinning the approach and describes the quantitative and qualitative approaches used in analysing the data.

As this research examines the case of applying Western marketing practices in a Chinese socio-cultural environment, Chapter Four gives a profile of Hong Kong and its business environment, specifically related to the influence of Chinese cultural values on small firms in Hong Kong. Chapters Five to Seven discuss the results from each stage of the research. Chapter Five presents the findings of the ethnographic research, discussing the specific marketing practices and implications of the findings. Chapter Six provides the findings of the mail survey on Chinese small firm marketing. Chapter Seven introduces a discussion of the research on the subject of cultural influence on marketing. The empirical findings are supported with personal interviews.

The final chapter, Eight, provides a concluding summary of the research, its contributions, the research limitations, and suggests a theory of Chinese small firm marketing, before going on to discuss further issues which need to be addressed..

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter provides a critical review of the research into the role and process of marketing in small firms and attempts to classify the existing studies. In so doing, it identifies four approaches, namely the stages/growth model (Churchill and Lewis, 1983; Tyebjee, Bruno and McIntyre, 1983), the management style model (Carson and Cromie, 1989; Ford and Rowley, 1977), the management function model (Colleran, 1985; Waterworth, 1987), and the contingency approach (Brooksbank, Kirby and Wright, 1992; Carson, 1990; Cox, Hooley and Lynch, 1994). From this, it suggests a theoretical framework to advance theories in small firm marketing.

2.1 Current Research into Small Firm Marketing

Though the basic principles of marketing are universally and equally valuable to both large and small businesses, academic research into the marketing/entrepreneurship interface has been addressed only relatively recently (Davis, Hills and LaForge, 1985). While research studies (for example Carson, 1985; Carson and Cromie, 1989) into marketing in small business have proliferated, empirical evidence has been generated in an 'ad hoc' manner, as a consequence of the general absence of a systematic approach to the subject (Cannon, 1991). Insufficient knowledge about marketing in small business remains (Davis and Klassen, 1991, Hills and LaForge, 1992) and an appropriate small firm marketing theory, specifically related to the understanding and knowledge of strategic marketing, is absent (Hills, 1987; Hisrich, 1989; Wortman, 1987). The literature, where it exists, is largely descriptive or pedagogical (Brown, 1986; Kenny and Dyson, 1989; Waterworth, 1987) and the absence of a coherent framework for analytical consideration is largely explained by the dynamic nature of marketing science

(Baker, 1985a and 1985b) and the absence of an acceptable definition of small business (Brooksbank, 1991). Most of the discussions are at the interface between entrepreneurship and small business (Wortman, 1986) and marketing and entrepreneurship (Dickson and Giglierano, 1986; Slater and Narver, 1995). Some studies (for example Davis, Morris and Allen, 1991; Miles and Arnold, 1991; Morris and Paul, 1987; Smart and Conant, 1994) have confirmed that the marketing orientation and the entrepreneurial orientation are related. Nevertheless, the specific marketing/small business interface has not been examined with any great depth, though Romano and Ratnatunga (1995) have provided a literature base on the role of marketing in small enterprise research. This reveals the main research thrusts but fails to identify their respective strengths and weaknesses. Thus, the present chapter attempts to present a critical review of the existing approaches to marketing in small business and go some way towards addressing the gap identified by Romano and Ratnatunga (1995, p. 24), namely “the absence of a structured literature base which designated the relevant linkages and established the nature and weight of marketing on small enterprise research”. Table 2.1 summarizes the characteristics of the four approaches, as indicated on page 6, to small firm marketing which are reviewed in this chapter, before proposing an approach for advancing theories on small firm marketing.

Table 2.1: Marketing in Small Firm:

A Detailed Comparison Among Four Approaches

Streams or Categories Emphasis	Stages/Growth Model		Management Style Approach			Management Function Approach			Contingency Approach	
	Traditional	Environmental	Pull	Push	Behavioural	Business Function	Planning Component	Business Philosophy	Small Business Orientation	Marketing Orientation
Marketing	Organizational Changes	Marketing Responses	Environmental Influences	Personal Characteristics	Organizational Culture	Solve Management Problem	Assist Strategic Planning	Strategic Marketing Concept	Limitation of Small Business	Marketing as a Discipline
Unit of Analysis	Functional Problems	Business Philosophy	'Look After Itself' Marketing	'Entrepreneurial' Marketing	'Organizational' Marketing	Tactical Marketing Concepts	Small Share or Low Cost Marketing	Strategic Marketing	Specific Paradigm	Normative Marketing
Representative Literature	Organizational Structure and Strategy	Marketing Structure and Strategy	External Publics	Psychographic Characteristics	Organizational Culture	Marketing Department or Managers	Entrepreneurs or Owner-Managers	Small Firm	Small Firm	Marketing Discipline
	Churchill & Lewis (1983); Kazanjian (1984); Flamholtz (1986)	Tyebjee, Bruno, & McIntyre (1983); Carson (1985)	Scase & Goffee (1980); Watkins & Blackburn (1986)	Ford & Rowley (1977); Smart & Conant (1994)	Carson & Cromie (1989); Morris & Paul (1987)	Broom & Longenecker (1979)	Franz (1978); Ames & Wellsfy (1983)	Waterworth (1987); Colleran (1985)	Carson (1990); Carson et. al. (1995)	Möller & Anttila (1987); Brooksbank, Kirby & Wright (1992)

2.2 The Stages/Growth Model

Historically, management researchers (for example, Greiner, 1972; Adizes, 1989) have adopted general growth models to study the business activities of firms. Specifically, some (Churchill and Lewis, 1983; Scott and Bruce, 1987; Steinmetz 1969) have developed growth models to depict the business activities of small firms. The principal focus has been upon the types of problem encountered and the consequent business activities and marketing behaviour of the small business or owner manager (Churchill and Lewis, 1983; Cooper, 1982). Such approaches can be classified as 'marketing as a functional problem' and 'marketing as a business philosophy'.

2.2.1 Marketing as a Functional Problem

The early studies of small business growth and development placed emphasis on organizational development (Churchill and Lewis, 1983), strategic operational decisions (Kazanjian, 1984) and corporate culture (Flamholtz, 1986). As such, marketing was seen as only one of the research areas, not the major research thrust. Churchill and Lewis (1983) identify five stages in the development of a firm. These are: Existence, Survival, Success, Take-off and Resource Mature. Marketing is believed to exist as a major issue in the "Existence" stage only. The owner manager at this stage takes charge of the marketing and sales activities. A marketing system does not exist in the firm. As the small firm grows, marketing becomes a minor issue. A marketing system develops and becomes systematised and formalised. Professional-managers replace the owner manager and take charge of the immediate marketing and sales functions. With growth, marketing decreases from 'critically important' to 'modestly irrelevant'. Kazanjian (1984) attempts to identify the strategic

operational or structural problems associated with different stages in the development of new technology-based ventures. A four stage model is proposed. Marketing, though being regarded as an active ingredient for company growth (Levitt, 1983), only comes to the fore in Stage 3. This includes developing market share and providing product support and customer services. The predomination of sales and marketing in Stage 3 is typified by growth and the attainment of profitability. However, in Stage 4, the marketing task is to develop a second generation of product. Marketing is identified as a derivative of business strategies. Flamholtz (1986) uses the organizational culture approach to put forward a seven-stage model of organizational growth and development. Only the first four stages are relevant to this discussion as they depict the behaviour of small business. They are New Venture, Expansion, Professionalism and Consolidation. Marketing, the identification and definition of a market niche and product and services development, receives attention in Stage 1, but its importance decreases alongside firm growth. Marketing is not given an important role in the firm's growth management. Market positioning, niche marketing, market segmentation, and marketing surveillance are treated as minor or secondary strategic tactics.

2.2.2 Marketing as a Business Philosophy

More recently, researchers have argued that persistent market planning is a prerequisite for success alongside growth and have shifted the research thrust to proactive marketing strategies (Tyebjee, Bruno and McIntyre, 1983) and the marketing evolution process (Carson 1985). This emphasis upgrades marketing from a functional to a strategic level and also argues that it should be proactive, not reactive. Tyebjee and his colleagues use the development process and evolution concept to depict the changes in marketing activity alongside company growth. Four different stages are identified: Entrepreneurial Marketing,

Opportunistic Marketing, Responsive Marketing, and Diversified Marketing. Marketing develops from the functional to corporate level and plays a key role in the firm's strategic decision making. Thus, the importance of marketing increases alongside company growth and the marketing activities change in response to environmental changes.

Carson (1985) argues that marketing constraints and limitations, namely limited resources, lack of specialist expertise and limited impact on the market place, apply to most small firms. These limitations, combined with small business characteristics, influence their marketing practices. Thus, marketing in small businesses is different from that in larger firms. Carson further incorporates the life cycle model and evolution concept to identify a four-stage evolutionary process of marketing. He suggests that these stages are 'Initial Marketing Activity', 'Reactive Selling', 'The DIY Marketing Approach', and 'Integrated Proactive Marketing'. Marketing does not exist or, at best, is performed in a very primitive fashion in new small firms. Successful small firms grow and evolve from a responsive and disjointed organization to a firm with an integrative and proactive approach to marketing, while marketing activities evolve from entrepreneurial marketing to professional marketing.

2.3 The Management Style Approach

Management writers (Cannon, 1980; Watkins and Blackburn, 1986) suggest that environmental factors and small firm size make the owner-manager act as a responsive marketer. Nevertheless, some researchers (for example, Ford and Rowley, 1979; Smith, 1967) argue that the marketing behaviour of small firms is related to the personal characteristics of the owner manager. More recently, academic researchers (for instance,

Carson and Cromie, 1989; Covin and Slevin, 1988 and 1989) have proposed that the organizational structure and the strategic marketing posture of the firm influence company performance. Such approaches to small firm marketing can be classified as 'look after itself' marketing, 'entrepreneurial' marketing, and 'organizational' marketing.

2.3.1 'Look After Itself' Marketing

Management researchers (for example, Churchill and Lewis, 1983; Cannon, 1980) postulate that the marketing capabilities of small firms and the attitudes of owner-managers are important elements in the start-up stage only. The importance of analysis and planning to marketing presents the first problem for the 'responsive', 'fire-fighting' small-firm manager, as the small firm owner's life is based on day-to-day survival rather than following a well thought-out marketing plan (Scase and Goffee, 1980). However, a number of factors hinder the further development of marketing in small firms. Among others, they include the technical or engineering background of many managers, their reluctance to recruit outside specialists, and their reservations about the applicability of certain notions of marketing to what they believe to be their 'special' circumstances. Additionally Watkins and Blackburn (1986) suggest that the craft-based skills of entrepreneurs, subcontracting nature of small firms and small customer base have constraining effects on the range and scope of the marketing activities a company can use. After the start-up stage, owner-managers often see selling the enterprise's products and services as unproblematic. Advertising and marketing research are frequently rejected because owner-managers perceive them as expensive, difficult to quantify, and an indicator of a poorly run business (Curran, 1988; Watkins and Blackburn, 1986). This explains why many small firms appear not to have a strong marketing orientation and reviews

of the literature reveal that small firms are 'pulled' into this 'look after itself' type marketing by the external environment and the organizational structure of the business.

2.3.2 Entrepreneurial Marketing

It is also suggested that the marketing behaviour of small firms is 'pushed' by the owner-managers' personal characteristics. Smith (1967) identifies two types of entrepreneur: craftsman entrepreneurs and opportunistic entrepreneurs. Craftsman entrepreneurs make use of personal relationships in marketing whilst opportunistic entrepreneurs are very much market oriented, continually seeking new possibilities and new opportunities. The firms founded by 'opportunistic entrepreneurs' tend to experience much higher growth rates than those of the 'craftsmen entrepreneurs'. The empirical findings of Smart and Conant (1994) reveal that business people with higher entrepreneurial orientation report greater possession of distinctive marketing competences. It seems that the personal characteristics of entrepreneurs and the marketing behaviour of small firms are related, to some extent. The misconception of many owner-managers of marketing also makes them take a negative approach to the markets they are serving (Brown, 1984). Ford and Rowley (1979) suggest that the marketing behaviour of small firms appears to be related to the motivation, belief, attitude and the objectives of the owner manager, and also influenced by the limitations and constraints of the small business.

2.3.3 Organizational Marketing

According to Leppard and McDonald (1987) the development and role of marketing planning alongside the firm's evolution are attributed to the influence of the organization culture, as well as external factors. Entrepreneurship researchers (Stevenson, Roberts and Grousbeck,

1985; Stevenson and Sahlman, 1986 and 1989; and Wilken, 1987) propose the use of a behavioural approach to add new knowledge. They suggest that successful entrepreneurs are those who perceive opportunity, find the pursuit of opportunity desirable in the context of their life situation and believe that success is possible. Small firms that exhibit these activities are, in fact, practising marketing as their activities correspond to the competitive marketing concept, as defined by Hooley and Saunders (1993). This approach suggests that both the entrepreneurial characteristics and the marketing orientation of the owner-manager are important factors in understanding the marketing activities of small firms.

It is further argued that the organizational structure (Covin and Slevin 1988) and the strategic marketing posture (Covin and Slevin 1989) of small firms influence performance. These research studies suggest that a strong marketing and entrepreneurial orientation occurs when other elements in the organizational system provide a supportive context. The empirical results of Morris and Paul (1987) support this, indicating that companies that score highest in terms of entrepreneurial orientation also tend to be more marketing oriented, while at the same time suggesting that the marketing activities of small firms tend to be related to their organizational culture.

Carson and Cromie (1989) further attempt to acknowledge the effects of management style and the culture of small firms on the character and nature of marketing planning activities. They identify three approaches to marketing planning in small firms, namely 'non-marketing', 'implicit-marketing' and 'sophisticated marketing'. Their research suggests the need for 'fitting' the marketing approach to suit the circumstances and characteristics of small firms and their owner-managers. Though the relationships between marketing activities, organizational

culture and entrepreneurial characteristics are identified, the mechanics of the relationships and the marketing decision process are not fully examined. Specifically, Carson and Cromie do not provide further, detailed discussions of how the management style and culture of a small firm influence and change the marketing planning process and activities.

2.4 The Management Function Approach

According to the classical management theories, marketing, like finance, production and human resource management, is a business function. The literature on marketing as a small business function is extensive and wide-ranging. It can be classified as a 'peripheral business function', an 'essential ingredient in strategic planning' and a 'business philosophy', under which heads the following review is undertaken.

2.4.1 Marketing as a Peripheral Business Function

Researchers point out that owner-managers misconceive marketing (Brown, 1984) and perceive it as unproblematic (Curran, 1988). Carson (1993) argues that the importance of marketing is realized only when small firms experience 'change' - i.e. need to grow and expand or are in a crisis of survival. Management writers (such as Broom and Longenecker, 1979; Hazel and Reid, 1973; Moss and Clarke, 1990; Steinhoff and Burgess, 1989) propose the use of the tactical marketing concept, the traditional 4Ps (McCarthy, 1960), as the prescription to assist small business owner managers grow or survive. The presupposition is that marketing concepts are equally applicable to both large and small firms. However, Carson (1993) argues that treating marketing as a business function applicable to small business neglects the specific marketing limitations and constraints of small firms. Owner managers may misconceive

marketing as the 4Ps only and marketing is only applied in a "general" sense. He further acknowledges that in such circumstance marketing is deemed peripheral to small firms. Here, the discussions about 'marketing as a peripheral business function' are different from section 2.2.1 (Marketing as a Functional Problem). In section 2.2.1 the unit of analysis is the organizational structure and analysis, whereas the reviews here are mainly about marketing department and managers.

2.4.2 Marketing as an Essential Ingredient in Strategic Planning

Indeed the 4Ps concept, as first envisaged by McCarthy (1960), was intended to serve as a "convenience description" of the total marketing activity. Marketing needs to be considered, also, from the corporate level (Assael, 1985). Frantz (1978) suggests a capsule description of the small firm marketing strategy development process, namely appreciation of small businesses limitations; identification of target market(s); and development of a marketing mix. He further proposes that small firms should adopt the overall marketing orientation, use low cost marketing research methods, and utilise personal selling activities to market their products. Though the limitations and constraints of small businesses are acknowledged, respective recommendations are based on the presupposition that marketing is universally applicable. These recommendations are different versions of marketing with a limited budget or low-cost marketing (for example, Cohen and Reddick, 1981; Levinson, 1989; Ross and Ross, 1990; West, 1975). Moreover, the relationship between marketing and corporate planning has not been identified. The specific strengths of small business, like personal contact networks (Aldrich and Zimmer, 1986; Johannisson 1984 and 1986) and management competence (Carson 1993), are only tangentially covered.

Management scholars (for example Ames and Wellsfry, 1983; Bennett, 1990; Hill, 1990) use the strategic business planning concept to discuss the marketing function in small business. Ames and Wellsfry argue that if the owner manager understands the disadvantages and advantages of a small business marketer, he/she will be able to redesign the marketing strategy properly. A normative marketing approach, which comprises market analysis, product or service analysis, target market identification, and formulation of respective marketing mix, is suggested to assist small business owners design their marketing plans. However, they perceive marketing only as an important tool in strategic planning, basically for building a bridge between the firm and the customer, and providing a measure, like the marketing audit, to scrutinize the firm's marketing strengths and opportunities.

Though management writers (Bennet, 1990; Hill, 1990) articulate the importance of evaluating a small firm's external and internal constraints, they fail to integrate the specific characteristics of the small business into their analytical framework, as suggested by Carson (1985). The willingness of the owner-manager to adopt marketing, and his/her perception of its effectiveness, has not been taken into consideration. Moreover, approaches treating marketing as an essential ingredient in strategic planning but failing to consider small firm characteristics are different versions of small share marketing (Woo and Cooper, 1982; Stasch and Ward, 1989). Thus, adopting the small share marketing approach suggests that small businesses would most probably be better staying in more mature and lower-growth markets since small firms find it easier to define and protect their market potential there. More importantly, perhaps, Baker (1985a) and Assael (1985) acknowledge the importance of marketing to business success and argue that it has to be considered as a business philosophy, not just an essential ingredient in strategic planning. Sashittal and Wilemon's (1996) empirical

research into small firms reveals that the functional marketing implementation process of small firms appears to involve an almost certain deviation from original plans and requires a continual stream of adaptive decisions and actions. Their work further advocates the need for adopting corporate strategic thinking in order to enhance the marketing effectiveness of small firms and advances the argument for theory building in small firm marketing.

2.4.3 Marketing as a Business Concept/Philosophy for Small Business

For this school, marketing is treated as one of the most powerful tools of the corporate strategist for planning. Indeed, Cohen (1991) argues that the small firm marketing plan and the business (strategic) plan are identical, while management scholars such as Brown (1986), Colleran (1985) and Patten (1989) postulate that the strategic marketing concept should be the basic concept that governs the business. Unfortunately, such management writers adopt a short- or medium-term time horizon in their recommendations. This violates one of the basic rules for effective marketing, namely its long-term orientation (Kotler 1988). Waterworth (1987) proposes that small firms should use a long-range planning strategy to take advantage of opportunities and argues that small businesses need the discipline of marketing and marketing planning. He further proposes that, owing to the restricted resources of the small firm, a market segmentation strategy should be used to identify a specific segment (or segments), which is then concentrated on and researched in order to minimize costs. This is the market targeting strategy (Kotler 1988). Though an overall marketing orientation is suggested, the specific constraints and limitations of small firms have not been incorporated into the planning scheme, most management writers still emphasising the normative nature of the marketing discipline.

2.5 The Contingency Approach

Cannon (1991) proposes the use of the contingency approach, which has been widely accepted in the area of strategic management and marketing strategy (Ginsberg and Venkatraman, 1985; Zeithaml, Varadarajan, and Zeithaml, 1988) to bridge the gap between marketing and small firm research. The contingency approach suggests that various factors influences the small firm's marketing performance. Nonetheless, Cannon fails to depict his model clearly as the relations among marketing variables and organizational factors are not examined and discussed. This section reviews the empirical work which uses the contingency approach: the small business orientation and the marketing discipline orientation.

2.5.1 The Small Business Orientation

Hogarth-Scott, Watson and Wilson (1996) adopt the contingency approach to understand small firm marketing by examining the external marketing environments of small firms. Their research reveals that complex theories or sophisticated formal procedures are inappropriate for small firms and the small business owners would not have the time or patience required to digest, let alone implement, them. Carson (1990) proposes an interlocking of models, also a contingency approach, to assess small firm marketing planning capability and performance. He attempts to develop an integrative approach to marketing planning that can be adapted in a flexible way to suit any small firm at whatever stage in its development and evolution. Seven models are proposed. They are limitations, situation specific, crisis planning, adaptation of marketing theories, stages of marketing development, and level of marketing activities. The models offer suggestions to remedy inadequacies in understanding the planning process of marketing in small firms. However, the model only offers a depiction of the marketing

approach of small firms and discussions focus mainly on the mechanism and structure, whilst the process and substance of marketing planning are neglected. Fuller (1994) points to the importance of using the strategic marketing planning concept to refine Carson's model. However, Carson believes small business owners adapt marketing to their own requirements, not according to some theoretical framework. They have a 'distinctive marketing style' distinguished by an inherent informality in structure, evaluation and implementation, and by being restricted in scope and activity, simplistic and haphazard, product and price orientated, and owner/manager 'involved'. However marketing is a discipline (Baker, 1985a; Gardner, 1991; Waterworth, 1987) and, to be implemented effectively, it has to be adapted and modified accordingly, not changed. In other words, Carson ignores the disciplinary foundation of marketing. A balanced approach, putting emphasis on both the specific characteristics of small firms and the normative marketing discipline, is not found in the small business literature. More recently, Carson et. al. (1995) have proposed an innovative approach by integrating the entrepreneurial marketing competency and the entrepreneurial marketing network to study small firm marketing. However, this postulation has not yet been supported by extensive empirical research.

2.5.2 The Marketing Discipline Orientation

Möller and Anttila (1987) use the systems approach to depict small firm marketing and argue that the role of marketing in the management of a company should be considered from a comprehensive and multi-level perspective. They propose a model to appreciate the marketing capacity of small firms, which comprises two major components: the external and internal field of marketing capability. The external field of marketing capability consists of the macro, industry and immediate environments of a firm. The internal field consists of the

business idea, strategic orientation, integration of function, management of marketing, and position of marketing in the operative management system. The empirical results of this study demonstrate that marketing capability constructs are useful to understand small firm marketing. The limitations and constraints of small firms are tangentially covered and discussed but organizational factors in small firms and their relations with marketing are insufficiently addressed, only the internal marketing operations being discussed in a systematic manner.

Brooksbank, Kirby and Wright, (1992) use the normative marketing process (Brooksbank, 1990) to determine the relationship between traditional marketing tenets and the performance of medium-sized British manufacturing firms. They find that a better understanding of marketing and a consistency in its application lead to small firm success and that medium-sized companies tend to use long-term strategic planning skills informally, to adopt a reactive, instead of a proactive, perspective in planning, and to set offensive rather than aggressive marketing objectives and strategies. But the study does not identify the external environmental factors and their influences on marketing. Company effectiveness depends on the appropriate matching of contingency factors with internal organizational designs that can allow appropriate marketing responses to the environment (Zeithaml, Varadarajan and Zeithaml, 1988). Brooksbank and his colleagues further consider whether traditional marketing tenets are entirely necessary or applicable for smaller firms. However, this postulation is not supported by empirical work and the detailed marketing planning process is not examined.

2.6 Critique of the Four Approaches

2.6.1 The Stages/Growth Model

The stages/growth model suggests that any model of small firm marketing must take into account the stage of development of the business (Carson, 1985; Tyebjee, Bruno, and McIntyre, 1983). This provides a useful framework, and also a starting point, for further analysis. However, there are two major assumptions for the stages/growth model : (1) a necessary change in the business and marketing practices of the owner or the enterprise to enable the progression of the business from one stage to the next, and (2) the awareness, aptitude and ability of the owner-manager to deal with the different problems encountered at each of the stages. First, not all small firms conform to this model. Entrepreneurs with some prior marketing education may introduce, and benefit from adopting, a professional marketing approach from the very beginning. Second, other variables, like the entrepreneur's aptitude for marketing, will also shape the life cycle curve. Third, the number of stages that the business may pass through during the course of its 'life cycle' is highly variable. It can be as few as one (the 'still birth') or as many as eleven or more (Cooper 1982). Moreover, there may be no progression from one stage to the next. Some firms may experience stagnation or no development and may be run by business owners who do not place growth high on their list of priorities. Fourth, most of the traditional stage models primarily provide a description of internal changes in organizational structure. Small firms will also be influenced by, and respond to, external environments. Rhenman (1973) argues that there is no life cycle and the cycles and patterns in organizations are a product of environment. Thus, the discussions seem to indicate that the stages/growth model does not provide a good foundation for developing new knowledge on small firm marketing.

2.6.2 The Management Style Approach

The major contribution of the management style approach is that it acknowledges the importance of the small firm's specific limitations and constraints and provides a useful explanation for the retarded development of marketing in small firms. Nonetheless, this specific approach does not depict and explain the marketing practices in small firms thoroughly. The 'push' stream suggests that the marketing behaviour of small firms is related to the motivation, belief, attitude and objectives of the owner manager, and influenced by the limitations and constraints of the small business. Nevertheless, using the 'pull' approach also encounters problems. First, the labels, 'craftsman entrepreneur' or 'professional manager', do not constitute sufficient and necessary information to depict the specific marketing activities of each category. Second, there is no common platform for researchers to study the management style related to marketing in small firms. Different researchers (Covin and Slevin, 1989; Carson and Cromie, 1989; Ford and Rowley, 1977; Smith, 1967) adopt different key behavioural patterns to determine the marketing characteristics of small firms. Third, there is a lack of consensus as to how many categories there are. For example, Smith (1967) and Ford and Rowley (1977) propose two; Carson and Cromie (1989) suggest three; whilst Tyebjee, Bruno and McIntyre (1983) identify four. This lack of consensus may lead to rejection of the approach. More importantly, the 'pull' and the 'push' approaches are black-box models which are not able to expand the frontiers of marketing in small business because interactions between variables, such as the organizational structure and the owner-manager's marketing decision process and behaviour, are ignored.

Some researchers (for example Stevenson and Sahlman 1989; Wilken 1987) suggest the use of the behavioural stream to examine the relationship between the entrepreneurial style of the owner managers and company performance. Though the owner managers' influences are crucial and substantial, the contribution of professional marketers should not be neglected. Once a small business grows, the entrepreneur's involvement decreases and frequently outside marketing professionals are invited to head the marketing department. Moreover, the marketing process involves the interaction and integration of the whole organization. Practising marketing requires the firm to develop a consumer orientation and an overall inter-departmental integration with the objective of achieving long-run success (Boone and Kurtz 1989). Under such circumstances the entrepreneurial style of owner-managers cannot be used to advance the theory. Though Covin and Slevin (1989) suggest shifting the emphasis to the entrepreneurial style or marketing performance of the firm, this has not been taken seriously. Carson and Cromie (1989) only touch on the issue tangentially when they study the marketing planning process in small firms. The specific organizational context of small firms and the relationship with marketing have not been reviewed rigorously. Moreover, the empirical results of Miles and Arnold (1991) reveal that the marketing orientation and the entrepreneurial orientation, though positively correlated in the statistical analysis, do not appear to represent the same underlying business philosophy. Miles and Arnold further argue that the marketing function may already possess many of the resources necessary to foster an entrepreneurial orientation. Furthermore, the Carson and Cromie Model suffers from important shortcomings stemming mainly from the fact that a number of variables (like product and distribution policy which are crucial elements in the marketing mix) are missing. The relations among variables in the model are not well defined and there is a lack of clarity regarding the influence of management style and organization culture, and the way in which

they interrelate. Reviews of the relevant literature on the management style approach seem to indicate that unless the specific organizational context of small firms, and the relationship with marketing, are examined rigorously, the approach is not able to offer a sound foundation for building new knowledge in small firm marketing.

2.6.3 The Management Function Approach

The major contribution of the management function approach is the acknowledgement of marketing as both an important function and an essential concept in small firm growth and survival. However, putting marketing solely as a business function is criticised vigorously by Baker (1985a) and King (1985). Moreover, owner managers simplify and misconceive marketing as the 4Ps only (Carson, 1993). This may be due to the difficulties in understanding and implementing marketing (Baker and Hart, 1989). According to some researchers (King, 1985; Scase and Goffee, 1980), managers, including owner-managers, do not perceive marketing as a means of solving their everyday business problem. Ames (1970) and Brooksbank, Kirby and Wright, (1992) argue that marketing scholars use the 'trappings' of marketing (for example the creation of a marketing department, transfer of product development and service function to marketing, a strengthened advertising function, and increased marketing expenditure) as operational concepts to determine the marketing orientation of small firms, while Ford and Rowley (1979) propose that small firm marketing should be a process of thought, or attitude of mind, instead of a set of techniques. Recently, research studies have shifted from focusing on marketing functions and organizations, which emphasize marketing department, budgets, etc., to marketing philosophies and planning, which focus on how marketing is actually carried out (Baker and Hart, 1989; Hooley, Lynch

and Shepherd, 1990; Piercy and Morgan, 1994). Nonetheless, small business researchers have not actively adopted this approach (Brooksbank, Kirby and Wright, 1992).

Moreover, to most small business researchers marketing is difficult to understand, and vice versa. Though the American Marketing Association defines marketing as "the process of planning and executing the conception, price, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives" (Marketing News 1985), the debate over what marketing is continues. It is argued that the American Marketing Association definition confines marketing only to a management function and that marketing should also involve the concepts of interactive processes, strategic directives and competitive positioning (Baker, 1985b; Bernard, 1987; Brown, 1987; Hooley and Saunders, 1993; Porter, 1980; Wilson, Gilligan and Pearson, 1993). Furthermore, the literature on strategic marketing (for example Anderson, 1982; Day and Wensley, 1983) advocates an integration of the strategic concepts and marketing orientation into research in marketing. Hence, interest is focused on examining the strengths and weaknesses of the firm, the position of the firm within its environment, its industry position, its technology, its competitive position, and the influence of government and public policy. These are dimensions which offer positive impetus to the firm in marketing. Much of the literature on marketing in small business, however, has ignored the strategic and competitive dimension and confined marketing to the management function. Indeed, Wind and Robertson (1983) have commented that the outcomes ignore the competitive and strategic perspectives, causing marketing decisions to be sub-optimal.

The major contribution of the “planning component” and the “business philosophy” streams are their acknowledgement of the use of strategic orientation in the small firm’s marketing planning process. The empirical work on small firms so far, however, has focused overwhelmingly on the functional approach, with few, if any, studies of strategic perspectives (for example Brooksbank, Kirby and Wright, 1992). Researchers (Baker, 1985b; King, 1985; McDonald, 1984; Shuptrine and Toyne, 1990; Wensley, 1991) have also suggested the use of a process approach, which investigates the interaction between enterprise and societal domains, in marketing practice. This provides the framework within which marketing activities are conducted, internal strengths and weaknesses are identified, external opportunities and threats are examined, and specific marketing strategies are developed, implemented and controlled. This is especially important for small business because small firms face different marketing constraints and limitations compared with larger firms (Carson, 1985). Research results (Brooksbank, Kirby and Wright, 1992; Cox, Hooley and Lynch, 1994) also reveal that the strategic marketing behaviour of small firms tends to be different from that of larger firms.

There appears to be a large gap between marketing and small business theories. The marketing researchers constantly apply normative marketing concepts, which were originated from the positivist approach to research, to study small business activities. This approach emphasises the disciplinary foundation of marketing without paying much consideration to the limitations and constraints of small firms. As Gardner (1991, p. 5) observes "the net result is that with particular reference to entrepreneurial behaviour, as a discipline, marketing's concern with justification associated with theory development, has often resulted in a lack of openness to issues of discovery". On the other hand, small business researchers apply different

perspectives when studying marketing activities. They propose a 'simplistic' approach to the market planning process for small business, but tend to pay too much attention to the limitations and constraints of small business, and insufficient attention to the importance of the marketing discipline. A balanced approach, putting emphasis on both the small firm's limitations and the normative marketing discipline, is not found in the management function approach.

2.6.4 The Contingency Approach

The major contribution of the contingency approach is the acknowledgement that various factors influence the small firm's marketing performance. The basic assumption of the contingency approach is that strategy-performance relationships can vary across different environments and different firm sizes (Lee, Lee, and Ulgado, 1993). There is no universal set of strategic choice that is optimal for all businesses or firms regardless of their resource positions and environmental context. Contingency approaches are positioned within management as mid-range theories between the two extreme views which state that either universal marketing principles exist and are equally applicable to different sizes of firm, or each small firm is unique and each situation should be analyzed separately. Adopting the contingency approach allows researchers to focus on exploring mid-range relationships that hold within a particular context or for classes of settings, rather than to search for a grand theory that is appropriate across all possible settings. The contingency approach, by bridging the small business paradigm and the marketing discipline, could help advance the body of knowledge on marketing in small business (Prescott, 1986; Zaltman, LeMasters and Heffring, 1982).

However the use of contingency approaches in the development of a small firm marketing paradigm is still very primitive. Cannon (1991) suggests that the major problem is the lack of a common platform or framework which encompasses the present disparate channel of enquiry in a dynamic manner. Though Zeithaml, Varadarajan and Zeithaml, (1988) propose that the contingency approach to theory building and research can be useful to management scholars, small business researchers have neither followed the approach rigorously nor the theory-building steps in a systematic manner. In most cases, variables are not clearly defined, are arbitrarily selected, or cannot be measured effectively. Some small business researchers argue that marketing in small business is so distinct and different that they have to identify their own paradigm (Carson, 1990). However, they have neglected marketing as a discipline and also the nature of marketing. On the other hand, some marketing scholars investigate the issue using a very rigid normative marketing approach (Möller and Anttila, 1987). This does not take into consideration the constraints and limitations of small business. One of the possible reasons is that the small business writers or the marketing researchers adopt the contingency approach implicitly (Brooksbank, Kirby and Wright, 1992; Cannon, 1991; Carson, 1990; Miller and Anttila, 1987). Most of the existing works are normative/conceptual in scope, and very few are empirical in nature. Only Brooksbank, Kirby and Wright, (1992) and Cox, Hooley and Lynch, (1994) clearly identify the strategy-performance linkages, as requested by Zeithaml, Varadarajan and Zeithaml (1988) in using the contingency approach.

One limitation of the contingency approach is that it is an outcome, not a process, model. The contingency approach ignores the processes by which a given outcome is achieved. Marketing scholars (Bartels, 1968; Sweeney, 1972) suggest that marketing can also be interpreted from the process approach, that is being adaptive to socio-cultural functions,

rather than being forced into a mould dictated by the marketing technology used, for instance the 4Ps. At the conceptual level, technical skills like price determination, product mix management, market research method, and advertising planning are transferable from country to country, industry to industry, and even company to company. However, marketing, at the conceptual and decision levels also involves human dimensions, which have a socio-cultural perspective (Day and Wensley, 1983; Brown, 1987; Hooley and Saunders, 1993; Piercy and Morgan, 1994). Marketing behaviour is influenced by both internal and external publics (Kotler 1988). The specific characteristics and limitations of small firms endow specific marketing behaviour which is different from that of the larger firm (Cannon, 1991; Carson, 1985). It is true that marketing concepts are universally applicable, but the implementation processes are different. For example, Wong (1985) finds that Chinese family firms exhibit distinctive business behaviour. Specifically, Weidenbaum (1996) and Redding (1990, 1996) suggest that *guanxi* (connections and relationships) influence the marketing activities of Chinese small firms. Unfortunately, researchers tend to place emphasis on the outcome, not the process, of marketing in small business. Current research examining the strategic decision process has begun to integrate process models and contingency approaches (Fredrickson 1985). Not until very recently, however, did researchers propose the use of hybrid designs, incorporating attributes of both fine and coarse-grained research methodologies in small business studies (Carson, 1991; Gibb and Davies, 1990; Brooksbank, Kirby and Wright, 1992). To date, no major research has attempted to use the integrative direction to study small firm marketing. It seems that one of the possible ways to redress the imbalance of theory building in Chinese small firm marketing is by integrating the process model (for example Brooksbank, 1990) into the contingency approach (for example Brooksbank, Kirby and Wright, 1992).

2.7 Conclusion

This chapter presents a critical review of existing approaches to marketing in small business. The evidence reveals that the present channels of enquiry are disparate. There are different sets of approach, namely the stages/growth model, the management style approach, the management function approach and the contingency approach. The stages/growth model provides a useful framework, and also a starting point, for a preliminary analysis of small firms marketing. However, empirical results (for example Robins, 1991) suggest that the marketing characteristics of small firms do not necessarily follow and progress through the stages of marketing development. Hence, the predictive power of the stage/growth model is low and its value as a framework for detailed analysis and planning is limited. This makes the stages/growth model a poor foundation for building new knowledge in small firms marketing. The management style approach suggests that the marketing behaviour of small firms relates to the motivation, belief, attitude and objectives of owner managers. Nevertheless, important variables such as the organizational structure and the owner-manager's marketing decision process and behaviour are ignored. Unless the specific organizational context of small firms, and the relationship with marketing are examined rigorously, the management style approach is not able to offer a good foundation for building new knowledge in small firms marketing. The major contribution of the management function approach is the acknowledgement of marketing as an important function and essential concept for small firm growth, survival, and strategic development. The marketing scholars constantly apply normative marketing concepts, which were originated from the positivist approach, to study small business activities. This approach puts emphasis on the disciplinary foundation of marketing without paying a great deal of attention to the limitations and constraints of small firms. On the other

hand, small business researchers apply a 'simplistic' approach to the marketing planning process for small business. It is observed that too much attention is paid to the limitations and constraints of small business, but importance of the marketing discipline is neglected. A balanced approach, putting emphasis on both the small firm's limitations and the normative marketing discipline, is not found in the management function approach. The contingency approach seems to be an appropriate solution for this unbalanced situation in small firms research. However, most researchers adopt the contingency approach implicitly. They have neither followed the approach rigorously nor the theory-building steps in a systematic manner. In most cases, variables are not clearly defined or are arbitrarily selected. Moreover, the contingency approach is an outcome model, not a process model. A balanced approach, while putting emphasis on the specific characteristics of small firms, the normative marketing discipline and the distinct marketing implementation process, will bridge the gap between marketing and small business. A framework of the 'balanced contingency approach' will be discussed in more detail on page 49.

The evidence of this chapter suggests that a theoretical framework integrating the contingency approach and the process model is suitable and appropriate for advancing theories in small firm marketing. Having reviewed in some depth the disparate body of literature on small firm marketing and suggested an integrative framework to build small firm marketing theories, this thesis will proceed to describe the research methodology (Chapter 3) and explain how to determine the current body of theory.

CHAPTER 3: RESEARCH FRAMEWORK

3.0 Introduction

This chapter addresses the research rationale, research questions and research objectives. It also describes the research design and research methodology. It provides the rational argument for choosing a specific method and technique for each stage of the research. It also discusses the theoretical framework underpinning the integrated approach as suggested by the literature review findings and describes the quantitative and qualitative approaches of analysing the data.

3.1 Research Rationale

Research findings (for example Acs and Audretsch 1990; Bannock, 1981, Birch, 1979; Brock and Evans, 1986; Bruch and Hiemenz, 1984; Hisrich, 1986; Hull and Hjern, 1987) generally conclude that small businesses contribute to economic development. This assertion is also applicable to Hong Kong because small firms have played, for some time, a very important role in the colony's economic growth (Brown 1971, Owen 1971, King and Man 1979, Sit, Wong and Kiang, 1979). As was discussed in Chapter 2, an appropriate marketing theory in small business, specifically related to understanding and knowledge of marketing in small firms, is absent. This is particularly true in Hong Kong where knowledge charting small business marketing is still primitive and limited, in comparison with respective documentation in the Western countries. Moreover, small business marketing is inadequately explored in a Chinese socio-cultural environment (Siu and Kirby, 1995). This proposed study is therefore to identify, appreciate, analyze and evaluate small firm marketing in a non-Western socio-cultural environment - Hong Kong.

3.2 Research Questions

It is intended that the study will extend the body of understanding on the marketing activities of small business and also add new knowledge on marketing in small business activities, specifically in a Chinese socio-cultural environment. Thus, this research seeks to answer the following questions:

- 1) What are the specific approaches of Chinese small firms in Hong Kong to marketing?
- 2) Are there any differences and similarities between Western and Eastern marketing tenets?
- 3) How do Chinese marketing practices and principles differ, if at all, from those adopted in the West, as exemplified by British small firms?
- 4) How do the Chinese cultural values influence small firm marketing?

3.3 Research Objectives

Thus, based on the investigation of marketing practices of Chinese small firms in Hong Kong, the study attempts to

- (1) appreciate the current marketing implementation process including, business philosophy, strategic awareness, marketing objectives, marketing strategies, marketing organization and marketing control of Chinese small firms in Hong Kong;
- (2) understand the role of marketing in determining company performance, particularly the specific marketing components that tend to have the greatest impact on the company's marketing performance;

- (3) identify the cultural influences by comparing and contrasting the differences and similarities between the marketing practices of Chinese small firms in Hong Kong and their Western counterparts, for example British small firms, and their impact on performance;
- (4) determine why Chinese small businesses in Hong Kong behave as they do and how they adopt marketing concepts, make marketing decisions and implement marketing strategies;
and
- (5) construct a model to describe the specific marketing activities of Chinese small businesses in Hong Kong.

3.4 Significance of the Research

This research is the first attempt using an integrative approach - blending the process model and contingency approach - to build and advance small firm marketing theory, as suggested by the findings of the literature review (Chapter 2). It is expected, therefore, that the findings will add new knowledge and go some way, hopefully, to provide solid and relevant inputs to develop an appropriate marketing theory in small business.

Moreover, much of the literature on small firm marketing has adopted the Western marketing paradigm. Though researchers such as Kindle (1982) and Waldie (1980) have pointed to the importance of using traditional cultural values in understanding Chinese marketing decisions, there is no major study of Chinese small firm marketing which adopts *this approach*. The exploratory research findings of Siu and Kirby (1995) reveal that the broad western marketing principles are not fully applicable to, and suitable for, some specific socio-cultural contexts, for example the Chinese socio-cultural environment. This research attempts to examine exactly, and in more depth, how

and to what extent Chinese small firms have managed to survive, grow and succeed. And, more specifically, how they make marketing decisions, promote their products and/or services, and maintain market competitiveness. It is intended that a number of more pragmatic considerations specifically related to Chinese small firm marketing, for example specific marketing approaches to improve company performance, will also be addressed.

This research will thus address the two fundamental requirements toward advancing science in marketing suggested by Anderson(1983), which are the pursuit of marketing knowledge and improving the efficiency and effectiveness of marketing practice, thereby contributing to scientific progress and advancement in the science.

3.5 Background and Context

Given that there is no official definition of small firms in Hong Kong, Liu and Wong (1992), after reviewing the government statistics of Hong Kong, propose that manufacturing firms employing fewer than 500 persons can be regarded as small- and medium-sized firms. On this basis, Table 3.1 reveals that smaller firms constitute 99.8% of the local manufacturing establishments, employ 87.03% of the total manufacturing labour force, and contribute 82.85% of the total sales of goods.

Table 3.1: Size of Manufacturing Firms in Hong Kong, 1990

Firm Size (Number of Employed Person)	Number of Establishment	%	Number of Persons Engaged	%	Sales of Goods	%
1-49	49,046	94.64	355,644	46.64	130,928,305	34.68
50-199	2,351	4.54	210,945	27.66	118,376,607	31.35
200-499	320	0.62	97,121	12.74	63,515,147	16.82
500 & above	106	0.20	98,889	12.97	64,745,236	17.15
Total	51,283	100.00	762,599	100.00	377,565,295	100.00

Source: 1990 Survey of Industrial Production

A longitudinal study (Sit, Wong and Kiang, 1979; Sit and Wong, 1989) revealed that between 1978 and 1987 the contribution of small and medium enterprises to employment and sales in Hong Kong had increased, but the share by the large firms had substantially declined. Given the importance of small firms in Hong Kong's economy, it is strange that no major research study has been conducted to examine exactly how, and to what extent, these Chinese small firms have managed to survive, grow and succeed, or, more specifically, how they make marketing decisions, market their products and maintain competitiveness.

To date, the publications on small business management in Hong Kong are few and scarce. Major research studies are based on managerial perspectives such as town planning (Dwyer and Lai, 1967; Dwyer, 1971), urban development (Dwyer and Sit, 1986) and economic development (Liu and Wong, 1992; Sit, Wong and Kiang, 1979; Sit and Wong, 1989). Generally, it is concluded that factors such as the laissez-faire economy (Friedman and Friedman, 1980), socio-cultural traditions (Topley, 1967; King, 1992), family networks (Wang, 1977; Redding and Wong, 1986), psychological traits (Bond and Hwang, 1986; Bond, 1991) and the entrepreneurial spirit (Redding, 1990; Siu and Martin, 1992) are essential to the success of small firms in Hong Kong. However, management researchers are not able to reach a consensus on the contribution of marketing, the factor regarded by many management scholars (Alderson, 1965; Baker and Hart, 1989; Kotler, 1988; and Levitt, 1983) as the essential ingredient for success in business. Some researchers argue that Hong Kong provides the best example of a success story of small firms as they are notably more marketing oriented and internationally competitive than their counterparts in the UK or USA (Brown, 1971; Espy, 1972; Kinsey, 1988; Lee, 1982; Owen, 1971; and Redding and Tam 1985).

Specifically, the molecular organisation¹ and the original equipment manufacturing system² make small firms ensure that the products meet the specific requirements of the buying offices, their immediate customers (Brown, 1971; Owen, 1971; Redding and Tam, 1985) and production is not undertaken until a firm order is secured (Espy, 1972; Kinsey, 1988). Lee (1982) further argues that Hong Kong small firms adopt an overall marketing orientation, while others suggest that they are actually weak in practising marketing (Mok, 1981; Pang, 1989; Sit and Wong, 1989; Sit, Wong and Kiang, 1979; Siu and Martin, 1989; Redding, 1990; and Hsin et al., 1974), and the success of Chinese small business is not solely influenced by marketing, but by doing favours to others (Yau, 1986), trust (Wong, 1991), creditworthiness (Silin, 1972), and establishing social networks (Wong, 1988). Researches also reveal that Chinese small firms in Hong Kong are production-oriented (Cumming, 1974; Hsin et al., 1974). Thus, there is no consensus on the relationship between marketing and small firm performance in Chinese small firms in Hong Kong. Siu and Kirby's (1995) exploratory study into Chinese small firm marketing further reveals that the research undertaken has been generated in an "ad hoc" manner as a consequence of the general absence of a systematic approach, lack of a well-developed and grounded theory, and inadequate appreciation of the influence of the Chinese culture on the marketing activities of small firms. Against this background, this study examines the marketing practices of Chinese small businesses in Hong Kong.

¹ The molecular organization concept is proposed by Redding and Tam (1985) explaining the networking relationships between export houses and their subcontractors. Each export house is surrounded by a web of subcontractors, manufacturing companies, which allows flexible production capacity. This network of companies, as an "organizational set", is functionally equivalent to a large company elsewhere but structurally different. The export house handles the export documentation whereas the manufacturing firms are solely responsible for producing the products at a mutually agreed standard and quality.

² The original equipment manufacturing system (OEM) is a manufacturing arrangement whereby the overseas buyers make use of the cheap labour and modern technology of Hong Kong manufacturers. The goods and brand names of the products are owned by the overseas purchasers, but not the Hong Kong manufacturers whose function is simply to ensure production to a mutually agreed quality standard. The overseas purchasers may provide equipment, design, technical support, or raw materials, whenever necessary.

3.6 Research Methodology

Though Hills (1995) suggests that an entrepreneurial school of marketing thought is evolving, entrepreneurship researchers (for example Carson and Coviello, 1995; Hills and LaForge, 1992; Hoffer and Bygrave, 1992) generally conclude that research issues related to the marketing/entrepreneurship interface are still in the early stages of development. Hoffer and Bygrave (1992) suggest that the entrepreneurial process, involving a change of state and discontinuity and holistic and dynamic in nature, limits the application of classical management research approaches and economic models in theory building. Davis, Hills and LaForge (1985) also comment that conducting small firm marketing research is a difficult and demanding task. They observe that:

“...it is typically more difficult to find small firms willing and able to provide the required data. Small firms are notorious for their lack of attention to keeping complete and accurate records and for their reluctance to divulge information about their business” (Davis, Hills and LaForge, 1985, p. 40)

To combat these methodological problems, Davis, Hills and LaForge (1985) suggest the use of the ‘co-ordinated research programs’ or a ‘stream of research’ where each study is carefully designed to build upon what has been learned in previous studies to make an incremental contribution to the established knowledge base. Specifically, Davis and his colleagues suggest the use of case studies initially, then small scale exploratory studies, followed by large scale survey research methodologies and finally controlled field studies.

Similarly, Gibb (1992) suggests a stepwise 'staged' approach in small business research in order to achieve high quality in research. He proposes that:

"First, to observe accurately and gain insight into the entrepreneur and small business. Second, to build better models of his/her behaviour which have a soundly grounded base. Third, to use these to develop a better understanding of the process of small business development. Four, to offer clear and more integrated explanations as to why certain things occur under certain conditions. And fifth, to retail this in such a way that it is clearly understood by a wide audience." (Gibb, 1992, p. 134)

Greenley (1983) suggests that in assessing marketing issues in organizations, both the conventional approach, to obtain substantive knowledge through survey research, and the multi-dimensional approach, to achieve process knowledge from in-depth case study method, are useful and do not exclude each other. Thus, ideally, a combination of research methods: preliminary research to explore the issue; follow-up quantitative research to identify the substantive context; and then qualitative research to provide in-depth knowledge, would be more appropriate to, and suitable for, small firm research, including this research. Kirby (1992) supports this, arguing that:-

"it is not a case of using one technique or set of techniques in preference to another. Rather projects should be perceived as multi-staged - frequently involving, within one project, the use of both qualitative and quantitative approaches. Whichever approach is adopted, it is essential to ensure that the technique is applied rigorously, correctly and appropriately".

Although this specific scientific inquiry method involves a temporally sequenced set of activities, research methodologists also debate that the sequencing of stages is not fixed; practising researchers often skip over one or more stages and sometimes move backward as well as forward (Selltiz, Wrightsman and Cook, 1976). Also, Zinkhan and Hirscheim (1992) demand the use of the contextual approach in research into marketing theory as they argue that what is 'truth' in research may not remain constant across cultures, sectors, and firms. Also, Redding (1994) suggests to use culturally sensitive research methodology to advance comparative management theory. Thus, the research strategies to be used for this research will follow the research approaches proposed by Davis, Hills and LaForge (1985), Gibb (1992), Greenley (1983) and Kirby (1992). Nevertheless, the specific research strategies will also be adjusted in accordance with the situational factors. As this research is, essentially, carrying out a case study of Chinese small firms in Hong Kong, the research will first start with a detailed discussion of the specific socio-cultural and political-economic environments of Hong Kong, specifically focusing on the impact on small firms. Then, the research goes on to describe the context of the case - marketing in Chinese small firms in Hong Kong.

3.6.1 Stage One: Exploratory Research

The background and context section (Section 3.5) shows that the debate over the contribution of marketing to the performance of Chinese small firms in Hong Kong is not yet clear. Marshall and Rossman (1989) propose that the exploratory qualitative research is worth doing if it explores something that is still unknown, or has not been explained well before. In this respect, an exploratory study is needed for the purpose of observing accurately and gaining insight into the marketing practices of Chinese small firm.

3.6.1.1 Research Design

Lawler (1985) suggests researchers look to managers or practitioners for guidance in theory building. Zaltman, LeMasters and Heffring (1982) propose using a 'theory-in-use' approach, an inductive approach, for theory building and suggest researchers should work alongside managers if they want to study their marketing activities. However, small firm research has its own difficulties. First, it is relatively difficult, compared with large firms, to find small firms willing and able to co-operate (Davis, Hills and LaForge, 1985). It is expected that privately owned small firms are often quite reluctant to open the company to an unknown researcher for observation. Also, the owner managers, unlike their large firm counterparts, normally have no formal policies and/or are not aware of their implicit policies, for example strategic decisions and marketing policies. Thus, Manimala (1992) proposes the use of analysing published, undisguised stories about owner-managers and their firms to identify the owner-managers' non-routine decisions, for example their marketing activities and behaviour, so as to understand such implicit policies as strategic marketing decisions.

3.6.1.2 Evaluation of Research Method

Using undisguised stories is not without drawbacks. One major drawback relates to the relevance of the stories for the specific research purpose. As the undisguised stories are not written specifically for the research, some major issues may not be included. Also, different stories are written by different authors from various perspectives. As a result, the content of the report is likely to be biased by the intent and the language of the reporter. The accuracy in presentation and consistency in emphasis are major issues. However, these problems are not insurmountable. First, in the context of this research, the marketing orientation may underline several marketing decisions and thus omission of one or more of these may not necessarily imply that the underlying marketing

approach is missed. For example, the importance of customer orientation may be reflected in a wide range of activities such as customer information solicitation, new product development and price setting. Reporting on one of the decisions may help identify the customer orientation of the company. Second, if the document base is large enough to include sufficient numbers of marketing decisions in diverse areas and various sources, it will help provide a comprehensive perspective on individual small firms and also facilitate validation of the data.

Furthermore, as explained above, the strategic marketing decisions of Chinese small firms are to be inferred from the non-routine decisions of the owner managers. The use of published, undisguised stories for this research is appropriate because:

“they were available in plenty, and they generally focused on the non-routine decisions highlighting the successful strategies adopted by each venture, and leaving out routine matters for obvious reasons. Published undisguised cases were chosen because such cases were open to scrutiny by many interest groups such as the unit's employees, customers, suppliers, competitors, and the general public, and so can be expected to be free from deliberate falsification or misrepresentation of facts.” (Manimala, 1992, p. 481)

It is also believed that case data may be more reliable than self-reported stories or auto-biographies.

As Miller and Friesen (1984) recognise:-

“it is more difficult to hide a real situation from a case writer who studies a firm in detail than from a remote researcher who asks a busy executive to rate a number of quantified scales.” (Miller and Friesen, 1984, p. 269)

Thus, published, undisguised stories were collected for the research at this stage in order to shed initial insight on the marketing activities of small firms in Hong Kong.

3.6.1.3 Sampling Procedures

During the past few years, Hong Kong newspapers (Ming Pao, Sing To Daily) and business related magazines (Hong Kong Economic Journal Monthly, Economic Reports) had released interview reports with successful entrepreneurs and articles about the successful stories of chairmen of newly listed companies. Because of the great interest of the general public in business success, the newspaper and magazines further compiled those reports and articles, which are anecdotes of successful business executives and entrepreneurs in Hong Kong, into books for publication (for example Ho, 1990; Chee, 1992). These books form a sampling frame for data collection. There were eight books, comprising 170 undisguised stories compiled from different Hong Kong newspapers and business magazines, published in the five year period from 1990 to 1994. As the stories also had interviews with managers of large and public enterprises, to relate the analysis to small firms, only independent owner-managers were selected as a database. Details of these eight books and reports are shown in Appendix I. In case of duplicate stories, they were integrated into one unit for analysis. If the story reported that the process of a firm grew to a size which no longer conformed with Brooksbank's (1990) and Osteryoung and Newman's (1993) classifications for small-sized firms, the specific portion of the story related to the large-sized firm was discarded. Stories not having any materials related to marketing were also rejected. Finally, 110 reports, out of 170, were included as a database for extraction and analysis.

3.6.1.4 Analytical Method

Content analysis, an exploratory research method, was applied as the preliminary analytical method to identify marketing issues critical to Hong Kong small firms. Content analysis offers a useful tool to allow researchers to obtain an objective and systematic description of the content of communication (Berelson, 1952). Carney (1972) further argues that content analysis is confined not only to making inference and producing countable results, but also allowing wider applications. Content analysis was first used in religious studies (Dovring, 1965) and then was widely used by researchers in communication studies. The application of content analysis in management research is infrequent and mainly on larger firms (Bowman, 1982; Jauch, Osborn, and Glueck, 1979; Miller, Droge and Toulouse, 1988, Rumelt, 1974). Only relatively recently have researchers in the entrepreneurship sector started using content analysis (MacMillan, Zemmann, and SubbaNarasimha, 1987; Manimala 1992; Romanelli, 1987; Sandbery, Schweiger, and Hofer, 1988; Tyebjee and Bruno, 1984). Small business researchers have also used content analysis very recently, for example Hills and Welsh (1988) and Hills and Narayana (1989), to identify common strategic factors for high growth entrepreneurial ventures. Nevertheless, methods vary, research thrusts are different, and detailed procedures have not been disclosed. The only detailed study to date which identifies the content analysis process is that conducted by Marino, Castaldi and Dillinger (1989). Stage One of this research uses the content analysis process proposed by Marino and his colleagues to identify the marketing approaches of small firms in Hong Kong.

3.6.1.5 Analytical Framework

First, a content analysis schedule was constructed. In order to have a balanced view as suggested by the findings of the literature review (Chapter 2), both normative marketing theories and specific small business marketing models were integrated to form the analytical framework. Models,

including Marketing Effectiveness (Kotler, 1977), Marketing Activities (Dunn, Birley and Norburn, 1986) and Marketing Performance for Small Business (Carson, 1990), were distilled and constructed to form the content analysis schedule, so as to determine whether Chinese small firms exhibited those marketing activities and behaviour. For details of the schedule, see Appendix II.

The Marketing Effectiveness model, proposed by Kotler (1977) consists of 15 questions categorised into five dimensions. The five dimensions are customer philosophy, integrated marketing organisation, adequate information, strategic orientation and operational efficiency. Each category has three related questions. Each question has a rating from 0 (which represents poor) to 2 (which represents good). The potential scores in each area range from 0 to 6. The score of each category is added together with the total somewhere ranging from 0 to 30. The higher the score, the better level of marketing a company demonstrates. This model is used to identify the firm's relative marketing strengths and weaknesses.

The Marketing Activities model was proposed by Dunn, Birley and Norburn (1986), based on a list of 19 marketing activities developed by McNamara's (1972) work, to examine the marketing activities of American owner-managers. The 19 marketing activity categories are customer relations, advertising, sales, pricing, market research, sales forecasts, sales control, public relations, product planning, credit extension, sales training, quality control, dealer relations, sales recruiting, product services, product schedule, inventory control, packaging and warehousing. Each category has two options: YES or NO. It is believed that the differences in marketing may be influenced also by the specific nature of the marketing activities undertaken by the owner-managers. Thus, this model is used to determine which of these individual activities were taken charge by the owner-managers.

The Marketing Performance for Small Business model, proposed by Carson (1990), is an integrative model specifically used to appreciate the marketing performance of small firms. The specific characteristics and limitations of small firms are particularly considered in analysing small firm marketing. The marketing performance model consists of eight dimensions. They are limitations of marketing expenditure (expenditure), limitations of marketing know-how (expertise), limitations of market awareness (impact), marketing activities follow norms or adapt to environments (level of generalization), marketing at a planning or operational level (planning vs operation), level of planning activities adapted to small business environments (adaptation), evolution of marketing (stages of marketing development) and specific level of marketing activities (level of activity). Each dimension has two to four options ranging from no or little marketing to substantial or explicit marketing. This model is used to determine the small firm's marketing performance.

The three models were selected purposively as they had been applied in understanding small firm marketing performance (Carson, 1990), activities and orientation (Dunn, Birley and Norburn, 1986). Moreover, the three models are basically related to the conceptual, activity and performance issues respectively of the marketing paradigm. A student research helper was recruited to code simultaneously with the candidate to determine inter-coder reliability.

3.6.1.6 Contribution to Stage Two

The findings provide an indigenous description for marketing factors and also insight into the specific marketing practices of Chinese small firms in Hong Kong. The results offer a consideration of the environmental context of marketing in Chinese small firms in Hong Kong.

The results also assist development of hypotheses originally constructed from a literature review of marketing practices in Western countries into specific research questions- What is the specific marketing implementation of small firms in Hong Kong?

3.6.2 Stage Two: Descriptive Research

This stage of the research is intended to verify insights gained from Stage One and to provide a clearer, more systematic, picture of the marketing practices of small firms in Hong Kong. The literature review (Chapter 2) suggests an integrative approach to advance small firm marketing theory and develop a better understanding of the small firm marketing implementation process. Thus, this stage of the research blends the process model and the contingency model in studying Chinese small firm marketing, as suggested by the literature. As is demonstrated in more detail on page 30 that an integrative direction is appropriate to study small firm marketing, the marketing process model proposed by Brooksbank (1990) was adopted for understanding the marketing activities of small firms in Hong Kong. In addition, the contingency model used by Brooksbank, Kirby and Wright (1992) was adopted to identify different types of performing companies. The two studies were purposively selected to form a base to compare the similarities and differences between marketing practices, specifically business philosophy, strategic awareness, marketing objectives, marketing strategy, marketing organization and marketing control, in small firms in Hong Kong and the United Kingdom.

3.6.2.1 Research Design

Churchill (1987) suggests that descriptive research is used when the research purpose is to describe the characteristics of certain objects. Nevertheless, Ferber, Blankertz and Hollander (1964) argue that a descriptive study does not mean that it is simply a fact-gathering expedition, rather it is the

glue of explanation and understanding, and also the framework of theory. Thus, the descriptive research method was used for this stage. The survey research method, a branch of the descriptive research used for obtaining information from respondents by asking a variety of questions, was selected. There are three common survey administered methods -- telephone interviews, personal interviews and mail interviews. Though the mail survey is widely criticised (low response rates, a relatively low data reliability and validity being affected by the non-response error), it has proven to be a valuable method of collecting data from the industrial population because it can enable information to be gathered from wide geographic areas at relatively low cost, eliminate interviewer bias, allow respondents to check records, and can be completed at the respondent's convenience (Erdos, 1970, Yu and Cooper, 1982). More specifically for this research, it allows the researcher to collect a great deal of data relating to the marketing process and decisions. The anonymous nature of the research method and the confidential assurance offered by the researcher provide a favourable atmosphere for the respondents to give sensitive data, like relative performance in profits, sales and return on investment compared with their major competitors. This helps eliminate interviewer-interviewee bias. Thus, a mail survey was used for this stage of the study.

3.6.2.2 Sampling Frame Design

The sampling frame was derived from the Directory of Hong Kong Industries 1995. The Directory provides comprehensive and up-to-date information on manufacturing and supporting industries in Hong Kong. As stated in the introduction to the directory:

"The 1994/95 Directory, the Eighteenth edition of a series, has been compiled on the basis of the latest list of local manufacturing establishments provided by the Census and Statistics Department and other lists of member firms, maintained by the Hong Kong Government

and industrial organisations. Based on such lists, the Council conducted an extensive mail survey, followed by telephone interviews, to collect the latest and most comprehensive company information from each manufacturing establishment".

Important information for every manufacturing company listed includes the company's full name in English, business address, telephone number, fax. number, names of proprietors/directors, business contact person and position, country of investment, employment size, annual turnover, and other relevant information. This high quality and readily available sampling frame removed the queries raised by researchers (for example Rosen, 1987; Steele and Yam, 1989 and Yau, Li and Lo, 1986) regarding sampling frame construction and appropriateness of the contact person in doing survey research in the Chinese socio-cultural environment.

3.6.2.3 Sample Size Determination

An important indicator in the strategy-performance linkage contingency model, the relative marketing performance, was used as the surrogate variable for sample size determination. According to Brooksbank, Kirby and Wright (1992a), relative marketing performance can be measured by asking respondents to rate their company's marketing performance in terms of (1) profitability, (2) sales volume, (3) market share, and (4) return on investment. Companies are given a rating between 1 and 4 compared with their major competitors (1 being for "Better than", 2 "Equal to ", 3 "Worse than", and 4 "Don't Know"). Thus, there is a combination of 16 possible occurrences which can be represented by a matrix or table with 16 cells. For the purpose of having sufficient data for analysis by, for example, the Chi-square test, the minimum required cell count should be 5 as suggested by Churchill (1987). As Redding and Wong (1986) discovered there is much secrecy and privacy about performance in Chinese firms, particularly over information

bearing on marketing, finance, and profitability. Hence, it was anticipated that the response rate to the present survey on marketing performance would be low. Also, an earlier mail survey to Hong Kong owner managers on management practice reported a response rate of 7.8% (Martin and Siu, 1994). Taking all these factors into consideration, the target response rate was set at 4%. Thus, one hundred and twenty five questionnaires were required for each cell, giving a total sample size of 2,000. Detailed calculation of sample size is shown in Appendix III.

3.6.2.4 Sample Selection

The Directory provides a detailed reference to about 6,000 major manufacturing companies in Hong Kong. In most cases, employment size, yearly sale volume and name of proprietors/directors are given. First, only manufacturing companies were selected. Then, according to Brooksbank's (1991) and Liu and Wong's (1992) classifications of small and medium sized firms, firms were screened by employee size (less than or equal to 500) using the information obtained from the Directory. Finally, should the name of the proprietors/directors appear to be non-Chinese, the company was not selected. 5,473 companies satisfied these three criteria. A simple probability sampling method, using the random-number generators of the SPSS for Windows, generated 2,000 sample units.

3.6.2.5 The Instrument

The English version of the questionnaire was developed from the literature (in particular Brooksbank, Kirby and Wright, 1992; Cox, Hooley and Lynch, 1994; Wong, Saunders and Doyle, 1994) and modified in the light of the findings from the research at Stage One and the literature review (Chapter 2). The instrument involved a four page, double-sided questionnaire exploring the marketing approaches and practices of small firms in Hong Kong in more depth (Appendix IV).

The page length was regarded by Jobber (1989) as appropriate for an industrial mail survey. The total design method (Dillman, 1978) and professional survey approach (Edros, 1970) for mail surveys were adopted in designing the questionnaire. In addition, guidelines recommended by small business researchers (Alpar and Spitzer, 1989; Forsgren, 1989) on small firm mail surveys were used to motivate responses. The questionnaire was mailed with the letterhead of Hong Kong Baptist University, where the candidate works, and a business reply envelope was included. To minimize cost and save time, the covering letter (Appendix V), in Chinese, was not individually signed. However, a common salutation - Dear Owner-Manager - was used. The name of the addressee and company and company address did not appear on the covering letter, but were printed on the outgoing envelope. Nevertheless, the respondent was notified that the questionnaire was coded to follow-up non-respondents. However, confidentiality was stressed. Respondents were given three weeks to return the questionnaires. Another batch of questionnaires and letters requesting co-operation were mailed at the fourth week to those who had not responded. No pre-notification or postcard follow-up was used.

The questionnaire was reviewed by two specialists in small firm research in Hong Kong, and pre-tested with 2 owner-managers who can read English. The questionnaire was then translated by three independent persons including a marketing lecturer, an M/Phil student in marketing, and a marketing officer in a non-profit making organisation. The three versions were circulated and discussed among the translators. A Chinese version was developed upon consensus among the three translators. The Chinese questionnaire was back-translated by two independent persons - two M/Phil students in marketing. The translators discussed their translated versions and came up with a finalised back-translated English version. A meeting with the five translators was arranged to discuss the discrepancies among the three different versions of the questionnaire - the original

English version (First version in English); the translated Chinese version (Second Version in translated Chinese); the back-translated English version (Third Version in translated English). A fourth version in Chinese was constructed after the meeting. The fourth version in Chinese was further tested with two specialists with solid experience of marketing research in Hong Kong, and five owner managers who can read only Chinese. Comments were collected and changes were made accordingly. The amended questionnaire was then piloted by mail to 100 respondents from the sample of 2,000 small and medium sized firms in Hong Kong. 10 duly completed questionnaires were returned. No further amendment was made to the pilot questionnaire. Thus, the pilot questionnaire was adopted as the finalised questionnaire (Appendix VI).

3.6.2.6 Questionnaire Administration

The Chinese questionnaire comprised 32 (single and multi-part) questions, designed to provide information on basic company details, marketing practices and performance. It was despatched to the remaining 1900 small firms on 24 April 95 with 12 May 1995 as the deadline for return. Respondents were given three weeks to return the questionnaire. The second batch of questionnaires and reminder letters were mailed at the fourth week on 19 May 1995 with 8 June 95 as the deadline for return.

Of the 2,000 questionnaires despatched, 95 were returned by the Post Office as undeliverable (ceased operation or moved). Therefore, the effective mailout was 1905. 202 responses were received, 2 refused to help and 3 were incomplete. Thus, 187 useful questionnaire were received, representing a 9.82 percent response rate. This is only marginally below the normal response rate in industrial mail surveys, 10%, as quoted by Hart (1987), and higher than the response rate to previous mail surveys by Chinese small businesses (Martin and Siu, 1994). At the time of the

survey, the unemployment rate in Hong Kong had reached its highest since 1986 (Hong Kong Standard, 18 July 1995) and thus the sluggish nature of the economy could well have pushed down the response rate, as businesses sought to increase productivity and sales. While the low response rate will, to a certain extent, influence the validity of this study, this piece of research is still of value because it is the first attempt to advance the marketing theories in small firms by blending the process model and contingency approach, as suggested by Siu and Kirby (1995), in a Chinese socio-cultural environment.

3.6.2.7 Non-response Error

A follow-up telephone interview with 100 randomly selected non-respondents was undertaken to gauge the non-response bias. Perhaps predictably a high proportion claimed not to have received the questionnaire and/or could not spare the time to complete it. Through the telephone follow-up, owner managers were motivated and encouraged to participate in the study by answering a one-page questionnaire. This questionnaire consisted of four key questions (the first four questions) in the main questionnaire and one multiple question on marketing performance. For those who agreed to co-operate, this questionnaire was facsimiled so as to speed up the response. Those declining the request were asked to give responses by telephone. 50 returns were obtained from the follow-up interview. These responses were compared with the main survey results and it was found that only 1 out of 16 variables, sales performance compared with major competitors, was significantly different at the 5 per cent level of significance. The “non-respondents” had lower sales performance than the respondents to the main survey. All other variables remained the same. Thus, it would seem acceptable to state that there is no overall significant difference between the respondents and non-respondents.

3.6.2.8 Data Analysis

The 187 returned questionnaires were further screened by the criteria proposed by Brooksbank (1990) for small and medium sized industries. Firms with fewer than 500 employees and an annual turnover less than or equal to HK\$ 300 million were selected. However, Siu and Martin (1992) suggest the inter-sectoral business diversification of Chinese small firms is commonplace in Hong Kong. Accordingly, the product strategy proposed by Brooksbank (1990) was not adopted as one of the screening criteria. Also, quoted listed companies were not selected as they no longer possessed the small business characteristics, as suggested by Osteryoung and Newman (1993). Thus, 158 firms were eventually analysed. Companies were classified according to a self-assessed measure, using information supplied on the questionnaire. Respondents were asked to report how, in their last financial year, their companies had performed (“Better”, “The Same”, “Worse” or “Don’t Know”) relative to major competitors on the following criteria:- profit, sales volume, market share, and return on investment. Those with a rating of 1 for all criteria were classified as "Higher Performers". "Average Performers" performed variously on the four indicators, whilst "Lower Performers" were companies with a rating of 3 or 4 on all four indicators. On this basis, 13 (8.2%) of the respondent firms were classified as "Higher Performer", 97 (61.4%) as "Average Performer" and 48 (30.4%) as "Lower Performer". This corresponds with the approach used by Brooksbank, Kirby and Wright (1992).

Information from the mail survey was analysed by three statistical analytical tools. First, the Chi-square test in the CROSSTABS routine of the SPSS/PC+ 4.1 computer software package was used to identify the differences between performers across various marketing practices. Second, the Multiple Discriminant Analysis of the SPSS for Windows 6.0 computer software package was

used to determine the interaction effect and relative importance of various marketing components on the company's marketing performance. Third, the Log Linear Model for Contingency Tables in the CATMOD routine of the SAS for Windows 6.02 computer software package was used to examine the differences between Hong Kong and British small firms in their respective approaches to marketing. Detailed explanations of what these three statistical tests do and what the results mean are shown in Appendix VII.

3.6.2.9 Contribution to Stage Three

The findings from Stage Two provide a comprehensive evaluation of marketing practices in Chinese small firms in Hong Kong. The Chi-square test results provide a detailed description of exactly how, and to what extent, these Chinese small firms make marketing decisions, market their products and maintain competitiveness, and also whether the marketing performers differ from one another. Specifically, the findings of the Multiple Discriminant Analysis provide insights into which marketing variables are relatively more important or have greater impacts on marketing performance, and in what ways the marketing performers are different. The use of the Log Linear Model for Three-variables Table identifies how and to what extent Chinese small firms in Hong Kong are different from their Western counterparts, for example British small firms. The overall results of Stage Two also assist the development of Stage Three research questions - Why Chinese small firms perform as they do?

3.6.3 Stage Three: In-depth Personal Interviews

Although a survey is a valuable method of identifying marketing practices in Chinese small firms in Hong Kong, it provides limited opportunity to investigate the issue in depth. Shenkar (1994) argues that questionnaire is less useful in a Chinese politico-environment. To redress this imbalance,

qualitative research methods, for example in-depth personal interviews provide a better alternative in advancing knowledge. The purpose of this research stage is threefold: (1) to verify the survey findings, using personal interview as a vehicle for triangulation; (2) to have a better understanding of why Chinese small firms perform as they do; and (3) to understand the possible influences of Chinese cultural values, if any, on the Chinese small firm's approach to marketing.

3.6.3.1 Research Design

The methodology used for this stage is derived from Yin (1989), who defines the case study as an empirical inquiry that investigates a contemporary phenomenon within its real-life context. The case study method is particularly useful when the boundaries between phenomenon and context are not clearly evident, and multiple sources of evidence are used. Although the case study approach has arguably faced criticisms (like lack of rigour; little basis for scientific generalization; excessive length and the generation of massive, unreadable documents), it is very useful for providing an in-depth analysis of the situation, and expanding and generating theories. These specific advantages match with the research needs of Stage Three of this project.

3.6.3.2 Evaluation of Research Method

Yin (1989) specifies three conditions for selecting an appropriate research method from experiments, surveys, archival analysis, history, and case studies. These three conditions are:

- 1 the type of questions that need to be proposed (a basic categorization being who, what, where, how and why type questions);
- 2 the extent of control that the research has over the actual behavioural events; and
- 3 the degree of focus on contemporary as opposed to historical events.

For the purpose of this research, first, marketing process knowledge, which is related to contemporary business operations and events, is required. Second, there is no need to have control over the marketing operations, rather to identify exactly how the owner managers make the marketing decisions. Third, this research addresses the research question - 'why Chinese small firms perform as they do'. Hence, case study method is appropriate.

3.6.3.3 Sampling Plan

A question asking the respondent's permission to interview the company in more depth was included at the end of the Stage Two questionnaire. To motivate the respondents to offer interviews, the researcher offered, as an incentive, a free diagnosis, on a non-commitment basis, of the firm's marketing activities. Co-operative respondents were first classified into three marketing performance groups (high, average, and low), as indicated on page 55, according to their responses to the question on company performance relative to major competitors. This allowed the researcher to discover what and why different kinds of Chinese small firm behave as they do. Initially, it was considered to follow the approach adopted by one of the major studies (Brooksbank, Kirby and Wright, 1992) whereby ten co-operative respondents were selected by a simple random sampling method from each group. This would have given a total sample size of 30. As the distribution of respondents was skewed towards average and low performers, the stratified sampling method, as suggested by Burns and Alvin (1996), was used. Since a stratified sample selected proportionately according to market performance would have resulted in over 90 per cent of the selected firms (27) being average and low performers, the stratified sample was set disproportionately at the ratio of 8:14:8 with respect to high, average and low market performance in order to ensure more higher performing firms were selected. A follow-up telephone call was made to each randomly selected

respondent to confirm the interview schedule. Owner-managers were interviewed. Should they not be available, the Chief Marketing Executive of the firm was approached.

3.6.3.4 The Instrument

The process model of Brooksbank (1990) depicting the distinct marketing implementation process of small firms and Yau's (1994) classification of Chinese cultural values (which will be shown later in Chapter 4) were adopted to develop the instrument. McCracken's long interview techniques (1988) were used to guide the interviews, focusing on a series of open questions pertaining to marketing decisions in small businesses and the effect of Chinese cultural value. Prior research studies (for example Wright and Geroy 1990) demonstrate that the long interview technique is useful and effective in small business research. A framework is needed because the interview cannot be totally free and open and a comprehensive analysis is required of the firm's internal and external environments, and marketing decisions and process. Thus, a very detailed interview schedule or questionnaire was designed. Although it is necessary to use a questionnaire to provide discipline to the interviews, a semi-structured, rather than a fully structured questionnaire, which was felt to be necessary, was used (Appendix VIII). This permitted flexibility in discussion, given the type of investigation being carried out.

3.6.3.5 Analytical Method

Four, out of thirty, respondents were not able to be contacted, nor offered interviews due to being busy, out-of-town, and other reasons, within six months of the date of returning the questionnaire. 26 small firms were interviewed, of which 5 were high performers, 14 average and 7 low, as indicated on page 55. The interviews ranged from an hour to three hours. Interviews were recorded with the consent of the respondents and transcribed accordingly. As the interviews were

conducted in Chinese, the transcripts were first translated by a student helper into English and back translated by another student helper into Chinese to gauge the translation bias. Differences were discussed with student helpers to come to a final version in English. The final English scripts were transcribed on a standard word processing package and transformed into ASCII format for further analysis. NUD.IST, a computer-aided qualitative research software, was used to process the data in ASCII format. The grounded theory approach (Glaser and Strauss 1967, Strauss 1987, and Strauss and Corbin 1990) was adopted to analyze the interview records. Strauss and Corbin (1990, p. 23) define grounded theory as “one that is inductively derived from the study of the phenomenon it represents. That is, it is discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon.” This style of doing qualitative analysis helps ensure conceptual development and density. Following the perspective of the grounded theory approach, concepts were drawn from meaningful units of the transcripts. These concepts were related to each other to produce vignettes to describe marketing actions and strategies of Chinese small firms in Hong Kong. The interview scripts together with vignettes were sent to the interviewees for comments. This allowed the interviewers to verify the data and also collect their reactions and comments about the vignettes as further data which could be incorporated into the proposed proposition or hypothesis. This method of co-inquiry, suggested by Rowbottom (1977), assures the involvement of the interviewees and also allows the researcher to cross-check the interpretations of the interview transcripts.

3.6.3.6 Contribution to the Thesis

Based on the categorization and concepts generated from the ethnographic case studies approach, using the long interview method for data collection, the NUD.IST software package for data processing, and the grounded theory approach for data analysis, a deeper knowledge of marketing

activities in Chinese small business in Hong Kong is developed. Thus, by induction from the realities of the situation, a comprehensive marketing model is constructed, together with the influencing factors.

3.7 Conclusion

This chapter argues that a stepwise approach is required to advance the body of understanding in small firm marketing. It proposes a three-stage approach commencing with an exploratory qualitative research exercise conducted to shed initial insight on the marketing activities of small firms in Hong Kong. Then, a theoretical framework integrating the contingency approach and the process model is adopted in order to advance theories on small business marketing. First, an appropriate contingency approach, based on the disciplinary foundation of marketing, is proposed to identify the strategy-performance relationship in small firm marketing (Brooksbank, Kirby and Wright, 1992; Carson, et al., 1995; Cox, Hooley and Lynch, 1994). The use of quantitative research methods should help identify the specific marketing practices of small firms and their impact on company performance. Second, owing to the specific limitations and constraints of small firms, their marketing behaviour is likely to be different from that of larger firms, and unlikely to follow the prescription of the normative marketing approach. Thus, there is a need to understand, based on the insights derived from the results of the contingency approach, why small firms behave as they do and how they make their marketing decisions and choice. The process model of Brooksbank (1990) is adopted to understand the distinct marketing implementation process. While quantitative research strategies may be useful to identify the specific marketing practices, they are not necessarily appropriate when trying to determine how and why small firms perform as they do. Thus, in-

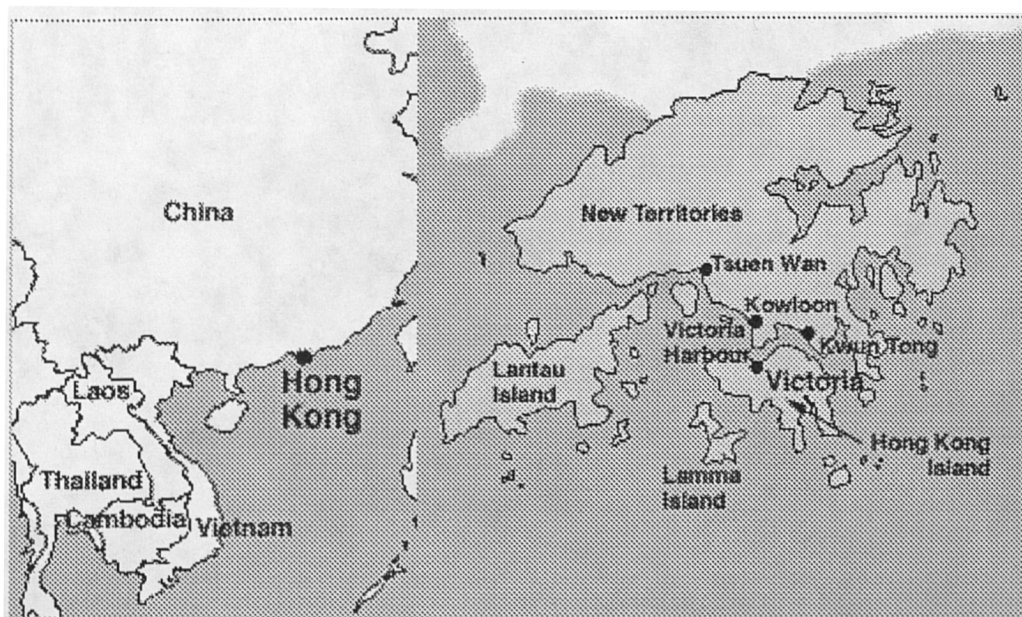
depth personal interviews are proposed as a complementary alternative to provide insights into the effect of Chinese cultural value on small firm marketing, in order to advance understanding of Chinese small firm marketing in Hong Kong. Hence, having provided a quantitative analysis of the way Chinese small firms market themselves, a detailed in-depth follow-up analysis of a small number of cases is undertaken in order to advance the formulation of Chinese small firm marketing theories, by providing greater insights into, and understanding of, the processes observed under the cultural influences. Indeed, it is proposed here that a comprehensive model of small firm marketing in a Chinese socio-cultural context, for example, Hong Kong, may be constructed based on the application of this stepwise research approach: the content analysis to shed light on small firm marketing in Hong Kong, the contingency approach to identify quantitatively the strategy-performance relationship in small firm marketing, and the process model qualitatively to examine the marketing implementation process under the cultural influences. In Chapters Five, Six and Seven, the results of these investigations are analysed in some detail. Before this, however, the politico-economic context of Hong Kong, and the businesses under investigation, is described.

CHAPTER 4: BUSINESS ENVIRONMENT OF HONG KONG SMALL FIRMS

4.0 Introduction

Hong Kong, literally the Fragrant Harbour or Xiang Gang in the Chinese Hanyu Pinyin system, is until 1997, a British Crown Colony with a total land area of about 1,070 square kilometres. This includes the Hong Kong Island, Kowloon Peninsula, and the New Territories attached to the mainland China, and also 235 islands (Figure 4.1). Hong Kong Island was acquired by Britain from China as a Colony during the rule of the Qing Dynasty on June 26, 1894 after the Opium War. The Colony subsequently expanded to include Kowloon Peninsula in October 1896, and the New Territories on a 99-year lease from 1 July 1898. On 19 December 1984, the Joint Declaration between Britain and China was signed restoring the sovereignty of Hong Kong to China on 1 July 1997, the date when the 99-year lease of the New Territories will expire.

Figure 4.1: Location Map of Hong Kong



Despite the lowly colonial status of Hong Kong, it has been developed into an important business city which supports a population of 6.2 million in an area of about one thousand square kilometres. Hong Kong is now one of the world's greatest ports and trade centres with commercial links extending to nearly all countries in the world. In terms of goods alone, it is the 13th largest trading entity in the world with total imports and exports amounting to some 180 per cent of its gross domestic product (GDP). If trade in services is included, total trade comes to more than double the GDP (Hong Kong Government, 1987). It is not only the financial capital of Asia (Goldberg, 1991; Young and Mun, 1990), but also one of the world's most important banking and financial centres (Lee and Vertinsky, 1987). The Hong Kong and Shanghai Banking Corporation, a Hong Kong based bank, is among the world's top 20 banks and is the biggest outside the major industrialised countries of Europe, North America and Japan (Hong Kong Government, 1986). The success of Hong Kong can be explained by many factors, for example economic, social and political environments (Lethbridge, 1986). However, the importance of small firms should not be neglected. As research findings (for example Acs and Audretsch 1990, Anderson 1982, Bannock 1981, Birch 1979, Brock and Evans 1986, Bruch and Hiemenz 1984, Hisrich 1986, and Hull and Hjern 1987) have generally concluded small firms contribute to economic development, and in Hong Kong small firms have played, for some time, a very important role in the colony's economic growth (Brown 1971, Owen 1971, King and Man 1979, Sit, Wong and Kiang, 1979). As is demonstrated in more detail on pages 36-37, the contribution of small and medium industries to the economy of Hong Kong has increased since 1979. Interestingly, however, the 1990 Survey of Industrial Production also reveals that the average number of persons engaged per establishment has decreased from 20 in 1980 to 15 in 1990, and the number of establishments with 100 or more employees has also dropped from 1,700 to 1,200. Recognising the importance of small firms in Hong Kong's economy, it is strange that no major research study has been conducted to examine, exactly, the

business environments of small firms. This chapter describes the business characteristics of small firms in Hong Kong, specifically related to the geographic, economic, political, cultural and social dimensions.

4.1 Geographical Characteristics

Hong Kong is a natural-resource-poor area made up of granite and acid volcanic rocks with sedimentary intercalations (Peng, 1986). Nevertheless, its geographical position is unique. It is located at the entrance of Zhujiang (Pearl River) which, with Dongjiang (East River), Xijiang (West River) and Beijiang (North River), forms one of the most fertile delta areas of China. Hong Kong, while attached to the mainland China, is open directly to the South China Sea and the Pacific Ocean. Chiu (1973) and Lo (1992) assert that Hong Kong was occupied by Britain not only for diplomatic and military reasons, but also commercial purposes. Hong Kong also occupies a central position in South-east Asia and serves as a focal point for major shipping routes from Europe and North America. Thus, Hong Kong is suitable for transshipment of goods to other parts of Asia. Moreover, Hong Kong's harbour is unique - a natural deep-water harbour which is relatively free from silting. The upland terrain rising to over 500 metres in height provides the harbour with shelter from wind and the occasional typhoon. This explains why Hong Kong has been very successful with its entrepot and trading centre function between Britain and China before 1949 (Davis, 1949). The political upheavals in China, the Korean War, and the Cultural Revolution has resulted in the decline of the entrepot trade. But, soon after China adopted its "open door" policy in 1979, Hong Kong has been viewed by the West as the gateway to China's potential huge market and investment opportunities, and at the same time used by China as a window to obtain business

information and management know-how, as well as sources for financial and human capital (Ho, 1986). This provides a strong impetus for the continuing economic growth of Hong Kong.

Hong Kong is export-led and all of its major manufacturing industries are export-oriented, dealing with overseas buyers in the world. Overseas buyers search for production capacities from a few major sites in the Far East including Hong Kong, Taipei and Singapore. Orders are placed after comparison of price and delivery schedules offered by contesting buying offices in the Far East. The importers are assured of a flexibility of production capacity, via a flexible assortment of different production expertise acquired from connections or networks with factories spreading across the region by the sub-contraction arrangement (Redding and Tam, 1985). The scarcity of land supply in Hong Kong also supports the sub-contraction arrangement. Lo (1992) reveals that the scarcity of flat land in Hong Kong results in a highly concentrated but diverse juxtaposition of land uses within small areas. Again, because of Hong Kong's small size and limited natural resources, the types of industries developed had to be light, export oriented and dependent on imported raw materials. Government-built multi-storeyed industrial buildings house many small industrial units (Dwyer and Lai, 1967). Many also operate as sub-contractors to large factories. While some of these industrial units are mixed with residential units, particularly in the high density areas, many of them are in close proximity to large factories in order to establish industrial links. Most factories are surrounded by a fleet of subcontractors which allows flexible production capacity. Redding and Tam (1985) conceptualise this networking relationship as the molecular organisations, as is demonstrated in more detail on page 38. Thus, small firms tend to maintain their small sizes. This can be justified by the fact that the phenomenal growth of the Hong Kong economy is accompanied by decreasing firm size. For example, there were 49.3 employees per

manufacturing firm in 1947, but the figure dropped to 40 in 1964. In 1977, the figure was 20.1 and in 1990, it was 14.9 (Appendix IX).

4.2 Political Characteristics

The political system of Hong Kong has been characterised by Lau (1982) as 'minimally-integrated', compartmentalising the political and social realms. Political power is controlled by a British colonial government. The way Hong Kong should be governed is specified in two separated legal documents issued by the British government to the Government of Hong Kong. They are the Letters Patent and Royal Instructions (Miners, 1986; Ngan, 1989). These may be regarded, in a very broad sense, as the constitution of Hong Kong. The government administration consists of three important branches -- the Executive Council, the policy-making body in Hong Kong which the Governor is required to consult as stipulated by the Royal Instructions; the Legislative Council, which has the specific duty of assisting the Governor in making laws for peace, order and good government administration by virtue of the Letters Patent; and the Judiciary, which is responsible for the judiciary affairs in Hong Kong and also independent of the executive and legislative branches of the government. Accordingly, Harris (1988) describes Hong Kong as an 'administrative no-party state'. The Hong Kong government is made up of officials appointed by the British government, not by representatives of the people through elections. The Government of Hong Kong only performs a select set of 'essential' functions, such as maintaining law and order, developing infrastructure and the provision of the basic social and urban services. Thus, the absence of politicians in Hong Kong allows the Hong Kong government to limit its involvement in the social activities to the minimum basic services (Chow, 1986; Kwan, 1986), and to devote all its energies to economic affairs (Lo, 1992).

Harris (1988) observes that the political decision process in Hong Kong is frequently made up of an amalgam of three elements - interest groups, influential and determined elite, and the bureaucracy. However, Hughes (1975) ironically has mentioned that Hong Kong was ruled by the Jockey Club, Jardine Matheson, the Hong Kong and Shanghai Bank and the Governor in that order. There is not much difference between the two assertions as Harris's is more general whilst Hughes's is more specific. It is clear that the political system of Hong Kong supports the notion that Hong Kong is a British colony which exists primarily to serve the interests of merchants, entrepreneurs and industrialists. Lo (1992) reveals that interestingly, apart from official members in the Executive Council - the policy making body in Hong Kong, - there are also quite a large number of appointed unofficial members, who are all high rank managers, company chief executives and rich merchants, for example, people who belong to the Jockey Club, Jardine Matheson and the Hong Kong Shanghai Banking Corporation. This conforms with the observation of Clancy (1980) that the interests and opinions of merchants and entrepreneurs are properly reflected and vented freely in policy decision. Hence, this provides a very favourable environment for businesses, including small and medium sized firms.

Major changes are not expected after 1997. Though researchers are not able to reach a consensus on Hong Kong's future after 1997 (Mushkat, 1990), the Joint Declaration between Britain and China has stipulated clearly that both parties have no intention of making drastic changes in Hong Kong. The essence of the declaration is to maintain the economic prosperity of Hong Kong when its sovereignty passes back to China on 30 June 1997 and accept the status quo of 1984, when the Agreement was signed. The assertion can be supported by the fact that when the Chinese government appointed members to the Basic Law Drafting Committee in July 1985, the largest

proportion were prominent businessmen and professionals. Lo (1992) expects that the appearance of the Crown Colony Hong Kong, to a certain extent, will be different. For example Hong Kong will become a Special Administrative Region of China, but the substance will remain unchanged as Hong Kong will retain its prosperity. Gormick and Bloomfield (1983) also endorse this view, arguing that money-making will be the focal point of the new Hong Kong. Thus, the handover of Hong Kong to China from Britain will not have significant influences on the business environment of Hong Kong. To be more specific, capitalism, as practised in Hong Kong, will continue unchanged. Ho (1986) notes that as long as Hong Kong maintains its market economy policy, the self motivation of the entrepreneurs and individual workers will continue to be the driving force of the economy. It is expected, therefore, that 1997 will not have a substantial impact upon small firms in Hong Kong.

On the other hand, Lau (1981) proposes that the utilitarian familism, the social cultural value of Hong Kong Chinese underpinned by the familism and utilitarianism of the Chinese culture, makes the Hong Kong Chinese concentrate on the economic activities of the family and avoid extensive social involvement and political participation. Lau (1982) further argues that this makes the political arena relatively non-important as a channel of need gratification for the Hong Kong Chinese and hence sustains the separation of polity and society. Lau and Kuan (1986) further suggest this specific 'social accommodation of politics' is the basis on which the stability of the social-political system of Hong Kong depends. In recent years it has been seen that the Chinese in Hong Kong have gradually increased their involvement in politics, for example the proliferation of 'pressure groups', active participation in direct elections and forming political parties. However, the Hong Kong Chinese still harbour strong inhibitions with regard to challenging political authority, revealed by a study conducted by Lau and Kuan (1986). Thus, this allows the Hong Kong

government to adopt the 'invisible hand' policy in regulating its economic activities and to create a favourable business environment, regardless of whatever shortcomings a laissez-faire economy might have (Chen, 1995).

The colonial status of Hong Kong gives it a very important element of stability because, under British sovereignty, Hong Kong was free from the influences of political upheavals in China in the 1950s and 1960s. Thus, during the political upheavals in China, there was an influx of immigrants and refugees from mainland China and also a massive inflow of resource. Hong Kong took advantage of the cheap labour pool and the capital and skills provided by some of these Chinese immigrants, particularly those from Shanghai, to develop industries (Wong, 1984). This provided an abundant source of manpower, technology and capital to Hong Kong. Hong Kong has a very efficient labourforce relative to most other developing countries, and the productivity of the labourforce has increased over time as a result of education, industrial training and the use of modern technology (Lethbridge and Ng, 1995). Overseas buyers make use of the cheap labour and modern technology in Hong Kong to produce the Original Equipment Manufacturing (OEM) products of which the goods and brand names are owned by the overseas purchasers, but not the manufacturers whose function is simply to ensure production to a mutually agreed quality standard. Thus, Hong Kong specialises in labour-intensive industries producing consumer goods, for example textiles and clothing, plastics, electronics, footwear, watches and clocks, and electrical appliances, to meet the demands of the world market (Chen, 1984). Also, subject to the influence of the molecular networking structure as suggested by Redding and Tam (1985), Hong Kong small firms have to ensure that their products meet the specific requirement of the buying office which implicitly represents the ultimate buyers - consumers in overseas markets. They do not need to

have a thorough knowledge of the ultimate consumers but rely heavily on the specification of the job orders. They do not do marketing except perhaps price contesting.

Of course, all this would not have been made possible without the co-operation of China. A possible explanation for this political stability, as suggested by Lo (1992), is that Hong Kong has no ideology, and as a borrowed place in a span of borrowed time, people are just interested in making as much money as possible before they leave at the last moment. The government of Hong Kong seems to have facilitated that, because this 'non-ideology' also pleases China which has no desire whatsoever to see political parties or universal suffrage being promised in Hong Kong. Thus, political stability is one of the essential factors in sustaining the growth of Hong Kong as a world business city.

4.3 Economic Characteristics

Some people regard Hong Kong as a typical *laissez-faire* economy. However, the year book of Hong Kong explains that Hong Kong is a free economy but certainly not one dedicated to the extremes of *laissez-faire* (Hong Kong Government, 1987). More accurately, the Hong Kong government adopts positive non-interventionism (Hadden-Cave, 1984), which the government relies primarily on voluntary exchange through the market to organise its economic activities and in which the government limits its activities to maintaining law and order and developing infrastructure, to administer the Colony's economy, or a self-regulating economy (Chen, 1984). Friedman and Friedman (1980) classify Hong Kong as one of the best examples of free open markets. The free open market is constructed on the concept of voluntary exchange or co-

operation, which, in turn, allows people the economic freedom to choose. The Hong Kong Government spends around 17% of its GDP on public expenditures which is relatively low compared with other countries (Hong Kong Government, 1987). This low government involvement keeps Hong Kong as one of the lowest tax areas in the world and thus it provides a great incentive for entrepreneurs and owner-managers to retain their earnings. The market price of the free economy provides invaluable information and an incentive for entrepreneurs to build up their own business ventures. The relative freedom for distribution of income allows owner-managers to retain their profits. The minimal role of government has given the private sector the maximum scope of flexibility to do business in accordance with free market forces. This important issue is believed to generate a favourable atmosphere for small business and entrepreneurship development (Siu and Martin, 1992).

On the other hand, the favourable geographic position of Hong Kong has also made the availability of capital easy. Hong Kong is located between North America and Europe. Consequently, many banks established offices in Hong Kong to bridge the time gap in order to ensure businesses might have non-stop operations. This particular geographic situation has been accelerated by the economic freedom policy adopted by the local government, which has helped Hong Kong develop as one of the world's major financial centres. These phenomena also boosted the development of Hong Kong's retail banking business with close ties to the small business community. Additionally, the export-oriented economy of Hong Kong enlarged economic development and, consequently, provided a direct impact on the availability of funds. To a great extent, the flourishing financial markets helped entrepreneurs and owner-managers obtain financial resources.

Chen (1995) observes that in recent years Hong Kong's economic structure has been changing from export orientated manufacturing to a multi-dimensional service centre with activities ranging from finance to telecommunication, entrepot, trade, technology transfer, and regional headquarters. Previously, Hong Kong, due to its good infrastructure and free trade system, relied heavily on acquiring inexpensive trade quality parts and semi-finished goods from other countries for production. Since most factories in Hong Kong are oriented towards making short-term profits, their production systems have been geared predominantly to assembly-line type activities. However, Hong Kong's industry also faces a severe lack of labour and land, thus the cost of production has been pushed up, and the competitiveness of the products of Hong Kong's traditional industries, such as clothing, footwear, and toys, has fallen behind its Asian counterparts, such as Taiwan, Malaysia and Indonesia. As a consequence of low profit margins resulting from changing comparative costs, the decline of the local manufacturing sector is inevitable.

Maruya (1995) notes that industrial restructuring and the upgrading of products are no doubt desirable, but Hong Kong finds a different way to maintain profit for those sunset industries, such as clothing, footwear, and toys. Given the dramatic development of the pearl river delta at Guangdong, China, Hong Kong has moved its supporting industries and production facilities to China. Fortunately, China's opening up has made available land and labour for the use of local small manufacturers. The relocation of the relatively low value-added, labour- and land-intensive processing operations to China has become commonplace and a popular means to maintain product competitiveness and profit. The products of the relocated industries are largely exported, and such industries are therefore called 'export processing operations'. They normally take the form of a consignment for processing production work. Under this system, the Chinese side provides the factory and labour, while the Hong Kong small firms assume responsibility for the management of

the business. The machinery and equipment, raw materials and parts, as well as engineers, product specifications, and designs are brought into China where processing and assembly are carried out under the supervision of the investing partner. This 'consignment processing' allows Hong Kong smaller firms to concentrate more on moving 'upstream' and allowing themselves to specialise in technically more advanced activities of research, procurement, and marketing, which had not been done previously. Thus, the major business activities for small manufacturing firms are packaging, designing, and marketing. Marketing becomes an important element in small firm management in Hong Kong today.

4.4 Social Characteristics

Birch (1984) observes contradictions between traditional Chinese values and modern Hong Kong social norms. In the traditional Chinese literature, it is stated that the Chinese rank of occupations are first Government Officials, then Farmers, Craftsmen, and lastly Businessmen. It appears that the traditional cultural values do not support business, including small business. King (1992) also notes that business practitioners in Hong Kong place great emphasis on profit making and put the value of family and Confucianism of secondary importance. Nevertheless, it should be noted, first, Chinese culture can be classified into the "Great Tradition" and the "Small Tradition" (Redfield, 1956). The "Great Tradition", which belongs to the scholars, philosophers and men of letters, is respected by most people. However, the Chinese also have their "Little Tradition" which they keep in their lives and are unlikely to refine or change. The "Great Tradition" are philosophies that seek ways to achieve a wealthy and strong nation for the whole tribe, whilst the "Little Tradition" are beliefs that seek to achieve a good life and great earnings for an individual's descendants. Topley (1967) asserts that the culture of Hong Kong is of the "Little Tradition". Thus, the theory of the

"Great Tradition", to a certain extent, cannot fully depict the life and situation of most people of Hong Kong. Hence, it is not strange to find that the most popular Chinese God of most Hong Kong people is the God of Fortune (Choi Shen). Lau (1982) further concludes that emphasis on material value, short-term time horizons, and emphasis on social stability are the three normative themes of Hong Kong society.

Also, it was almost impossible for Hong Kong Chinese people to satisfy their goals as government officials before the Joint Declaration between China and British. Senior administrative ranks in the Hong Kong Government, the decision makers for the economy, were dominated by British government expatriates before 1984. There was little chance for the Hong Kong Chinese to head a government department. Though recently Hong Kong Governments has started localising its senior administrative ranks, Lau (1982) argues that the previous blocking of upward mobility through political channels in a colonial society makes the Chinese use economic mobility such as starting their own business venture, as the most viable alternative. King (1992) also suggests that honour or sense of achievement cannot be obtained from being a politician, rather the Hong Kong Chinese can get it from being a successful businessman. Thus, most businessmen channel their efforts and energy into becoming successful and making their "fortune". Siu and Martin (1992) suggest that this shifting of drives provides a great emphasis on business venturing and in turn encourages entrepreneurship and small business development.

Winslow and Solomon (1987) postulate that the children of immigrants are likely to show entrepreneurial behaviour. They state that:

"These groups, either through the concept of 'the marginal (man) person', i.e., someone who must contend with one set of social norms, roles, and traditions in the home, ghetto or

class, while being forced to deal with different norms, roles, expectations of a larger society may, in fact, develop a marginal relationship with rules, conventional wisdom or expectations" (Winslow and Solomon, 1987 pp. 202-213).

It is true that most Hong Kong people are children of immigrants and they are on the margins of both western and eastern cultures. This marginal relationship will most likely encourage them to become mildly sociopathic and less conforming to traditional culture. Topley's (1967) description of the attitude of Hong Kong people also conforms with Winslow and Solomon's argument. He states that:

"They follow some western practices because they find them effective in some circumstances and some Chinese practices for similar reason. People may move in and out of Chinese and Western traditions, at least at the present time: the effect is the proof - if it works it is true" (Topley, 1967 p. 19).

King (1992) further conceptualises this change as "rationalistic traditionalism".

Siu and Martin (1992) argue that Hong Kong entrepreneurs are not deviating from the traditional cultural norms. Cultural factors are no longer restrictions on business activities. Rather they are effective incentives for marketing innovations. Like nepotism, it is no longer a cultural obligation to care for relatives, but a strategy to delegate a reliable person or well-acquainted person to take charge of a department. The entrepreneur can relinquish the heavy daily routine management functions, especially production, through this arrangement, by concentrating on new business development. Also, family ties are not necessarily bad things to most Chinese. Wang (1997) identifies three distinctive features of the Chinese family. They are an in-built mechanism of pooling and sharing, an inclusive economy and a natural tendency for diversification. Wang (1997, p 4) states that:-

"The Chinese family system is important to intersectoral capital flow. We often see some people from the cities returning to their village hometown and initiating some innovations in their farm activities like setting up fish ponds, farming and others. At the earlier stage of industrialisation, people have already taken advantage of the diversification potentialities of the family system in expanding their enterprises. Such activities may be considered as a kind of multiformity and multilateral expansion."

Chinese small firm owners diversify and spread the investment risks by means of intersectoral capital flow and multiform and multilateral expansion. Trust is the crucial factor in doing business in Hong Kong (Silin 1972, Sit and Wong 1989, Wong 1988). The maintenance of one's reputation for fair dealing and keeping one's word are crucial to obtaining sales (Ward 1972). The regional ties and clanships are personal relations and connections used by small firm owners in Hong Kong to maintain business trust and regulate inter-firm transaction (Wong 1991, Hamilton 1985). This facilitates the reliance of Hong Kong small firms on personal networking in business activities.

Limlingan (1984) argues that the success of Chinese family-run firms is attributable to Chinese cultural values. For example, trust is restricted to family members only (Wang, 1991) and this leads to a very small decision centre (Redding, 1990). As the decision-making activities of Chinese small firms are highly centralised, this provides Chinese small firms with strong strategic awareness - extremely flexible and adaptable to respond to change (Montagu-Pollock, 1989). Redding (1996) proposes that 'Chinese Capitalism' exists in the classic small family businesses and their most commonly found characteristics are the following:

- 1 Typically small scale and simple structured.
- 2 Centralised decision-making by dominant owner.
- 3 Paternalistic company culture.

- 4 Nepotistic.
- 5 Intense concentration on efficiency.
- 6 Tendency to focus on specialized field based on owner's expertise.
- 7 Long term strategic alliances and flexible networks.
- 8 Weak in complex integration/international brand marketing requiring decentralization to professionals.
- 9 Highly adaptive, opportunity seeking.
- 10 Large-scale versions now appearing: diversified; professional.

These characteristics also make Chinese small firms adopt a long-term orientation and have high degree of strategic awareness.

4.5 Cultural Characteristics

The previous review suggests that social norms in Hong Kong and Chinese traditional cultural values contradict with each other. Further review of the literature on Chinese cultural values shows that there are two schools of thought on the impact of the Chinese Cultural values to the success and operation of small firms in Hong Kong. It is believed that the rapid changes in social and economic environments in Chinese-dominated societies, for instance Hong Kong, has shifted the traditional cultural values along a traditionalist-modern continuum (Lin 1966; Shively and Shively 1972). Socio-environmental factors, not cultural values, contribute to the economic success and development of Hong Kong. However, another group of researchers argues that the Chinese people are pervaded by strong traditional cultural values that have exhibited a considerable degree of persistence and also have formed a clear and consistent system for generations (Bond and Hwang 1986; Lau 1977; Hsu 1970; Kindle 1982). These values, beliefs, and orientations have a

significant bearing upon Chinese psychology, perception, and approaches to business activities, which in turn influence the economic activities of Hong Kong (King 1992). La Barre (1946) and Hsu (1971) note that the Chinese family is a source which constantly diffuses cultural influences on an individual throughout his/her whole life. Even though the Chinese may deviate from the traditional value orientations at some points in their lives, they tend to be assimilated again by their culture. Research studies (King 1992, Redding and Richardson 1986, Lau 1982, Lau and Kuan 1988) discover that there are still traditionalistic elements of various sorts embedded in the managerial attitudes as a result of either a cultural legacy or "the process of insulation". Birch (1984) also points to the importance of traditional cultural values in studying organisations in Hong Kong. It is therefore crucial to examine the traditional Chinese cultural values and appreciate their influences on marketing activities in small firms in Hong Kong.

Lin (1966) uses the model of Kluckhohn and Strodtbeck (1961) to study the value orientations of Hong Kong students and their parents. Also adopting the framework of Kluckhohn and Strodtbeck (1961), Yau (1986, 1988, 1994) develops a classification of Chinese cultural values to examine Chinese consumers. However, marketing implications from the corporate point of view have never been explored. Though researchers such as Kindle (1982) and Waldie (1981) have pointed to the importance of using traditional cultural values in understanding Chinese marketing decisions, there is no major study of Chinese small firms which adopts this approach.

Thus, Yau's (1994) Chinese cultural value orientations (Table 4.1) are adopted to explain the likely cultural influences. Five types of value orientation are used to provide the analytical framework, namely Man-to-nature Orientation, Man-to-himself Orientation, Relational Orientation, Time Orientation, and Personal-activity Orientation.

Table 4.1: Yau's Classification of Chinese Cultural Values, adapted from Yau (1994)

MAN-TO-NATURE ORIENTATION
Harmony with the Nature
Yuarn
MAN-TO-HIMSELF ORIENTATION
Abasement
Situation Orientation
RELATIONAL ORIENTATION
Respect for Authority
Interdependence
Group Orientation
Face
TIME ORIENTATION
Continuity
Past Time Orientation
PERSONAL-ACTIVITY ORIENTATION
The doctrine of the mean
Harmony with others

The *man-to-nature orientation* explains the belief of the Chinese in nature -- man as a part of nature never trying to master nature but learning to adapt so as to reach harmony. The Chinese also believe in the Way -- all things become what they are, and Yuarn -- the pre-determined relations with other things or individuals, which are far beyond one's control. However, Yau (1994) also points to the positive side of Yuarn that leads to self-reliance. Thus, the Chinese will try positively to seek for interrelations with others (or things) in order to find out whether one possesses Yuarn or not.

The *man-to-himself orientation* describes the self-concept of the Chinese. The child-rearing practices of Chinese families make the Chinese believe in modesty and self-effacement, and also make Chinese children learn that circumstances have an important bearing upon what is right or wrong and compromise, in most cases, is inevitable.

The *relational orientation* depicts the relationship of the Chinese among other people. This orientation includes the respect for authority doctrine, the interdependence principle, the group

orientation, and the "face". The Chinese have a strong respect for authority and they are prone to trust without questioning. The interdependence or "doing favour" principle makes the Chinese believe that reciprocity or doing favours should be as certain as a cause-and-effect relationship. Yau (1988) argues that Chinese owner-managers often believe that following the principle of "doing favour" is of utmost importance in making the business go smoothly, so as to earn more money. The group orientation of the Chinese is also confirmed by Hofstede's (1980) study which indicated that the Chinese have distinctively higher collectivism and power distance than Westerners. When making decisions, an individual Chinese would always take into account other members of the family. Wilson and Pusey (1982) have confirmed this in an investigation of achievement motivation and small-business relationship patterns in Chinese society. They have found that group orientation correlates more significantly with achievement motivation in the Chinese sample than in the American sample. "Face" is a concept of central importance to the Chinese societies and organizations because of its pervasive influence in interpersonal relations among the Chinese, as suggested by Bond (1991). Redding (1982) finds that Chinese social relationships are often transacted on the basis of "face" for example, by making decisions so as not to lose "face", compromising so as not to deprive a potential adversary of "face", etc.

Time-orientation relates to the time concept of the Chinese and includes the continuity doctrine and the past-time orientation. The Chinese tend to have a long-term view and to see the business as something which sons will inevitably inherit, as suggested by Redding (1982). Kluckhohn and Strodtbeck (1961) note that the Chinese have a strong preference for past-time orientation as they place primary emphasis on maintenance, or the restoration, of past traditions. Yau (1988) further suggests that this specific orientation makes the Chinese prone to be risk averse and less innovative than their Western counterparts.

The *personal-activity orientation* epitomises the inter-personal activities among Chinese people. Yau (1988) argues that the evidence for the personal activity orientation of the Chinese is conflicting. The Chinese are greatly influenced by the doctrine of the Way which places emphasis on the "Being" orientation, whereas they also conform to Li (propriety) which denotes a system of semi-formal norms of behaviour. Thus, the doctrine of the mean demands the Chinese to employ the 'proper' means by a sincere attitude to explore commonalities (instead of extremities) inherited in things and thus to attain the 'natural laws" (i.e. moral principles). Though, Yau (1994) mentions the principle of harmony with others in his cultural values, surprisingly no detailed discussion is found, and no reason for this is given. According to Kluckhohn and Strodtbeck (1961), the harmony with others principle, which is simply an extension of harmony with nature, is a concept of wholesomeness. This orientation is more dominant in the Chinese culture, compared with the Western. Redding and Wong's (1986) study also confirms that the harmony with others principle makes a person psychologically attuned to deference, compliance, and co-operation within an organisation, an informal social network or business alliances.

The review of Yau's (1994) cultural orientations suggests that marketing in Chinese small firms might be expected to be different in some ways from their counterparts in the US or UK.

4.6 Conclusion

This chapter reviews the geographic, economic, political, social and cultural environments in which Hong Kong's Chinese small firms operate. The review indicates that all these factors have positive impetus on the business activities of small firms. The geographic location of Hong Kong - a

gateway to the huge Chinese market, a focal point for trading routes from Europe and North America, a non-stop operation base for international banking - provides an excellent business environment for Hong Kong small firms. Further, the scarcity of land and demanding buying behaviour of overseas buyers facilitates the molecular network structure of small firms. The Hong Kong Government, as a no-party administration, concentrates all its efforts on economic affairs. The positive non-interventionism policy adopted by the Hong Kong Government provides an open free market for small business venturing. Though Hong Kong will be handed over to China in 1997, it is expected that no significant changes will occur, specifically related to small firms. The industrial restructuring of Hong Kong and China's opening up allows Hong Kong small firms to find their production arms in the Pearl River Delta. The subcontractors there are responsible for production, whereas the Hong Kong small firms take charge of marketing and business development. Nevertheless, under the influences of the molecular networks, Hong Kong small firms do not do marketing except perhaps price contesting. Though Hong Kong is moving to a modern city, the influences of traditional cultural values are still prominent. King (1992) conceptualises this as "rationalistic traditionalism". Thus, the review supports the notion that the activities of Chinese small firms in Hong Kong are pervaded by strong traditional Chinese cultural values. This thesis will examine the influence of Chinese cultural values, as indicated on pages 79-81, on the marketing practices of Chinese small firms in Hong Kong.

CHAPTER 5: EXPLORATORY RESEARCH RESULTS

5.0 Introduction

The preceding chapters point to the deficiency of a clear understanding of marketing in Chinese small firms in Hong Kong. First, the marketing approaches of Chinese small firms in Hong Kong are not yet fully appreciated. What do Chinese owner-managers believe marketing to be? Second, the actual marketing planning activities performed by owner-managers are not clearly identified. How do they put marketing into practice in their companies and markets? Third, the marketing approaches of Chinese small firms in Hong Kong has not yet been known. What are the specific marketing practices of Chinese small firms in Hong Kong. In this respect, exploratory research for the purpose of gaining insight into Chinese small firm marketing and also assisting hypotheses formulation was conducted (as reported in Chapter 3). This chapter reports the content analysed results of undisguised stories of successful Chinese owner-managers. It is intended that this should provide a sound foundation, together with relevant literature review on marketing process of small firms, to develop broad, vague research problem statements into smaller, more precise hypotheses, as suggested by Churchill (1987), for further analysis.

5.1 Content Analysis

As explained in Chapter 3, three models, including Marketing Effectiveness (Kotler 1977), Marketing Activities (Dunn, Birley and Norburn, 1986) and Marketing Performance for Small Business (Carson 1990), are distilled and constructed to form the content analysis schedule used to determine the marketing activities, behaviour and performance of Chinese small firms in Hong

Kong. 110 stories were coded by a student research helper simultaneously with the candidate to ensure data reliability. Overall inter-coder reliability was 79%, which is regarded as satisfactory by Kassirjian (1977). The differences between coders among all items were then discussed until final consensus was reached. The mutual-agreed results were used for the analysis.

5.1.1 Marketing Effectiveness

As is demonstrated in more detail on page 46, the Marketing Effectiveness model consists of fifteen questions relating to customer philosophy, integrated marketing organization, adequate information, strategic orientation and operation efficiency. The coder collects information from the undisguised stories as it bears on the 15 questions. The appropriate answer is checked for each question: 0 for poor or no marketing efforts; 1 for somewhat or fair marketing efforts; 2 for yes or substantial marketing efforts. If any undisguised story does not carry the specific piece of information related to the questions, it is assumed that the owner-mangers does not place emphasis on this particular aspect and 0 - the lowest mark is allocated. The potential scores in each area range from 0 to 6. The score of each category is added together with the total somewhere ranging from 0 to 30. Dunn, Birley and Norburn (1986) suggest the scores 0, 1 and 2 as "poor"; score 3 and 4 as "average"; and score 5 and 6 as "good" for each category for American small firms. Using the same rationale, a composite "marketing effectiveness" score can be computed for each firm by adding the five categories:-

0 - 10 Poor (None to Poor)

11- 20 Average (Fair to Good)

21 - 30 Good (Very good to Superior)

The statistical test at the 1 per cent level of significance (Chi-square value = 17.93913, degree of freedom = 2, p value = 0.00013) indicates that there is a significant difference in marketing effectiveness scores between Chinese and American small firms. The results (Table 5.1) appear to suggest that the Chinese small firms in Hong Kong demonstrate a better level of marketing effectiveness than those of the USA firms (Dunn, Birley and Norburn, 1986). However, the interpretation should be very cautious. The Hong Kong sample is biased because the selected undisguised stories only report the successful stories of prominent and successful entrepreneurs.

Table 5.1: Marketing Effectiveness Distribution of Chinese and American Small Firms:

Marketing Effectiveness	HK*	U. S. A.**
Poor	17(15.46%)	41(41.84%)
Average	52(46.27%)	32(32.65%)
Good	41(37.27%)	25(25.51%)
Total	110(100.00%)	98(100.00%)

Chi-square = 17.93913, d.f.=2, p-value = 0.00013

Source of Data: * present study and **Dunn, Birley and Norburn (1986)

The overall median Marketing Effectiveness score of Chinese small firms in Hong Kong is 17, which indicates that they are on the upper average rank. The median scores for each component are: customer philosophy -- 4 (average), integrated marketing organization -- 4 (average), adequate information -- 2 (poor), strategic orientation -- 2 (poor), and operational efficiency -- 6 (good). The evidence reveals that Chinese small firms in Hong Kong perform notably weakly in information process and strategic planning but are good at operational efficiency. As suggested by the Marketing Effectiveness model, Hong Kong small firms do not conduct continuous marketing research studies and little effort is expended to measure the cost effectiveness of different marketing expenditure. Chinese small firms in Hong Kong also do little formal marketing planning or

contingency planning. They do not exhibit clear marketing strategy. However, Chinese small firms in Hong Kong are good at operational efficiency because they perform very well in communicating with the subordinates and react quickly to on-the-spot marketing changes.

5.1.2 Marketing Activities

As indicated on page 46, Dunn, Birley and Norburn (1986) develop a list of 19 marketing activities to examine the marketing activities of American owner-managers. This list is used to determine which of these individual activities were taken charge by the Chinese owner-managers in Hong Kong. Coders were asked to check which of these individual activities were the responsibility of the owner manger. In order to test whether Chinese and American small firms give different or similar weights to the 19 activities, rankings were established according to the proportion of firms in each category. A higher rank indicated that a larger percentage of the owner-managers were in charge of, or being responsible for, a specific marketing activity. Table 5.2 shows the results. Statistical tests at the 5 per cent level of significance (Kendall Correlation Coefficient = 0.2059, degree of freedom = 17, p value = 0.220; Spearman Correlation Coefficient = 0.2880, degree of freedom = 17, p value = 0.232) show that there is no association in marketing activities between Chinese small firms in Hong Kong and their counterparts in the USA. Thus, the results appear to suggest that the rankings of marketing activities of Chinese small firms in Hong Kong are different from those of the American small firms. Chinese owner-managers concentrate on sales, product planning, sales forecast, and product schedule. On the contrary, their American counterparts place emphasis on customer relations, advertising, sales, and sales forecast. Examining the rankings in more detail, there are clear differences in the activities on which the Chinese and American small firms appear to concentrate. Taking customer relations as an example, 76.66 per cent of the American firms perceive establishing and maintaining customer relationships to be the responsibility

of their chief marketing managers, whereas in Chinese small firms, the percentage is only 62.7 per cent. Further, 93.6 per cent of the Chinese owner managers are in charge of product planning, whereas in American firms only 41.48 per cent of the chief marketing executives do so. The evidence reveals that Chinese small firms put most of their efforts in sales and production, whereas the American small firms emphasise customer relations and advertising. Thus, Chinese small firms in Hong Kong can be classified as product or production oriented, whilst the American firms are more marketing or customer oriented.

Table 5.2: Rankings of Marketing Activity -- HK and US Owner-Managers

Marketing Activities	HK(%)	Rank	US*(%)	Rank
Sales	97.30	1	72.33	3
Product Planning	93.60	2	41.48	11
Sales Forecasts	79.10	3	70.43	4
Product Schedule	76.40	4	25.22	16
Pricing	74.50	5	66.48	5
Product Services	65.50	6	30.26	15
Dealer Relations	64.50	7	38.79	12
Customer Relations	62.70	8	76.66	1
Sales Control	61.80	9	63.57	7
Quality Control	53.60	10	32.09	14
Public Relations	30.90	11	46.66	8
Advertising	22.70	12.5	72.33	2
Inventory Control	22.70	12.5	22.59	18
Credit Extension	17.30	14.5	35.54	13
Warehousing	17.30	14.5	17.35	19
Market Research	15.50	16	66.32	6
Sales Training	13.60	17	42.17	10
Sales Recruiting	10.90	18	44.55	9
Packaging	7.30	19	23.36	17
Number of Firms	110		98	

* The American data is adapted from Dunn, Birley and Norburn (1986), see Appendix X for details.

Kendall Correlation Coefficient=0.2059, degree of freedom=17, p-value=0.220.

Spearman Correlation Coefficient=0.2880, degree of freedom=17, p-value=0.232.

5.1.3 Marketing Performance

Carson's (1990) Marketing Performance for Small Business model was adopted to appreciate the marketing performance of Chinese small firms in Hong Kong. As is discussed in more detail on page 42, the Marketing Performance for Small Business model consists of eight dimensions and each dimension has two to four options ranging from no or little marketing to substantial or explicit marketing. The coder collects information from the undisguised stories as it bears on the 8 dimensions. The appropriate option is checked for each dimension. If any undisguised story does not carry the specific piece of information related to the questions, it is assumed that the owner-manager does not place emphasis on this particular aspect and the lowest option indicating no or little marketing will be checked. The results are shown in Table 5.3.

Table 5.3 : Marketing Performance of Hong Kong Small Firms (N=110)

Dimensions	Classification (%)		
Limitations of expenditure	Minimal (50.9%)	Limited (33.6%)	Substantial (15.5%)
Limitations of expertise	Minimal (40%)	Limited (27.3%)	Substantial (32.7%)
Limitations of impact	Minimal (18.2%)	Limited (33.6%)	Substantial (48.2%)
Levels of Generalization	General Concepts (30.9%)	Industry Specific (25.5)	Situation Specific (43.6%)
Planning v. Operations	Minimal (54.5%)	Balanced (45.5%)	
Adaptation of Marketing Planning	Limited (27.3%)	Substantial (72.7%)	
Stages of Marketing Development	Reactive (16.45) and Tinkering (15.5%)	Entrepreneurial (47.3%)	Proactive (20.9%)
Level of Activity	Little (20%)	Implicit (47.3%)	Explicit (32.7%)

The first three elements, related to the amount of money spent on marketing activities (expenditure), owner-manager's education and background in marketing (expertise), and knowledge and awareness about the market (impact), revealed that most Chinese small firms in Hong Kong have minimal expenditure (50.9%) and expertise (40%) in marketing. Nevertheless, most of them (48.2%) have substantial knowledge about the market and its changes. The results

indicate that Chinese owner-managers in Hong Kong spend minimal money/time on marketing activities. This confirms with the content analysed results of Section 5.1.2. Though Chinese owner-managers do not have adequate marketing education or training, they have a very good sense and knowledge about the market. The fourth element determines whether the firm uses marketing at a very general level, follows industrial norms and practices, or adapts to specific internal and external environments (level of generalization). It is found that most Chinese small firms in Hong Kong (43.6%) apply innovative and imaginative marketing tactics to suit their own particular circumstances. The fifth and sixth issues identify whether the firms carry out any marketing planning activities (planning vs operation) and also whether those planning activities have adapted to small business environments (adaptation). The results reveal that Hong Kong small firms split somewhat equally in planning vs operations. About half of them (45.5%) conduct marketing planning periodically and frequently, whereas the remaining (54.4%) do little marketing planning. It is also found that most of the Chinese small firms (72.7%) change their marketing planning techniques to suit the characteristics of their firms and their particular circumstances. This confirms with the content analysis results of Section 5.1.2. The seventh and eighth dimensions evaluate the evolution of marketing alongside company growth and the specific level of marketing activities. It is found that most Chinese small firms can be categorized as entrepreneurial (47.3%) and practising implicit marketing (47.3%). They rely heavily on the entrepreneur's decision and their marketing activities can be regarded as unplanned or unstructured. This also confirms with the content analysis results of Section 5.1.1.

5.2 Implications

The content analysis suggests that successful Chinese small firms in Hong Kong exhibit distinct marketing practices, compared with their American counterparts. Chinese small firms have higher marketing effectiveness scores, though they are more production oriented. In contrast, the American small firms are more customer oriented despite the fact that their marketing effectiveness scores are relatively lower. Chinese small firms possess limited marketing expenditure and Chinese owner-managers have limited marketing expertise. Interestingly, however, Chinese owner-managers appear to have a strong market awareness. The findings also suggest that Chinese small firms do little strategic marketing planning. One possible reason may be the Chinese owner-managers apply innovative tactics and change the marketing planning technique to suit the characteristics of their firms and their particular circumstances. Thus, it is not strange to find that Chinese small firm marketing can be described as entrepreneurial and the marketing planning activities are unstructured. The results appears to suggest that either the Western tenets are not fully applicable to Chinese small firms or the marketing behaviour of Chinese small firms in Hong Kong are so distinct that a specific marketing model is needed. Based on the above findings, this chapter proceeds to refine the broad, vague research problem statements, and together with a relevant literature review, to develop smaller, more precise hypotheses for testing.

5.3 Hypotheses

As only successful undisguised stories of Hong Kong small firms and owner-managers are collected, this exploratory research on small firm marketing is "unbalanced" and inevitably ignores the extent to which any findings also characterise less successful firms. Thus, it is necessary to

examine the marketing activities of higher and lower performing small manufacturing firms in order to achieve the research objectives. To meet these objectives and also follow the integrative approach - blending the marketing process model (Brooksbank, 1990) and the contingency model (Brooksbank, Kirby and Wright, 1992) - suggested in Chapter 2, seventeen specific hypotheses, relating to the differences between the strategic marketing practices of higher and lower performing firms, have been formulated in the context of Chinese small firms in Hong Kong and compare the findings with the Western paradigms. The six marketing stages, proposed by Brooksbank (1990) relating to the adoption of a marketing philosophy, the conducting of a strategic analysis, the development of marketing objectives, the formulation of a marketing strategy, the designing of a marketing organization and the implementation of strategic control, are used as a framework for guiding hypotheses construction. Within this framework, seventeen hypotheses are formulated.

5.3.1 Hypotheses relating to business philosophy

- (a) Research findings (for example Goldsmith and Clutterbuck, 1984; Peters and Waterman, 1982) reveal that firms giving higher priority to marketing perform better than those which do not. Cox, Hooley and Lynch (1994) also reveal that the input of marketing to the strategic planning process is found to be significantly associated with the performance of small firms. However, Brooksbank, Kirby and Wright (1992) reveal that no significant relationship exists between performance and firm size in medium sized firms. Researchers (Silin, 1972; Wong, 1988 and 1991; Yau, 1986) find that Chinese owner-managers believe that success will not be solely influenced by marketing, but by doing favour to others, trust, creditworthiness and establishing social networks. Findings from this exploratory

research also reveal that marketing seems not to enjoy the supreme priority in higher performing Chinese small firms in Hong Kong.

H1 : Higher performing Chinese small firms give the same priority to marketing as they do to the other business functions in their overall business approach.

- (b) Research studies (for example Cavanagh and Clifford, 1986; Hooley and Lynch, 1994; Peterson and Lill, 1981) have shown that the better performing companies define marketing activities as essentially customer-oriented. According to the study by Hills and Narayana (1989), small firm owners perceive customer-orientation as critical to success. Empirical studies (for example Brooksbank, Kirby and Wright, 1992; Möller and Anttila, 1987; Weinrauch et. al., 1991) also confirm that customer-orientation is associated with successful smaller firms. However, there is no consensus among small firm researchers in Hong Kong to this notion. Some researchers (for example Espy, 1972; Kinsey, 1988; Redding and Tam, 1985) find that successful Chinese small firms are aware of the importance of customer-orientation, whereas some (Cumming 1974; Redding 1980 and 1982) find that traditional Hong Kong small firms are production-oriented. Findings of this exploratory research however confirm that successful Chinese small firms define their marketing activities as being more sales or production-oriented in approach, rather than adopting a true marketing orientation.

H2 : Higher performing Chinese small firms are less likely than lower performing Chinese small firms to define their marketing activities as customer-driven.

5.3.2 Hypotheses relating to strategic analysis

- (a) Prescriptive works (for example Greenley, 1986; McDonald, 1984) and empirical studies (for example Hooley and Jobber, 1986; Saunders and Wong, 1985) assert that successful companies are more formal-marketing planning oriented. The empirical findings of Cox, Hooley and Lynch (1994) and Hooley and Lynch (1994) reveal that the extent of formal marketing planning appears higher amongst the better performing smaller and larger companies respectively than the poorer performing firms. However, according to the study of Hills and Narayana (1989), small firm owners do not perceive marketing planning as being critical to success. Brooksbank, Kirby and Wright (1992) also reveal that there is no statistically significant relationship between company performance and the extent of formal marketing planning in medium-sized firms. The follow-up in-depth interview results of Brooksbank, Kirby and Wright (1992) suggest that the word "formal" seems misleading and propose that it should be substituted with the word "strategic" in future research studies. Nevertheless, there is no consensus among management researchers on strategic planning and company performance in small firms. Researchers (for example Ackelsberg and Arlow, 1985; McKiernan and Morris, 1994) find that formal strategic planning systems do not provide superior performance. However, empirical studies (for example Bracker and Pearson, 1986; Bracker, Keats and Pearson, 1988; Jones, 1982) confirm that small firms use structured strategic planning to attain greater success. The findings of Hsin et. al. (1974) and Redding (1982) reveal that successful Chinese small firms do not commonly use long term strategic marketing planning.

H3 : Higher performing Chinese small firms are less strategic marketing-planning oriented than the lower performing Chinese small firms.

- (b) Management writers and researchers (for example Ackelsberg and Arlow, 1985; Hooley and Lynch, 1985; Modiano and Ni-Chionna, 1986) support the notion that better performing companies pay greater attention to a comprehensive situation analysis. The comprehensive situation analysis refers to internal (company) analysis, competitor analysis, market analysis, customer analysis, and an analysis of the wider business environment. Brooksbank, Kirby and Wright (1992) reveal in their empirical findings that higher performing medium-sized firms are more likely to attach a greater degree of importance to a comprehensive situation analysis. Reid and Hinkley (1989) find that Hong Kong firms pay more attention to external corporate environments. Findings of this exploratory research reveal that successful Chinese small firms are highly sensitive to changing tendencies and environments.

H4 : Higher performing Chinese small firms pay more attention to a comprehensive situation analysis than lower performing Chinese small firms.

- (c) Management writers and researchers (Day, 1977; Hedley, 1977; Hooley, 1984; Kotler, 1988) argue that the successful firms are generally more aware of the existence of strategic planning tools and also make greater use of them in planning their activities. The strategic planning tools include SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis; the Experience Curve, PLC

(Product Life Cycle) analysis, Portfolio Planning Matrices; the PIMS (Profit Impact on Sales) study and the Marketing Audit. The empirical findings of Brooksbank, Kirby and Wright (1992) support this assertion. Reid and Lee (1989) find that the knowledge of Hong Kong firms in strategic planning tools is low. The exploratory research also reveals that Chinese small firms in Hong Kong do not use strategic planning tools.

H5 : Higher performing Chinese small firms are more aware, and make greater use, of strategic planning tools than lower performing Chinese small firms.

- (d) Most prescriptive work (for example, Kotler and Armstrong, 1994) along with empirical findings (for example, Hooley and Jobber, 1986; Saunders and Wong, 1985) support the notion that a more pro-active rather than re-active approach to the future tends to be an important feature of the planning approach of successful companies. However, the survey conducted by Brooksbank, Kirby and Wright (1992) reveals that there is no statistical relationship between the approach to the future and company performance in small firms. The findings of this exploratory research reveal that the successful Chinese owner-managers spend relatively a great deal of time in sales forecasting.

H6 : Higher performing Chinese small firms adopt a more pro-active rather than reactive approach to the future than lower performing Chinese small firms.

- (e) Research findings (for example, Brooksbank, Kirby and Wright, 1992; Möller and Anttila, 1987; Schlegelmilch, Boyle and Therivel, 1985) indicate that better performing companies make a greater use of marketing research in their planning

activities. The literature survey results (for example, Redding, 1982) suggest that owner-managers deny the need to calculate and plan the future. However, this exploratory research finds that the successful Chinese owner-managers spend minimal amounts of time in market research activities.

H7 : Higher performing Chinese small firms will make greater use of marketing research in their marketing planning activities than lower performing Chinese small firms.

- (f) Brooksbank, Kirby and Wright (1992) also reveal that company performance is associated with self-generated market research, not the use of commissioned-in research. Redding (1980 and 1982) finds that Chinese small firms in Hong Kong do not often use formal commissioned-in research, but confine their information solicitation methods to informal methods.

H8 : Higher performing Chinese small firms make greater use of informal marketing research methods than lower performing Chinese small firms.

5.3.3 Hypotheses relating to marketing objectives

- (a) Research findings (Wong, Saunders and Doyle, 1994; Hooley and Lynch 1985) reveal that successful companies set longer-term objectives with longer-time horizons. Brooksbank, Kirby and Wright (1992) find that higher performing medium-sized firms set longer-term profit objectives. Redding (1982) and Yau (1988) also find that Chinese firms have longer term orientations.

H9 : Higher performing Chinese small firms set longer-term profit objectives than lower performing Chinese small firms.

- (b) Researchers (for example Hooley and Lynch, 1985; McBurnie and Clutterbuck, 1987) argue that high performing companies are more likely to set themselves offensive and aggressive objectives rather than adopting a more defensive, competitive stance. Cox, Hooley and Lynch (1994) find that higher performing small companies take a more aggressive stance in their marketing, significantly more often adopting marketing domination goals. However, the empirical findings of Brooksbank, Kirby and Wright (1992) on medium-sized firms do not support this notion. Davig (1986) finds that there is no best way in competition because both the "defender" approach (defensive objectives) or the "prospector" approach (aggressive objectives) link with company success. Researchers (Redding and Wong, 1986; Wilson and Pusey, 1982) find that the corporate objectives of Chinese firms in Hong Kong are more conservative, instead of offensive or aggressive.

H10: Higher performing Chinese small firms set more defensive objectives than lower performing Chinese small firms.

5.3.4 Hypotheses relating to Marketing Strategy

- (a) Research studies (for example, Brooksbank, Kirby and Wright, 1992; Wong, Saunders and Doyle, 1994; Hooley and Lynch, 1994; Peters and Waterman, 1982) support the notion that the higher performing firms are more likely to adopt a strategic focus based on raising volume, for example expanding or penetrating existing markets, rather than productivity improvements, for example increasing

price, reducing cost, or rationalizing product mix. Researchers (Redding, 1990; Siu and Martin, 1992) find that successful Hong Kong small firms use the focus of increasing volume, for example marketing development and diversification.

H11: Higher performing Chinese small firms concentrate on productivity improvement, rather than raising volume.

- (b) Empirical findings (for example, Brooksbank, Kirby and Wright, 1992; Cavanagh and Clifford, 1986; Hooley and Lynch, 1994; Peters and Waterman, 1982) suggest that better performing companies compete more on the basis of providing value to the customer, than just price alone. Chaganti and Chaganti (1983) also reveal that successful small firms offer broad product lines and produce customerized products. The exploratory results however reveal that Chinese owner-managers perceive that product planning and product schedule are of greater importance than other marketing activities, for example price.

H12: Higher performing Chinese small firms compete on the basis of basic value to the customer, rather than price.

- (c) Research findings (for example Cavanagh and Clifford, 1986; Chaganti and Chaganti, 1983; Clifford, 1977; Hooley and Lynch, 1994) suggest that successful companies are more innovative than their less-successful counterparts. Brooksbank, Kirby and Wright (1992) reveal that company performance is related to innovation in business practice, but not new product development. Gronhaug (1973) suggests the relationship between new product development and success is curvilinear, not linear. It has been argued that "product medium in novelty more often than

products high or low in novelty tended to be perceived as high in success" (Gronhaug 1973, p. 75). Researchers (Redding, 1990; Siu and Martin, 1992) find that successful Chinese small firms in Hong Kong are not active in product innovation. On the other hand, this exploratory research result suggests that successful Chinese small firms in Hong Kong place emphasis on the importance of innovation in ways of doing business.

H13: Higher performing Chinese small firms innovate less frequently in product development than lower performing Chinese small firms.

H14: Higher performing Chinese small firms innovate more frequently in business practices than lower performing Chinese small firms.

5.3.5 Hypotheses relating to marketing organization

- (a) Prescriptive works (for example Peters 1987) alongside empirical findings (for example Wong, Saunders and Doyle, 1994; Hooley and Lynch, 1994; Peters and Waterman, 1982) suggest that simplicity of structure is a key feature associated with successful companies. Möller and Anttila (1987) reveal that in successful small companies marketing is better organized and more structured than in unsuccessful companies. Cox, Hooley and Lynch (1994) show that there is a relationship between the existence of a separate marketing department and performance in smaller firms. However, Brooksbank, Kirby and Wright's (1992) research findings do not support this notion and they find that higher performance firms have a flatter organization structure. The research findings of Redding and Wong (1986) reveal that Chinese small firms in Hong Kong have a simple organizational structure.

H15: Higher performing Chinese small firms have a simpler marketing organizational structure than lower performing Chinese small firms.

- (b) Research results (for example Baker et. al., 1987; Goldsmith and Clutterbuck, 1984; Hooley and Lynch, 1985) show that higher performing companies are characterised by greater organizational flexibility. Brooksbank, Kirby and Wright (1992) reveal that the underlying reason for this is the higher performance companies allow "open" communication flow (two-way communications between all levels in the management hierarchy) rather than "fragmented" communications (communication between levels in the management hierarchy). Nevertheless, there is no consensus between the literature review findings and the exploratory results. Redding and Ng (1981) and Redding and Wong (1986) find that open or participative types of communication in marketing matters seem not to be found in firms in Hong Kong. Nevertheless, the exploratory research reveals that successful small firms in Hong Kong perform very well in communicating with their subordinates.

H16: Higher performing Chinese small firms use "open" communications instead of "fragmented" communications.

5.3.6 Hypotheses relating to marketing control

- (a) Prescriptive works (for example, Montgomery and Weinberg 1979; Peters 1987) and research findings (Brooksbank, Kirby and Wright 1992; Hooley and Lynch 1994; Peters and Waterman 1982) reveal that successful small firms make greater use of marketing information systems in marketing control. The marketing

information systems refer to a market research for control purpose system, an on-going intelligence gathering system, and computer-based software as an aid to marketing decision-making. The research results of Redding and Ng (1981) reveal that, under the influences of 'face', Chinese firms tend to use less objective control measures. The exploratory research findings also show that successful Chinese small firms in Hong Kong use very little marketing control tools.

H17: Higher performing Chinese small firms make less use of marketing information systems than lower performing Chinese small firms.

5.4 Conclusion

As indicated in Chapter 3, while the importance of small firm marketing is well recognised in the literature, the role of marketing in Chinese small firm has received only scant attention. Be that as it may, the Chinese researchers have not been aware of the importance of small firm marketing and the Western small firm marketing literature is silent when it comes to cross-cultural issues. In contrast, a considerable number of empirical studies concentrate on the marketing practices of large firms, and their applications cross-culturally, in a Chinese context. Thus, this research will possibly assume that either the Chinese larger firm marketing practices or Western small firm marketing approaches are applicable to Chinese small firms in Hong Kong. Should this assumption be followed, it appears futile to construct an appropriate model for Chinese small firm marketing. This exploratory research is therefore useful as it helps "discover significant variables, to discover relations among variables, and to lay a groundwork for later, more systematic and rigorous testing of hypotheses" (Kerlinger, 1964, p. 388) for understanding marketing practices of Chinese small firms in Hong Kong.

Also, one possible reason for the lack of a specific focus on how marketing is approached by Chinese small firms may be because either no differences are expected in relation to Western and Eastern marketing as marketing practices are universally applicable, or Western scholars have never thought of transplanting small firm theories to a non-Western context. However, the content analysed results of 110 undisguised stories of successful Chinese owner managers reveal that the marketing behaviour of Chinese small firms appears to be different from that of their American counterparts. Chinese small firms have higher marketing effectiveness scores, though they are more production oriented. In contrast, the American small firms are more customer oriented despite the fact that their marketing effectiveness scores are relatively lower. Chinese owner managers appear to have a strong market awareness. However, they do not conduct continuous marketing research studies. Interestingly, however, Chinese owner managers put great emphasis on product planning and sales forecasting. Thus, there are reasons to believe that small firm marketing in Western and Eastern business environments may in fact differ. These differences, together with a review of the existing literature, permit the refinement of broad, vague research problem statements into seventeen smaller, more precise hypotheses, related to the marketing practices of Chinese small firms, for testing. The thesis proceeds to report the statistical tests of these hypotheses using the results of a mail survey of 158 Chinese small firms in Hong Kong.

CHAPTER 6: SURVEY FINDINGS

6.0 Introduction

The preceding chapter finds that the Western marketing tenets appear not to be fully applicable to Chinese small firms. Hence, the seventeen hypotheses are tested using the results of the postal survey described in Chapter 3. To elaborate clearly how and to what extent Chinese small firms are different from their Western counterparts, for example British small firms, this chapter proceeds to use the present research data to compare with a similar study on British (Brooksbank, 1989; Brooksbank, Kirby, and Wright, 1992) small firms to examine any respective differences in marketing practices.

6.1 Hypothesis Testing

6.1.1 Business Philosophy

From Table 6.1 (Chi-square value = 10.9736, p value = 0.00414), it would seem that at the 99 percent confidence level, a statistically significant relationship exists in small firms, between higher performance and the role of marketing within corporate planning. 83.3% of the higher performing companies in the sample gave marketing a higher priority (the leading or joint leading role) than the other business functions in their overall approach to business. However, 67.4% of the low performing companies reported marketing to have a subordinate or no role in corporate planning. Based on the present evidence, hypothesis H1 - higher performing Chinese small firms give the same priority to marketing as they do to the other business functions in their overall business

approach - must be rejected. The result appears to suggest that marketing seems to enjoy the supreme priority in higher performing Chinese small firms.

Table 6.1: Performance by Role of Marketing in Corporate Planning

	% High (N=12)	% Average (N=92)	% Low (N=46)
Marketing has the leading and joint leading role	83.3	52.2	32.6
Marketing has a subordinate or no role	16.7	47.8	67.4

Chi-square = 10.9736, D.F. = 2, P = 0.00414

As Table 6.2 (Chi-square value = 0.18723, p value = 0.91063) reveals, the results of the survey indicate that there is no statistical relationship between company performance and an approach to marketing based on the prior analysis of market needs. The majority of firms (74.2% of the sample) reported that they made what they could sell to whoever would buy, or placed major emphasis on advertising and selling. These findings lend support to hypothesis H2 - higher performing Chinese small firms are less likely to define their marketing activities as customer-driven.

Table 6.2: Performance by Company Approach to Marketing

	% High (N=13)	% Average (N=94)	% Low (N=48)
Make what we can and sell to whoever will buy/ place major emphasis on advertising and selling	69.2	74.5	75.0
Place major emphasis on prior analysis of market needs	30.8	25.5	25.0

Chi-square = 0.18723, D.F. = 2, P = 0.91063

6.1.2 Strategic Analysis

According to the findings presented in Table 6.3 (Chi-square value = 10.47906, p value = 0.00532) a statistically significant relationship exists between company performance and the extent of strategic marketing planning. 82.6% of the low performing companies restricted their marketing

planning to annual budgeting or did little or no planning, whereas over 40% of both higher and average performing companies used strategic marketing planning. This clearly does not provide sufficient support for hypothesis H3 that higher performing Chinese small firms are less strategic marketing-planning oriented than the lower performing Chinese small firms. Thus, the present evidence offers no support for hypothesis H3.

Table 6.3: Performance by Extent of Strategic Marketing Planning

	% High (N=13)	% Average (N=94)	% Low (N=46)
Annual Budgeting or no planning	53.8	55.3	82.6
Strategic or annual marketing plan	46.2	44.7	17.4

Chi-square = 10.47096, D.F. = 2, P = 0.00532

Table 6.4 (Chi-square value = 1.31879, p value = 0.51716) summarises the responses across the five types of situation analysis: (1) internal (company); (2) competitor; (3) market; (4) customer; and (5) wider business environment. It would seem that there is no statistically significant relationship between company performance and the degree of importance to comprehensive situation analysis. The majority of firms (79.7% of the sample) reported that they placed situation analysis as of average or low importance. Results shown here offer no support for hypothesis H4 - higher performing Chinese small firms pay more attention to a comprehensive situation analysis than lower performing Chinese small firms.

Table 6.4: Performance by Importance Attached to a Comprehensive Situation Analysis

	% High (N=13)	% Average (N=92)	% Low (N=43)
High Importance	30.8	20.7	16.3
Average or Low importance	69.2	79.3	83.7

Chi-square = 1.31879, D.F. = 2, P = 0.51716

Tables 6.5 and 6.6 summarise the responses to awareness and usage of six marketing planning tools: SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis; the Experience Curve; PLC (Product Life Cycle) analysis; Portfolio Planning Matrices; the PIMS (Profit Impact on Sales) study; and the Marketing Audit, respectively. Table 6.5 (Chi-square value = 1.79769, p value = 0.40704) suggests that there is no statistically significant relationship between company performance and the awareness of various marketing planning tools. The majority of firms (89.9% of the sample) reported that the level of awareness of the six marketing planning tools was average or low. In Table 6.6 there are some extremely low or even no frequency scores which make the application of the Chi-square test rather dubious. On closer inspection, it appears that there is no relationship between company performance and the usage of various marketing planning tools. The majority of firms (97.6% of the sample) reported that the level of use for the six marketing planning tools was average or low. The results drawn from Tables 6.5 and 6.6 give no support whatsoever to hypothesis H5 that higher performing Chinese small firms are more aware, and make greater use, of strategic planning tools than lower performing Chinese small firms.

Table 6.5: Performance by Awareness Levels of Six Marketing Planning Tools

	% High (N=13)	% Average (N=85)	% Low (N=40)
High	15.4	11.8	5.0
Average or Low	84.6	88.2	95.0

Chi-square = 1.79769, D.F. = 2, P = 0.40704

Table 6.6: Performance by Usage Levels of Six Marketing Planning Tools

	% High (N=11)	% Average (N=77)	% Low (N=36)
High Importance	9.1	2.6	0.0
Average or Low importance	90.9	97.4	100.0

Chi-square value is not calculated due to many cells with very low or no frequency.

As shown in Table 6.7 (Chi-square value = 4.18173, p value = 0.38127), the survey revealed no statistical relationship between the three performance groups and their planning approach to the future. The most common approach would appear to be to monitor the environments and adapt accordingly (53.8% of the sample responded in this category). Hypothesis H6 - higher performing Chinese small firms adopt a more pro-active rather than reactive approach to the future - could not be sustained, as monitoring the environments and adapting accordingly remains the planning approach of Chinese small firms to the future, irrespective of their performance.

Table 6.7: Performance by Approach to Planning for the Future

	% High (N=13)	% Average (N=96)	% Low (N=47)
Monitor and then adapt	53.8	47.9	66.0
Forecast and plan accordingly	38.5	43.8	27.7
Plan and make it happen	7.7	8.3	6.4

Chi-square = 4.18713, D.F. = 4, P = 0.38127

Table 6.8 (Chi-square value = 5.81478, p value = 0.05462) summarises the responses of the frequency of use of self-generated market research. On the basis of this evidence, it would seem that at the 95 percent confidence level no statistically significant relationship exists between company performance and the frequency of use of self-generated market research. Notably, however, 59.1% of the sample reported that the level of use of self-generated market research was low. The results only lend weak support to hypothesis H7 - higher performing Chinese small firms will make greater use of marketing research in their marketing planning activities. In Table 6.9 there are some extremely low or even no frequency scores which make the application of the Chi-square test dubious. On closer inspection, it appears that there is no relationship between company performance and the usage of commissioned-in market research. The majority of firms (99.2% of the sample) reported that the level of use of commissioned-in market research was low. The results suggest that no significant differences are found between the three performing groups of

companies, thus no support is given to hypotheses H8 - higher performing Chinese small firms make greater use of informal marketing research methods.

Table 6.8: Performance by Use of Research Carried Out by Company

	% High (N=13)	% Average (N=95)	% Low (N=46)
More than once three months	30.8	48.4	28.3
Below once six months	69.2	51.6	71.7

Chi-square = 5.81478, D.F. = 2, P = 0.05462

Table 6.9: Performance by Use of Commissioned-in Market Research

	% High (N=10)	% Average (N=76)	% Low (N=39)
More than once three months	0.0	1.3	0.0
Below once six months	100.0	98.7	100.0

Chi-square value is not calculated due to many cells with very low or no frequency.

6.1.3 Marketing Objectives

As Table 6.10 (Chi-square value = 25.62578, p value = 0.00004) reveals, there is a significant relationship at the 1 percent level of significance between company performance and a longer-term time horizon when setting objectives. Over 70% of the higher and average performing companies adopt longer and medium term time horizons in setting profit objectives, whilst 71.4% of the low performing companies have shorter term or no objectives. There appears to be strong support, therefore, for hypothesis H9 - higher performing Chinese small firms set longer-term profit objectives. As shown in Table 6.11 (Chi-square value = 18.79406, p value = 0.00086), a relationship, statistically significant at the 99 percent level of confidence, exists with the higher performing firms likely to adopt a more proactive or aggressive stance in setting their profit objectives. Low performing companies tend to adopt defensive marketing objectives -- defend or maintain current position, whilst higher performing companies spread over three type of objectives -- Defensive (No objective, Defend or Maintain), Conservative (Steady Growth), and Offensive (Aggressive Growth or Market Domination). This clearly does not provide sufficient support for

hypothesis H10 - higher performing Chinese small firms set more defensive objectives and thus refutes this hypothesis.

Table 6.10: Performance by Profit Objectives

	% High (N=13)	% Average (N=92)	% Low (N=42)
Longer Term	15.4	18.5	4.8
Medium Term	61.5	54.3	23.8
Shorter Term or No Objective	23.1	27.2	71.4

Chi-square = 25.62578, D.F. = 4, P = 0.00004

Table 6.11: Performance by Nature of Marketing Objectives

	% High (N=13)	% Average (N=96)	% Low (N=47)
<i>Defensive</i> : No objective, Defend or Maintain	30.8	47.9	63.8
<i>Conservative</i> : Steady Growth	30.8	45.8	29.8
<i>Offensive</i> : Aggressive Growth or Market Domination	38.5	6.3	6.4

Chi-square = 18.79406, D.F. = 4, P = 0.00086

6.1.4 Marketing Strategy

From Table 6.12 (Chi-square value = 3.32628, p value = 0.18954), it would seem that there is no statistically significant relationship between company performance and strategic focus. Interestingly, about 56.1% of the respondents reported that they adopted a strategic focus to improve productivity rather than increase volume. These findings do not lend support to hypothesis H11 - higher performing Chinese small firms concentrate on productivity improvement, rather than raising volume.

Table 6.12: Performance by Achievement of Objectives

	% High (N=13)	% Average (N=96)	% Low (N=48)
Expanding total market/Entering newly emerging market segments/Winning share from competitors	53.8	47.9	33.3
Focusing on cost reduction and productivity improvement	46.2	52.1	66.7

Chi-square = 3.32628, D.F. = 2, P = 0.18954

Tables 6.13 to 6.23 reveal statistically significant relationships between higher performance and superiority in three areas of the marketing mix -- product performance (Chi-square value = 10.07085, p value = 0.0065); personal selling (Chi-square value = 9.65672, p value = 0.008); and company/brand reputation (Chi-square value = 15.90527, p value = 0.00035). The results show that higher performing companies tend to enjoy a superior position over major competitors in product performance (76.9%), personal selling (54.4%) and company/brand reputation (69.2%). There are no statistically significant relationships among company performance and other variables, including product quality, product design finance, after sales service, credit and finance, advertising, distribution outlet, agency support, and price. The findings suggest some support for hypothesis H12 that higher performing Chinese small firms compete on the basis of basic value to the customer, rather than price.

Table 6.13: Performance by Product Performance

	% High (N=13)	% Average (N=91)	% Low (N=45)
Superior	76.9	46.2	28.9
Same/Inferior	23.1	53.8	71.1

Chi-square = 10.07085, D.F. = 2, P = 0.0065

Table 6.14: Performance by Product Quality

	% High (N=13)	% Average (N=95)	% Low (N=48)
Superior	69.2	57.9	45.8
Same/Inferior	30.8	42.1	54.2

Chi-square = 3.01553, D.F. = 2, P = 0.2214

Table 6.15: Performance by Product Design

	% High (N=13)	% Average (N=93)	% Low (N=43)
Superior	46.2	39.8	25.6
Same/Inferior	53.8	60.2	74.4

Chi-square = 3.17282, D.F. = 2, P = 0.20466

Table 6.16: Performance by After Sales Service

	% High (N=11)	% Average (N=95)	% Low (N=46)
Superior	72.7	49.5	56.5
Same/Inferior	27.3	50.5	43.5

Chi-square = 2.41845, D.F. = 2, P = 0.29843

Table 6.17: Performance by Credit and Finance

	% High (N=13)	% Average (N=90)	% Low (N=42)
Superior	46.2	24.4	23.8
Same/Inferior	53.8	75.6	76.2

Chi-square = 2.94402, D.F. = 2, P = 0.22946

Table 6.18: Performance by Personal Selling

	% High (N=11)	% Average (N=86)	% Low (N=41)
Superior	54.5	19.8	12.2
Same/Inferior	45.5	80.2	87.8

Chi-square = 9.65672, D.F. = 2, P = 0.008

Table 6.19: Performance by Advertising

	% High (N=11)	% Average (N=86)	% Low (N=39)
Superior	27.3	17.4	5.1
Same/Inferior	72.7	82.6	94.9

Chi-square = 4.750365 D.F. = 2, P = 0.093

Table 6.20: Performance by Company/Brand Reputation

	% High (N=13)	% Average (N=93)	% Low (N=42)
Superior	69.2	54.8	21.4
Same/Inferior	30.8	45.2	78.6

Chi-square = 15.90527, D.F. = 2, P = 0.00035

Table 6.21: Performance by Distribution Outlet

	% High (N=12)	% Average (N=87)	% Low (N=36)
Superior	33.3	13.8	8.3
Same/Inferior	66.7	86.2	91.7

Chi-square = 4.66732, D.F. = 2, P = 0.09694

Table 6.22: Performance by Agency Support

	% High (N=12)	% Average (N=91)	% Low (N=34)
Superior	25.0	19.8	14.7
Same/Inferior	75.0	80.2	85.3

Chi-square = 0.72466, D.F. = 2, P = 0.69605

Table 6.23: Performance by Price

	% High (N=12)	% Average (N=94)	% Low (N=46)
Lower	25.0	17.0	21.7
Same/Higher	75.0	83.0	78.3

Chi-square = 0.74113, D.F. = 2, P = 0.69034

The results of Table 6.24 (Chi-square value = 6.88587, p value = 0.03197) show a statistically significant relationship at the 95 percent level of confidence between higher performing companies and their approach to developing and marketing new products. About 70% of the higher performing companies actively develop and market new products ahead of competition, whereas 67.4% of the lower performing companies imitate the competitors. The results point to the rejection of hypothesis H13- higher performing Chinese small firms innovate less frequently in product development. Table 6.25 (Chi-square value = 8.72459, p value = 0.01274) also shows that there is a statistically significant relationship between company performance and the extent of innovation in introducing new ways of doing business. Over 90% of the lower performing companies stick to the methods they have always used or watch their competitors and imitate their ideas, whereas about 40% of the higher performing companies lead the market in introducing new ways of doing business. Thus there appears to be strong support for hypothesis H14 - higher performing Chinese small firms innovate more frequently in business practices. Hence the results suggest that higher performing companies tend to be more innovative than their lower performing counterparts.

Table 6.24: Performance by New Product Development

	% High (N=13)	% Average (N=97)	% Low (N=46)
Do not do any/Imitate the Competitor	30.8	49.5	67.4
Actively develop and market new products ahead of competition	69.2	50.5	32.6

Chi-square = 6.88587, D.F. = 2, P = 0.03197

Table 6.25: Performance by Business Practice

	% High (N=13)	% Average (N=97)	% Low (N=48)
We stick to the methods we have always used/Watch the competitors and if their new ideas work well then we imitate	61.5	79.4	93.8
We lead the market in introducing new ways of doing business	38.5	20.6	6.3

Chi-square = 8.72459, D.F. = 2, P = 0.01274

6.1.5 Marketing Organisation

Table 6.26 (Chi-square value = 2.42455, p value = 0.29752) reveals that there is no statistically significant relationship between company performance and marketing organisational structure. 71% of the respondents replied that they adopted a flat organisation structure, that there was no middle management and all marketing staff reported directly to the senior marketing executive. This gives no support to hypothesis H15 that higher performing Chinese small firms have a simpler marketing organisational structure.

Table 6.26: Performance by Marketing Organization Structure

	% High (N=13)	% Average (N=92)	% Low (N=40)
Pyramid	38.5	31.5	20.0
Flat	61.5	58.5	80.0

Chi-square = 2.42455, D.F. = 2, P = 0.29752

Tables 6.27 to 6.31 reveal statistically significant relationships between higher performance and marketing communication style in two types of the marketing communication flow methods -- opinion vented freely (Chi-square value = 11.04442, p value = 0.004) and encourage ideas (Chi-square value = 8.62143, p value = 0.01342). No differences emerged with other variables, including participative decision, temporary task force and overlapping jobs. Notably, however, 76.9% of the high performing companies agreed with participative decisions, whereas 50% of the low performing companies disagreed with the notion. At least to some extent the data was

directionally in support that higher performing companies were more inclined to an open communication flow within the marketing organisation. Interestingly, however, the majority of the respondents reported that they disagree with overlapping jobs (72.6% of the sample) and temporary task forces (71.0% of the sample) occurred in their organisations. The results appear to suggest that the Chinese small firms in Hong Kong do not use flexible marketing communication. The findings lend some support for hypothesis H16 that higher performing Chinese small firms use "open" communications instead of "fragmented" communications.

Table 6.27: Performance by Opinion Vented Freely

	% High (N=13)	% Average (N=93)	% Low (N=43)
Agree	84.6	90.3	67.4
Neutral/Disagree	15.4	9.7	32.6

Chi-square = 11.04442, D.F. = 2, P = 0.004

Table 6.28: Performance by Encouraging Ideas

	% High (N=13)	% Average (N=95)	% Low (N=43)
Agree	92.3	90.5	72.1
Neutral/Disagree	7.7	9.5	27.9

Chi-square = 8.62143, D.F. = 2, P = 0.01342

Table 6.29: Performance by Participative Decision

	% High (N=13)	% Average (N=92)	% Low (N=42)
Agree	76.9	67.4	50.0
Neutral/Disagree	23.1	32.6	50.0

Chi-square = 4.89744, D.F. = 2, P = 0.0864

Table 6.30: Performance by Overlapping Job

	% High (N=13)	% Average (N=92)	% Low (N=41)
Agree	15.4	30.4	24.4
Neutral/Disagree	84.6	69.6	75.6

Chi-square = 1.55623, D.F. = 2, P = 0.45927

Table 6.31: Performance by Temporarily Task Force

	% High (N=13)	% Average (N=91)	% Low (N=41)
Agree	38.5	26.4	31.7
Neutral/Disagree	61.5	73.6	68.3

Chi-square = 1.01665, D.F. = 2, P = 0.6015

6.1.6 Marketing Control

Tables 6.32 to 6.35 reveal statistically significant relationships between higher performance and marketing control in three controlling devices -- customer satisfaction survey (Chi-square value = 8.19181, p value = 0.01664); claims investigation (Chi-square value = 12.35608, p value = 0.00207); research into market share movement (Chi-square value = 12.24751, p value = 0.00219). No statistical difference at the 5 percent level of significance (Chi-square value = 5.22801, p value = 0.07234) emerged with the lost orders analysis. Interesting, however, only 46.2% of the high performing companies frequently conducted lost order analysis, whereas 71.4% of the low performing companies analysed lost order less frequently. On closer inspection, at least to some extent, the data was directionally in support of the position whereby the higher performing companies made greater use of marketing control devices. Tables 5.36 and 5.37 reveal that a statistical relationship exists at the 95 percent confidence level between company performance and the use of on-going marketing intelligence-gathering systems (Chi-square value = 9.82641, p value = 0.04346), but not for special marketing software packages (Chi-square value = 4.39575, p value = 0.11104). The majority of firms (87.7% of the sample) reported that they did not use special marketing computer software packages. The collective picture drawn in Tables 6.32 to 6.37, to some extent, leads to the rejection of hypothesis H17 - higher performing Chinese small firms make less use of marketing information systems.

Table 6.32: Performance by Customer Satisfaction Survey

	% High (N=13)	% Average (N=96)	% Low (N=42)
Every 3 months or above	53.8	36.5	16.7
Every 6 months or below	46.2	63.5	83.3

Chi-square = 8.19181, D.F. = 2, P = 0.01664

Table 6.33: Performance by Claims Investigation

	% High (N=13)	% Average (N=95)	% Low (N=39)
Every 3 months or above	46.2	53.7	20.5
Every 6 months or below	53.8	46.3	79.5

Chi-square = 12.35608, D.F. = 2, P = 0.00207

Table 6.34: Performance by Lost Order Analysis

	% High (N=13)	% Average (N=95)	% Low (N=42)
Every 3 months or above	46.2	49.5	28.6
Every 6 months or below	53.8	50.5	71.4

Chi-square = 5.22801, D.F. = 2, P = 0.07234

Table 6.35: Performance by Research Market Share Movement

	% High (N=13)	% Average (N=94)	% Low (N=42)
Every 3 months or above	53.8	31.9	9.5
Every 6 months or below	46.2	68.1	90.5

Chi-square = 12.24751, D.F. = 2, P = 0.00219

Table 36: Performance by Usage of Marketing Intelligence Gathering Systems

	% High (N=13)	% Average (N=92)	% Low (N=41)
High	23.1	18.5	7.3
Average	46.2	52.2	36.6
Low or No Use	30.8	29.3	56.1

Chi-square = 9.82641, D.F. = 4, P = 0.04346

Table 6.37: Performance by Use of Special Marketing Software

	% High (N=13)	% Average (N=97)	% Low (N=45)
Yes	23.1	14.4	4.4
No	76.9	85.6	95.6

Chi-square = 4.39575, D.F. = 2, P = 0.11104

6.1.7 Summary

The exploratory data analysis using the Chi-square test suggests that Chinese small firms in Hong Kong give a higher priority to marketing than the other business functions in their overall approach to business. Marketing is found to have the leading or joint leading role in a small firm's corporate planning and the higher performing companies tend to use strategic marketing planning. However, Chinese small firms in Hong Kong are still sales- or production-oriented. They neither conduct situation analysis, nor have knowledge, or use, of marketing planning tools. They do little in-house market research, and though their objectives are mainly aggressive growth or market domination, there is no clear distinction between improving productivity or raising volume to attain those objectives. They place much emphasis on personal selling, product performance and company/brand reputation, but less on product price and quality. Chinese small firms in Hong Kong appear to lead the market by introducing new products and new ways of doing business. In the Chinese marketing organisation, open communication is commonplace, opinions are vented freely, and constructive ideas are encouraged. However, structural flexibility, like temporary task forces and overlapping jobs, are not found. Though they use on-going marketing intelligence gathering systems, special marketing computer software packages are rarely used.

6.2 Marketing Process Effect on Marketing Performance

6.2.1 Importance of Understanding the Marketing Process Effect

Though comparison of company performance by means of independent components in the marketing process throws light on the marketing practices of small firms in Hong Kong, it tells little about the contribution of marketing to small firm success. First, the preceding section has been concerned primarily with identifying the significance of differences between performers across

various marketing practices using the Chi-square statistical test. Nevertheless, the association and/or causal relationship has not been examined. For example, it has revealed that higher performing Chinese small firms in Hong Kong tend to give higher priority to marketing than other business functions in their overall approach to business. However, the notion that giving marketing a higher priority over other business functions will lead to small firm success has not been investigated in more depth. Second, using the Chi-square test has assumed that each marketing process component is an independent and separate measure. In fact, the marketing process components are interrelated and interactive as suggested by Brooksbank (1990). For example, regular analysis of the firm's competitive situation would lead to the development of marketing objectives and the formulation and implementation of strategies. Also, regular marketing control will provide important and useful feedback to the firm to design marketing organisations. It is unlikely that all variables will have independent effects. Thus, rather than relying solely on using the Chi-square test on each marketing component as a separate measure, a weighted combination of all components would be useful to predict whether or not a company is likely to attain marketing success. It would be interesting to understand how higher performing companies differ from the others - average and low performers - and to identify which marketing process components are relatively more important or have the greatest impact on marketing performance.

Against this background, the present section aims to:

- (1) identify the marketing components that tend to have the greatest impact on the company's marketing performance; and

- (2) determine a weighted combination of the marketing process components so as to predict the likelihood that a company will attain a higher or lower level of company performance.

6.2.2 Analytical Method

To achieve these aims, Multiple Discriminant Analysis is used to identify the distinguishing features of different levels of company performance. Multiple discriminant analysis is used to obtain a weighted combination of all the marketing process components, and also to predict the likelihood that a company would attain greater marketing success. In addition, multiple discriminant analysis is applied to determine which components of the marketing process are useful in differentiating higher performing companies from lower performing companies.

Stepwise Multiple Discriminant Analysis in the SPSS for Windows 6.0 computer software package was used to investigate the differences among high, average and low marketing performing firms in terms of the marketing process components. Each of the variables in the marketing process components was classified into dummy (0, 1) variables because the options under each question could not be considered an interval scale. Each dummy variable was used in a stepwise discriminant analysis using Wilks method with dummy interval and entry criteria for $p < 0.01$ and exit criteria for $p > 0.10$. After 5 iterations (See Table 6.38), five variables were identified in the discriminant model namely, PPERSON (Superiority in Personal Selling), PBRAND (Superiority in Company/Brand Reputation), D_FUT_1 (Adopt the Monitor and Adapt Approach in Planning for Future), MO1 (Defensive Marketing Objective), and SAT (Frequent Use of Customer Satisfaction Survey).

Table 6.38: Discriminant Analysis - Variables in the Model

----- Variables in the Analysis after Step 5 -----

Variable	Tolerance	Signif. of F to Remove	Wilks' Lambda
D_FUT_1	.9394044	.0286	.6117161
MO1	.9315929	.0219	.6160478
PPERSON	.9043297	.0002	.7019204
PBRAND	.9575175	.0021	.6549289
SAT	.9530617	.0250	.6138741

Summary Table

Step	Action Entered	Removed	Vars in	Wilks' Lambda	Sig.	Label
1	PPERSON		1	.82491	.0005	PERSONAL SELLING
2	PBRAND		2	.73079	.0001	COMPANY/BRAND REPUTATION
3	D_FUT_1		3	.66896	.0000	MONITOR AND ADAPT
4	MO1		4	.61387	.0000	NO/DEFEND/MAINTAIN
5	SAT		5	.55711	.0000	CUSTOMER SATISFACTION SURVEY

6.2.3 Results

As there are three types of performing companies, the maximum number of discriminant functions is 2. The relative magnitude of the standard coefficient is used to determine the contribution of each marketing process component towards the two discriminant functions. Table 6.39 shows that in the first discriminant function, the four variables with the largest coefficients are PPERSON (0.73328), PBRAND (0.61851), MO1 (-0.48570) and SAT (0.48128). Because these four are related to the implementation and formulation of marketing strategies, the first dimension is labelled "Marketing Initiative". In the second function, the variable with the largest coefficient is D_FUT_1 (0.58463). Hence, this dimension is related to company approach to future planning and is labelled "Strategic Awareness". Thus, the marketing performers can be classified by two aspects -- Marketing Initiative and Strategic Awareness.

Table 6.39: Discriminant Analysis - Standard Canonical Discriminant Functions Coefficients

	Func 1	Func 2
D_FUT_1	-.39137	.58463
MO1	-.48570	.36284
PPERSON	.73328	.49630
PBRAND	.61851	-.34367
SAT	.48128	.30794

Table 6.40 shows that the first function - marketing initiative - accounts for 61.12% of the total discriminative power, and the second function - strategic awareness - contributes 33.26% of the variance. The statistical test suggests that at the 1 per cent level of significance (Chi-square value = 45.630, d.f. = 10 degrees of freedom, p value < 0.01) the two functions discriminate significantly among the three types of performing companies. Also a reasonably high (approximately 65 per cent) proportion of the small firms are accurately classified as high, average or low performing companies on the basis of their marketing initiative and strategic awareness (Appendix XI). Consequently, these two functions will be used to identify the marketing process components which are most useful in discriminating among various levels of company performance.

Table 6.40: Discriminant Analysis - Canonical Discriminant Functions

Pct of Fcn	Cum Eigenvalue	Canonical Variance	After Pct	Wilks' Corr	Fcn	Lambda	Chi-square	df	Sig	
				:	0	.557108	45.630	10	.0000	
1*	.5965	82.75	82.75	.6112	:	1	.889396	9.143	4	.0576
2*	.1244	17.25	100.00	.3326	:					

* Marks the 2 canonical discriminant functions remaining in the analysis.

The group centroids (Table 6.41) show that there is a substantial separation between the high performers and the other two groups. It means that the high performing companies have excellent performance on marketing initiative and strong strategic awareness. The average performing companies have moderate marketing initiative and relatively weak strategic awareness. The poor performing companies have relatively poor performance on marketing initiative and moderately weak strategic awareness.

Table 6.41: Discriminant Analysis - Group Centroids

Group	Func 1	Func 2
1	1.60204	.76721
2	.21304	-.24899
3	-1.03889	.29607

To have a better understanding of the impact of the five discriminative marketing process components on performance, the percentage of companies in each performance category is given in Table 6.42.

Table 6.42: Company Performance by Marketing Process Components

Company Performance	HIGH	AVERAGE	LOW
Name	<i>Premium Status Seekers</i>	<i>Stuck In the Middlers</i>	<i>Defenders</i>
Strategic Awareness			
Monitor the event and adapt accordingly	53.8%	47.4%	64.6%
Marketing Objectives			
No/Defend/Maintain Strategy	30.8%	47.4%	62.5%
Marketing Strategies			
Superiority in personal selling	54.5%	19.8%	12.2%
Superiority in company/brand reputation	69.2%	54.8%	21.4%
Marketing Control			
Frequent use of customer satisfaction survey in marketing control	53.8%	36.5%	16.7%

It is clear from this that the low performing companies are "defenders" as they (64.6%) adopt the most defensive marketing objective -- defend or maintain objective, rarely conduct customer satisfaction surveys (16.7%), and more often use the somewhat conservative approach (64.6%) of monitoring the event and adapting accordingly when planning the future. In contrast, the high performing companies perform well on marketing strategy and control and can be labelled as "premium position seekers". They reported that their personal selling efforts (54.5%) and company/brand reputation (69.2%) were superior to those of their major competitors, and they (53.8%) use customer satisfaction surveys to control their marketing efforts. The average performing companies operate the "stuck-in-the-middle" approach. About half of the respondents adopt a defensive marketing objective and responsive approach to future planning. Also they do not have superior performance in personal selling. Only 19.8% of the average performing

companies reported that their personal selling efforts are superior to their major competitors. Thus, discriminant analysis reveals that strategic awareness, marketing objectives, marketing strategies and marketing control are essential marketing process components to differentiate marketing performance, the most successful companies being those with excellent marketing initiative and strong strategic awareness.

6.2.4 Implications

The results suggest that successful small firms in Hong Kong adopt the concepts of marketing and exhibit distinct marketing practices. Nevertheless, several traditional tenets of Western marketing thought are questioned.

First, Western marketing scholars (for example Cavanagh and Clifford, 1986; Peterson and Lill, 1981) advocate that better performing companies define their marketing activities as essentially customer-driven, rather than being more sales or production oriented in approach. However, the statistical results of this study reveal that a market-driven business philosophy is not included in the discriminant model, suggesting that it is not a crucial success factor in Chinese small firms in Hong Kong

Second, empirical studies in the UK and USA (for example Hooley and Lynch, 1985) support the notion that the better performing companies pay considerable attention to a comprehensive situation analysis. The research findings here reveal that neither the use of situation analysis, nor the knowledge of various marketing planning tools is related to the success of Chinese small firms in Hong Kong

Third, research by management scholars (for example Hooley and Jobber, 1986, Cavanagh and Clifford, 1986; and Peters and Waterman, 1982) shows that better performing companies compete more on the basis of providing value to their customers, than just price alone. Interestingly, however, Chinese small firms in Hong Kong put much emphasis on personal selling and company/brand reputation, but not on product price or quality.

Fourth, Western marketing researchers (for example Doyle, Saunders and Wong, 1985; Baker et al., 1986, Hooley and Lynch, 1985) also reveal that simpler marketing organisations and structures are key features associated with successful companies. However, the evidence of this piece of research does not confirm this.

These four major differences suggest that marketing in small firms in Hong Kong differs somewhat from that of their Western counterparts. Thus, in order to provide more insights to the effect of country on marketing performance, the chapter will proceed to compare the results of this thesis with a similar study conducted by Brooksbank, Kirby and Wright (1992).

6.3 Country Effect on Marketing Performance

When compared with the work of Brooksbank, Kirby and Wright (1992), the results of this thesis reveal that Chinese small firms exhibit distinct marketing behaviour. Appendix XII provides a detailed comparison between the findings of Brooksbank, Kirby and Wright (1992) and this research. For example, Chinese small firms in Hong Kong place marketing as having the leading or joint leading role in corporate planning whilst British small firms treat marketing as being subordinate or having no role. British small firms are customer-driven but Chinese small firms

in Hong Kong are sales- or production-oriented. Chinese small firms in Hong Kong tend to adopt a longer-term horizon in planning and use strategic or annual marketing planning. However, British small firms tend to adopt a medium-term horizon in planning and use simple budgeting in marketing planning. British small firms perceive the importance of situation analysis and they have better knowledge and make good use of marketing planning tools, as well as conducting in-house market research more often. In contrast, Chinese small firms in Hong Kong do little situation analysis, and appear to have inadequate knowledge of most common marketing planning tools. In-house market research is rarely found in Chinese small firms in Hong Kong. Though Chinese small firms adopt aggressive growth or market domination marketing objectives, they make no clear distinction between productivity improvement or raising volume in achieving their objectives. British small firms tend to use conservative marketing objectives (for example steady growth) and adopt a strategic focus based on raising volume. Chinese small firms in contrast place emphasis on personal selling and new product development, whilst the British small firms emphasise product quality. Hong Kong small firms conduct claims investigations frequently, but British small firms do not do so. British small firms use special marketing computer software to control their marketing operations, but this is not found in Hong Kong small firms.

6.3.1 Importance of Understanding the Country Effect

While the preceding section has established that Chinese and British small firms exhibit distinct marketing behaviour, few in-depth insights are provided and the degree of difference between the two samples has not been examined. For example, the statistical tests show that Chinese small firms in Hong Kong place marketing as having the leading or joint leading role in corporate planning whilst in the British sample there is no statistical relationship between company performance and

the role of marketing within corporate planning. It may tend to support the conclusion that Chinese and British small firms are different. However, are the differences statistically significant or simply a result of chance? Such imprecision cannot advance small firm marketing theory greatly. Also, the interdependence relationships among marketing performance, marketing practice and country effect have not been examined. The differences in company performance may be due simply to differences in marketing behaviour, not necessarily to country effects or cultural differences. Thus, to understand how Chinese and British small firms are different from each other, there is a need to examine the interdependence among the three variables - marketing performance, marketing practice and country.

Against this background, the present section aims to:

- (1) compare the statistical differences between the marketing practices of Chinese and British small firms and their impact on performance; and
- (2) investigate the independence among marketing performance, marketing practices and country effect.

Thus, based on the original hypotheses shown on Section 5.3.1 and statistical results appeared on Section 6.1 and 6.2, seventeen additional hypotheses relating to the differences between the marketing practices of Chinese and non-Chinese small firms are formulated.

H18 : Chinese small firms give a higher priority to marketing as they do to the other business functions in their overall business approach, compared with non-Chinese small firms.

H19 : Chinese small firms are less likely than non-Chinese small firms to define their marketing activities as customer-driven.

- H20 : Chinese small firms are less strategic marketing-planning oriented than non-Chinese small firms.
- H21 : Chinese small firms pay more attention to a comprehensive situation analysis than non-Chinese small firms.
- H22 : Chinese small firms are more aware, and make greater use, of strategic planning tools than non-Chinese small firms.
- H23 : Chinese small firms adopt a more pro-active rather than reactive approach to the future than non-Chinese small firms.
- H24 : Chinese small firms will make greater use of marketing research in their marketing planning activities than non-Chinese small firms.
- H25 : Chinese small firms make greater use of informal marketing research methods than non-Chinese small firms.
- H26 : Chinese small firms set longer-term profit objectives than non-Chinese small firms.
- H27: Chinese small firms set more defensive objectives than non-Chinese small firms.
- H28: Chinese small firms concentrate on productivity improvement, rather than raising volume, compared with non-Chinese small firms.
- H29: Chinese small firms compete on the basis of basic value to the customer, rather than price, compared with non-Chinese small firms.
- H30: Chinese small firms innovate less frequently in product development than non-Chinese small firms.
- H31: Chinese small firms are less innovative in introducing new ways of doing business than non-Chinese small firms.
- H32: Chinese small firms have a simpler marketing organizational structure than non-Chinese small firms.

H33: Chinese small firms use "open" communications instead of "fragmented" communications, compared with non-Chinese small firms.

H34: Chinese small firms make less use of marketing information systems than non-Chinese small firms.

6.3.2 Analytical Method

Though the original U.K. data is not available, the relevant U.K. studies (for example Brooksbank, 1989; Brooksbank, Kirby and Wright, 1992) provide some useful tables on the distribution of the results. Thus, the relevant data sets can be re-constructed into three-way contingency tables -- country by marketing practice by marketing performance. The log linear model can then be utilised to examine the independence among the three variables by identifying the odd ratio of occurrence. The log linear models are analysis of variance models applied to the natural logarithms of multinomial probabilities or expected cell counts so as to determine the interdependence of three or more variables in cross classifications.

Statistically, Categorical Data Analysis for the Log Linear Model for Three-variable Tables is used, as suggested by Bishop (1969). As the main purpose is to determine the country effect on company performance, only the main effect model which is the effects influenced independently by country and marketing practice is adopted, rather than the interactive model which is the joint and interactive effect of country and marketing practices (Freeman, 1987). The respective routine - CATMOD in the SAS for Windows 6.02 software package was applied for analysis.

6.3.3 Results

A summary of the statistical results for the three-way contingency table is shown in Appendix XIII. No significant relationships at the 5 per cent significance level exists between the Hong Kong and British samples for the hypotheses H21, H22, H23, H24, H25, H27, H28, H30, H32, H33, H34. Thus, the present evidence does not provide sufficient support for the following hypotheses:

- H21 : Chinese small firms pay more attention to a comprehensive situation analysis than non-Chinese small firms.
- H22 : Chinese small firms are more aware, and make greater use, of strategic planning tools than non-Chinese small firms.
- H23 : Chinese small firms adopt a more pro-active rather than reactive approach to the future than non-Chinese small firms.
- H24 : Chinese small firms will make greater use of marketing research in their marketing planning activities than non-Chinese small firms.
- H25 : Chinese small firms make greater use of informal marketing research methods than non-Chinese small firms.
- H27: Chinese small firms set more defensive objectives than non-Chinese small firms.
- H28: Chinese small firms concentrate on productivity improvement, rather than raising volume, compared with non-Chinese small firms.
- H30: Chinese small firms innovate less frequently in product development than non-Chinese small firms.
- H32: Chinese small firms have a simpler marketing organizational structure than non-Chinese small firms.

H33: Chinese small firms use "open" communications instead of "fragmented" communications, compared with non-Chinese small firms.

H34: Chinese small firms make less use of marketing information systems than non-Chinese small firms.

Specifically at the 90 per cent confidence level British and Hong Kong Chinese small firms are different with respect to the role of marketing, the company approach to marketing, the extent of strategic marketing planning, the time horizon in profit objective setting, the superiority in product quality, the superiority in personal selling, and the new ways of doing business. For presentation purposes, only hypothesis testing results having significant differences between Chinese and non-Chinese small firm marketing practices will be shown here. Detailed discussions are as follows:

6.3.3.1 Role of Marketing in Corporate Planning

Table 6.43 reveals that at the 1 per cent significance level there is a statistical difference (Chi-square = 24.63, $p = 0.000$) between British and Hong Kong Chinese small firms in the role of marketing in corporate planning on performance. The country effect (Chi-square = 10.29, $p = 0.0058$) is found to be statistically significant at the 99 per cent confidence level. The statistical results appear to suggest that British and Hong Kong Chinese small firms give marketing different degrees of priority to other business functions in their overall approach to business.

Table 6.43: Categorical Data Analysis of Performance by Role of Marketing in Corporate Planning by Country

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	126.69	0.0000
COUNTRY	2	10.29	0.0058
ROLE	2	26.72	0.0000
LIKELIHOOD RATIO	2	24.63	0.0000

Table 6.44 shows that in Hong Kong, higher performing small firms give marketing a higher priority than other business functions in their overall approach to business. The British sample, however, does not exhibit a similar pattern. A large majority (over 80%) of the higher performing companies in the Hong Kong sample report that marketing has the leading or joint leading role, whereas about 70% of the lower performing companies report that marketing has a subordinate role. As for the British sample, a considerable proportion (ranging from 60% to 75%) of the three performing groups - high, average, and low performing companies, reports that marketing has the leading role. The findings lend support to hypothesis H18 - Chinese small firms give a higher priority to marketing as they do to the other business functions in their overall business approach, compared with non-Chinese small firms. Thus, it would seem that in Chinese small firms in Hong Kong there is a relationship between performance and the status of marketing as a business function. In contrast, this is not found in the British sample.

Table 6.44: Performance by Role of Marketing in Corporate Planning by Country

	Hong Kong			Britain		
	High	Average	Low	High	Average	Low
Marketing has the leading or joint leading role	83.3%	52.2%	32.6%	75.9%	72.4%	62.5%
Marketing has a subordinate or no role	16.7%	47.8%	67.4%	24.1%	27.6%	37.5%

6.3.3.2 Company Approach to Marketing

Table 6.45 shows that at the 95 per cent confidence level there is a statistical difference (Chi-square = 6.66, $p = 0.0359$) between the British and Hong Kong Chinese small firms in the approach to marketing on performance. The country effect (Chi-square = 9.70, $p = 0.0078$) at the 1 per cent level of significance is found to be statistically significant, suggesting that Hong Kong Chinese and British small firms adopt different company approaches to marketing.

Table 6.45: Categorical Data Analysis of Performance by Company Approach to Marketing by Country

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	113.25	0.0000
COUNTRY	2	9.70	0.0078
APPROACH	2	16.50	0.0003
LIKELIHOOD RATIO	2	6.66	0.0359

As observed from Table 6.46, a majority (about 70%) of the Hong Kong respondents report the use of sales- or production-orientation. Conversely, most British firms (ranging from 50% to 71% for the three types of performing companies) adopt a customer-driven orientation. The results drawn from Tables 6.44 and 6.45 give support to hypothesis H19 that Chinese small firms are less likely than non-Chinese small firms to define their marketing activities as customer-driven. The results seem to indicate that British small firms are customer-driven, whereas Hong Kong small firms adopt the sales- or production-orientation.

Table 6.46: Performance by Company Approach to Marketing by Country

	Hong Kong			Britain		
	High	Average	Low	High	Average	Low
Place major emphasis on prior analysis of market needs	30.8%	25.5%	25.0%	70.4%	71.7%	50.0%
Make what we can sell to whoever will buy/place major emphasis on advertising and selling	69.2%	74.5%	75.0%	26.0%	28.3%	50.0%

6.3.3.3 Extent of Strategic Marketing Planning

Table 6.47 reveals that at the 10 per cent significance level there is a statistical difference (Chi-square = 5.41, $p = 0.0670$) between British and Hong Kong Chinese small firms in the extent of strategic marketing planning on performance. However, the country effect (Chi-square = 3.93, $p = 0.1399$) is found to be insignificant at the 90 per cent level of confidence. Thus, it

would seem that there is no statistically significant relationship between country effect and the extent of strategic marketing planning. This clearly does not provide support to hypothesis H20 that Chinese small firms are less strategic marketing-planning oriented than non-Chinese small firms.

Table 6.47: Categorical Data Analysis of Performance by Extent of Strategic Marketing Planning by Country

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	148.59	0.0000
COUNTRY	2	3.93	0.1399
APPROACH	2	7.91	0.0192
LIKELIHOOD RATIO	2	5.41	0.0670

6.3.3.4 Time Horizon in Setting Marketing Objectives

Table 6.48 indicates that at the 5 per cent level of significance, British and Hong Kong small firms are different in the time scale used for setting profit objectives. The country effect (Chi-square = 6.51, $p = 0.0386$) is found to be significant at the 95 per cent level of confidence. The statistical results appear to suggest that British and Hong Kong Chinese small firms adopt different time horizons when setting profit objectives.

Table 6.48: Categorical Data Analysis of Performance by Profit Objectives by Country

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	116.09	0.0000
COUNTRY	2	6.51	0.0386
PROFIT	4	23.12	0.0001
LIKELIHOOD RATIO	2	10.00	0.0404

Table 6.49 shows that most of the Hong Kong Chinese small firms adopt a medium term planning approach. Conversely, the majority of the British firms have medium and short term

objectives. The distribution appears to suggest that higher performing Chinese small firms in Hong Kong tend to set profit objectives over the longer term, compared with British small firms. Thus, the results lend support to hypothesis H26 that Chinese small firms set longer-term profit objectives than non-Chinese small firms.

Table 6.49: Performance by Profit Objectives by Country

	Hong Kong			Britain		
	High	Average	Low	High	Average	Low
Longer term	15.4%	18.5%	4.8%	31.0%	12.4%	8.1%
Medium term	61.5%	54.3%	23.8%	48.2%	55.2%	51.4%
Shorter term	23.1%	27.2%	71.4%	20.7%	32.4%	40.5%

6.3.3.5 Superiority in Product Quality

Table 6.50 reveals that at the 10 per cent significance level there is a statistical difference (Chi-square = 5.84, $p = 0.0539$) between British and Hong Kong Chinese small firms in the superiority of product quality to that of their major competitors. The country effect (Chi-square = 12.57, $p = 0.0019$) is found to be significant at the 1 per cent level of significance. The findings seem to indicate that Chinese and British small firms use different product strategies, specifically on product quality, in marketing mix management.

Table 6.50: Categorical Data Analysis of Performance by Superiority in Product Quality by Country

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	139.83	0.0000
COUNTRY	2	12.57	0.0019
PQUALITY	2	20.62	0.0000
LIKELIHOOD RATIO	2	5.84	0.0539

As observed from Table 6.51, the distribution demonstrates that a relationship between higher performance and superiority in product quality exists. However, 76.9% of the higher performing Hong Kong small firms have superiority in product quality to their major

competitors, whereas in the British sample, 86.6% of the high performance companies report this to be the case. As for the low performing companies, 71.1% of the Hong Kong firms have the same or inferior product quality as their major competitors. In the British sample, the proportion drops to 62.5%. The results appear to suggest, therefore, that the effect of higher product quality to major competitors is relatively more profound in British small firms, compared with their Hong Kong counterparts.

Table 6.51: Performance by Superiority in Product Quality by Country

	Hong Kong			Britain		
	High	Average	Low	High	Average	Low
Superior	76.9%	46.2%	28.9%	86.6%	35.4%	37.5%
Same/Inferior	23.1%	53.8%	71.1%	13.3%	64.4%	62.5%

6.3.3.6 Superiority in Personal Selling

Table 6.52 shows that at the 5 per cent significance level British and Hong Kong small firms are different from their competitors (Chi-square = 9.14, $p = 0.0104$) in the superiority in personal selling. The country effect (Chi-square = 7.35, $p = 0.0253$) is found to be significant at the 95 per cent level of confidence. The statistical results appear to suggest that the Chinese and British small firms use different promotional strategies, notably on personal selling, in competing with their major competitors.

Table 6.52: Categorical Data Analysis of Performance by Superiority in Personal Selling by Country

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	122.26	0.0000
COUNTRY	2	7.35	0.0253
PPERSONAL	2	1.55	0.4596
LIKELIHOOD RATIO	2	9.14	0.0104

Table 6.53 shows that over half (54.4%) of the high performing firms in Hong Kong indicate that their personal selling efforts are superior to their major competitors, whereas over 80% of both average and low performing companies perceive themselves to be of the same standard or inferior. However, over 60% of British small firms report their personal selling efforts as being of the same or inferior standard as their major competitors. The distribution seems to show that Hong Kong small firms put much more emphasis on personal selling than do their British counterparts.

Table 6.53: Performance by Superiority in Personal Selling by Country

	Hong Kong			Britain		
	High	Average	Low	High	Average	Low
Superior	54.5%	19.8%	12.2%	23.3%	37.8%	32.5%
Same/Inferior	45.5%	80.2%	87.8%	76.6%	62.1%	67.5%

Tables 6.50 to 6.52 offer no conclusive results for hypothesis H29 as Hong Kong Chinese small firms put more emphasis on personal selling, but less on product quality, compared with their British counterparts. Thus, the present evidence does not offer sufficient support for H29 - Chinese small firms compete on the basis of basic value to the customer, rather than price, compared with non-Chinese small firms. However, the findings appear to suggest that the specific marketing activities and practices of Chinese and British small firms are different.

6.3.3.7 New Ways of Doing Business

Table 6.54 shows that at the 95 per cent confidence level, British and Hong Kong small firms are different in introducing new ways of doing business (Chi-square = 10.06, $p = 0.0065$). The country effect (Chi-square = 20.63, $p = 0.0000$) is also found to be significant at the 1 per cent level of significance. The findings seem to indicate that the extent of innovative business practices is different between Chinese and British small firms.

Table 6.54: Performance by New Ways of Doing Business by Country

MAXIMUM-LIKELIHOOD ANALYSIS-OF-VARIANCE TABLE

Source	DF	Chi-Square	Prob
INTERCEPT	2	140.12	0.0000
COUNTRY	2	20.63	0.0000
NEWWAY	2	29.50	0.0000
LIKELIHOOD RATIO	2	10.06	0.0065

As observed from Table 6.55, about 40% of the high performing companies in Hong Kong lead the market in introducing new ways of doing business, compared with over 60% of their counterparts in Britain. Moreover, the majority of the average (79.4%) and low (93.8%) performing Chinese small firms imitate their competitors' ideas. Thus, the results appear to suggest that Chinese small firms in Hong Kong are less innovative in introducing new ways of doing business, compared with British small firms. The present evidence provides support for hypothesis H31 - Chinese small firms are less innovative in introducing new ways of doing business than non-Chinese small firms.

Table 6.55: Performance by New Ways of Doing Business by Country

	Hong Kong			Britain		
	High	Average	Low	High	Average	Low
We lead the market in introducing new ways of doing business	38.5%	20.6%	6.3%	60.7%	33.5%	23.0%
We stick to the methods we have always used/watch the competition and if their new ideas work well then we imitate	61.5%	79.4%	93.8%	39.2%	66.4%	77.0%

6.3.4 Implications

The results suggest that Chinese and British small firms are different in the following marketing practices: (1) the role of marketing in corporate planning; (2) the company approach to marketing; (3) the time horizon in setting profit objectives; (4) superiority in product quality to their major competitors; (5) superiority in personal selling to their major competitors; and (6) the use of new ways of doing business. The reasons for such differences are unclear but a possible explanation may be found in the influence of Chinese cultural orientations (Siu and Kirby, 1995) and the specific entrepreneurial environment of Hong Kong (Siu and Martin, 1992). Thus, the evidence of the comparative analysis presented here suggests that the traditional Western marketing tenets may not be fully applicable to non-Western countries and business and socio-cultural environments may need to be considered when attempting to understand the marketing practices of small firms in Eastern countries and developing and transitional economies. It would seem that there is a need to understand and to determine how and why Chinese small firms perform as they do.

6.4 Conclusion

The chapter reports the main survey findings of 158 Chinese small firm in Hong Kong. It is found that they exhibit distinct marketing practices, giving marketing a higher priority than the other business functions in their overall approach to business. They possess a long-term orientation, have a pro-active strategic focus, and encourage and allow constructive ideas and opinion to flow freely in the marketing organisation. They also use superior product quality and market innovation in doing business to compete with major competitors. Interestingly, however, marketing is not

regarded as the supreme business philosophy and most small firms are sales- or production-oriented. There are no comprehensive marketing planning skills or systematic marketing research and forecasting techniques. Chinese small firms in Hong Kong compete on personal selling skills and company/brand reputation, not by adding value to customers. Marketing objectives are conservative, not aggressive, and thus marketing strategies are neither aggressive nor offensive. Flexible communication structures or objective marketing control systems are not found in Chinese small firms. The research results also reveal that strategic marketing initiative and internal marketing co-ordination are two important perspectives to differentiate various marketing performing companies. High performing Hong Kong small firms appear to use marketing planning tools frequently, set longer term profit objectives, have superior performance in personal selling over major competitors, and allow and encourage opinion and ideas to be vented freely in the marketing department.

By comparison with a similar Western study on marketing in small firms (Brooksbank, Kirby and Wright, 1992), the findings of this research suggest that marketing activities of small firms in Hong Kong differ significantly from those of the UK. Though there is common agreement that the broad principles of marketing are applicable to small firms, the findings suggest that the broad small firm marketing principles, specifically generated from the Western countries, may not be fully suitable for some specific socio-cultural contexts, for example Chinese small firms in Hong Kong. Nevertheless, marketing tenets, ideas and practices are being more widely used in small firms and are likely to be more intensively used in the future and world-wide. However, the field of small firm marketing is still in its infancy. Two important factors should be considered in any attempt to extend and apply broad marketing principles to Chinese small firms. First, care should be taken before making generalisations about marketing in Western situations based upon evidence drawn

from a particular marketing situation and in assuming that marketing tools and techniques are equally applicable across all places. The specific business environments of Hong Kong as shown in Chapter 4, for example its free economy, molecular organisational structure, and original manufacturing system, demand that caution should be exercised when generalisations are made. Also, the cultural influences, for example the Chinese cultural value orientations presented in Chapter 4 should be considered when attempting to understand marketing practices of Chinese small firms in Hong Kong. Second, research on small firm marketing in the Chinese socio-cultural environment is still embryonic with major areas largely untapped. Cannon (1991) comments that the role and behaviour of the entrepreneur in the development of marketing, for example, the mechanism by which the marketing decisions are made, and the skills and aptitudes which underpin it, have received little attention. It is widely held that the key to successful small firm marketing is the owner-manager. It is vital that the researcher should understand the cultural value orientation of Chinese owner managers -- why they behave as they do and how they make their decisions and choice, under the cultural influences. Perhaps traditional survey research methods, for example mail surveys, may not be very useful when trying to determine how and why Chinese small firm owner managers perform as they do. Qualitative research methods, for example in-depth personal interview or the case study approach, seem to be a better alternative in advancing the understanding of small firms' marketing practices. Hence, having provided a quantitative analysis of the way small firms market themselves in Hong Kong, through a mail survey, the present study will progress to a detailed in-depth analysis of a small number of cases selected randomly from the main sample, examining, in particular, the role of Chinese cultural values in determining marketing performance and practices.

CHAPTER SEVEN: PERSONAL INTERVIEW RESULTS

7.0 Introduction

The previous chapter points to the importance of using qualitative research methods to understand the marketing practices of Chinese small firms in Hong Kong, in particular, the role of Chinese cultural values in determining marketing performance and practices. This chapter reports the results of the in-depth personal interviews with 26 respondents for the purpose of understanding why Chinese small firm owner managers behave as they do and how they make their marketing decisions and choices. Details of the firms are shown in Appendix XIV. All 26 small firms are manufacturers. 12 (46.2%) also participate in exporting and 1 (3.8%) in importing. 9 (34.6%) sell products to local and overseas markets, 3 (11.5%) only to overseas markets and 14 (53.8%) only to local markets. The products include garment accessories, ornaments, jewellery cases, leather products, kitchenware and sewing products and others. To provide evidence for this chapter, six selected case analyses are included in Appendix XV for illustration. This chapter focuses, in particular, on the influence of specific Chinese cultural values, for example Yuarn, the harmony with others orientation, the doctrine of mean, the harmony with nature orientation, and “face”, which have been revealed from the research and a relevant literature review in Chapter 5.

7.1 Business Philosophy

Researchers identify that Chinese owner-managers believe that business success will be influenced by strong personal and social network (Wong, 1988), trust and creditworthiness (Silin, 1972; Wong, 1991), and good personal and company reputation (Wong, 1991; Redding, 1990). It

appears that the three beliefs are related to the inter-personal relationships of the owner-managers and are similar also to the relational orientation of the Chinese cultural values. Thus, respondents were asked which of the four options, trust and creditworthiness, personal and social network, personal and company reputation, and marketing, would enjoy the supreme priority in the company's business philosophy, and why. Interestingly, nearly all (23 out of 26 respondents) replied that the four options, including marketing, were of equal importance. After further probing for one choice, surprisingly, 21 (80.8%) out of 26 respondents claimed that marketing, though important, did not enjoy the supreme priority in their business philosophies. Rather, strong personal and company reputation (57.7%), trust and creditworthiness (23.1%), and personal and social networking (23.1%) are much more important (Table 7.1).

Table 7.1 Supreme priority in Company's Business Philosophy

	Frequency	Percentage
Trust and creditworthiness	15	57.7%
Personal and social network	6	23.1%
Personal and company reputation	6	23.1%
Marketing	5	19.2%
Number of respondent	26	

Note: Some respondents identified more than one choice. Total count is not equal 26.

Analysing the interview transcripts further reveals that the first three options (trust and creditworthiness, personal and social network, and personal and company reputation) and marketing are not independent. Rather, firms that put emphasis on different business philosophies are likely to exhibit different marketing practices. Using the grounded theory approach to analyse the interview transcripts, three types of marketer are identified - prospecting marketer, production marketer and partnership marketer.

7.1.1 Prospecting Marketer

Based on the analysis of the transcripts, 4 small firms, which strongly believe in networking, can be labelled as *prospecting marketers* and they possess strong networking power and good interpersonal skills. As one respondent explained:-

“Although I took charge of the firm’s marketing activities two years ago from my father, I have distinct competence over my major competitors. I do not have much knowledge about production, but this can be handled by my father. I am fluent in English and am able to communicate with the buyers properly. You know, most manufacturers in Hong Kong are mainland Chinese immigrants. They can speak little English and have to rely on a clerk who is just a high school graduate. I have a degree in business administration and know how to respond. If the buyer has a query, he can either phone me by long distance call or facsimile the query to me. Also, I work very late. I normally receive their queries at late evenings, which are their early mornings. I have strong connections with the shipping company, forwarding agents, bankers and sub-contractors, I can find the right person immediately. In most cases, I can respond early next morning, which are their late evenings. This is very important. The buyers are happy to deal with me because I can respond within a very short time.”

They make use of this distinctive capability to deal with customers and obtain orders by calling and contacting the buyers frequently, handling questions properly, and responding to business enquiries promptly. This allows them to establish strong relationships and close connections with the buyers. Thus, they place great emphasis on personal selling and relationship establishment.

As they put much of their efforts into prospecting sales, networking and establishing connections, inevitably production activities are neglected. Thus, they either sub-contract out part of their production work or ask their close relatives or family members to take charge the production. To maintain the close and good connection with buyers, they have to make sure that they can deliver the product according to the contract terms. Thus, they place emphasis on fulfilling their duties stipulated in the contract thereby avoiding claims from the buyer. Accordingly, measures such as satisfying the customers by ensuring good product quality and on-schedule delivery are mentioned frequently as the guiding philosophies. One owner-manager recognised that:-

“We want to establish an image of ‘fast, good and cheap’. ‘Fast’ means prompt and on-schedule delivery. We will not allow late shipments. No delays will be tolerated. Most buyers purchase from us because of our on-schedule delivery. ‘Good’ means good product quality. If your products do not satisfy the buyers’ requirement, you would be very difficult to gain repeat orders. So, we place tight quality control over our products and also ask our sub-contractors do so. ‘Cheap’, of course, means cheap price.”

Thus, the “prospecting marketer” might also be named as the “contractual marketer” or “networking marketer”.

7.1.2 Production Marketer

The cases suggest that there is another group of Chinese small firms (15 out of 26 respondents) believe strongly in trust and creditworthiness in marketing. They can be termed *production marketers*. The production marketers have experience and technical knowledge in engineering and production management. However, due to inadequate capital and/or being new to the specific

industrial sector, they have to rely on the suppliers' credit or materials to assemble and manufacture the product and also sub-contraction orders from the prospecting marketers. Analysing the interview scripts reveals that this trust is based on the reciprocity of the Chinese culture. The following excerpt from an interview transcript helps explain the phenomenon:-

Respondent: A high wave plastic welding machine costs over two hundred thousand dollars. Even if we have an order, we cannot build the machine.

Interviewer: Have you asked the buyer for prepayment or banks to finance your operations?

Respondent: We are new to this industrial sector. It is very difficult to get an order and we do not have adequate bargaining power to ask for prepayment. The industry norm is the buyer has to pay 20% to 30% of the order for deposit. We can only have the first down payment. The banks are 'Sunny day umbrellas' and they refuse to offer credit or loan to us!

Interviewer: How do you solve the problem?

Respondent: We ask one of our suppliers for credit. The supplier, whom knows us well, visits us to examine our creditability. After a series of talks, he finally agrees to offer a 30-days credit to us. He trusts us and believes that we will pay our debts properly.

Interviewer: Other than trust, what other reasons do you think the supplier would agree to grant you credit?

Respondent: I think we are helping each other. We have to rely on him (the supplier) to strive for the order and he (the supplier) would like to 'nurture' us to develop business. We rely on each other. May be we rely on him, but he also relies on us.

Also, some production marketers are original equipment manufacturers and they have to rely on the design, equipment and/or raw materials provided by the buyers to manufacture the products. Some production marketers are sub-contractors of the prospecting marketers. They establish trust with the prospecting marketers for the purpose of getting orders. One respondent recognised:-

“We do not know the end-buyers. The ‘hong’ (trading firms) give us orders. We produce the products for them. Some end-buyers have approached us for production. In most case, they ask for credit. We are a small firm and we cannot do that. Also, I am not familiar with those letter of credit terms and export documentation. I would rather let the ‘hong’ (trading firms) handle all this. I know the ‘hong’ (trading firms) very well. I would not compete with them.”

Thus, trust means that the production marketers would not compete with the prospecting marketer for the same buyer and the prospecting marketer will keep on giving sub-contraction orders to the production marketer. Thus, the production marketers have to rely on creditworthiness and trust to develop their business.

Also, production marketers are aware that high product quality is not able to provide them with a competitive edge. Rather, low price, accepting short production notice and establishing trust and creditworthiness in the mind of the buyers are essential to capture orders. Thus, they adjust their product quality to an acceptable and reasonable level and cut the price as low as possible. To establish trust, they attach to one or two buyers by performing as the production arm or workshop for the buyers and accept very short delivery production orders. As one respondent puts it:-

Respondent: You have to match with your buyers. If you cannot match with your buyer, you cannot get the orders!

Interviewer: What do you mean by 'match'?

Respondent: Sometimes a buyer would approach us and ask for a short product delivery schedule and a cheap price. We would scrutinise our production schedule and see whether we could help. If we can't, the buyer will approach other buyers. In most cases, we will try to match with the buyer.

Thus, the production marketers may also be called "cost-driven marketers" or "workshop marketers" because they act as the production arm for the buyers and compete on the basis of low price and prompt delivery.

7.1.3 Partnership Marketer

The third group (5 out of 26 respondents) includes the owner managers with strong engineering or solid production knowledge. They have been in the business for a long period of time and are aware that should they keep on performing as the buyers' production workshop, they cannot grow properly. Their guiding philosophy is to develop as a reputable company. They believe that this will help them become an independent entity and work closely with the buyer for business development. Thus, they can be called *partnership marketers*. The partnership marketers, work on the one hand as the buyers' production arm under the original equipment manufacturing system, while on the other, they also develop and produce their own products. They believe that offering good service, new design, prompt delivery and good product quality will grant them a competitive edge over their major competitors. As one respondent recognised:-

“Rather than solely producing according to the orders, we develop our own products. We also offer some comments and advice to the buyers. We find that this approach could strengthen our relationship and we can co-operate longer. Our prices are roughly the same as our major competitors, but we assist our buyers to solve their problems. Thus, we attain steady orders from our buyers..... We have a lot of old customers. They always press for good quality at low price. But we insist on higher price. Even we set price at a higher level, we can still maintain the good buyer-seller relationship with our customers. We give useful advice and produce good quality customer-designed products. No one can replace us.”

Also, they establish an image to be the buyer's partner and an partnership marketer, rather than the production arm. Thus, they work closely with the buyers, for example they visit the buyers frequently and evaluate the product design with the buyers. One respondent establishes a joint design department with the buyer to develop and design new products:-

“Some customers come with their designers. If they have some ideas, our designers would share their opinions with our customers. Often, a new product is developed in such circumstance Sometimes, it is difficult for us to identify whether it is our own design or the customer's design. Some of our big customers establish design rooms in our company. Their designers work closely with our designers. Thus, it is difficult to identify whether it is our design or not. We design products with our customer. We also design many of our own products every year.”

The partnership marketer provides comments and advises the buyers, as well as acting as a business partner for the buyers. Though the product prices are higher, compared with major competitors, the additional advice and value-added services make the buyers appreciate the partnership

relationship, rather than the simple buying-selling transaction. Thus, the partnership marketers can also be called as “alliance marketers” or “corroborate marketers”.

As the survey results reveal the higher performing Chinese small firms are less likely than the lower performing firms to define their marketing activities as customer driven (page 103) and they are different from their British counterparts in the approach to marketing (page 128), it would be interesting to know whether these three specific approaches to marketing influence the marketing performance of Chinese small firms. Though the small sample size, only 26 firms, limits the explanatory and analytical power of the NUD.IST software, the computer software package provides a good vehicle to identify the relationship between two variables in qualitative research. Thus, the interviews transcripts were indexed by two nodes namely PERFORMANCE and TYPE accordingly in the NUD.IST software. ‘PERFORMANCE’ refers to the classification of high, average or low marketing performance as indicated on page 55, whereas ‘TYPE’ refers to the categorisation of prospecting marketer, production marketer and partnership marketer mentioned earlier in this section. Using the index system search operators of the NUD.IST software, a contingency table, Table 7.2, was developed. From the results, it would seem that the production marketers are mainly low and average performance companies and the prospecting marketers are mainly average performers. In contrast, the partnership marketer are average to high performers. Due to too many empty cells and cells with counts of less than 5, the use of the Chi-square test to examine the relationship between marketing performance and type of marketer is dubious. However, the distribution of the table seems to indicate a relationship directionally between the two nodes. Production marketers tend to be low performers, prospecting marketers average performers, partnership marketers high performers (Table 7.3). This analysis thereby suggests that

in Chinese small firms the provision of value-added products and services to the customer and also the establishment of strong partnership relationship will lead to better marketing performance.

Table 7.2 Marketing Performance by Type of Marketer

Count		Marketing Performance			
		High	Average	Low	Row Total
Type:	Production Marketer	1	7	7	15(57.7%)
	Prospecting Marketer		4		4(15.4%)
	Partnership Marketer	4	3		7(26.9%)
	Column Total	5	14	7	26

Table 7.3 Type of Marketers and Marketing Performance

Type of Marketer	Production Marketer	Prospecting Marketer	Partnership Marketer
Marketing Performance	Low	Average	High

7.2 Strategic Analysis

7.2.1 Strategic Planning Concepts

The interview results reveal that most respondents (25 out of 26) are neither familiar with the concept of strategic planning methods, nor have the knowledge of the marketing planning tools. However, further probing reveals that 3 out of the 25 non-users do have some knowledge of strategic planning and use some of those concepts implicitly. For example, one respondent recognises the use of product life cycle:-

“The life cycle of a product item will last for 3 years and then decline. Based on this, we can store sufficient inventory items and market out products accordingly.”

The major reason given by the respondents for not using the strategic marketing planning tools is that they do not need these kinds of analysis. Internally, the Chinese owner managers were personally and directly involved in the firms' daily activities and they understood their own operations thoroughly. As two respondents commented, referring to the use of strategic analytical tools:-

“We don't do much analysis. I know the company and the customer very well. It is easy to do the analysis.”

“My experience. I have worked in this industry for 25 years. I understand the market.”

Externally, they had established a long-term close relationship with the buyers and they knew each other very well. The buyers would inform the Chinese owner managers of changes in the external business environments. Thus, based on the orders they received in the previous year and the early months of the current year, the owner managers would be able to identify the current and forthcoming business environment. The following are typical responses from the respondents:-

“I also collect market information from trading firms. We talk to our buyers, the Hong Kong trading firms, regularly and they tell us what are the market needs and wants.”

“Our sales executives attend trade shows and introduce our products to customers directly. They collect first-hand market information. It is very effective. Also, I will arrange one to two overseas

visits to the buyers every year. During the visit, I can collect useful market information from the buyers. We would analyse the information to identify future market needs.”

“There is no market research. The market information is reflected from sales figure and collected from informal discussions with the buyers. As I have mentioned, we are rather passive and we do not need these tools. We do not do market research. Basically our customers tell us the market information. By their orders, we know the ultimate buyers have changed. Also when we talk to the customer, we also know the changes as well.”

7.2.2 Sources of Information

All respondents (26) do not do any formal market research, rather they stick to informal information solicitation methods. One respondent explained:-

“Talking to the current information sources, for example customers, industry participants and suppliers, can provide me with sufficient information for marketing decisions. So long as I am working actively in this industrial sector and have substantial product knowledge, the current information channels are adequate.” Most respondents (22 out of 26) remarked that the buyer would inform them of the market trends.

Analysing the interview transcripts, the information sources can be classified into three groups - “collusion”, “cohort” and “co-operation”. Details of the functions of the three groups are shown in Table 7.4.

Table 7.4 Sources of Information

Type	Sources	Direction	Information Need	Frequency	Importance	Type of Information	Strength of Relationship
Collusive	Suppliers Manufacturers who accept sub-contracting orders offered by the small firm	Backward	Information	Moderate inactive	Peripheral to Orders Information sources are dependent of the owner managers	Supply of raw materials Cost of raw materials Demand of competitors on raw materials Sales of competitors Production orders of competitors	Weak
Cohort	Family members Friends Friendly competitors	Internal	Information and Confirmation	Moderate active	Evaluation of actions Mutual dependent	Trustworthiness of buyers Feasibility (production and profits) an order or new products Market trends Creditworthiness of buyers	Strong
Co-operative	Manufacturers offering sub-contracting orders to the small firm Buyers and Agents (Trading Firms)	Upward	Information and Feedback	Very active	Owner managers depend on the information source Strengthening relationship Order-getting	Demand of other customers Product style and market trend Overseas market demands Customer needs and wants	Moderate

“Collusive” information refers to the production and competitor related information provided by the material suppliers and manufacturers who accept sub-contraction orders offered by the small firm. This is important as the information of raw materials markets will have great impetus on production planning and delivery schedules. The supply and cost of raw materials will influence the production cost and, thus, the capability to negotiate orders with buyers. Also, the sub-contractors will also accept sub-contraction orders from other manufacturers. By sharing information with those sub-contractors, the owner managers would be able to figure out the sales and production orders of some of their competitors. The owner managers collect the information when placing orders to the raw materials suppliers and sub-contractors or when the suppliers or sub-contractors visit the owner manager for business acquisition. Thus, the information is peripheral to an order. Also, the information solicitation methods are rather informal like a phone call or an informal chat, but normally in a business context, for example negotiating an order. As the information providers are much dependent upon the owner managers, the Chinese owner managers are less active in collecting this type of information.

“Cohort” sources are friendly competitors, friends, partners and family members. They provide technical, credit and general market information to the owner manager. The family members and partners, provide information about the feasibility of an order or solutions to technical problems about manufacturing a new product. Family members and partners help identify the trustworthiness of new buyers so as to eliminate default payments. Friends, for example acquaintances in business clubs, members in professional institutes and groups, or clans in a kinship association, will provide general information about the market trend and creditworthiness of some buyers. Friendly competitors exchange information with the owner managers for another overseas buyer who are not their own customers. Thus both parties will have a better view of the market. The owner

managers frequently use internal informal meetings, face to face discussions and chats in social gatherings to collect information. The family members, friends, partners, and friendly competitors to a certain extent have established mutual understanding and trust among each other. The exchange of information among members not only enhances friendship bonds, but also strengthen the sharing of values or beliefs among members. They help each other and are mutually dependent. The owner managers are active not only in collecting this type of information, but also seeking confirmation to furnish their decisions.

“Co-operation” sources are buyers, manufacturers offering sub-contraction orders and trading firms who give information to the Chinese owner managers about the market trend, product style and specific customer needs and wants. Rather than acquiring resources information or seeking confirmation for a specific action, the owner manager interacts with this specific information sources to dispose marketing goods. However, the owner managers are dependent on the buyers who offer them orders and contracts. The owner managers thus actively seek information from buyers about product specification and delivery schedules and respond accordingly. Also, to ensure steady or repeat orders, the owner managers also want to know the customer satisfaction level towards the product quality and delivery schedule. The owner managers are not only seeking customer information, but also obtaining feedback from the buyers. The purpose is not solely to obtain information, it is also to strengthen the buyer-seller relationship and get orders. The owner managers visit the buyers personally and frequently, they also prefer face-to-face data collection. Visits from or to buyers happens all the time.

Further analysis of the three sources reveals that the information search process of Chinese owner managers is directed backwards to suppliers and manufacturing companies receiving subcontraction

orders from the small firms, internally to family members, friends and partners, and also upwardly to buyers, manufacturing companies offering subcontracting orders to the small firms and trading firms. They are members of the owner manager's personal contact network. However, the members are either dependent on the other or mutually dependent. This suggests that the influences of interdependence principle and the group orientation of the Chinese culture are prevalent.

As the survey results reveal there is no evidence to support the notion that higher performing Chinese small firms are more likely than the lower performing firms to use informal marketing research methods (pages 106-7), it would be interesting to know whether the use of these three specific information sources influence the marketing performance of Chinese small firms. The interview scripts were indexed by two nodes namely PERFORMANCE and SOURCE accordingly in the NUD.IST software. As previously, 'PERFORMANCE' refers to the classification of high, average or low marketing performance, whereas 'SOURCE' refers to the categorisation of collusive, cohort and co-operative sources of information. Using the index system search operators of the NUD.IST software, a contingency table, Table 7.5, was developed. Due to too many empty cells and cells with counts of less than 5, the use of the Chi-square test to examine the relationship between marketing performance and source of information is dubious. However, the distribution of the table does not seem to indicate any relationship or general patterns, directionally, between the two nodes. About 90 per cent of the respondents obtain information from the "co-operative" sources. Thus, the results appear to suggest that using any specific type of information sources does not have a relationship with marketing performance.

Table 7.5 Marketing Performance by Sources of Information

Count		Marketing Performance			
		High	Average	Low	Row Total
Source:	Collusive	3	3	1	7(26.9%)
	Cohort		5	1	6(23.1%)
	Co-operative	4	12	7	23(88.5%)
	Column Total	5	14	7	26

Note: Some respondents identified more than one choice. Total count is not equal 26.

7.2.3 Information Solicitation Methods

When asking about detailed data solicitation methods, most respondents (25 out of 26) answered that the owner manager was the one solely responsible for collecting information. In response to the question why not let other staff help search for market information, four respondents, for example, said that some salesmen would collect product and market information from exhibitions, trade shows and direct contacts with buyers. Three respondents explained that they were small companies and they did not need to do formal market research as is the case with the larger firms. The remainder remarked that the information collected by the owner managers was more than enough. This shows that the information solicitation process is rather “ad hoc” or unsystematic.

7.2.4 Approach to the Future

Most respondents (25 out of 26) claimed that both the internal and external information was adequate for marketing decisions and there was no great need to forecast. The reasons for not using forecasting methods are still not clear. After probing, a majority (18) of the respondents responded that they could only complete the orders on hand and were not able to estimate or predict what would happen in the future. Three also mentioned that "they ate what they could cook". This is a popular Chinese short saying. It means that it is only possible to do what nature

permits, with the resources available. Fatalism influences the strategic awareness of Chinese small firms. As Redding (1982) recognises the deep sense of fatalism in Chinese culture makes Chinese owner managers deny the need to predict and plan the future.

However, when asking about their views on Yuarn (fatalism) and its influence on their strategic awareness, more than half of the respondents (15) believed it had nothing to do with their businesses. They were convinced, at least initially, that hard work to attain acceptable product quality and delivery on schedule would be crucial and essential for business success, not Yuarn. Interestingly, however, during the discussions post interview, most of the no-Yuarn respondents (9) accepted that Yuarn had, to some extent, influenced their operations. One respondent admitted:-

“If a customer walks in, I shall ask how he knows us. Some customers identify us from the Yellow Pages directory. Some get our name cards from exhibitions or by referral. However, some find us without any reasons. They know us from indirect sources. I think there may be a little bit of Yuarn.”

Further analysis of the interview scripts suggests that the respondents believe that Yuarn helps the small firm identify prospective buyers, makes two parties (buyers and manufacturers) work with each other in harmony, brings in some unsought businesses, and maintains long and steady buyer-seller relationships. Nevertheless, the respondents also believe that they have to work very hard, for example, to deliver good product quality and prompt and on-schedule delivery, in order to position themselves properly to have Yuarn. One respondent commented:-

“Some people believe in Yuarn. I think that Yuarn is related to one's efforts. Unless you try your best, you may not hold Yuarn. May be Yuarn lets me own this company. Two years ago, the cost of materials was increased, however, the selling price remained unchanged. It was a hard time for us. We put much effort on striving for business development during past two years. Consequently, we got favourable sales during the market depression. I do not know whether Yuarn provides an opportunity for us to perform well or not.”

“I rely on my ability rather than Yuarn. Once a customer places an order to you, you should complete the order. If you are not able to provide the required products to your customer, he will no longer place you any orders again. There may be Yuarn in business. One may ask a company for manufacturing a product, due to Yuarn. Nevertheless, a successful company should provide what the customer needs. Business is business.”

This findings confirm Yau's (1988) argument that Yuarn leads to self-reliance. Chinese small firm owner managers will admit on the one hand to be submissive to what will happen, but on the other, they prepare well in order to have Yuarn.

7.3 Marketing Objectives

7.3.1 Time Horizons in Objective Setting

More than half (15) of the respondents tended to use a longer-term orientation in setting profit objectives. The owner managers pointed to the manufacturing nature of their ventures and that required a longer payback period, than the exporting businesses. As one respondent commented:-

“I am not in the simple buying-selling transaction of a trading business. I invest a large sum of capital in machines and equipment and expect to have paybacks 5 to 10 years later.”

Also, some respondents accepted low or even no profit orders in order to continue in operation and maintain competitiveness for the purpose of attaining long-term profits. Probing of the respondents adopting the short-term objectives reveals that three respondents have in fact have a long-term orientation. As one respondent remarked:-

“We pursue the "immediate" return. We save some of the return for expansion. We plan for a long-term development.”

Thus, it appears that the majority (18) of the respondents use a long-term orientation in setting objectives. It is apparent that the motives are influenced by the principle of continuity.

7.3.2 Steady Growth Objectives

Most (20) respondents said that they wanted to have steady orders rather than aggressive growth. The major reason, as given by one respondent, is one should not "wear a big sized hat if one's head is not big enough". This is a popular short Chinese saying and it means that things should be done properly, modestly and according to nature. This suggests that the doctrine of the mean influences the setting of marketing objectives.

Reviewing the interview transcripts suggests three additional reasons for setting steady growth objectives. First, the Chinese owner managers use the paternalistic approach to manage their firms. The owner managers said that they had to offer their workers sufficient work and pay them

properly to enable them to earn a living. The employer-employee relationship is much more than a simple transactional and contractual connection. Should there be a sluggish economy, slow sales or wrong estimation for production, the Chinese owner managers said that they would not lay off employees. Rather they would let the employee resign of his/her own accord. Thus, Chinese small firms would not expand too much or engage a large workforce. Rather they would prefer to grow gradually and expand steadily.

Second, drastic expansion may lead to chaos which would be difficult to manipulate. As one respondent said:-

“Growth leads to a suddenly increase of current assets. To finance the current assets, I have to obtain credits from banks or borrow from others. I do not like this. If the business is not so good, we cannot repay the loans. Even I have money, I need equipment. Even I have equipment, I need machine operators. Even I have machine operators, I need to have supervisors. Even I have supervisors, I need to have middle management. Even I have middle management, I need to work closely and in harmony with them. Even I can do all this, I cannot find any more time to manage the new expansion. I am totally occupied by the current business.”

The response appears to suggest that the respondent prefers a stepwise and steady growth approach, whereas dramatic expansion is believed to be improper with their current businesses. The influence of the doctrine of the mean is apparent.

Third, two respondents mentioned that they do not want to change. As one respondent said:-

“I do not want to expand as I am happy with the current situation, and why bother to change.”

This suggests that the harmony with nature orientation also influences the marketing objectives be set in longer terms.

7.3.3 Specific Marketing Objectives

Surprisingly, most (23) respondents did not set any specific profits or sales objectives. In response to the probing, four respondents mentioned that they did have a rough figure in mind, but refused to disclose it. Two respondents remarked that they wanted to conclude as much business as they could. Three commented that as they had to ‘eat what they can cook’, there was no need to set objectives. One respondents explained -

“If the business environment is no good, my business will be no good. How can I take control of the business environment?”

This appears to suggest that Chinese owner managers, under the influence of Yuam and the harmony with nature orientation, are likely to respond to what has happened in the business environment, rather than to take control over their business environment. Thus, they are not able or willing to set a target.

7.4 Competitors

Analysis of the interview transcripts shows that Chinese small firms divide their competitors into three categories:- the friendly and close competitors, the friendly but not close competitors, and the unfriendly competitors.

7.4.1 Friendly and close competitors

The friendly and close competitors are the firms that participate in the same industrial sector and have known each other well for a long time, but do not compete for the same group of customers. These Chinese small firms are willing to help the friendly and close competitors in case of need. For example, one small firm lacked some production materials and was not able to source them from the suppliers. The small firm asked one friendly and close competitor for assistance and borrowed the materials for production. Another example is that one small firm could not consume a large order and contracted out part of the work to a friendly and close competitor. The friendly and close competitor perceived this as doing favours.

7.4.2 Friendly but not close competitors

The friendly but not close competitors are the firms that participate in the same industrial sector but do not know each well, and do not compete for the same group of customers. The firms are willing to share information about the market and their respective buyers. By talking to their friendly but not close competitors, Chinese small firms can obtain a whole picture about the market and also establish a close relationship among each other. The Chinese small firms will contract out some sub-contraction orders to those friendly but not close competitors, occasionally. Should the

relationship or experience be good, it will be quite likely that the friendly but not close competitors will become friendly and close competitors.

7.4.3 Unfriendly competitors

The unfriendly competitors are those competing for the same group of customers. They are rivals. There is no sub-contraction or information sharing among unfriendly competitors. They are competing on the basis of low production costs, short production periods, and prompt and on schedule delivery.

This classification suggests that the small firms will not use aggressive marketing strategies to compete with the friendly competitors, no matter whether they are close or not. In fact, they help and support each other in production and information solicitation. The respondents used terms like “neighbour”, “friend” and “acquaintance” to describe the relationship. In fact, the friendly and close competitors can be labelled as *production helper*, and the friendly but not close competitors *information helper*, not competitors. Only those unfriendly competitors are *real competitors*. It seems that the interdependence principle and group orientation of the Chinese cultural values apparently influences the marketing strategy formulation of Chinese small firms with respect to their friendly competitors.

7.4.4 Aggressive Marketing Strategies

Though the Chinese small firms treat their unfriendly competitors as rivals, aggressive marketing strategies are not used. One respondent remarked that he would not use an aggressive pricing strategy, as he did not want the market to be over-competitive because at the end of the day only the buyer would benefit and every small firm would lose and suffer. Also, some respondents

believed that every firm should have a share of the cake. Thus, they should avoid using aggressive marketing strategies to drive competitors out of the market. An interesting finding from reviewing the interview transcripts is that one small firm used an aggressive marketing domination strategy in new markets only. As the owner manager explained:-

“When we enter a totally new market, we will use an aggressive marketing domination strategy to capture the market. We are the only one there and we can do whatever we like. Once we are in the market, nobody will enter. Some very small firms will try, but they will not succeed. But, we do not do this in an existing market. We want to maintain a harmonised relationship with other industrial participants. Nevertheless, we would produce the best product at the lowest price to compete openly. If anyone cannot do the same thing, it means that they do not have the capability and calibre to compete with us. We would not use an aggressive marketing domination strategy in an existing market.”

A possible explanation is that the doctrine of the mean and the principle of harmony with others make Chinese owner-managers avoid direct confrontation with their counterparts. Entering a new market or using good product quality and low production costs is a way to minimise the conflict and make competition more impersonal.

7.5 Marketing Organization

7.5.1 Marketing Decision Makers

About half of the respondents (11), who are owner managers of medium-sized firms, responded that they were aware that they needed to delegate authority to attain growth. Thus, they assigned

job responsibilities and delegated authority to their middle managers to manage the operations. By contrast, more than half of the respondents (15), who are mostly owner managers of the smallest firms said that they were the only person responsible for the marketing decision, and they did not need middle managers as the small firms were very small and they could make all the decisions. Interestingly, however, 8 out of the 11 medium-sized firms are family business. The remaining 15 smaller firms spread over three type of organizational structure - family business, partnership and sole-proprietorship.

Further analysis of the interview transcripts reveals that most of the middle managers in the pyramid type of marketing organisations (8 out of 11) are family member of the owner manager, partners of the firm, or even shareholders of the limited company. For example, in one firm, the daughter-in-law is the assistant general manager, the cousin is the sales manager and the daughter is the export manager. One respondent explained:-

“I own some shares. I am the marketing manager of this company. Sometimes, like ... like our company, there are several bosses who own the shares of this company. Some (directors) contribute some money and have a certain amount of shares. It is the nature (of our company). The big boss (shareholder) offers some shares to you because of your good performance. He pays you a small part of shares, then, you are promoted to hold one of the key positions in the company. It makes you work hard in the company as you are the shareholder.”

Thus, the decision centre of Chinese small firms is comprised of basically family members, partners or shareholders. The family members, partners or shareholders are holding key positions. The close relationship between shareholders, partners and family members prohibit the involvement of middle

management or employees participate in the marketing decision making. Thus, Chinese family business facilitates the development of a highly centralised decision centre. Also, marketing issues for example finance, sales and profits, are regarded as private, internal and secret, and restricted to shareholders, partners and family members. One respondent claimed that there was no need for the employees to know the marketing and finance data as those figures were too sensitive and restricted to family members. The employees need to follow instruction only. Thus, participative decision making in marketing is not found. Marketing decisions are made within a group formed by kinship (family member) and direct financial interest (partners or shareholder). This is apparent that the influence of the group orientation is prevalent in marketing decision making.

7.5.2 Communications in the Marketing Department

Most (24) respondents remarked that the communications in their marketing departments were good and the close relationship with the employee facilitated open communications. For example:-

“My parents are quite open. We have frank and open communications with each other as only three persons (the respondent, her father and mother) are involved in the marketing decisions. As our family oversees the operations, we can have very good communications and make prompt decisions.”

“The factory manager (who has shares in the company) in the PRC takes charge of the production matters. My sister is responsible for customer services in Hong Kong. I am in charge of the firm’s overall marketing activities. We have very good communications. May be we follow the harmony with people (others) principle.”

Nevertheless, one respondents, who is the chief marketing executive and has shares in the company, presented another side of the story:-

“Opinions are allowed to vented freely and constructive ideas are encouraged. Sometimes, the big boss will ask me to provide recommendations for decisions. Well, you know, this is a family business. All major decisions are made by the big boss and his sons. I only give advice in most cases.”

Given the paternalistic nature of the organisation, democratic or participative forms of management are seen as inappropriate. Marketing decisions are dominated by one individual (the big shareholder) or a small number of family members. The owner manager believes that communications within the firm are good. Nevertheless, the professional managers, for example the marketing managers who have shares of the company, perceive that they play consultative roles only in Chinese small firms.

7.6 Marketing Control

7.6.1 Marketing Control Devices

The previous sections report that the Chinese owner managers do not set precise and specific marketing goals and objectives, and marketing issues in Chinese small firms are regarded as private, internal, secret and restricted to the family members or partners. Thus, it may be expected that Chinese owner managers will not convey the marketing goals and objectives to their subordinates and the respective marketing control tactics are vague, subtle, and sometimes unclear. The

following comments from a marketing manager describing his/her company's objective setting and control supports this assertion:-

“The boss (owner-manager) in the meeting will tell us what he would like to attain. However, he just points to a direction and asks me and the sales manager to prospect more business. No specific goals or objectives are set. Also, there is no time limit for achieving this task. There is no control and no one will ask what we have achieved. The boss seems just to say this in a very casual manner. Nobody will bring up this matter afterward!”

It seems that due to the vague marketing goals and objectives, there is no control over the marketing function. This conforms with the arguments of Redding and Wong (1986) that there is much secrecy and privacy about performance, and particularly information bearing on marketing, finance, and profitability in Chinese firms. Thus, marketing control methods used by owner-managers are mostly non-objective performance assessments. The following example illustrates this:-

“The managing director will distribute the tables and reports prepared by me in the meeting. He will point to the poor performance of a product line, not an individual. He asks us to put more effort into a particular product line. We all know that the salesmen should be responsible for the poor performance as they are responsible for the sales of those product lines. We never say that their performance is no good. We only say openly in the meeting that the product line sales are by no means good. Everybody knows what has happened.”

Thus, those marketing control methods are neither explicit enough nor crystal clear.

7.6.2 Face

Respondents were asked the role of face in marketing control in their firms. Interestingly, most respondents (20) admitted that to some extent “face” influenced their marketing control methods. As the following example shows the poor performing sales executive is informed by the owner-managers that his performance is unsatisfactory in a very subtle way by openly discussing his poor performance:-

Respondent: One sales executive shipped a container of goods to a customer who did not place the specific order. Apparently, the one that placed the order did not receive the goods but someone suddenly received a container of unwanted goods. We only discuss this in our monthly directors' meeting and we ask the marketing manager in the weekly meeting to inform the sales team about this incidence and advise them to be much more careful in the future.

Interviewer: You only advise the team. Any follow up action?

Respondent: Why punishment? We think this is enough. We have not “given him face” (an active presentation of a Chinese popular saying which means that making someone to lose his “face”) by disclosing this matter. The export executive will know what to do afterwards!

Review of the interview transcripts also reveals that the harmony with others principle and face are important factors in controlling the marketing function. The superiors “give face” to the subordinates, to some extent, to let them step down easily in case they have done some wrong. On the other hand, the harmony with other principle and face also prohibit the Chinese owner

managers to take drastic actions against poor performing employees. The following examples support this:-

“We need to “give face” to other people. We should let someone feel easy. Once the employee has done something wrong, it is better for you to let him know his mistakes rather than punish him harshly. You may blame him harshly in your office, but you may also blame him gently in front of all staff. I “give face” to him.”

“In American companies, they would fire the badly performed salesman. In our company, we “give face” to him. The salesman will handle less number of regions and receive less information for new functions if they have done something wrong. For general staff, they would be posted to another job. It is difficult to handle the badly performed sales executives. In most cases, the sales manager will act as a baby-sitter to take care of him. The manager provides guidance for the poor sales executive.”

Marketing control methods are more personal than objective. Objective setting and the appraisal of marketing decisions, activities, or staff are not commonly used. Subtle measures like the denial of “face” and withdrawal of supportiveness are much more usual than punishment.

7.7 Conclusion

The evidence of this chapter shows that the Chinese culture influences the marketing practices of Chinese small firms. Chinese owner managers perceive the importance of marketing, but do not believe that marketing is the sole factor contributing to success. Rather networking, trust,

creditworthiness and establishing reputation are perceived as being of greater significance. Marketing in these circumstances can only enjoy a peripheral position in business operations. Yuarn provides great impetus for the operation of Chinese small firms, as it encourages them not to undertake formal marketing research. However, Yuarn also leads to self-reliance and hardworking, while the harmony with nature orientation influences the setting of marketing objectives. Hence, Chinese small firm owner managers tend to adopt a long term orientation and use steady growth marketing objectives. Aggressive market domination is uncommon in Chinese small firms. Paternalism and family business nature mould a small decision centre and prohibit participative marketing decisions by employees. Face also makes the Chinese owner managers adopt less objective but more personal marketing control devices. Thus, it would seem that great caution should be made before applying Western marketing thoughts and concepts to Chinese small firms. The following chapter will discuss the implications of these findings and propose a theory of Chinese small firm marketing.

CHAPTER EIGHT: CONCLUSION

8.0 Introduction

This chapter summarises the research project by drawing together its main findings and contributions together, and proposes a theory of marketing in Chinese small firms. Thus, this chapter is divided into five sections. Section 1 describes the research aims and objectives - a re-statement of the underpinning motives and rationale for selecting the research topic and the overall research objectives. Section 2 examines the research design - a brief review of the research process employed, including the key methodological features, strengths and weaknesses. Section 3 provides a concise discussion of all major findings. Section 4 identifies the contributions of this research project - a thorough evaluation of the theoretical, methodological, and managerial contributions and Section 5, the last section, suggests a theory of marketing in Chinese small firms and an agenda for future research in this area.

8.1 Research Needs and Objectives

Though there is common agreement that universal marketing principles are applicable to small firms, the broad small firm marketing principles, specifically generated from the Western countries, may not be fully suitable for, and applicable to, different socio-cultural contexts, for example Chinese small firms. Thus, it appears vital that research into marketing in small firms in Hong Kong should understand the cultural value orientation of owner managers -- why they behave as they do and how they make their decisions and choices, under the cultural influences. This research is,

therefore, an attempt to understand small firm marketing in a non-Western culture. Based on an investigation of marketing practices of small firms in Hong Kong, it seeks to

- 1) examine the marketing activities and practices of Chinese small firms in Hong Kong, and how marketing affects Chinese small firm performance;
- 2) identify the differences and similarities between Western (for example the United Kingdom) and Eastern (for example Hong Kong) marketing tenets, for example the use of strategic marketing analytical techniques and marketing planning tools; and
- 3) investigate the effect of Chinese cultural values on small firm marketing.

8.2 Research Design

8.2.1 Research Process

Methodologically, the research uses a multi-stage research approach - ethnographic research into 110 undisguised stories of successful Chinese owner managers, a mail survey of the marketing practices of 158 Chinese small firms in Hong Kong and in-depth personal interviews with 26 respondents to identify the effect of cultural influences on small firm marketing. Theoretically, the research adopts an integrative approach -- blending the process model and the contingency approach to build and advance small firm marketing theory.

8.2.2 Strengths And Weaknesses of the Design

8.2.2.1 Ethnographic Research

110 Undisguised stories about Chinese owner-managers and their firms were used to obtain insights into Chinese small firm marketing in Hong Kong. The undisguised stories, as one type of secondary data, are useful to this study, not only due to their relatively low cost, and easy and rapid data collection, but also as they help identify the research problem, define the research approach, and assist hypothesis formulation.

Nevertheless, using undisguised stories is not without drawbacks. One major drawback relates to the relevance of the stories for this specific research purpose. Also, different stories are likely to be biased by the intent and language of the reporters. However, these problems are not insurmountable. First, care has been taken to infer the strategic marketing decisions, which are underpinned by the underlying marketing approach of the company, from the non-routine decisions of the owner managers. Second, efforts have been made to enlarge the document base to include sufficient numbers of marketing decisions in diverse areas and various sources. This helps provide a comprehensive perspective on individual small firms and also facilitates validation of the data. Undisguised stories, under thorough research and verification, are also believed to be more reliable than self-reported stories or auto-biographies. Thus, for the purpose of this exercise it is believed the benefits outweigh the problems.

8.2.2.2 Mail Survey

A mail survey of 158 Chinese small firms in Hong Kong was selected in an attempt to describe the Chinese small firm marketing activities. Though the mail survey is widely criticised, it has proven

to be a valuable method of collecting data from the industrial population because it can enable information to be gathered from wide geographic areas at relatively low cost, eliminate interviewer bias, and allow respondents to check records, as well as being completed at the respondent's convenience. More specifically for this research, it allows the researcher to collect a great deal of data relating to the marketing process and decisions. The anonymous nature of the research method and the confidentiality assurance offered by the researcher provided a favourable atmosphere for the respondents to give sensitive data like relative profit performance, sales and return on investment compared with their major competitors. This helps eliminate interviewer-interviewee bias. Thus, mail survey was used for the study.

However, using mail questionnaire is not without limitations. One major limitation relates to the low response rate. This leads to a relatively low data reliability and validity being affected by the non-response error. To minimize non-response error, the following measures were taken. First, the total design method (Dillman, 1978) and professional survey approach (Edros, 1974) were adopted in designing the questionnaire. Second, the questionnaire was translated, and back-translated, into Chinese to induce higher responses. The response rate, 9.82%, is only slightly below the normal response rate, 10%, in industrial mail surveys, as quoted by Hart (1987). Third, a follow-up telephone interview with 100 randomly selected non-respondents was undertaken to gauge the non-response bias. The comparative results indicate that there is no difference between the respondents and non-respondents. Fourth, follow-up interviews with selected respondents were used as a vehicle for triangulation and testing data reliability and validity. Though the response rate was low, given the abovementioned measures, it is felt that the results accurately reflect the situation.

8.2.2.3 Personal Interview

In-depth personal interviews or case studies provide an opportunity to investigate the issue in more depth and an alternative in advancing the understanding of Chinese small firm marketing. The purpose of using personal interviews and case studies in this research is threefold: (1) to verify the survey findings, using personal interview as a vehicle for triangulation; (2) to have a better understanding of why Chinese small firms perform as they do; and (3) to understand the possible influences of Chinese cultural values, if any, on the Chinese small firm's approach to marketing. Although case studies have arguably faced criticisms, they are very useful to provide an in-depth analysis of the situation, and expand and generalize theories. This is very useful to support theory building, as is the case in this research. 30 small firms were selected randomly from the respondents to the mail survey. 26 small firms, of which 5 were higher marketing performing companies, 14 average and 7 low, were interviewed.

However, using the case study approach is not without limitations, like lack of rigour, little basis for scientific generalization and the generation of massive, unreadable documents. To minimize the effects of these limitations, the following measures were taken. First, McCracken's long interview techniques (1988) were used to guide the interviews, focusing on a series of opening questions pertaining to marketing decisions in small businesses. The NUD.IST computer software was used to process the interview transcripts. The grounded theory approach was adopted to analyse the interview transcripts and vignettes describing the marketing action and strategies of Chinese small firms were produced. The interview transcripts and vignettes were sent to the interviewees for comments. This method of co-inquiry, suggested by Rowbottom (1977), helped assure the involvement of the interviewees and also allowed the candidate to cross-check the interpretations of the interview transcripts. Also, as this research uses a stepped stream of research methodology, the

multiple methods approach to triangulation (Lincoln and Guba, 1985) is used. Consistent findings across survey and follow-up interviews suggest high degree of data reliability and validity (Kirk and Miller, 1986). It is believed that this rigorous approach to the case study method helped construct a model for Chinese small firm marketing.

8.2.2.4 Overall Research Design

This research used the stepwise 'staged' approach to understand small firm marketing. As each study was designed to build upon what had been learned in previous stages to make an incremental contribution to the established knowledge base, this allowed the research to provide an in-depth and focused analysis of Chinese small firm marketing. In view of the dynamic and holistic nature of the entrepreneurial and marketing processes, this research used both conventional and multi-dimensional approaches to obtain substantive knowledge through survey research and process knowledge from in-depth case studies. This research approach, being endorsed by small firm researchers, helped advance knowledge in small firm marketing.

However, this research approach also has limitations. The major limitation is that the research error in one stage may be transmitted or even multiplied in the following stages. Should any of the stages make any error, the total research error at the end of the research would be enormous. Thus, it is essential to ensure that the techniques are applied rigorously, correctly and appropriately. This research examined the limitations of each research stage carefully and measures were taken to minimize the research error. Also, the sequencing of stages should not be fixed, rather it should be adjusted in accordance with the situational factors because what is 'truth' in research may not remain constant across cultures. In view of the inadequacy of knowledge in Chinese small firm

marketing, this research started with a detailed discussion of the specific socio-cultural and politico-economic environments of Hong Kong, specifically on the impact on small firms. Then, the research went on to use preliminary research to explore the issue, follow-up quantitative research to identify the substantive context, and then qualitative research to provide in-depth knowledge.

8.3 Major Findings

8.3.1 Content Analysis Findings

The results suggest that successful Chinese small firms in Hong Kong exhibit distinct marketing practices, compared with their American counterparts. Chinese small firms have higher marketing effectiveness scores, though they are more production oriented. In contrast, the American small firms are more customer oriented despite their marketing effectiveness scores being relatively lower. Chinese small firms appear to undertake limited marketing expenditure and Chinese owner-managers have limited marketing expertise. Interestingly, however, Chinese owner-managers appear to have a strong market awareness. The findings also suggest that Chinese small firms do little formal marketing planning. One possible reason may be that the Chinese owner-managers apply innovative tactics and change the marketing planning technique to suit the characteristics of their firms and their particular circumstances. Thus, Chinese small firm marketing can be described as entrepreneurial and the marketing planning activities as unstructured. The results appear to suggest that either the Western tenets are not fully applicable to Chinese small firms or the marketing behaviour of Chinese small firms is so distinct that a specific marketing model is needed.

8.3.2 Mail Survey Findings

8.3.2.1 Independent Marketing Components and Marketing Performance

The exploratory data analysis using the Chi-square test suggests that Chinese small firms in Hong Kong give a higher priority to marketing than the other business functions in their overall approach to business. Marketing is found to have the leading or joint leading role in a small firm's corporate planning and the higher performing companies tend to use some strategic marketing planning concepts. However, Chinese small firms in Hong Kong are still sales- or production-oriented. They neither conduct situation analysis, nor have knowledge, or use, of marketing planning tools. They do little in-house market research, and though their objectives are mainly aggressive growth or market domination, there is no clear distinction between improving productivity or raising volume to attain those objectives. They place much emphasis on personal selling, product performance and company/brand reputation, but less on product price and quality. Chinese small firms in Hong Kong appear to lead the market by introducing new products and new ways of doing business. In the Chinese marketing organization, specifically Chinese family business, open communication is commonplace, opinions are vented freely, and constructive ideas are encouraged. However, structural flexibility, like temporary task forces and overlapping jobs, are not found. Though they use on-going marketing intelligence gathering systems, special marketing computer software packages are rarely used.

8.3.2.2 Marketing Process Effect on Marketing Performance

The results reveal that the high performing companies have excellent performance on marketing initiative and strong strategic awareness. The average performing companies have moderate

marketing initiative and relatively weak strategic awareness. The poor performing companies have relatively poor performance on marketing initiative and moderately weak strategic awareness.

Specifically, the low performing companies are "defenders" as they adopt the most defensive marketing objective -- defend or maintain objective, rarely conduct customer satisfaction surveys, and more often use the somewhat conservative approach of monitoring the event and adapting accordingly when planning the future. In contrast, the high performing companies perform well on marketing strategy and control and can be labelled as "premium position seekers". They reported that their personal selling efforts and company/brand reputation were superior to those of their major competitors, and they use customer satisfaction surveys to control their marketing efforts. The average performing companies operate a "stuck-in-the-middle" approach. About half of the respondents adopt a defensive marketing objective and responsive approach to future planning. Also they do not have superior performance in personal selling.

The results suggest that successful Chinese small firms in Hong Kong exhibit distinct marketing practices, as suggested by the traditional tenets of Western marketing thought. For example, higher performing Chinese small firms define their marketing activities as essentially sales or production oriented. A market-driven business philosophy is not believed to be a crucial success factor in Chinese small firms in Hong Kong. Successful Chinese small firms in Hong Kong neither use situation analysis methods, nor have knowledge of the various marketing planning tools. They put much emphasis on personal selling and company/brand reputation, but not on product price or quality. The findings confirm the exploratory research results that there is a need for a marketing model specifically for Chinese small firms.

8.3.2.3 Country Effect on Marketing Performance

In order to provide more insights to the effect of country on marketing performance, a comparative analysis on the results of this thesis with a similar UK study (Brooksbank, Kirby and Wright ,1992) was conducted to identify the areas of difference.

The results suggest that Chinese and British small firms are different in the following marketing practices: (1) the role of marketing in corporate planning; (2) the company approach to marketing; (3) the time horizon in setting profit objectives; (4) superiority in product quality over their major competitors; (5) superiority in personal selling over their major competitors; and (6) the use of new ways of doing business. Specifically, British small firms are customer-driven, whereas Chinese small firms adopt the sales- or production-orientation. Interestingly, however, compared with British small firms, Chinese small firms give marketing a higher degree of priority over other business functions in their overall approach to business, set profit objectives over the longer term, and put much more emphasis on personal selling. However, Chinese small firms are less innovative in introducing new ways of doing business and put less emphasis on product quality in competition, compared with their British counterparts. The results point to the importance to understand and to determine how and why Chinese small firms perform as they do.

8.3.3 Personal Interview Findings

The personal interview results show that the Chinese culture and the business environment of Hong Kong, to a great extent, influence the marketing practices of Chinese small firms in Hong Kong. Chinese owner managers perceive the importance of marketing, but do not believe that marketing is the sole factor contributing to success. Rather networking, trust, creditworthiness and establishing

reputation are perceived as being of greater significance. Marketing in these circumstances can only enjoy a peripheral position in business operations.

Yuarn provides great impetus for the operation of Chinese small firms, as it encourages them not to undertake formal marketing research. However, Yuarn also leads to self-reliance and hardwork, while the harmony with nature orientation influences the setting of marketing objectives by encouraging Chinese small firm owner managers to adopt a long-term orientation to their businesses and use steady growth marketing objectives. Aggressive market domination is uncommon in Chinese small firms. Under the influence of the subcontracting system, molecular organizations and original equipment manufacturing structure, efforts and resources allocated by Chinese small firms in Hong Kong to new product development and new ways of doing business are minimal.

Paternalism and family business nature mould a small decision centre and prohibit participative marketing decisions by employees. Nevertheless, open communication is commonplace in Chinese family business. Hence, marketing decisions are dominated by one individual (the major shareholder) or a small number of family members. Face also makes the Chinese owner managers adopt less objective but more personal marketing control devices.

8.4 Contributions

8.4.1 Theoretical Contributions

This research is the first attempt to use an integrative approach - blending the process model and the contingency approach - to build and advance small firm marketing theory. This approach proves valuable as it demonstrates that it is one of the possible ways to redress the imbalance of theory building in small firm marketing.

This study suggests that the broad U.S. marketing principles are not fully applicable to, and suitable for, some specific socio-cultural context, for example the British and Chinese socio-cultural environments. Moreover, this study also confirms the recent research into Chinese family business (Redding, 1996; Whyte, 1996). It acknowledges the importance of using traditional cultural values in understanding Chinese marketing decisions and as there is no major study of Chinese small firm marketing which adopts this approach, the results of this research add new knowledge by examining exactly, and in more depth, how and to what extent Chinese small firms in Hong Kong make marketing decisions, promote products and/or services, and maintain market competitiveness.

The research results suggest that care should be taken before making generalizations about marketing based upon evidence drawn from a particular marketing situation and assuming that marketing tools and techniques are equally applicable across all places. The specific business and socio-cultural environments of a place, as is the case of Hong Kong, demand that caution should be exercised when generalizations are made.

8.4.2 Methodological Contributions

This research acknowledges the usefulness of a 'stream of research' (Davis, Hills and LaForge, 1985) or a stepwise 'staged' approach (Gibb, 1992) in small firm research and a 'multi-dimensional' approach (Greenley, 1983) in marketing planning research. This approach proves to be useful as each research stage builds upon what has been learned in the previous stage to make an incremental contribution to the established knowledge base. Based on this approach, a theory of Chinese small firm marketing is constructed.

Previous major studies in small firm marketing have used exploratory statistical tests, for example Chi-square, to compare company performance by means of independent components in the marketing process. Nevertheless, the association and/or causal relationship has not been examined and it tells little about the contribution of marketing to small firm success. Also, using the Chi-square test has assumed that each marketing process component is an independent and separate measure. In fact, the marketing process components are interrelated and interactive. It is unlikely that all variables will have independent effects. Thus, rather than relying solely on using the Chi-square test on each marketing component as a separate measure, this research uses Multiple Discriminant Analysis (MDA) to identify a weighted combination of all components to predict whether or not a company is likely to attain higher levels of marketing performance. The results prove to be valuable as it helps understand how higher performing companies differ from the others - average and low performers - and to identify which marketing process components are relatively more important or have the greatest impact on marketing performance.

8.4.3 Managerial Contributions

The research also identifies the characteristics of the most successful Chinese small firms. It reveals that high performing Chinese small firms are those with excellent marketing initiative and strong strategic awareness. The partnership marketers, which are Chinese small firms with high marketing performance, believe that offering good service, new design, prompt delivery and good product quality will give them a competitive edge over their counterparts: the production marketer - those low performers functioned as the buyer's production arm, - or the prospecting marketers - those average performers - who place emphasis mainly on personal networking. The performance of the partnership marketer supports the notion that the provision of value-added products and services to the customer will lead to better marketing performance. The results suggest that successful Chinese small firms in Hong Kong adopt the concepts of marketing and exhibit distinct marketing practices.

In particular, the high performing Chinese small firms in Hong Kong give a higher priority to marketing than the other business functions in their overall approach to business. Marketing is found to have the leading or joint leading role in a small firm's corporate planning and the higher performing companies tend to use strategic marketing planning. They place much emphasis on personal selling, product performance and company/brand reputation. High performing Chinese small firms in Hong Kong appear to lead the market by introducing new products and new ways of doing business and they use on-going marketing intelligence gathering systems. In the marketing organization of the high performing Chinese small firms in Hong Kong, open communication is commonplace, opinions are vented freely, and constructive ideas are encouraged.

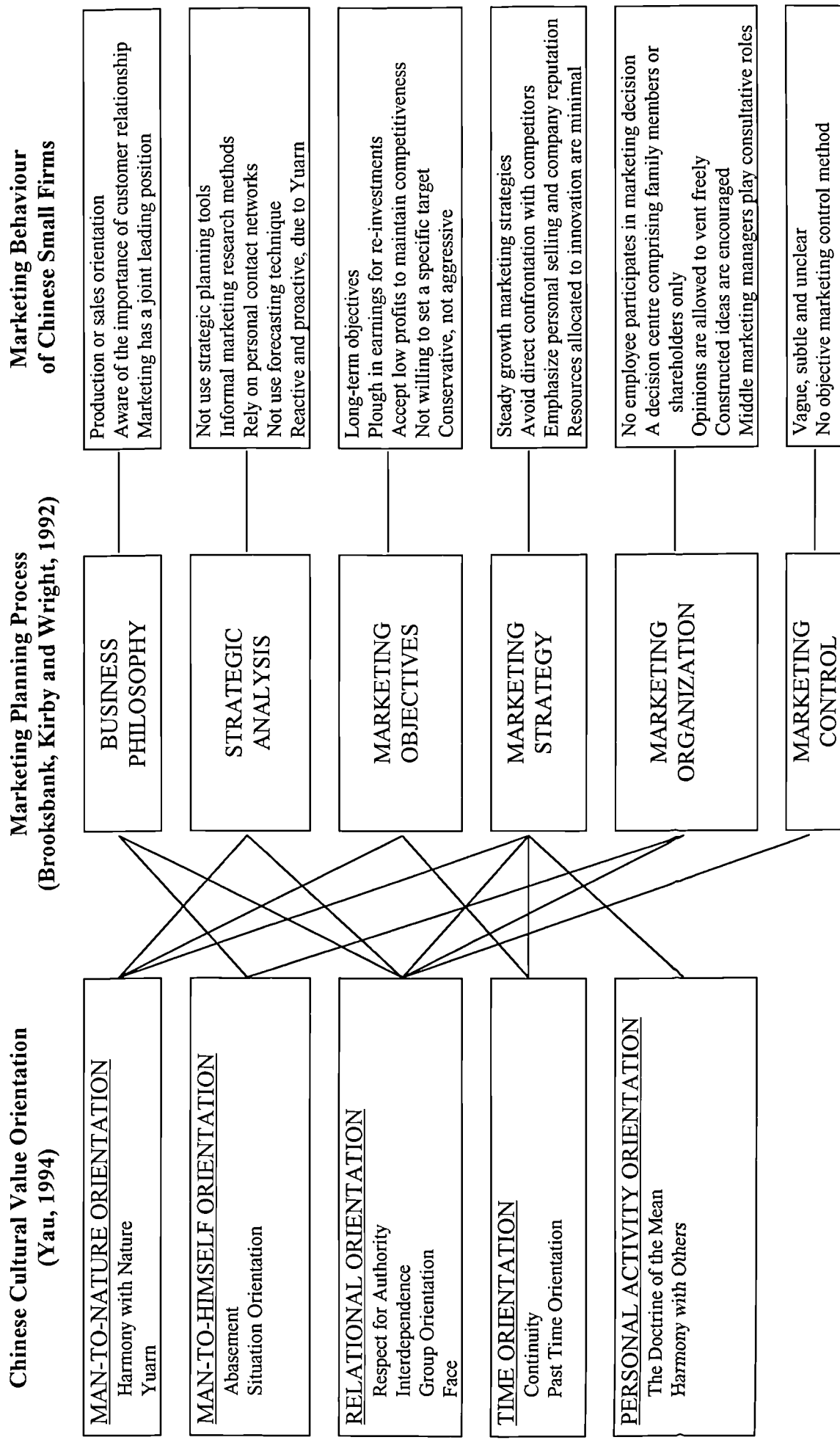
Also, the high performing companies perform well on marketing strategy and control and can be regarded as "premium position seekers". They report that their personal selling efforts and company/brand reputation are superior to those of their major competitors, and they use customer satisfaction surveys to control their marketing efforts.

However, the identification of high performing small firms does not lead to the identification of any simple success formula for small firm marketing. Nevertheless, the results do show a consistent pattern of differences, both directionally and statistically, in marketing practices. It appears that the high performing small firms are those likely to show a better appreciation of fundamental marketing principles and make better use of them in their business operations. The adoption of marketing, as this research shows, contributes to the success of small firms.

8.5 A Proposed Theory of Chinese Small Firm Marketing

This section will integrate the research findings with insights from other researchers and management writers on Chinese cultural values to propose a theory of Chinese small firm marketing. The theory, presented in the form of detailed diagrammatic representation of specific marketing tenets related to Chinese small firms in Hong Kong, integrates the marketing planning process model for small firms and Chinese cultural value orientations (Figure 8.1).

Figure 8.1: A Theory of Chinese Small Firm Marketing



8.5.1 Business Philosophy

The research results seem to indicate that the business philosophy of Chinese small firms, according to the traditional Western marketing concept, is sales or production oriented. However, this has to be explained by the specific industrial nature of Hong Kong - the molecular organization and the original equipment manufacturing structure of the firms. Thus, Chinese small firms have to ensure that the products meet the specific requirements of the buying offices, their immediate customers (Espy, 1972, Kinsey, 1988, Redding and Tam, 1995). Also, subject to the influence of the situation orientation, Chinese owner managers think with greater immediacy and pragmatism (Yau, 1986; Siu and Martin, 1992), which favours the adoption of the production- or sales-orientation. Whichever methods can help them maximize production and generate high sales volume will receive the greatest attention.

Nevertheless, this specific industrial and business structure also makes Chinese small firms aware of the importance of good customer relationships. The Chinese small firms, no matter whether they are production marketers, prospecting marketers or independent marketers, put much effort into establishing close and good relationships with the buyers. The research results reveal that this is influenced by the relational orientation. Thus, this explains why they perceive that business success will not be solely influenced by marketing, but by doing favours to others (Yau, 1988), trust (Wong, 1991), creditworthiness (Silin, 1992) and establishing social networks (Wong, 1998).

8.5.2 Strategic Analysis

The respect for authority principle encourages paternalism in Chinese small firms (Redding and Wong, 1986) and thus they are owner-manager dominated. The research shows that the marketing information solicitation process depends highly upon the drive and motivation of the owner-managers and their personal observations, network or 'gut feeling'. Hence, formal and commissioned research activities are rarely found even in the most marketing oriented firms.

From the research, it is possible to appreciate the importance of networks to the marketing information solicitation process in Chinese small firms. The research suggests that Chinese small firms in Hong Kong perceive marketing research as an esoteric exercise more relevant to large-scale enterprises than to them. Chinese small firms are unlikely to commission market research consultants to carry out large surveys of consumers. To compensate for this lack of marketing information, Chinese owner managers use personal contact networks. The personal contact network (PCN) is a well-accepted concept of entrepreneurial research (Butler and Hansen, 1991; Dubini and Aldrich, 1991; Johannisson, 1986) and is entirely inherent to the owner manager's approach to doing business. Also, the networks are informal and evolve from being in business (Carson et al., 1995). The research findings reveal that the information search process of Chinese owner managers is directed backwards to collusive sources - suppliers and manufacturing companies receiving subcontractation orders from the small firms, internally to cohort sources - family members, friends and partners, and upwardly to co-operative sources - buyers, manufacturing companies offering subcontractation orders to the small firms and trading firms. They are members of the owner manager's personal contact network. The influence of the

interdependence principle and the group orientation of the Chinese culture are prevalent in the formation of such networks.

The research results reveal that Yuarn, the deep sense of fatalism in Chinese culture, makes Chinese owner managers deny the need to predict and plan the future. Chinese owner-managers believe that the pre-determined relations with other things or individuals, are far beyond one's control and they neither use comprehensive strategic marketing planning tools for corporate planning nor systematic marketing research and forecasting techniques. However, Yuarn, as suggested by Yau (1988), also leads to self-reliance. The research results also reveal that Chinese small owner managers will try to seek inter-relations with others or things in order to find out whether they possess Yuarn or not. Chinese owner managers are the only ones in the company responsible for collecting market information and they try to develop close relationships with buyers. They rely heavily upon co-operative sources, mostly their customers or buyers. The information solicitation process is rather unsystematic, but effective, as the whole process is focusing on the customer's needs. Thus, Chinese owner managers will admit on the one hand to being submissive to what will happen, but, on the other, they prepare well in order to have Yuarn.

8.5.3 Marketing Objectives

The research evidence supports the notion that the doctrine of harmony with nature and the principle of continuity make Chinese owner managers think in longer terms than their British counterparts and use a long-term orientation in setting objectives. They are often willing to plough in earnings for re-investment and accept lower profits to continue operations and maintain competitiveness. Also, under the influence of Yuarn and the doctrine of harmony with nature,

Chinese owner managers tend to respond to what has happened in the business environment, rather than to take control over their business environment. Thus, Chinese small firms are not able or willing to set specific targets in formulating marketing objectives.

8.5.4 Marketing Strategy

The results indicate that the interdependence principle and the group orientation of the Chinese cultural values influence Chinese small firms in marketing strategy formulation. Chinese small firms classify their competitors into three categories, namely the friendly and close competitors, the friendly but not close competitors, and the unfriendly competitors. To Chinese small firms, the friendly and close competitors and friendly but not close competitors are in fact production and information helpers respectively. Thus, Chinese small firms do not use aggressive marketing strategies to compete against their friendly competitors.

Interestingly, however, they do not use aggressive marketing strategies to compete against their unfriendly competitors. Rather, entering a new market or using good product quality and low production costs are ways to minimize conflict, avoid direct confrontation and make the competition more impersonal. The research findings suggest that the doctrine of the mean and the principle of harmony with others make Chinese small firms use steady growth rather than aggressive marketing strategies.

To attain long-term operations and maintain competitiveness, and also be subject to the influence of the doctrine of harmony with nature and the principle of continuity, Chinese small firms use steady growth marketing strategies. When coupled with the strong preference for past time orientation,

the free economy, and the original equipment manufacturing system, it is not surprising, perhaps, that Chinese small firms in Hong Kong should be less innovative and more imitative than their British counterparts. Efforts and resources allocated to new product development and new ways of doing business are minimal.

Under the influence of the original equipment manufacturing system and molecular networking structure of small firms in Hong Kong, Chinese small firms manufacture products according to the specification of the job orders and ensure production to a mutually agreed quality standard only. Chinese owner managers put much less emphasis on product quality than do their British counterparts. Also, Yuam encourages Chinese owner managers try to develop close relationships with buyers. Chinese small firms put much more emphasis on personal selling than do their British counterparts.

8.5.5 Marketing Organization

Under the influence of group orientation, the marketing decisions in Chinese small firms are made by a decision centre comprising family members, partners or shareholders who hold key positions in the firm. The close relationship and direct involvement of family members in the firm's operation prohibit the participation of employees in the marketing decision making. Also, marketing and financial data are regarded as private and restricted to the members of the decision centre. Thus, participative decision making in marketing is not found in most Chinese small firms, unlike in Western businesses.

Though opinions vented freely and constructive ideas are encouraged, the paternalistic nature of the Chinese small firm prohibits the use of democratic or participative forms of management. As a result of the abasement principle Chinese subordinates play a supportive and consultative role in Chinese small firms, whereas the Chinese owner managers and their family dominate the marketing decisions.

8.5.6 Marketing Control

The marketing control tactics in Chinese small firms, as revealed by the research, are vague, subtle, and sometimes unclear. Chinese owner managers do not convey their marketing goals and objectives to their subordinates, as they are regarded as private and restricted to the family members or partners only.

Also, under the influence of “face”, marketing control methods are more personal than objective. Objective setting and the appraisal of marketing decisions, activities, or staff are not commonly used. Subtle measures like the denial of face and withdrawal of supportiveness are much more usual than punishment.

8.6 Conclusion and Areas for Further Investigation

The evidence of this research shows that Hong Kong Chinese small firms in this sample differ in their approach to marketing from small firms in the West, for example the United Kingdom. British small firms are customer-driven, whereas Chinese small firms adopt the sales- or production-orientation. Interestingly, however, compared with the British small firms, Chinese small firms give

marketing a higher degree of priority to other business functions in their overall approach to business, set profit objectives over the longer term, and put much more emphasis on personal selling. However, Chinese small firms are less innovative in introducing new ways of doing business, are more imitative in new product development, and put less emphasis on product quality in competition, compared with their British counterparts.

The results also indicate that the Chinese culture, the family business nature and business environment of Hong Kong to a great extent influences the marketing practices of Chinese small firms in Hong Kong. Subject to the influence of the situation orientation, Chinese owner managers think with greater immediacy and pragmatism, which favour the adoption of a production- or sales-orientation. The relational orientation encourages Chinese owner managers to perceive that business success will not be solely influenced by marketing, but by doing favours to others, trust, and creditworthiness and establishing social networks. Yuarn discourages Chinese owner managers from using the Western strategic marketing planning tools for corporate planning, or systematic marketing research and forecasting techniques. However, Yuarn also leads to self-reliance and Chinese owner managers collect market information from their personal contact networks and try to develop close relationships with their co-operative sources of information - mostly their customers or buyers. The information solicitation process is rather unsystematic, but effective as the whole process is focusing on the customer's needs. The doctrine of harmony with nature and the principle of continuity encourage Chinese owner managers to use a long-term orientation in setting objectives. Also under the influence of Yuarn and the doctrine of the harmony with nature, Chinese owner managers are unable and unwilling to set specific targets in formulating marketing objectives. The interdependence principle, the doctrine of the mean, the group orientation and the principle of harmony with others encourage Chinese small firms to use steady growth rather than

aggressive marketing strategies. When coupled with the strong preference for past time orientation, the free economy, the original equipment manufacturing system and the molecular structure network, it is not surprising that Hong Kong small firms are less innovative and more imitative in new product development and introducing new ways of doing business. Under the influence of group orientation, participative decision making in marketing is not found in most Chinese small firms, unlike in Western businesses. However, the Chinese family business nature facilitates a highly centralised, but small decision centre. Open communication is commonplace in Chinese family business. Also, “face” encourages Chinese owner managers to use more personal, than objective, marketing control methods.

This thesis proposes a theory of Chinese small firm marketing linking Chinese cultural values with the marketing planning process model. Nevertheless, the sample only includes manufacturing firms. This clearly suggests that further research into the services industry needs to be conducted to confirm, or otherwise, the insights reported here. This theory only informs which cultural values are important and how each one is likely to influence the marketing practices of Chinese small firms in Hong Kong. However, it does not indicate the relative importance of each cultural value or indicate which has the greatest impact on the marketing practices of Chinese small firms in Hong Kong. Also, the analytical method used in the case study approach assumes that each cultural value is an independent and separate measure. It is unlikely that all cultural variables will have independent effects. Thus, it is not possible to identify the integrative effect of cultural values on marketing performance by relying solely on the findings of the current study. To redress the balance, the present study (and, in particular, the framework shown in Figure 8.1) can be used as a starting point for further investigation. Appropriate instruments may be developed to measure the influence of the Chinese cultural effect on marketing performance. Researchers may operationalize

the Chinese cultural values and use the structural equation methods, for example, LISREL (an acronym for *linear structural relations*), to determine the cause-and-effect relationship between cultural values and marketing performance.

Having proposed a theory of Chinese small firm marketing, it is appropriate to add a word of caution. The theory is based on the relationship between Chinese cultural values and the marketing planning process model. Since the thesis only identifies the specific marketing behaviour of Chinese small firms in Hong Kong, it is not possible to determine whether cultural values affect the ways Chinese small firms market their operations in Hong Kong or whether it is the result of the particular business setting of Hong Kong, for example the *laissez-faire* economy, the molecular organizations or the original equipment manufacturing system. Since the thesis does not examine the theory in a politico-economic environment other than Hong Kong, it cannot determine how much of marketing practices can be explained by Chinese cultural values as opposed to the environment factors. Such conclusions can only be drawn after controlling the politico-cultural environments or the business settings. To advance small firm marketing theory along the lines described above, future research should be directed at identifying and quantifying the influence of antecedent factors, that is cultural values and environmental factors, on the way that marketing is implemented. Thus, a cross-cultural sample of small firms could be employed to investigate, systematically, differences in marketing practices in relation to cultural values and environmental factors. Certainly, this is an area of research worthy of further investigation. A possible research agenda is to test the theory in different political-economic environments, for example China, Taiwan, and Singapore so as to disentangle the environmental effect.

This thesis assumes there is no change in traditional cultural values. However, the debate over changes in traditional cultural value is still on-going, as indicated on page 77. Thus, one weakness of this thesis is that changes in cultural values are not examined. This thesis measures Chinese cultural values at one point of time, and does not attempt to show differences of cultural values across time. A possible research area that will go beyond the work of this thesis is to examine Chinese cultural values and marketing performance dynamically by investigating the relationship between changes in Chinese cultural values and changes in marketing practices.

A final limitation of this thesis is that it looks at only one part of small firm management - marketing. Other important elements, for example finance, as indicated on page 1, are inevitably neglected. A fertile area for research would be, therefore, the relationship between Chinese cultural values and corporate performance.

To conclude, one of the major contributions of this thesis is the acknowledgement that various external factors, for example *Chinese cultural values and the specific business environment* influence small firm marketing practices. Thus, adopting the contingency approach demonstrates that it demands researchers to focus on the external contexts, for example the particular business environment and cultural values, rather than using a grand marketing theory or the normative marketing approach for all possible settings. Also, another major contribution of this thesis is the suggestion that using an integrative approach - blending the process model into the contingency approach - should be adopted. The process approach acknowledges the importance of understanding the organizational structure of small firms and owner-managers' marketing decisions. This thesis demonstrates that the examination of the owner-manager's marketing decision process and behaviour helps advance small firm marketing theory.

In short, the thesis suggests that researchers examining small firm marketing practices should pay attention to culture and business settings. While possessing limitations, the thesis indicates that Chinese cultural values play an important role in small firm marketing in Hong Kong, and the integrative approach - blending the process model into the contingency approach - is useful to advance small firm marketing theory.

Appendix I : Undisguised Stories Used for the Present Study

(1) Ho, K. L. (1990) Entrepreneurial Pioneer, Hong Kong: Man's Co.

1	Cheung Hon Yee	<i>Sole Proprietor of Tung Tak Books & Newspaper Agency</i> The story is an interview report that describes how Mr. Cheung started the business in 1975 and developed it to dominate the books and newspaper distribution business in Hong Kong.
2	Lai Chi Ying	<i>Managing Director of Giordano International Company</i> An interview report with Mr. Lai that describes how he started a small apparel manufacturing firm in 1981 and the firm then expanded to a retailing network of more than 30 retail outlets in Hong Kong, Taiwan, Singapore and Japan.
3	Lai Yau Ping	<i>Chairman of Continental Film Distribution (HK) Ltd.</i> An interview report tells how Ms. Lai marketed Hollywood movies to Chinese viewers in Hong Kong.
4	Li Keung	<i>Managing Director of Le Saunda Shoes Ltd.</i> An interview report tells how Mr. Lai worked initially as a motor vehicle salesman and moved to become Chairman of a shoe manufacturer. The report also details how the company extended to a retail chain of over 30 outlets in Hong Kong.
5	Lui Lap Fun	<i>Director, Tai-i Art Design Institute</i> A brief biographic profile of Mr. Lui is given. An interview report tells how Mr. Lui managed a small design workshop and then the workshop was expanded to become the largest private design institute in Hong Kong.
6	Tse Shui Luen	<i>Chairman of TSL Jewellery Co. Ltd.</i> An interview report tells how Mr. Tse started his jewellery workshop in 1960 and the workshop was expanded to a listed company in 1987.
7	Wong Kam Foo	<i>Managing Director of Star Paging Services Ltd.</i> An interview report tells how Mr. Wong started a small paging services company in 1977 and the company now captures about 1/3 of the market. In 1988, Star Paging Services Ltd. was listed in the Hong Kong Stock Exchange.
8	Sze Yeung Tak	<i>President of Yeung Tak Tong</i> An interview report tells how Mr. Sze, who had over 20 years senior management experience in the advertising sector, moved to become a tycoon in the publishing industry.

2 undisguised stories are not relevant to the study, only 8 are used in this study.

- (2) Chee, P. L. (1992) Entrepreneurial Genius, Hong Kong: Chong Ngai Culture Enterprise

1	Wah Wai Nar	<i>Owner of Wah Wai Nar Beauty Saloon</i> A report describes how Wah marketed her beauty saloon.
2	Yuan Ka Chai	<i>Chairman, Shun Fung Travel Agency</i> An interview report tells how Yuen markets the Philippines package tour.
3	Wong Lai Ling	<i>Owner, Gold Elephant Court Restaurant</i> A story describes the marketing strategy of Gold Elephant Court Restaurant
4	Jimmy Chan	<i>Owner of Hong Kong Optical Co. Ltd.</i> A story tells how Chan managed the company and developed it as an international firm.
5	Ng Pang Li	<i>Managing Director, Kor Dat Enterprise Ltd.</i> A story tells the development of Kor Dat.

10 undisguised stories are not relevant to the study, only 5 are used in this study.

- (3) Ho, M. C. (1992) New Riches of Hong Kong, Hong Kong: Ming Pao Publishers

1	Tsui Chin Tong	<i>Chairman, CNT (Group) Ltd.</i> Details the growth of Tsui's business.
2	Yeung Sau Shing	<i>Chairman, King's Finance (Group) Ltd.</i> Tells the development of Yeung's jewellery, finance and wristwatch businesses.
3	Lam Chung Kui	<i>Chairman, Kong Wah Electronics Ltd.</i> Details the growth of Kong Wah.
4	Tsang Hin Tze	<i>Chairman, Goldlion (Far East) Co. Ltd.</i> Details how Tsang used advertising to develop his business.
5	Ngan Pik Woon	<i>Chairman, Swylin International (Group) Ltd.</i> Tells the development of Ngan's video tape business.
6	Li Lap	<i>Managing Director, Timbray Group (Holdings) Ltd.</i> Describes Li's telephone manufacturing business.
7	Luk King Tin	<i>Chairman, Luk's Industrial Co. Ltd.</i> Tells how Luk marketed TV sets in Asian Communist countries - Vietnam and China.
8	Yeung Kai Yan	<i>Chairman, Asia Commercial (Group) Ltd.</i> Details the development and growth of Yeung's watch business.
9	Ng Siu Fung	<i>Managing Director, Kam Fai Holdings Ltd.</i> Describes the growth of Ng's freight forwarding business.
10	Yip Chi Shing	<i>Chairman, Yip's Heng Cheung (Holdings) Co. Ltd.</i> Reports the growth of Yip's paint business.

11	Tsang Man Chung	<i>Chairman, Ocean Group Ltd.</i> Tells how Tsang grew from a small personal computer retailer to a large personal computer manufacturer.
12	Cheung Chi Shing	<i>Chairman, Styland International Ltd.</i> Describes how Cheung marketed consumer products, mainly garment, electronics and watches, in Eastern Europe.
13	Lam Pui Kwai	<i>Chairman, Ka Lee International Co. Ltd.</i> Tells how Lam initially worked as a messenger and finally became the Chairman of a listed company.
14	Wong Sun	<i>Chairman, Kam Hing Magnetic Products Ltd.</i> Describes the growth of Wong's floppy disk manufacturing business.
15	Lo Kit Luen	<i>Chairman, Top Form International Ltd.</i> Describes the development and growth of Lo's underwear manufacturing business.
16	Cheung Lin Hing	<i>Managing Director, Kui Chuen International Ltd.</i> Tells the development and growth of Cheung's motor vehicle antenna manufacturing business.
17	Chiang Chi Kee	<i>Chairman, Cheung Shing Electronics Ltd.</i> Describes how Chiang's company developed to become the largest laser disc manufacturer in Southeast Asia.
18	Leung Li Man	<i>Chairman, S. Megga International Ltd.</i> Details the development and growth of Leung's cordless telephone business.
19	Cheung Yiu Wing	<i>Chairman, Yiu Wing Entertainment Co. Ltd.</i> Describes how Cheung expanded his construction business to the entertainment and real estate sectors.
20	Leung Wah Chai	<i>Managing Director, Yick On International (Holdings) Co. Ltd.</i> Describes the growth and development of Leung's high precision metal and plastic mould manufacturing business.
21	Lo Chiu Hung	<i>Chairman, Textile International Co. Ltd.</i> Reports a female entrepreneur who worked initially as a secretary and then became the Chairman of a listed company selling silk garments.
22	Lee Kwong Lum	<i>Owner, Tung Tai Hong</i> Tells how Lee expanded from a small retailer to a major wholesaler in Hong Kong.
23	Chan Chun Keung	<i>Managing Director, Po Kai Group Ltd.</i> Tells how Chan used personal networks to develop his trading business in China.
24	Au Shiu Hay	<i>Chairman, Hop Ying International Leather Products Co. Ltd.</i> Report details of how Au initially worked as a messenger and became the Chairman of a listed tannery company.

25	Wong Kam Fu	<i>Chairman, Star Paging Services Co. Ltd.</i> Describes how the Wong couple developed to become the market leader of the paging services industry.
26	Wing Chi Yum	<i>Chairman, Wing Man Technology Ltd.</i> Tells how Wing developed his smoke detector business.
27	Chan Sing Chak	<i>Chairman, Continental Jewellery Co. Ltd.</i> Tells how Chan developed from a jewellery worker to the Chairman of a listed jewellery company.
28	Tse Shui Luen	<i>Chairman, TSL Jewellery Co. Ltd.</i> Describes the growth and development of TSL.
29	Lam Kam Man	<i>Chairman, Star Travel Agency Ltd.</i> Describes how the Lam couple developed from a small travel agency to a listed company.
30	Chan Yuk Shue	<i>Chairman, Prosperity Holdings Co. Ltd.</i> Describes the growth and development of Chan's porcelain business.
31	Chan Hok Leung	<i>Managing Director, Tung Fong Hung Chinese Medicine Ltd.</i> Details how Chan's Chinese herb and medicine company grew and developed to become a listed company.
32	Leung Chun Hung	<i>Managing Director, Lin Wick Group Ltd.</i> Tells the growth and development of Leung cordless telephone business.
33	Wong Sze Ling	<i>Chairman, Tung Ling Group Ltd.</i> Tells the growth and development of Wong's electronics company.
34	Chan Ngan Hoi	<i>Managing Director, King Wah Automation Group Co. Ltd.</i> Describes the marketing strategies of King Wah and how it became the market leader of the computer embroidery industry in Hong Kong.
35	Chan Man	<i>Owner, Unimax Co. Ltd.</i> Tells how Chan developed his own branded pre-school toys.

3 undisguised stories are not relevant to the study, only 35 are used in this study

(4) Lui, C. W. (1992) *Hong Kong Tycoons*, Hong Kong: Ming Pao Publishers

1	Leung Li Man	<i>Chairman, S. Megga International Holding Ltd.</i> Describes the growth of Leung's cordless telephone manufacturing firm.
2	Tse Lap Ki	<i>Managing Director, Silver Eagle Holding Ltd.</i> Tells how the company grew from a small shoes manufacturer to a company of 3500 employees.
3	Lam Kam Man	<i>Chairman, Morning Star Travel Agency</i> Describes the growth and development of Lam's travel agency.
4	Lo Kit Luen	<i>Managing Director, Top Form International Ltd.</i> Reports the development and growth of Lo' underwear manufacturing business.
5	Pang Shek Nam	<i>Chairman, Far East Aluminum (Holding) Ltd.</i> Tells how the company grew and became the market leader of aluminum windows.
6	Yeung Kai Yan	<i>Managing Director, Asia Commercial Co. Ltd.</i> Describes how Asia Commercial developed its own branded watch and became a listed company.
7	Cheung Chi Shing	<i>Chairman, Styland (Holdings) Ltd.</i> Tells how Styland became the first and the largest Hong Kong trader in East Europe.
8	Lau Wing Ho	<i>Managing Director, San Bon Trading Ltd.</i> An interview with Lau tells how San Bon dominated the pre-packaged Japanese frozen food market in Hong Kong.
9	Kam Shui Fai	<i>Owner, Yung Kee Restaurant</i> Describes how Yung Kee established the reputation of one of the best 50 restaurants in the world, nominated by the Fortunate magazine.
10	Ngan Fok Wai	<i>Managing Director, Pak Fah Yeow Ltd.</i> Tells the corporate development of a Chinese herb oil - Pak Fah Yeow.

6 undisguised stories are not relevant to the study, only 10 are used in this study. 5 are also discussed in Ho (1992).

(5) Lui, C. W. (1992) *Hong Kong Tycoons (Vol. 2)*, Hong Kong: Ming Pao Publishers

1	Yeung Koon Yat	<i>Owner Manager, Fok Lam Restaurant</i> Describes how Yeung developed Fok Lam to be the best restaurant serving abalone.
2	Fung Kwong Fat	<i>Chairman, Climax International Co. Ltd.</i> Describes how Climax developed from a small photo album manufacturer to a paper products conglomerate.
3	Wong Siu Luen	<i>Managing Director, Winston Holdings (Bermuda) Ltd.</i> Tells how a taxi driver, Wong, became the Chairman of a finance company that financed over one third of the taxis in Hong Kong.
4	Lee Chun Kwok	<i>Chairman, Welback Enterprises Ltd.</i> Tells how Lee started an electronics watches workshop in 1981 and the company became the market leader of the electronic handheld games industry in Hong Kong.
5	Lam Ka Fung	<i>Managing Director, SIS International Ltd.</i> Tells how SIS developed from a small computer software retailer to be one of the largest personal computer wholesaling and retailing companies in Hong Kong.
6	Lam Kuan Chan	<i>Chairman, Yuen Loong Group (Holding) Ltd.</i> Tells how Lam marketed rice in Hong Kong.
7	Tsang Hin Tze	<i>Managing Director, Goldlion (Far East) Co. Ltd.</i> Describes the marketing strategies of Goldlion.
8	Lam Chan	<i>Owner, Lam Chan Kee Co. Ltd.</i> Lam Chan Kee is a wholesaler and retailer in imitation jewellery. A story describes the corporate strategies of Lam Chan Kee.
9	Yam Hung Cheung	<i>Chairman, Hung Hing Printing Group Ltd.</i> Describes how Yam established a small printing workshop and developed to be Chairman of a listed company.

6 undisguised stories are not relevant to the study, only 9 are used in this study. 1 is discussed in Ho (1992).

(6) Self-made Business (1992), Hong Kong: The Next Magazine

1	Tsui Chin Tong	<i>Chairman, CNT (Group) Company</i> Tells how Tsui, a Chinese immigrant, started initially as a hawker and developed as the chairman of a listed company.
2	Tsang Man Chung	<i>Chairman, Ocean Business System Co. Ltd.</i> Tells how Tsang started as a personal computer (PC) retailer and how the company developed to be a major PC manufacturer and exporter.
3	Li King Chuen	<i>Managing Director, Kin Chiu Industrial Co. Ltd.</i> Tells how Li started his business as a TV game interface card manufacturer and developed to become the owner of a company with 300 hundred workers and over HK\$70 million turnover.
4	Chan Pui Yin	<i>Managing Director, Po Kok Jewellery</i> Details how Chan started a semi-precious stone workshop in 1970 and developed to be the owner of a company with over 1000 workers.
5	Ng Tak Leung	<i>Owner, Bhudda Vegetarian Restaurant</i> Describes Ng, who resigned as a police chief inspector, and started a vegetarian restaurant in 1986. The company is now a restaurant chain of 7 outlets and with over 300 employees.
6	Lau Shek Hong	<i>Chairman, Sang Kong (Group) Ltd.</i> Tells how Lau started his business in 1969 with HK\$100,000 for manufacturing consumer electronics. Lau now owns several factories with over 4000 employees.
7	Lui Cheuk Ping	<i>Chairman and Managing Director, Paramount Printing Ltd.</i> The story details that Lui started as a worker in a printing workshop. He now owns a company with 350 employees.
8	Li Koon Kau	<i>Managing Director, J's Concept Ltd.</i> Describes how Li started his business, a jewellery design company, in 1986. Li's company has three outlets in Hong Kong and two in Japan. The company's yearly turnover is HK\$80 million.
9	Tam Wing Lun	<i>Managing Director, Jake and Jones</i> Tells how Tam expanded his company from a small retailer to a retail chain with 22 outlets and over HK\$2 billion sales turnover.
10	Ho Shun King	<i>Owner, Chat Kee</i> Details how Ho sells no-brand apparel. No-brand apparel is samples or excessive stock of prestigious brands. Ho cuts off the labels and sells at a very low price. Chat Kee now has 7 outlets with retail sales turnover over HK\$20 million.

11	Ling Sik Kam	<i>Managing Director, EPRO Paging Services Ltd.</i> Tells how Ling started his business after resigning from Digital (HK) Limited and gained a market share among the top three market leaders namely Hutchison, ABC and Star.
12	Yan Shu Yin	<i>Luk Kin Electronics Ltd.</i> Tells how Yan established a small factory designing and manufacturing consumer electronics. In 1989, the company's sales turnover reached HK\$ 2 billion.
13	Chau Ka Ping	<i>Owner, Ka Li Precision Manufacturing Co. Ltd.</i> Describes how Ka Li markets the audio tape equipment and components.
14	Lam Wai Wah	<i>Managing Director, Shun Lee Electronics Ltd.</i> An interview report describes how Lam started his business in 1978. By 1990, the company owned assets over HK\$5 billion.
15	Lam Chun Wai	<i>Owner, Sun Ling Motor Vehicle Company</i> Tells how Lam segmented the second hand motor vehicle market and identified a niche for his company.
16	Wong Sze Sum	<i>Managing Director, Hong Tai Travel Agency Ltd.</i> An interview with Wong that reports how Hong Tai marketed package tours.
17	Chow Shing Cheung	<i>General Manager, Nan Kong Electrical Appliances Co. Ltd.</i> An interview report with Chow that describes how Chow marketed flash light and neon light products.
18	Fung Kwok Luen	<i>Franchisee, Toys'R'us</i> Tells how Fung managed the franchise business - Toys'R'us in Hong Kong.
19	Wong Ka Wo	<i>Managing Director, Chit Wing Coffee Co. Ltd.</i> Tells how Wong extended Chit Wing from wholesaling to retailing and also how Chit Wing entered the hotel market.
20	Chan Chun Wing	<i>Owner, Standard Silk Printing Company</i> An interview report tells how Chan used an innovative method to develop his printing business.
21	Cheung Po Wo	<i>Managing Director, IBL Products Co. Ltd.</i> Outlines IBL's experience in new product development.
22	Kwok Kam Shing	<i>Managing Director, Double Kingdom Ltd.</i> A story about how Double Kingdom marketed the mobile telephone.
23	Cheung Lin Hing	<i>Managing Director, Kui Chuen Motor Vehicle Antenna Co. Ltd.</i> An interview report with Cheung which describes how Kui Chuen developed from a small workshop of 4 workers to a large enterprise with 2000 workers.

24	Lai Wing Ki	<i>Owner, Tech-trans</i> Tells how a small computer software company used the UNIX system to dominate the business computer software market in Hong Kong.
25	Tom Lee and Tsang Fook	<i>Tom Lee Piano Company</i> <i>Tsang Fook Piano Company</i> Details the marketing warfare between the two piano companies in Hong Kong.
26	Leung Fung Kwong	<i>Executive Director, Fineway Stone Materials Co. Ltd.</i> Describes how Leung identified a market niche in the construction industry and developed as one of the major stone materials suppliers in Hong Kong.
27	Tang Yiu	<i>Director, West Germany Kitchenware Ltd.</i> Tells how Tang marketed kitchenware products in Hong Kong.
28	Lam Foo Wah	<i>Managing Director, Tat Lee International Co. Ltd.</i> Describes how Lam marketed silk garments in Hong Kong and overseas.
29	Li Siu Kit	<i>Owner, Fook Cun Tong Gourmet Shop</i> Describes the marketing strategies of Fook Cun Tong in the tea market in Hong Kong.
30	Fung Yi Sang	<i>Owner, Tai Shing Fruit Wholesaling Company</i> Tells how Fung developed his orange wholesaling company to become a fresh orange juicy retail chain and marketed the product to the hotel market.
31	Lam Pui Kwai	<i>Managing Director, Ka Lee International Ltd.</i> Tells how Ka Lee grew from a small manufacturer to a listed garment company.

31 undisguised stories, all are used in this study. 4 are discussed in Ho (1992).

- (7) Mak, S. F. (1991) Files of Success People -- Rules of the Game in Hong Kong Society, Hong Kong: Long Chiu Publishers.

1	Yip Kwok Wah (Used)	<i>Chairman of Information Industrial Co. Ltd.</i> An interview report with Yip that tells how Information Industrial developed initially from a small firm to a large computer company.
2	Law Bun	<i>Managing Director of News (Group) Company Ltd.</i> Describes the development of Law's News (Group) Company from a small newspaper agency to a large publishing conglomerate.
3	Yiu On Kwok	<i>Chairman, On Hing Paper Products Co. Ltd.</i> Describes the development of Yiu from an owner of a small paper products manufacturer to be the Chairman of a listed company.
4	Chin Kan Liu	<i>Partner, Live Communications Ltd.</i> Describes the marketing strategies of Live Communications.
5	Cheung Shek Ho	<i>Managing Director, Ting Cheung Co. Ltd.</i> An interview report tells how Cheung marketed the Brain Tracy personal development programmes in Hong Kong.

9 undisguised stories are not relevant to the study, 5 are used in this study

- (8) Yiu, W. K. and Wong, W. K. (1992) Young Successful People in Business, Ming Window Publishers.

1	Yeung Chiu	<i>Chairman, Yat Shing (Group) Ltd.</i> Describes how Yat Shing grew to become the largest trousers manufacturer in Hong Kong.
2	Lam Kwong Yu	<i>Chairman, Star Printing (Group) Ltd.</i> Tells how Lam, a Chinese immigrant, started his venture in 1972 and managed the company to become one of the top ten printing companies in Hong Kong.
3	Chung Chi Ping	<i>Managing Director, Techtronic Industries Co. Ltd.</i> An interview report with Chung that tells how Techtronic marketed electrical appliances to overseas buyers.
4	Chan Man	<i>Managing Director, Unimax Toys Ltd.</i> Describes Chan marketed his branded pre-school toys.

5	Lo Hon Hung	<i>Chairman, Evertech Ltd.</i> An interview with Lo that reports Evertech's management and marketing practices.
6	Leung Wai Ho	<i>President, Tak Lee Watch Manufacturing Co. Ltd.</i> An interview report tells how Leung started his small watch case factory in 1979 and the factory was expanded to a large watch manufacturing company in 1990.
7	Li Chin Keung	<i>Executive Director, Ace Leather Products Ltd.</i> Describes how Li grew from a small leather products manufacturing firm of 40 employees to a medium sized firm with over 400 employees.
8	Lam Po Chiu	<i>Managing Director, A & W Food (HK) Co. Ltd.</i> Provides a diagnosis of A & W's corporate strategy.
9	Kwan Hing Hin	<i>Managing Director, Kee Shing (Group) Ltd.</i> Describes the corporate strategies of Kee Shing.
10	Chu Tak Ming	<i>Chairman, Lai Shing Ltd.</i> Describes how Chu marketed Samsonite luggage in Hong Kong.
11	To Ching Chung	<i>Manager, Julie's Professional Personnel Consultancy Ltd.</i> An interview report with To which describes Julie's corporate strategies.
12	Cheung Chun Ming	<i>Owner, Audio Visual Technique</i> Describes how Cheung marketed his multi-media products in Hong Kong.
13	Lam Sai Man	<i>Owner, Mandarin Typesetting Co. Ltd.</i> An interview report describes Lam's management practices.
14	Cheung King Yau	<i>Owner, Edelweiss Jewellery</i> A story about Edelweiss' marketing strategies.
15	Chan Ho Fung	<i>Chairman of a Company (company Name not disclosed)</i> A story about the company's corporate strategies.
16	Leung Ka Tung	<i>Partner, Chesterton Petty, Surveyors & Associates</i> A story about the business development experience of Leung.
17	Chan Sin Yi	<i>A manager of an insurance company (company name not disclosed)</i> Tells of Chan's marketing experience.
18	Ng Po Kwong	<i>A manager of an insurance company (company name not disclosed)</i> Tells of Ng's marketing experience.

20 undisguised stories are not relevant to the study, 18 are used in this study. 1 is discussed in Ho (1992).

* Duplicate stores are integrated into one unit for analysis. In total, 110 stories are used in this study.

Appendix II : Content Analysis Schedule

Marketing Effectiveness Scales (please circle one)

Customer Philosophy

- 1 Does management recognise the importance of designing or providing products or services which serve the needs and wants of chosen markets?
- 0 Management thinks in terms of selling current and new products to whoever will buy them.
- 1 Management thinks in terms of serving a wide range of markets and needs with equal effectiveness.
- 2 Management thinks in terms of serving the needs and wants of well-defined markets chosen for their long-run growth and profit potential for the company.
- 2 Does management take into account suppliers, competitors, customers and its operation environment in planning its organization?
- 0 No.
- 1 Somewhat.
- 2 To a good extent.
- 3 Does management develop different strategies for different segments of the market?
- 0 No. Management concentrates on selling and servicing its immediate customers.
- 1 Somewhat. Management takes a long view of its channels although the bulk of its effort goes to selling and servicing the immediate customers.
- 2 Yes. Management takes a whole marketing systems view recognizing the threats and opportunities created for the company by changes in any part of the system.

Integrated Marketing Organization

- 4 Is there marketing integration and control of major marketing functions (i.e. advertising, product development, marketing research and personal selling)?
- 0 No. Sales and other marketing functions are not integrated at the top and there is some unproductive conflict.
- 1 Somewhat. There is formal integration and control of the major marketing functions but less than satisfactory co-ordination and co-operation.
- 2 Yes. The major marketing function are effectively integrated.

- 5 Do employees responsible for marketing activities work well with employees in other functional areas?
- 0 No. There are complaints that marketing is unreasonable in the demands and costs it places on other departments.
 - 1 Somewhat. The relations are amicable although each department pretty much acts to serve its own power interests.
 - 2 Yes. The department co-operate effectively and resolve issues in the best interest of the company as a whole.
- 6 How well organised is the process for assessing new product or service opportunities
- 0 The system is ill-defined and poorly handled.
 - 1 The system is formally exists but lacks sophistication.
 - 2 The system is well-structured and professionally staffed.

Adequate Information

- 7 When was the last systematic study of the market-place conducted?
- 0 Several years ago.
 - 1 A few years ago.
 - 2 Recently.
- 8 How well does management know the sales potential profitability of different market segments, territories and products/services?
- 0 Not at all.
 - 1 Somewhat.
 - 2 Very well.
- 9 What effort is expended to measure the cost-effectiveness of different marketing expenditure?
- 0 Little or no effort.
 - 1 Some effort.
 - 2 substantial effort.

Strategic Orientation

- 10 What is the extent of formal market planning?
- 0 Management does little or no formal marketing planning.
 - 1 Management develops an annual marketing plan.
 - 2 Management develops a detail annual marketing plan and a careful long-range plan this is updated annually.

- 11 What is the quality of the current organization strategy?
- 0 The current strategy is not clear.
 - 1 The current strategy is clear and represent a continuation of traditional strategy.
 - 2 The current strategy is clear, innovative, data-based and well-reasoned.
- 12 What is the extent of contingency planning?
- 0 Management does little or no contingency planning.
 - 1 Management does some contingency thinking although little formal contingency planning.
 - 2 Management formally identifies the most important contingencies and develops contingency plans.

Operational Efficiency

- 13 How well is marketing thinking communicated and implemented down the line?
- 0 Poorly.
 - 1 Fairly.
 - 2 Successfully.
- 14 Is management doing an effective job with the marketing resource?
- 0 No. The marketing resources are inadequately for the job to be done.
 - 1 Somewhat. The marketing resources are adequately but they are not employed optimally.
 - 2 Yes. The marketing resources are adequate and are deployed efficiently.
- 15 Does management react quickly and efficiently to on-the-spot marketing changes?
- 0 No. Sales and market information is not very current and management reaction time is slow.
 - 1 Somewhat. Management receives fairly up-to-date sales and market information; management reaction time varies.
 - 2 Yes. Management has installed systems yielding high current information and fast reaction time.

Marketing Activities (please tick)

- | | | | | | |
|----|--------------------|--------------------------|-----|--------------------------|----|
| 1 | Customer Relations | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 2 | Advertising | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 3 | Sales | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 4 | Pricing | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 5 | Market Research | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 6 | Sales Forecasts | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 7 | Sales Control | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 8 | Public Relations | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 9 | Product Planning | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 10 | Credit Extension | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 11 | Sales Training | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 12 | Quality Control | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 13 | Dealer Relations | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 14 | Sales Recruiting | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 15 | Product Services | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 16 | Product Schedule | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 17 | Inventory Control | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 18 | Packaging | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |
| 19 | Warehousing | <input type="checkbox"/> | Yes | <input type="checkbox"/> | No |

e

Marketing Performance Scale (please tick)

- 1 Limitations of expenditure: (an approximation of money/time spent on all aspects of marketing activity)
 - minimal
 - limited
 - substantial

- 2 Limitations of expertise: (the owner's and others' marketing background and the nature and amount of marketing education attained)
 - minimal
 - limited
 - substantial

- 3 Limitations of impact: (whether the company is known in the market and to what extent this knowledge or awareness has changed)
 - minimal
 - limited
 - substantial

- 4 Level of Generalization
 - General concepts: a circumstance where the marketing activities carried out by a firm is a very 'general' level, that is, it is closely identified with the general concept of marketing as described in the literature and will often not to be carried throughout into implementation.
 - Industry-specific: a circumstance where the marketing activities carried out by the firm is allied closely to that which happen throughout the firm's industry. That is, it follows certain "norms and practices" peculiar to the industry.
 - Situation-specific: a circumstance where a firm will apply innovative and imaginative marketing designed to suit its own particular circumstances and requirements.

- 5 Planning v. Operations
 - "Minimal" refers to a firm carries out little or no marketing planning, but instead, is concerned with the operation of marketing. Marketing operations activity will dominate the firm's marketing behaviour.
 - "Balanced" refers to some marketing planning is carried out at least once a period, or on several occasion during a period. The 'balance' does not refer to equality but an 'appropriately' balanced between planning and operational activities.

6 Marketing planning adapted for small firm

- [] Limited adaptation is reflected in the process of a firm describes and uses marketing planning practices. That is, by using techniques which are wholly unsuitable for small firms, such as general concepts, formal marketing plans, market share measurement, large mail shots, or major media advertising.
- [] Substantial adaptation is indicated by the degree of refinement of marketing planning technique to suit the characteristics of the small firm and its particular circumstances.

7 Stages of Marketing Development

- [] Reactive Stage -- This is concerned with initial marketing activity. New firms enter markets and find customers in ways largely dictated by specific industry norms. The overriding common denominator for many new firms' customers is that, in almost every case, they are known personally to the entrepreneur and initial transactions are concentrated either by the firm making contact with the customer on a personal basis or vice versa. Therefore, marketing does not exist, or at best is performed in a very primitive fashion, in most new firm start-ups. If the combination of the marketing elements are satisfying a market need, the new start-up firm will probably benefit from word-of-mouth recommendations.
- [] Tinkering marketing -- This can be defined broadly as marketing which occurs because of the need to expand sales, but which is haphazard and disjointed, largely because it is carried out spasmodically and spontaneously. Examples may be embryonic brochure or leaflet, occasional advertising, a local exhibition or sponsorship.
- [] Entrepreneurial marketing -- This is defined as marketing which is recognized for its value in generating sales but which is carried out by the entrepreneur as part of his or her other activities. This marketing is characteristically instinctive and high risk. The performance of the small firm in marketing will thus depend to a large extent on the aptitude for marketing of the owner/manager.
- [] Proactive Marketing -- This is defined as methodical controlled marketing carried out by a marketing expert or specialist employed by the firm. The marketing activity will be characterised by a well developed integrative and proactive approach where each activity will support the others and with the whole effort working toward the achievement of clear short- medium- and long-term objectives, in other words, professional marketing.

8 Level of Activity

- [] Little or no marketing (non-simplistic) -- It manifests itself in circumstance where firms are largely reactive to consumer inquiry. They have little or no knowledge of who their customer are or from where they come.
- [] Implicit and simple marketing -- this occurs in companies as an instinctive activity. These firms do marketing as a natural part of business activity but their marketing remains fragmented, due to lack of resources and knowledge of marketing activities in general.
- [] Explicit and sophisticated marketing -- this occurs where companies do any marketing activity as part of a co-ordinated and integrated program with clear objectives and purposes. This need not be explicitly stated by will reveal itself in the way a firm describes a situation and in breath of marketing activities utilized. The classification can also be made to both external and internal considerations of marketing planning.

Appendix III: Sample Size Determination

An important indicator, the relative marketing performance, was used as the surrogate variable for sample size determination. The relative marketing performance is measured by asking respondents to rate their company's marketing performance in terms of (1) profitability, (2) sales volume, (3) market share, and (4) return of investment. Companies are given a rating between 1 and 4 compared with their major competitors (1 being "Better than", 2 "Equal to", 3 "Worse than", and 4 "Don't Know"). Thus, there is a combination of 16 possible occurrences which can be represented by a matrix or table with 16 cells.

	Profitability	Sales Volume	Market Share	Return of Investment
Better than				
Equal to				
Worse than				
Don't Know				

- (1) A four by four table gives 16 cells
- (2) Minimum cell count for each cell should be 5, as suggested by Churchill (1991)
- (3) Expected response rate is 4%

$$\text{Sample Size} = \frac{(1) \times (2)}{(3)} = \frac{16 \times 5}{4\%} = 2,000$$

A SURVEY OF MARKETING IN SMALL AND MEDIUM SIZED BUSINESS IN HONG KONG

Aim of the Study

Marketing is widely regarded as having a significant contribution to the success of small and medium sized businesses. The aim of this study is to provide an insight into the specific marketing approaches, and the existing level of marketing practices, of Hong Kong small and medium sized companies.

Your Participation in the study

You have been selected from the population of small and medium sized companies in Hong Kong to be invited to participate in this important study. The questionnaire will obviously take up some of your valuable time, but I hope you will feel able to cooperate fully and return the completed questionnaire as soon as is convenient to you, but before Wednesday 15 March 1995.

Confidentiality

The questionnaire does not require any personal or company identification, unless you are willing to participate in a follow-up study to have an in-depth marketing audit on your Company. All information provided will be treated as strictly confidential. Results will be used only by this research study and responses will be analyzed only in an aggregate form, without identifying individual businesses.

Written Reports

Brief written reports relating to the project findings will be made available to you, should you so wish as well as published in appropriate media.

Contact Person

If you have any questions about this questionnaire or matters related to the project, please contact the researcher as follows:

Mr. W. S. Siu, Lecturer, Department of Marketing,
School of Business, Hong Kong Baptist University,
224 Waterloo Road, Kowloon, Hong Kong

Tel: 2339-7532 Fax: 2338-8094

THANK YOU FOR YOUR TIME AND COOPERATION!

Part One Business Philosophy

1 How does the role of marketing compare with other business functions in your overall corporate planning activities? (Circle one response only)

- Marketing has the leading role1
- Marketing has a joint leading role2
- Marketing has a subordinate role3
- Marketing has little or no role4

2 Which of the following best describes the marketing approach of your Company? (Circle one response only)

- Make or provide what we can sell to whoever will buy1
- Place major emphasis on advertising and selling to ensure sales2
- Place major emphasis on prior analysis of market needs, adapting our products and services to meet them as necessary3

3 To what extent do you agree with the following statements describing the role of marketing in your Company? (Circle one response only per row)

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Marketing is primarily a sales support function	1	2	3	4	5
Marketing promotes our products and services to customers	1	2	3	4	5
Marketing is identifying and meeting customer needs	1	2	3	4	5
Marketing is confined to the sales and/or marketing departments	1	2	3	4	5
Marketing is seen as a guiding philosophy for the whole organization ..	1	2	3	4	5

4 The status of marketing in your Company compared with other main business functions is: (Circle one response)

	Higher than	the Same as	Lower than	
Marketing is..... 1	2	3	.....	Production/Operations
Marketing is..... 1	2	3	.....	Finance/Accounting
Marketing is..... 1	2	3	.....	Human Resource/Personnel
Marketing is..... 1	2	3	.....	Research and Development/Technical
Marketing is..... 1	2	3	.....	Sales

Part Two Strategic Awareness

5 What is the extent of strategic marketing planning in your Company? (Circle one response only)

- There is little or none 1
- It is limited to annual budgeting exercises 2
- It extends to budgeting and annual marketing plans 3
- There are annual and longer range strategic marketing plans 4

6 In practice, what importance does your Company attach to carrying out the following types of analysis? (Circle one response only per row)

	High Importance	Average Importance	Low Importance	,Don't Know
Internal company analysis	1	2	3	4
Competitor analysis	1	2	3	4
Market analysis	1	2	3	4
Customer analysis	1	2	3	4
Wider business environment analysis	1	2	3	4

7 Which of the following best describes your Company's approach to planning for the future? (Circle one response only)

- We monitor events as they happen and adapt our plans to meet them 1
- We forecast how the future is likely to happen and plan accordingly 2
- We project future possible scenarios and plan to make one happen 3

8 Academic theory suggests the following list of marketing planning tools. How far do you know them and actually put them into practice? (Circle one response only per row)

	Knowledge			Level of Use			
	Good	Some	No	High	Average	Low	No Use
SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis.....	1	2	3	1	2	3	4
The Experience Curve.....	1	2	3	1	2	3	4
PLC (Product Life Cycle) Analysis.....	1	2	3	1	2	3	4
Portfolio Planning Matrices.....	1	2	3	1	2	3	4
PIMS (Profit Impact of Marketing Strategy) study.....	1	2	3	1	2	3	4
Marketing Audit.....	1	2	3	1	2	3	4

9 When developing plans, how often does your Company make use of the following types of market research? (Circle one response only per row)

	Once a month	Once 3 months	Once 6 months	Once a year	Once 2 years	Never Do it	Don't Know
Research carried out by yourselves	1	2	3	4	5	6	7
Research commissioned from an outside agency	1	2	3	4	5	6	7

Part Three Marketing Objectives

10 Which time horizon best describes your Company's priorities when setting the following types of objectives? (Circle one response only per row)

	Geared to longer term	Geared to medium term	Geared to shorter term	Don't Set specific objectives
Profitability	1	2	3	4
Sales	1	2	3	4
Market Share Attainment	1	2	3	4
Cash Flow	1	2	3	4
Return on Investment (ROI)	1	2	3	4
Others (please specify _____) ..	1	2	3	4

11 Which of the following best describes your Company's current marketing objectives? (Circle one response only)

- There are no specific objectives 1
- Prevention of decline 2
- Defence against competition 3
- Maintenance of current position 4
- Steady sales growth 5
- Aggressive sales growth 6
- Market domination 7
- Others (please specify _____) 8

Part Four Marketing Strategy

- 12 What is the main way in which your Company is going about achieving its objectives?
(Circle one response only)

Expanding total market by stimulating primary demand	1
Entering newly emerging market segments (including domestic and overseas)	2
Winning market share from competitors	3
Focusing on cost reduction and productivity improvement	4
Others (please specify _____)	5

- 13 The following is a list of market features or characteristics. Please circle one [the closest] response indicating the statement which best describes your Company for each set of descriptions.

(a) *Growth Rate*

A new, emerging market	1
An established, growing market	2
A mature, stable market	3
A declining market	4

(b) *Customer needs and wants*

Many customers, each wanting a different product or service	1
Several distinct marketing segments, each wanting different products and services	2
Customers mostly wanting essentially the same products and services	3

(c) *Changing customer requirements*

Customer requirements are changing rapidly	1
Customer requirements are changing slowly	2
Customer requirements are not changing	3

(d) *Technological change*

Technological change is rapid	1
Technological change is slow	2
There is no technological change	3

(e) *Degree of competition*

Competition is intense	1
Competitive rivalry is weak	2
There is no effective competition	3

(f) *Competitive change*

Competition is established and entrenched	1
Competition is established but changing	2
Competition is fluid and constantly changing	3

(g) *Barriers to entry*

Competitors are reasonably free to enter the market ..	1
Competitors can enter but at a cost	2
There are substantial barriers to entry	3

(h) *Barriers to exit*

Competitors are reasonably free to exit from the market	1
Competitors can exit but at a cost	2
There are substantial barriers to exit	3

14 Which of the following best describes your Company's marketing approach in the overall market? (Circle one response only)

- Attack the whole market 1
- Attack separately a number of market segments 2
- Focus effort on one market segment 3
- Target specific, individual customers 4
- Others (please specify _____) 5

15 To what extent does your Company make use of the following ways to get to know your customers? (Circle one response per row)

Level of Use

	<i>High</i>	<i>Average</i>	<i>Low</i>	<i>No Use</i>
Advertisements (e.g. TV/Radio/Magazine/Newspaper).....	1	2	3	4
Exhibition	1	2	3	4
Cold Call	1	2	3	4
Seminar/Training Course	1	2	3	4
Former employer-employee relationship	1	2	3	4
Recommendations (e.g. friends, relatives, customers).....	1	2	3	4
Others (please specify _____)	1	2	3	4

16 How do you consider your Company's offering compared with your major competitors on the following factors? (Circle one response only per row)

		Better than Competitors	As good as Competitors	Not as good as Competitors
Product:	Product performance	1	2	3
	Product quality	1	2	3
	Product design	1	2	3
Service:	After sales service	1	2	3
	Finance and credit	1	2	3
Promotion:	Personal selling	1	2	3
	Advertising	1	2	3
	Company/brand reputation	1	2	3
Place:	Distribution	1	2	3
	Dealer/distributor support	1	2	3
Price:		Lower than Competitors	Same as Competitors	Higher than Competitors
	Price level	1	2	3

17 Which of the following best describes your Company's approach to developing and marketing new products? (Circle one response only)

- We don't do any new product development1
- We watch the competition and if their new products are successful then we imitate2
- We actively develop and market new products ahead of the competition3

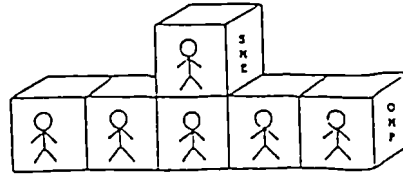
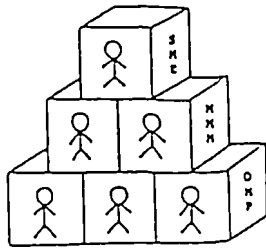
18 Which of the following best describes your Company's approach to developing and introducing new ways of doing business? (Circle one response only)

- We stick to the methods we have always used1
- We watch the competition and if their new ideas work well then we imitate2
- We lead the market in introducing new ways of doing business3

Part Five Marketing Organization

19 Which of the following best describes your Company's marketing organizational structure? (Please tick one)

[] []



Key
SME:Senior Marketing Executives
MMM:Middle Marketing Management
OMP:Other Marketing People

20 To what extent do you agree with the following statements describing the marketing communication flow in your Company?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Opinions are vented freely	1	2	3	4	5
Constructive ideas are encouraged	1	2	3	4	5
Marketing decisions are participative	1	2	3	4	5
Job responsibilities are overlapping	1	2	3	4	5
Temporary forms of organization (e.g. task forces) are used	1	2	3	4	5

Part Six Marketing Control

21 How often does your Company conduct the following types of investigation? (Circle one response only per row)

	Every month	Every 3 months	Every 6 months	Every year	Every 2 years	Never Do it
Formal customer satisfaction survey	1	2	3	4	5	6
Investigate customer complaints/warranty claims etc.	1	2	3	4	5	6
Conduct follow-up analysis of lost orders/business	1	2	3	4	5	6
Research market share movement	1	2	3	4	5	6

22 To what extent does your Company make use of an on-going marketing intelligence-gathering system to monitor development in the following areas? (Circle one response only per row)

	Level of Use			
	High	Average	Low	No Use
Changes in competitor behaviour	1	2	3	4
Changes in customer behaviour	1	2	3	4
Changes in technology	1	2	3	4
Changes in business/economic trends..	1	2	3	4

23 Does your Company use special computer-based software as an aid to any aspect of marketing decision-making? (Please note marketing as distinct from any other area of business)

No 1
Yes 2

(If Yes, please give software details _____)

Part Seven Company Information

24 To what extent does your Company make use of your own brand name or OEM (original equipment manufacturing) in your sales? (Circle one response only per row)

Level of Use

	<i>High</i>	<i>Average</i>	<i>Low</i>	<i>No Use</i>
Own brand names	1	2	3	4
Original Equipment Manufacturing(OEM) ..	1	2	3	4

25 To what extent does your Company make use of subcontracting in your sales transaction? (Circle one response only per row)

Level of Use

	<i>High</i>	<i>Average</i>	<i>Low</i>	<i>No Use</i>
Receive subcontracting	1	2	3	4
Offer subcontracting	1	2	3	4

26 In the last financial year how did your Company perform relative to your major competitors? (Circle one response only per row)

	Better	Same	Worse	Don't Know
In profit terms	1	2	3	4
In sales volume	1	2	3	4
In market share	1	2	3	4
In return on investment	1	2	3	4

27 Which of the following best describes your Company? (Circle one response only)

Single-product dominated (Dependent on one single product for at least 95% of total company sales) 1

Single-business dominated (Dependent on one major area of related products [similar technology and markets] which accounts for at least 70% of total company sales) 2

Multi-business (Diversified into more than one major product area – so that no single "business" accounts for 70% or more of total company sales) 3

28 What was the approximate sales turnover of your Company in the last financial year? (please circle one response)

- under HK\$100,000 1
- HK\$100,001 - HK\$500,000 2
- HK\$500,001 - HK\$1,000,000 3
- HK\$1,000,001 - HK\$3,000,000 4
- HK\$3,000,001 - HK\$6,000,000 5
- HK\$6,000,001 - HK\$10,000,000 6
- HK\$10,000,001 - HK\$30,000,000 7
- HK\$30,000,001 - HK\$60,000,000 8
- HK\$60,000,001 - HK\$100,000,000 9
- HK\$100,000,001 - HK\$300,000,000 10
- HK\$300,000,001 and over 11

29 What is the ownership of your establishment/organization? (please circle one)

- Limited company, quoted on stock exchanges 1
- Limited company, unquoted 2
- Sole proprietorship 3
- Partnership 4

30 Number of employees (please circle one)

- 1-9 1
- 10-49 2
- 50-99 3
- 100-199 4
- 200-499 5
- over 500 6

Part Eight Follow-up Marketing Audit

This study will have a follow-up study to conduct an in-depth marketing audit of your Company's marketing practices. You can also make use of this chance to evaluate your Company's marketing performance. Please indicate whether your Company would like to participate in a follow-up study

[] Yes, my Company wishes to participate in the follow-up study and have a copy of the written report relating to this research findings.

Company Name: _____
Contact Person: _____
Title: _____
Address: _____

Tel. No.: _____
Fax. No.: _____

[] No, my Company does not wish to participate in the follow-up study

The information provided here and the follow-up interview are absolutely confidential and will be used only for research purposes. No individual company will be identified as only consolidated information will be presented. Please return the completed form sealed in the business reply envelope provided. We do sincerely appreciate your time in completing the form. For those who have agreed to participate in the follow-up study, we expect to contact you in early June.

THANK YOU VERY MUCH FOR YOUR HELP!

- END -



香港浸會大學
HONG KONG BAPTIST UNIVERSITY

工商管理學院
SCHOOL OF BUSINESS

市場學系
Department of Marketing

親愛的東主經理：

香港中小型企業市場營銷調查

中小型企業對香港經濟貢獻良多，但學術界對香港中小型企業現行的市場營銷方法仍未具足夠的認識。本人現以此為研究課題的，因您是中小型企業的東主經理，故本人需要您的協助。若您能回答附奉問卷，提供有關現行中小型企業的市場營銷實務資料，本人實不勝感激。期望是項研究結果能有助提升香港中小型企業的市場營銷表現和競爭能力。

貴公司是從1994/95香港工業指南中，以隨機抽樣方式被選出來的一小部份中小型企業之一，獲邀參與是項研究，提供有關資料和寶貴意見。為使研究結果能充份反映目前香港中小型企業的市場營銷情況，懇請您填妥問卷並寄回。

問卷以方便回答而設計，約只需十五分鐘。問卷上的編號只作郵寄記錄之用，以便收到您的問卷後，將貴公司的名字在郵寄名單上刪除。您所提供的資料，只作是項研究之用，並會絕對保密，結果亦只會作整體分析。請利用附奉的商用回郵信封，於5月12日前寄回。

在此，本人亦誠邀您參與一項跟進式研究，以深入的市場營銷審計方法，詳細檢視貴公司的市場營銷表現。如您願意參予，請在問卷最後一頁填上貴公司的名稱及地址，以便日後聯絡。研究結果撮要亦可供有與趣人士索閱，如欲索取，亦可在問卷最後一頁填上公司名稱及地址，以便日後寄奉。

如您有任何查詢，可以電話或書面與本人聯繫，電話號碼是2339-7532，而傳真機號碼是2338-8094。

謝謝您的協助！

蕭偉森
香港浸會大學
市場學系講師
1995年4月24日



香港浸會大學
HONG KONG BAPTIST UNIVERSITY

香港中小型企業市場營銷調查

研究目的

市場營銷已被廣泛認定為對中小型企業的成功具有明顯的貢獻。是項研究旨在深入探討香港中小型企業的獨特市場營銷方法及現有市場營銷情況。

您的參與

貴公司是從香港所有中小型企業中被選出來，獲邀參與是項重要研究。填寫這份問卷會用上您一些寶貴時間，但期望您能填妥並於四月十五日前寄回問卷。

保密原則

除非閣下願意參與一項跟進式研究，以深入的市場營銷審計方式詳細檢視貴公司的市場營銷表現，否則這份問卷並不需要填上任何個人或公司名稱。所提供的資料會絕對保密，只作是項研究之用。研究結果亦只會作整體分析，絕不公開個別企業狀況。

研究報告

是項研究結果的簡報可供您索閱，亦會在有關刊物中發表。

聯絡人

如您對本問卷或研究有任何問題，請與下列研究員聯絡：

蕭偉森 先生
市場學系講師
香港浸會大學
香港九龍窩打老道 2 2 4 號

電話號碼：2 3 3 9 - 7 5 3 2
傳真機號碼：2 3 3 8 - 8 0 9 4

多謝您的時間及合作

第一部份 企業理念

- 1 在整體企業規劃活動中，貴公司的市場營銷與其他企業功能比較，所扮演角色為何？（請圈出一項）

市場營銷具領導地位.....	1
市場營銷具聯合領導地位.....	2
市場營銷具次要地位.....	3
市場營銷具有甚少，或沒有地位.....	4

- 2 下列那一項最能描述 貴公司的市場營銷方法？（請圈出一項）

製造或提供我方售賣的貨品.....	1
主要倚重廣告及推銷，以確保銷售量.....	2
主要倚重預先的市場需要分析，改進產品及服務予以配合.....	3

- 3 請從下列各項描述市場營銷在 貴公司中所扮演的角色，表達您的同意程度。（請在每項圈出一個答案）

	極同意	同意	無意見	不同意	極不同意
市場營銷基本上是一項支援性銷售活動...	1	2	3	4	5
市場營銷推廣我們的產品及服務給顧客...	1	2	3	4	5
市場營銷是認定並滿足顧客的需要.....	1	2	3	4	5
市場營銷只侷限於營業或市場營銷部門...	1	2	3	4	5
市場營銷被視為整體企業的指導理念.....	1	2	3	4	5

- 4 與其他主要企業功能比較，貴公司的市場營銷的地位如何？（請在每項圈出一個答案）

	高於	等同	低於	
市場營銷.....	1	2	3	..... 生產／運作
市場營銷.....	1	2	3	..... 財務／會計
市場營銷.....	1	2	3	..... 人力資源／人事
市場營銷.....	1	2	3	..... 研究與開發／技術
市場營銷.....	1	2	3	..... 推銷

第二部份 策略意識

- 5 貴公司的策略性市場營銷規劃的情況如何？（請圈出一項）

很少或沒有.....	1
只限於每年的財政預算.....	2
包括財政預算及每年市場營銷計劃.....	3
每年及長期的策略性市場營銷計劃.....	4

- 6 實際上，貴公司對進行下列各項分析的重視程度如何？（請在每項圈出一個答案）

	重要性			
	高	中	低	不知道
公司內部分析.....	1	2	3	4
競爭對手分析.....	1	2	3	4
市場分析.....	1	2	3	4
顧客分析.....	1	2	3	4
廣泛企業環境分析.....	1	2	3	4

7 下列那一項最能描述 貴公司計劃未來的方法？（請圈出一項）

- 我們監察事件的發生，並改變我們的計劃予以配合..... 1
- 我們預測將來會發生的事，並相應地作出計劃..... 2
- 我們規劃將來的各種景況，並計劃使其中一項實現..... 3

8 學術理論提議可使用下列各項市場營銷計劃工具。您對這些工具的認識程度及實際使用情況如何？（請在每項圈出一個答案）

	認識程度			使用情況			
	佳	一般	無	高	中	低	無
強弱形勢分析（SWOT〈Strengths, Weaknesses, Opportunities and Threats〉Analysis）.....	1	2	3	1	2	3	4
經驗曲線（The Experience Curve）.....	1	2	3	1	2	3	4
產品生命週期（Product Life Cycle）.....	1	2	3	1	2	3	4
組合計劃矩陣（Portfolio Planning Matrix）.....	1	2	3	1	2	3	4
盈利影響的市場營銷策略（PIMS〈Profit Impact of Marketing Strategy〉Study）.....	1	2	3	1	2	3	4
市場營銷審計（Marketing Audit）.....	1	2	3	1	2	3	4

9 在計劃過程中，貴公司使用下列各類市場研究方法的情況如何？（請在每項圈出一個答案）

	每月一次	每季一次	每半年一次	每年一次	每兩年一次	不用	不知道
自行研究.....	1	2	3	4	5	6	7
委託外間機構進行研究....	1	2	3	4	5	6	7

第三部份 市場營銷目標

10 當訂定下列各項目標時，那一個時期取向最能描述 貴公司的優先次序分配？（請在每項圈出一個答案）

	側重長期	側重中期	側重短期	不設特定目標
盈利.....	1	2	3	4
銷售額.....	1	2	3	4
市場佔有率.....	1	2	3	4
現金流動.....	1	2	3	4
投資回報（Return on Investment）.....	1	2	3	4
其他（請註明_____）....	1	2	3	4

11 下列那一項最能描述 貴公司現行的市場營銷目標？（請圈出一個答案）

- 沒有特定目標..... 1
- 預防營業額衰退..... 2
- 抵禦競爭..... 3
- 維持現有位置..... 4
- 銷售額穩定增長..... 5
- 銷售額急進增長..... 6
- 雄據市場..... 7
- 其他（請註明_____）.... 8

第四部份 市場營銷策略

12 貴公司現正透過那一種主要方法以達至目標？（請圈出一個答案）

- 刺激基本需求，以擴展整體市場..... 1
- 進軍新興細分市場（Target Segment）（包括本地及海外）..... 2
- 從競爭對手中贏取市場佔有率..... 3
- 致力降低成本和提高生產力..... 4
- 其他（請註明_____）..... 5

13 下列是一系列市場特徵或形態。請在每組描述中，圈出一項最能（最合適）描述貴公司的句子。

（一）增長速度

- 一個新興的市場..... 1
- 一個已建立並增長中的市場..... 2
- 一個成熟，穩定的市場..... 3
- 一個正在衰退的市場..... 4

（二）顧客需求

- 很多顧客，每一位要求不同的產品或服務..... 1
- 多個不同的細分市場，每一個要求不同的產品及服務..... 2
- 顧客大多要求基本上相同的產品及服務..... 3

（三）顧客要求的變化

- 顧客要求迅速轉變..... 1
- 顧客要求緩慢轉變..... 2
- 顧客要求沒有轉變..... 3

（四）科技轉變情況

- 科技迅速轉變..... 1
- 科技緩慢轉變..... 2
- 科技沒有轉變..... 3

（五）競爭程度

- 競爭劇烈..... 1
- 競爭對手較弱..... 2
- 沒有競爭..... 3

（六）競爭情勢的變化

- 競爭情勢已確立穩固..... 1
- 競爭情勢已建立但現正轉變..... 2
- 競爭情勢是不固定並經常在轉變..... 3

（七）進入市場的壁壘

- 競爭者可自由地進入市場..... 1
- 競爭者可進入市場但要付代價..... 2
- 進入市場的壁壘極大..... 3

（八）撤離市場的壁壘

- 競爭者可自由地撤離市場..... 1
- 競爭者可撤離市場但要付代價..... 2
- 撤離市場的壁壘極大..... 3

14 下列那一項最能描述 貴公司在整體市場中的市場營銷方向？（請圈出一個答案）

- 進軍整個市場..... 1
- 分別進軍多個細分市場(Target Segments)..... 2
- 集中於一個細分市場(Target Segment)..... 3
- 以特定的、個別的顧客為目標..... 4
- 其他（請註明_____）..... 5

15 貴公司對下列接觸顧客的方法的使用程度如何？（請在每項圈出一個答案）

	使用程度			
	高	中	低	沒有使用
廣告（如電視／電台／雜誌／報張）.....	1	2	3	4
展銷會.....	1	2	3	4
登門推銷.....	1	2	3	4
研討會／培訓課程.....	1	2	3	4
前僱主與僱員關係.....	1	2	3	4
推介（如朋友、親屬、顧客）.....	1	2	3	4
其他（請註明_____）.....	1	2	3	4

16 與您的主要競爭對手比較，您認為 貴公司在下列各項因素所提供的如何？（請在每項圈出一個答案）

		高於 競爭者	與競爭者 相同	低於 競爭者
產品	產品表現.....	1	2	3
	產品品質.....	1	2	3
	產品設計.....	1	2	3
服務	售後服務.....	1	2	3
	融資與信貸.....	1	2	3
推廣	個人推銷.....	1	2	3
	廣告.....	1	2	3
	公司／牌子聲譽.....	1	2	3
分銷	分銷渠道.....	1	2	3
	代理／分銷商的支援.....	1	2	3
價錢.....	低於 競爭者	與競爭者 相同	高於 競爭者	
	1	2	3	

17 下列那一項最能描述 貴公司發展與推廣新產品的方向？（請圈出一個答案）

- 我們沒有發展任何新產品..... 1
- 我們觀察競爭對手，若他們的新產品成功，我們便會仿效..... 2
- 我們早於競爭對手，積極發展及推廣新產品..... 3

18 下列那一項最能描述 貴公司發展與推介新經營手法的方向？（請圈出一個答案）

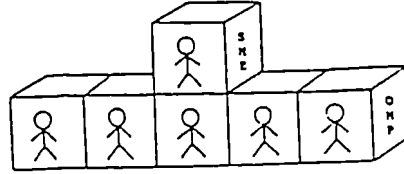
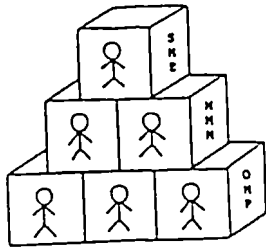
- 我們維持一貫沿用的手法..... 1
- 我們觀察競爭者，若他們的新意念可行，我們便會仿效.... 2
- 我們在推介新的經營手法上帶領市場..... 3

第五部份 市場營銷組織

19 下列那一項最能描述 貴公司的市場營銷組織結構？（請『✓』一個答案）

【 】

【 】



提示

SME:高層市場營銷行政人員
MMM:中層市場營銷管理人員
OMP:其他市場營銷人員

20 您對下列各項描述 貴公司的市場營銷訊息流通的同意程度如何？（請在每項圈出一個答案）

	極同意	同意	無意見	不同意	極不同意
意見自由流通.....	1	2	3	4	5
鼓勵具建設性的建議.....	1	2	3	4	5
共同參與的市場營銷決策.....	1	2	3	4	5
重疊的工作責任.....	1	2	3	4	5
使用暫行形式的組織（如工作小組）.....	1	2	3	4	5

第六部份 市場營銷控制

21 貴公司進行下列各項調查的情況如何？（請在每項圈出一個答案）

	每月一次	每季一次	每半年一次	每年一次	每兩年一次	不用	不知道
正式的客戶滿意程度調查.....	1	2	3	4	5	6	7
調查客戶投訴或品質保證索償等.....	1	2	3	4	5	6	7
對流失去的訂單或生意進行追查分析.....	1	2	3	4	5	6	7
研究市場佔有率的走勢.....	1	2	3	4	5	6	7

22 在監察下列各方面的發展時，貴公司使用持續性市場訊息收集系統(Marketing Intelligence Gathering System)的情況如何？（請在每項圈出一個答案）

	使用情況			
	高	中	低	沒有使用
競爭對手行為的改變.....	1	2	3	4
顧客行為的改變.....	1	2	3	4
科技的改變.....	1	2	3	4
商業／經濟趨勢的改變.....	1	2	3	4

23 貴公司有否使用特別的電腦軟件，以輔助任何形式的市場營銷決策？（請注意是市場營銷，而有別於其他商業範疇）

- 有..... 1
沒有..... 2

（若有，請列軟件詳情_____）

第七部份 公司資料

- 24 貴公司在銷售中採用自己的牌子或原有設備製造(OEM -- Original Equipment Manufacturing)的程度如何？〔請在每項圈出一個答案〕

	使用情況			
	高	中	低	沒有使用
自己的牌子.....	1	2	3	4
原有設備製造 (OEM--Original Equipment Manufacturing).....	1	2	3	4

- 25 貴公司在營業交易中採用外發合約(Subcontracting)形式的程度如何？〔請在每項圈出一個答案〕

	使用情況			
	高	中	低	沒有使用
承接外發合約(Subcontracting).....	1	2	3	4
判出外發合約(Subcontracting).....	1	2	3	4

- 26 相對於主要競爭者，貴公司在上一個財政年度的表現如何？〔請在每項圈出一個答案〕

	較佳	相同	較差	不知道
盈利.....	1	2	3	4
銷售額.....	1	2	3	4
市場佔有率.....	1	2	3	4
投資回報.....	1	2	3	4

- 27 下列那一項最能描述 貴公司的業務經營範圍？〔請圈出一個答案〕

單一產品為主 (倚賴一項產品，佔公司總營業額95%或以上).....	1
單一業務為主 (倚賴一類相關產品《相約的科技和市場》，佔公司總營業額70%或以上).....	2
多元化業務 (分散於多過一類相關產品——故此沒有一項業務佔公司總營業額70%或以上).....	3

- 28 公司的主要產品或業務範圍是

製造工業用品.....	1
製造消費產品.....	2
服務行業.....	3
分銷或零售.....	4
其他(請註明_____).....	5

- 29 公司成立年份為 _____ 年

- 30 公司性質 (請圈出一個答案)

上市的有限公司.....	1
非上市的有限公司.....	2
獨資經營.....	3
合夥經營.....	4

31 公司僱員人數 (請圈出一個答案)

- | | |
|--------------|---|
| 1-9..... | 1 |
| 10-49..... | 2 |
| 50-99..... | 3 |
| 100-199..... | 4 |
| 200-499..... | 5 |
| 500 及以上..... | 6 |

32 貴公司上一個財政年度的營業額約多少? (請圈出一個答案)

- | | |
|---|----|
| HK\$100,000 以下..... | 1 |
| HK\$100,001 -- HK\$500,000..... | 2 |
| HK\$500,001 -- HK\$1,000,000..... | 3 |
| HK\$1,000,001 -- HK\$3,000,000..... | 4 |
| HK\$3,000,001 -- HK\$6,000,000..... | 5 |
| HK\$6,000,001 -- HK\$10,000,000..... | 6 |
| HK\$10,000,001 -- HK\$30,000,000..... | 7 |
| HK\$30,000,001 -- HK\$60,000,000..... | 8 |
| HK\$60,000,001 -- HK\$100,000,000..... | 9 |
| HK\$100,000,001 -- HK\$300,000,000..... | 10 |
| HK\$300,000,001 及以上..... | 11 |

第八部份 跟進式市場營銷審計

這個調查將會有一項跟進式研究，以深入的市場營銷審計方法，分析 貴公司的市場營銷情況。您亦可利用這次機會評估 貴公司的市場營銷表現。請在括弧內加上「✓」，以表示 貴公司是否願意參與是項跟進式研究。

- 是，本公司願意參與是項跟進式研究，並希望獲得一份與這項研究結果有關的書面簡報。

公司名稱：	_____
聯絡人：	_____
職 銜：	_____
地 址：	_____

電話號碼：	_____
傳真號碼：	_____

- 否，本公司不願意參與是項跟進式研究。

※在此所提供的資料和跟進式研究將會絕對保密，只作研究之用。因資料只作綜合分析，個別公司名稱將不會公開。請填妥問卷並利用附奉的商用回郵信封寄回。我們誠意多謝您回答問卷所用的時間。若您願意參與跟進式研究，我們將於六月初與您聯絡。※

多謝您的協助！

— 完 —

Appendix VII: Statistical Tests Used

CHI-SQUARE TEST

The chi-square test is used to determine the statistical significance of the observation in a cross-tabulation matrix. It helps the researcher to test whether a systematic association exists between the two variables. The test is conducted by computing the cell frequencies that would be expected if no association were present between the variables, given the existing row and column totals. These expected cell frequencies, denoted, f_e , are then compared to the actual observed frequencies, f_o in the respective cell of the cross-tabulation table to calculate the chi-square statistic.

Assuming that a cross-tabulation table has r rows and c columns and a sample size of n , the expected frequency for each cell can be calculated as follows:

$$f_e = \frac{n_r * n_c}{n}$$

where n_r = total number in the row
 n_c = total number in the column
 n = total sample size

The value of the chi-square statistic (χ^2) can be calculated by using a simple formula:

$$\text{Chi-square statistic } (\chi^2) = \sum_{i=1}^k (f_{oi} - f_{ei})^2 / f_{ei}$$

where $k = n_r * n_c$
at $(r-1)(c-1)$ degrees of freedom

To determine whether a systematic association exists, the probability of obtaining a value of chi-square as large or larger than the one calculated from the cross-tabulation is estimated, given the number of degrees of freedom (df) associated with it. The null hypothesis (H_o) of no association between the two variables will be rejected only when the calculated value of the test statistic is greater than the critical value of the chi-square distribution with the appropriate degrees of freedom.

DISCRIMINANT ANALYSIS

The discriminant analysis method involves deriving the linear combination of the two or more dependent variables that will discriminate best between the a priori defined groups by achieving the statistical criteria of maximizing the between-group variance relative to the within-group variance. The model is:-

$$D = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_kX_k$$

where

D = discriminant score

b's = discriminant coefficient or weights

X's = predictor or independent variables

Malhotra (1993) identifies five objectives of discriminant analysis. They are as follows:

1. Development of discriminant functions, or linear combinations of the predictor or independent variables, which will best discriminate between the categories of the criterion or dependent variable (groups).
2. Examination of whether significant differences exist among the groups, in terms of the predictor variables.
3. Determination of which predictor variables contribute to most of the intergroup differences
4. Classification of cases to one of the groups based on the values of the predictor variables
5. Evaluation of the accuracy of classification.

This research would like to understand how higher performing companies differ from the others - average and low performers - and to identify which marketing process components are relatively more important or have the greatest impact on marketing performance. Thus, the multiple discriminant analysis method was used.

Wilks' lambda is the statistic to determine whether the means of all discriminant functions in all group are equal or not. This helps determine the significance of the discriminant model. The significance level is estimated based on a chi-square transformation of the statistic.

LOG-LINEAR MODEL FOR THREE-VARIABLE TABLE

The log-linear model is a categorical data analysis method, which is an analysis of variance model applied to the natural logarithms of multinomial probabilities or expected cell counts, used to investigate whether an association between two variables changes when other variables are considered. The log linear model for three-variable table can be utilised to examine the independence among the three variables in cross classifications by identifying the odd ratio of occurrence.

The log-linear model can be mathematically presented as follows:

$$E_A(\mathbf{F}) = \mathbf{F}(\boldsymbol{\pi}) = \mathbf{X}\boldsymbol{\beta}$$

where E_A denotes asymptotic expectation,
 \mathbf{X} is the design matrix containing fixed constants, and
 $\boldsymbol{\beta}$ is a vector of parameters to be estimated

As for each sample i , the probability of the j th response (π_{ij}) is estimated by the sample proportion, $p_{ij} = n_{ij}/n_i$. The vector (\mathbf{p}) of all proportions is then transformed into $\mathbf{F}=\mathbf{F}(\mathbf{p})$, a vector of functions. If $\boldsymbol{\pi}$ denotes the vector of true probabilities of the population, then the functions of the true probabilities will be by $\mathbf{F}(\boldsymbol{\pi})$.

As this research investigates the country effect on company performance, only the main effect model which is the effects influenced independently by country and marketing practice is adopted, rather than the interactive model which is the joint and interactive effect of country and marketing practices (Freeman, 1987). Thus, the model can be presented as follows:

$$\begin{aligned} \text{Categorical variable } y : p &= \Pr(y = 1), \\ 1-p &= \Pr(y = 2). \end{aligned}$$

The probability p depends on factors A and B. Thus,

$$p = \Pr(y = 1 \text{ for } A = i, B = j), \text{ where } i = 1 \dots a; j = 1 \dots b.$$

A logistic linear model with main effect only is:-

$$\ln \frac{p_{ij}}{1 - p_{ij}} = \mu + A_i + B_j$$

There are two approaches to analysis of the data: the maximum likelihood approach and the weighted least squares method. Nevertheless, the maximum likelihood approach is commonly used by researchers because of the widespread availability of appropriate and convenient software (Freeman, 1987). This research uses the maximum likelihood approach of the CATMOD routine in the SAS for Windows 6.02 to analyze the data. Chi-square statistics in the maximum likelihood analysis-of-variance table are used to determine the interdependence of three variables, namely marketing performance, marketing process components and country effect in cross classifications.

Appendix VIII: Semi-Structured Interview Schedule

HONG KONG BAPTIST UNIVERSITY

DEPARTMENT OF MARKETING

Interview Schedule for the follow-up Personal Interview

Interviewer :
Interviewee :
Venue :
Time Start :
Time End :
Remarks :

Purposes

- 1 To verify the survey findings, as a vehicle for triangulation;
- 2 To get a better understanding of how, and why Chinese small firms in Hong Kong perform as they do; and
- 3 To examine the influence of Chinese cultural values on their approaches to marketing.

Firms to be selected

- 1 Firms that had participated in the mail survey and had agreed to a follow-up interview; and
- 2 The sample includes high, average and low performing firms according to the classification of Brooksbank, Kirby and Wright (1992).

Persons to be interviewed

Owner-managers. If they were not available, the Chief Marketing Executive (as defined by Hooley and Lynch (1994)) was approached.

Remarks

- 1 Should be used together with the questionnaire returned from the mail survey.
- 2 Probe the respondent as far as possible for further details.
- 3 Be flexible (a semi-structured interview).

Warm-up Questions

- 1 Thank respondent for offering the personal interview.
- 2 Inform the duration - around one hour.
- 3 Stress confidentiality.
- 4 Ask permission to tape the interview. If not granted, do not press hard.

Company Background

- 1 Ask respondent to introduce the company, like history, products, markets, industry (general and specific), major competitors, etc.

- 2 Ask respondent to introduce him/herself, like education, previous working experiences, etc.

Business Philosophy

- 1 Who does the corporate planning?
- 2 You have compared marketing with other business functions, for example finance, marketing, selling, production, and R&D (point to question 4 of the mail questionnaire), why marketing is higher than, the same as or lower than that function?
- 3 What is the key task of marketing in your company?

4 Which one of the following would enjoy supreme priority in your company's business philosophy?

Creditworthiness

Business/Social Network

Reputation

Marketing

5 Which one is much more important in running your business - short term profitability, steady orders for continuous production, or long term success? Why?

Strategic Analysis

1 Do you have a marketing plan? If not, why not? How do you actually develop your strategic marketing plan in practice?

2 Be specific, could you please tell how you would do (a) internal analysis (b) competitor analysis (c) market analysis (d) customer analysis (e) wider business environment analysis (point to question 6 of the mail questionnaire).

3 Be specific, could you please tell how you use (a) SWOT analysis (b) Experience curve (c) PLC (d) Portfolio Planning Matrices (e) PIMS (f) Marketing Audit (point to question 7 of the mail questionnaire).

- 4 How do you forecast for the future planning? How do think “Yuan” would influence your market forecasting method, if at all?

- 5 What is the purpose of doing market research? How do you do your market research? Be specific, who collects data? How does he/she collect them? Why does he/she collect in this way?

Marketing Objectives

- 1 Please explain why you set your profit objectives in shorter/medium/longer terms.

- 2 Why you set your marketing objectives in this way (proactive vs. reactive)?

- 3 Do you agree that the doctrine of the mean also influences your marketing objective determination? Why or why not?

Marketing Strategy

- 1 Have you considered entering into new markets? Why do you focus on cost reduction or productivity improvement?

- 2 You have evaluated your company's marketing mix (product, price, promotion and distribution) with your major competitors (point to question 16 of the mail questionnaire). Could you please tell me why the product performs in this way?

- 3 What is your intended "positioning" strategy?

- 4 Has your company recently developed a new product? If not, why not? Please tell me in what specific ways your company has introduced new ways of doing business?

- 5 How would you classify your marketing strategy - aggressive or conservative? Why? Do you think the doctrine of the mean and harmony with others influences your strategy setting? Why or why not?

Marketing Organization

- 1 Please explain in some detail, the structure of your marketing organization (in terms of job titles, hierarchies, number of staff, etc.)

- 2 How would you describe the communication links within your marketing department?

- 3 How do you make your marketing decisions - by yourself or in groups? Why? Subordinates in Chinese firms tend to play supportive roles in decision making. Does this happen in your company?

Marketing Control

- 1 Please describe in some detail your marketing intelligence gathering systems.

- 2 Why you use/not use computer?

- 3 Do you use explicit marketing control measures (for example sales target, quota, profit margin)? Why or why not?

- 4 Do you think “face” has any influence on your control methods? If yes, how? If no, why not?

Closing Remarks

- 1 Thank respondent again.
- 2 Advise will send the interview transcript for comments.
- 3 Ensure confidentiality.
- 4 Say good-bye.

Appendix IX: Average Employment in Manufacturing, 1947-1991

Year	Person Engaged	Establishment	Mean
1947	47356	961	49.3
1948	56815	1120	50.7
1949	60205	1251	48.1
1950	81718	1478	55.3
1951	86136	1720	50.1
1952	85322	1902	44.9
1953	92178	2038	45.2
1954	98196	2201	44.6
1955	110574	2437	45.4
1956	128818	2944	43.8
1957	137783	3080	44.7
1958	156556	3524	44.4
1959	177271	4541	39.0
1960	215854	4784	45.1
1961	215914	5624	38.4
1962	255198	6178	41.3
1963	276699	7108	38.9
1964	325286	8132	40.0
1965	329214	8137	40.5
1966	346990	8941	38.8
1967	399918	10234	39.1
1968	472412	11667	40.5
1969	524371	14078	37.2
1970	459178	16507	27.8
1971	564370	18612	30.3
1972	578855	20474	28.3
1973	581701	21470	27.1
1974	600128	31318	19.2
1975	678857	31034	21.9
1976	773746	36303	21.3
1977	755108	37568	20.1
1978	816683	41240	19.8
1979	873898	42282	20.7
1980	892140	45409	19.6
1981	904646	46729	19.4
1982	847194	46448	18.2
1983	865073	46817	18.5
1984	904709	48992	18.5
1985	848900	48065	17.7
1986	869753	48623	17.9
1987	875250	50409	17.4
1988	844575	50606	16.7
1989	802983	49926	16.1
1990	730217	49087	14.9
1991	654662	46276	14.1

Source: (1947-1982) S. G. Redding & G. L. Hicks (1985)
 (1983-1991) Hong Kong Annual Digest of Statistics 1993

**Appendix X: Rankings of marketing activities of
small and medium sized American Firms**

Activities	Small Firms	Medium Firms	Small & Medium Firms	Rank
Customer Relations	74.60%	78.90%	76.66%	1
Advertising	74.30%	70.20%	72.33%	2
Sales	69.50%	75.40%	72.32%	3
Sales Forecasts	59.30%	82.50%	70.43%	4
Pricing	69.50%	63.20%	66.48%	5
Market Research	64.40%	68.40%	66.32%	6
Sales Control	55.90%	71.90%	63.57%	7
Public Relations	49.20%	43.90%	46.66%	8
Sales Recruiting	33.90%	56.10%	44.55%	9
Sales Training	39.00%	45.60%	42.17%	10
Product Planning	45.80%	36.80%	41.48%	11
Dealer Relations	37.30%	40.40%	38.79%	12
Credit Extension	42.40%	28.10%	35.54%	13
Quality Control	39.00%	24.60%	32.09%	14
Product Services	33.90%	26.30%	30.26%	15
Product Schedule	33.90%	15.80%	25.22%	16
Packaging	27.10%	19.30%	23.36%	17
Inventory Control	30.50%	14.00%	22.59%	18
Warehousing	22.00%	12.30%	17.35%	19
Number of Firms	51	47	98	

Source of Data: Dunn, Birley and Norburn (1986)

The percentage for small and medium sized firm in each activity category is the weighted average percentage of the respective number of small and medium firms in each activity category.

Appendix XI: Classification results

158 cases were processed. However, 75 of these were excluded due to having at least one missing discriminating variable. Thus, only 83 cases were used in the analysis. Hair et al. (1995) note that when the sample size is less than 100, it is not justifiable to use the holdout sample approach - dividing the sample group into two random samples, one for computing the discriminant function and the other for validating the function. Thus, the compromise procedure suggested by Hair et al. is adopted - the discriminant model is used to classify the same group used to develop that model. The confusion matrix below summarises the predictive accuracy of the discriminant functions towards various performing companies. The hit-rate (65.38%) and Press's Q statistics ($Q=39.0973$, $df=4$, $p<0.01$) show that the classification of performing companies by the discriminant functions is significantly better than chance. This implies that the five variables PPERSON (Superiority in Personal Selling), PBRAND (Superiority in Company/Brand Reputation), D_FUT_1 (Adopt the Monitor and Adapt Approach in Planning for Future), MO1 (Defensive Marketing Objective), and SAT (Frequent Use of Customer Satisfaction Survey) are good predictors for differentiating company performance.

Actual Group		No. of Cases	Predicted Group Membership		
			1	2	3
Group HIGH	1	11	4 36.4%	7 63.6%	0 .0%
Group AVERAGE	2	84	12 14.3%	67 79.8%	5 6.0%
Group LOW	3	35	0 .0%	21 60.0%	14 40.0%

Percent of "grouped" cases correctly classified: 65.38%

Press's Q =39.0973, df=4, p<0.01

Appendix XII: Marketing Practices of Small Firms in Hong Kong and the United Kingdom

Performance	Hong Kong (current study)	United Kingdom (Brooksbank, Kirby & Wright 1992)	Remarks for Hong Kong small firms
Role of marketing in corporate planning	S.	N.S.	Marketing has the leading or joint leading role
Company approach to marketing	N.S.	S.	Sales- or production oriented
Extent of strategic marketing planning	S.	N.S.	Use strategic or annual marketing plan
Importance attached to a comprehensive situation analysis	N.S.	S.	No situation analysis
Awareness and use of six marketing planning tools	N.S.	S.	No knowledge/use of marketing planning tools
Approach to planning for the future	N.S.	N.S.	
Use of research carried out by company	N.S.	S.	Not often doing in-house research
Use of commissioned-in market research	N.S.	N.S.	
Profit Objectives	S.	S.	
Nature of marketing objectives	S.	N.S.	Aggressive growth or market domination
Achievement of objectives	N.S.	S.	No clear distinction between productivity improvement and raising volume
Product performance	S.	S.	
Product quality	N.S.	S.	Not put much emphasis on product quality
Product Design	N.S.	N.S.	
After sales services	N.S.	N.S.	
Credit and finance	N.S.	N.S.	
Personal selling	S.	N.S.	Better at personal selling
Advertising	N.S.	N.S.	
Company/brand reputation	S.	S.	
Distribution outlet	S.	S.	
Agency support	N.S.	N.S.	
Price	N.S.	N.S.	
New product development	S.	N.S.	Put more emphasis on new product development
New ways of doing business	S.	S.	

"S" denotes statistically significant between company performance

"NS" denotes statistically insignificant between company performance

Appendix XII(cont.): Marketing Practices of Small Firms in Hong Kong and the United Kingdom

Performance	Hong Kong (current study)	United Kingdom (Brooksbank, Kirby & Wright 1992)	Remarks for Hong Kong small firms
Organization structure	N.S.		
Opinions vented freely	S.		Opinions vented freely
Encouraging ideas	S.		Encourage ideas
Participative decision	N.S.		
Overlapping job	N.S.		
Temporarily task force	N.S.		
Customer satisfaction survey	S.	S.	
Claims investigation	S.	N.S.	Investigate claims frequently
Lost order analysis	N.S.	N.S.	
Research market share movement	S.	S.	
Marketing intelligence gathering system	S.	S.	
Use of special marketing computer software	N.S.	S.	Not use special marketing computer software

"S" denotes statistically significant between company performance

"NS" denotes statistically insignificant between company performance

Appendix XIII : Summary p-value of Log Linear Contingency Table

Marketing Process	Marketing Process Components	Likelihood Ratio	Country Effect	Process Effect
Business Philosophy	ROLE	0.0000*	0.0058*	0.0000
	APPROACH	0.0359**	0.0078*	0.0003
Strategic Awareness	BUDGET	0.0670***	0.1399	0.0192
	SITANA	0.5642	0.0477	0.0118
	AWARE	0.3655	0.1348	0.0001
	FUTURE	0.6405	0.0624	0.4857
	RESEARCH	0.4003	0.0349	0.0016
Marketing Objectives	PROFIT	0.0404**	0.0368**	0.0001
	NATURE	0.1567	0.1031	0.0274
Marketing Strategy	ACHIEVE	0.3125	0.1873	0.0139
	PPERFORM	0.2799	0.0072	0.0080
	PQUALITY	0.0539***	0.0019*	0.0000
	PDESIGN	0.1226	0.0217	0.8240
	SAFTER	0.3641	0.0048	0/4121
	SCREDIT	0.5099	0.0102	0/3198
	PPERSON	0.0104**	0.0253**	0.4596
	PAD	0.3183	0.0227	0.0695
	BRAND	0.1649	0.0277	0.0000
	OUTLET	0.8951	0.2065	0.0065
	AGENCY	0.9488	0.1371	0.5911
	PRICE	0.5184	0.0101	0.8319
	NEWWAY	0.0065*	0.0000*	0.0000
NEWPDT	0.6411	0.0593	0.0178	
Marketing Organization	WORK	0.3308	0.0284	0.9095
	TEMPTASK	0.3868	0.1021	0.7188
Marketing Control	SATISFY	0.7295	0.1318	0.0019
	CLAIM	0.4317	0.5322	0.0047
	LOST	0.3965	0.2194	0.0467
	TREND	0.2485	0.8330	0.0008
	MKTIS	0.9339	0.2328	0.0000
	SOFTWARE	0.8715	0.0626	0.0013

* denotes significant at the 0.01 level of significance.

** denotes significant at the 0.05 level of significance.

*** denotes significant at the 0.10 level of significance.

Appendix XIV: Background Information of Personal Interview Respondents

Case	Type	Market	Industry
1	manufacturer & exporter	overseas	sewing products
2	manufacturer & exporter	local and overseas	ornaments
3	manufacturer	local	surface finishing products
4	manufacturer & exporter	local and overseas	thread dyeing and piecegoods trading
5	manufacturer	local	plastic kitchenware
6	manufacturer	local	imitating paintings
7	manufacturer	local	jewellery cases
8	manufacturer & exporter	overseas	audio-visual recording products
9	manufacturer & exporter	local and overseas	integrated circuits
10	manufacturer	local	watch cases
11	manufacturer & exporter	local and overseas	light bulbs
12	manufacturer	local	kitchen equipment
13	manufacturer & exporter	local and overseas	cooling ventilation equipment
14	manufacturer & exporter	overseas	paper products
15	manufacturer	local	garment accessories
16	manufacturer & exporter	local and overseas	plastic welding machines
17	manufacturer	local	gloves
18	manufacturer & exporter	local and overseas	leather products
19	manufacturer	local	air compressors
20	manufacturer	local	packaging materials
21	manufacturer	local	graphic arts and printing
22	manufacturer	local	packaging materials
23	manufacturer & importer	local	chinchilla and fur products
24	manufacturer	local	fiberglass products
25	manufacturer & exporter	local and overseas	silk apparel
26	manufacturer & exporter	local and overseas	garment accessories

Appendix XV: Case Examples

To provide an insight into the type of businesses included in the personal interview, and the effect of Chinese cultural values, 6 case analyses are provided here. According to the distribution of Table 7.2, six cases are selected - one case from each cell. Cases 1, 2 and 3 are production marketers, with the marketing performance of Case 1 as high, Case 2 average and Case 3 low. Case 4 is the prospecting marketer with average marketing performance. Case 5 is a partnership marketer with high marketing performance, whereas Case 6 is a partnership marketer with average performance. Together, these six cases provide an insight into the sort of marketing practices in Chinese small firms and the range of data on which the subsequent analysis is based.

CASE 1 HIGHER PERFORMING PRODUCTION MARKETER

The company has four employees - three workers and one secretary. The owner manager, Mr. L, takes charge of the overall operations of the company. Current sales are below HK\$500,000 per year.

The company was established by two American merchants in 1978 specifically for producing iron-mould numeric characters for the use of sportswear like sportsjackets or sportscoats. The company had obtained a five-year licenced patent for the iron-mould production. This had given the company a monopoly position in Hong Kong. Soon after the expiry of the patent, a lot of competitors entered the market. Company sales started dropping from 1988. In 1991, the sales were so poor that the original owners sold the company to Mr. L, the current owner, who was a manager of the company at the time. Mr. L moved the factory to a suburban area and dismissed most of the employees to maintain a minimum level of production.

It is interesting to note that although Case 1 offers a low product price and short delivery schedule, it can still be a high performer. First, Case 1 maintains its production level to a minimum level. Case 1 does not maintain a large labour force and Mr. L himself is involved personally in the operations, mainly in production. As the product is tailor-made, no excess inventory is needed. Thus, the tied-up capital is less, compared with major competitors. Second, Case 1 puts most of its earnings into purchasing new equipment. Currently, Case 1 has the most advanced machinery in the industry. This provides a great advantage over major competitors. Second, the competitors charge HK\$15 for one piece, but Case 1 charges HK\$9 for one piece, which is also the market price of its substitute - computer embroidery. The low price level makes Case 1 competitive against all competitors. Third, due to very low labour cost and high technology equipment, the production cost for one unit is only a few dollars. Thus, Case 1 can maintain a higher profit level, compared with its major competitors, even though its price is lower. Also, Case 1 has over a hundred regular customers. The customers are happy with Case 1's product and delivery schedule. This provides Case 1 with a competitive edge over its competitors.

Business Philosophy

Case 1 does not have any branded products. Buyers approach Case 1 with a design and ask Case 1 to produce the product at a cheap price. In response, Case 1 accepts small orders, allows short production notice, and offers low price to strive for an order.

Though Case 1 produces the product according to the customers' specifications, Case 1 cannot be classified as marketing oriented. It performs as a tailor-made production house for the buyer. This approach does not require Case 1 to adopt a detailed and well-designed marketing programme. Also, Case 1 can only compete with its competitors by prompt delivery, reasonable product quality and low price. Case 1 uses these tactics to maintain very close and strong relationships with its buyers. Buyers treat Case 1 as a production arm or workshop, not a supplier. Thus, Case 1 can be called production marketer.

Case 1 has a strong customer base (about 100 active customers) that can adequately support its operations. They rely heavily on repeat orders and word-of-mouth recommendation. Thus, company reputation for maintaining prompt delivery, reasonable product quality and low price are of utmost importance. This explains why company reputation, not marketing, is of supreme to the firm's operation.

Strategic Awareness

Case 1 believes that Yuarn is something that is uncontrollable. For example, getting an order is not due mainly to good marketing, but uncontrollable factors like economic recession. Case 1 recognised:-

"During economic recession, a garment factory may want to reduce cost. The factory may purchase from us."

However, Case 1 feels confident to strive for the order because it can offer low price. To Case 1, maintaining low production cost is a way to manipulate the controllable aspect and tackle the uncontrollable perspective of Yuarn. Thus, Case 1 prepares well to have Yuarn.

The market research and forecasting methods are owner-manager dependent. The owner manager of Case 1 disclosed his data collection method:

"I do not (study the needs and wants of the customer). It depends on the requirement of the factories."

Regarding the market forecasting methods, the owner manager put it:

"How do I estimate? I have been in this industry for more than 10 years, I know the required amount in my mind."

"On the basis of the sales figure of the past half year and the sales turnover of the last year, I estimate the sales of the coming six months. The coming several months are in the high season. However, there are unfavourable factors. Although the number of retail outlets increases, the purchasing power is at a low level. If the purchasing power is high, we may be able to attain a higher sales turnover."

Marketing Objectives

Case 1 does not set any specific marketing objectives or targets. It is clear that the owner manager likes to respond to what has happened in the business environment rather than take control over the business environment. Case 1 accepts the effect of the sluggish economy. The owner manager explained:-

"No. I do not have any target. The current situation is not favourable. I know that many factories have ceased operations because of high rents and wages. The macro environment is unfavourable. Hence, I follow the currents in sailing in the industry."

The doctrine of harmony with nature seems to influence the objective setting. As the owner manager puts it:-

"If I want to restore the company to the previous production scale, I have to recruit more workers. This would increase the production cost. I can not afford it. It is difficult to maintain the existing price level - nine dollars."

Marketing Strategy

The owner manager remarks that the marketing strategies are conservative:

"I do not use those aggressive marketing activities, for example cold-call and advertising. I am happy with the business turnover. It is adequate for survival."

"Now, I am doing business conservatively. I feel more secure to set conservative objectives. The equipment is perfect. From photographing, sampling to production, the whole process is fully manipulated. Now I am only using part of the equipment. The remaining portion is for stand by purpose. If the product demand is large enough to develop the production capacity fully, I can start up the machines immediately."

The owner manager also acknowledged the influence of the doctrine of the mean to the company's marketing strategy: -

"I want my business in an adequate or proper situation, not in extremity. This is what I think."

The owner manager does not have any plan for growth, for example direct export. The owner manager said: -

"No. The TDC (Trade Development Council) always refers customers to me. However, our resources are inadequate, it is difficult for me to participate in international trade activities. The activities trouble me. Hence, I decline them."

The competition focus is to strengthen the relationship with existing buyers, not competing with each other for the same buyers. Aggressive marketing strategies are not used. Case 1 accepts that the harmony with others principle influences its relationship with competitors and the owner manager explained:

"In general, it has. In 1978, we were the only company producing this product. Gradually, some new companies entered into this industry and produced similar products. The companies did not contact us directly. They competed with us openly. We are still competing with each other now. They sell this product for 15 dollars. However, I sell it for 9 dollars. The production process is quite simple and it is easy to produce the product. I can capture more business orders, but most of the buyers are my regular buyers. They (competitors) have their own buyers."

Case 1 treats some of its competitors as friendly but not close competitors:-

"They sell the product for 15 dollars. I produce my own products. I specialise in manufacturing these products. They can't stop me. In fact, some of the competitors were my old customers. Now they produce the product and compete with me. I sell my product, they do their business. Some of them will place orders with us occasionally. They still request us to produce some products for them."

Marketing Organization

Case 1 is a very small firm and all decisions, including marketing decisions, are made by the owner manager. The other staff are supportive only.

Marketing Control

The owner manager remarked that “face” was not a crucial factor for marketing control. In fact, there is no marketing control in the company.

CASE 2: AVERAGE PERFORMING PRODUCTION MARKETER

CASE 2 established in 1983 mainly for producing leather products including leather bags, brief cases, folders and belts, etc. The company has a factory in mainland China and an office in Hong Kong. The Hong Kong office is mainly for processing documentation, contacting customers, arranging shipments and handling customer enquiries. The factory in mainland China employs over 200 Chinese workers with an annual sales turnover of HK\$3,000,000.

Though the company is a limited company, it is under the control of three major shareholders. The respondent, Mr. K, is the marketing manager of the company. Mr. K also has some shares in the company. The shares were granted by the major shareholder in recognition of Mr. K's good performance. However, Mr. K insists that he is still on the staff of the company. There are four clerks working under Mr. K.

Business Philosophy

CASE 2 places emphasis on fulfilling the contractual requirement stipulated by the buyer, specifically product quality and delivery schedule, producing the product at an acceptable and reasonable quality and delivering it on schedule. CASE 2 believes that as long as it can do this, it can establish a strong reputation in the marketplace and help develop business. Thus, CASE 2 places its reputation over the other three business philosophies. Mr. K acknowledges:-

“Marketing? I think this issue is not very important in our operation. There is a little relationship with our business. Maybe at least you need to know what happens in the market, like the price of other manufacturers and material cost. Company reputation is certainly very important. Try to do all good for the 'company name'. We honour all our commitments. This is our reputation.”

“We have to rely on ourselves to strive for orders. The only measure is capability. We finish our work first. The final product must match with the specifications of the sample. So, the first principle is that you should try your best to deliver the products on schedule. We try our best to attain this. This is the first principle of a manufacturing firm. If the customers place orders with us frequently, producing the product according to their requirements is the very, very basic principle of a manufacturing firm. We do not use sub-standard materials or deliver defected finished products. Mixing these and those materials to reduce cost after receiving an order would not actually work. Try to retain our customers by fulfilling the

contractual requirement. Who are 'our bowl of rice'? On-schedule delivery will make customers feel confident in you. 'Confidence' is very important."

CASE 2 is happy to operate as a production arm for the buyer -- produce the product at a reasonable and acceptable level of quality and deliver on time. CASE 2 believes that this is the basic principle of operating a factory.

Strategic Awareness

CASE 2 is not familiar with the concept of strategic planning. It does not actively collect market information. Mr. K explained that talking to the buyer was an effective measure:

"We discuss with the buyers when they come to Hong Kong. The buyers' orders may reflect the sales trends of the overseas markets. Last year, they requested one or two containers of goods. But now, they reduce to half a container. This indicates that the business is disappointing."

CASE 2 thinks that there is no great need to forecast. Mr. K recognises:-

"We'll 'eat what you can cook'. We are different from the large firms. They will consider the future and respond accordingly. We wish the orders could cover the monthly overhead. But, sometimes, there are deficits in these months, but profits in the coming months. If the sales turnover is acceptable, we will maintain the operations. It is a hard time in our industry now. We analyze the situation by bank statements. From the bank statement, we know our cash and liability positions. Thus, we plan the production schedule of this month according to the orders. In general, we monitor our situation month by month."

Yuarn, to CASE 2, is something that is out of its control. CASE 2 uses the word 'rapidly' and 'suddenly' to describe the changes related to Yuarn. CASE 2 acknowledges that most buyers will approach their own subcontractors first. Should some new buyers approach them, CASE 2 perceives that it is Yuarn. Also, the buyers are influenced by the economic conditions of their overseas market. CASE 2 believes it could do nothing to Yuarn. CASE 2 admits the uncontrollable elements of Yuarn.

"We depend on market demand. This year, the purchasing power in the U.S. market is very weak. Many firms do not have sufficient orders for production. We can only maintain the minimum production level. If fortunately the U.S. economy suddenly bounces to prosperity and many people purchase goods, our orders will increase. The current U.S. market is, in fact, not attractive."

"Customers have their own 'horses' (subcontractors), that is, Hong Kong leather bag manufacturing factories. It would be grateful if a new buyer contacts you. It may be due to Yuarn."

"As I have mentioned, the first principle is to deliver the required products promptly. If the customers' sales are favourable in their markets, this may be due to Yuarn. They find that our products sell favourably in their markets. Oh! Suddenly there is a demand of this brief case in this market, or suddenly that folder in that market. Everybody is looking for our

products. This is some kind of Yuarn. The repeated order may become larger in quantity. This also depends on Yuarn."

CASE 2 admits the uncontrollable aspect of Yuarn. However, CASE 2 also identifies the importance of hardwork and establishing good reputation. CASE 2 stresses the importance of self-reliance. They have to deliver the right product at the right time. After that, they have to rely on Yuarn, which is uncontrollable.

"Doing business is like playing a match. It needs two parties. I ask for your help, and you request my assistance. Both parties are required to co-operate. We will ask your specific needs. If we can fulfill your needs, then, sometimes, we would attribute this to Yuarn. Though the customer does not order a large quantity of goods, we keep performing well. Maybe they will order a large quantity of goods later. It sometimes depends on Yuarn. It would be great if a customer gives us a large order."

Thus, to CASE 2, Yuarn means two things. First, it is uncontrollable and in most cases it comes alongside luck. Second, Yuarn also leads to self-reliance. CASE 2 has to perform well to have Yuarn.

Marketing Objectives

The company sets short-term objectives. Mr. K says:-

"We target short-term profits. We, as a small firm, try our best to maintain the operations."

CASE 2 wants to have steady orders rather than aggressive growth. This is a typical example to illustrate the influence of the harmony with nature orientation. Mr. K acknowledges that:-

"To a small firm, like our firm, we have to ensure that the existing orders can support the operations. Even if you receive more orders, you are not able to handle them. You are not able to 'consume' them. The number of workers is fixed. The orders increase but we cannot deliver the products on schedule. This will jeopardise our reputation. So I would rather have orders up to 80% of the production schedule. The level, 80%, is good and enough. I would not exhaust myself. Sometimes, it depends on your tactics of doing business. I think that 80% is an appropriate target. The orders sometimes cause you 'headaches'. You need to increase manpower and purchase new machines for the increased amount. The cash flow would be very tight. The ordering situation may be very favourable in the first two months. But, after two months, there may be no order. In such a case, we waste what we have invested. It is a pity."

Marketing Strategies

CASE 2 does not use aggressive marketing strategies to capture market share and business. Mr. K explains that he does not want to make the market over-competitive. He remarked:-

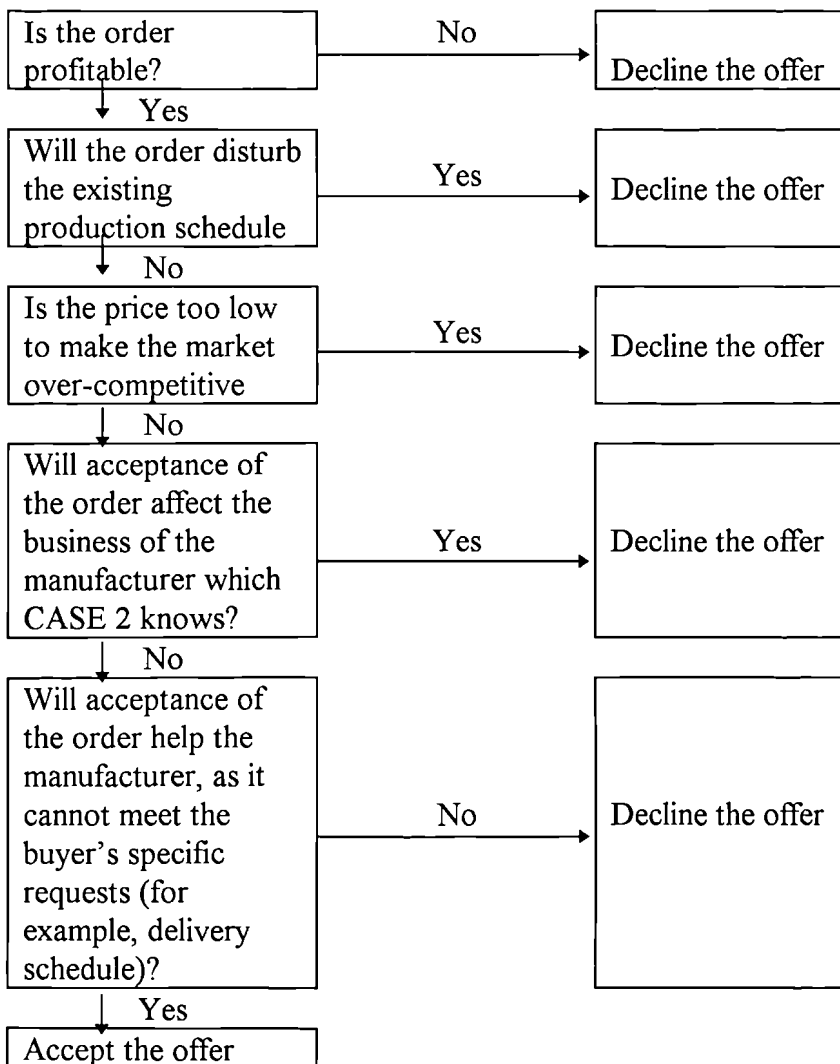
"It depends on how you react. For example, a customer of your competitor approaches you for an order. He requests to cut the price by one dollar and see whether you can produce or not. This is an act of striving business. If I know the manufacturer very well, it is meaningless to strive for the order. We don't want to make the market over-competitive. It is

no good to us. I quote you an example. A customer, who has placed some small orders to us, gives us a sample product and asks us to produce accordingly. I know the sample products are manufactured by one of our friends. We know each other very well. I respond that the products were produced by one of our friends. I ask the buyer to deal with the factory directly as our quoted price would not differ much from others. But, if the factory cannot deliver the product on right schedule, we would be very happy to help even we earn less profits.”

The influence of the harmony with others principle is profound. Mr. K mentioned:-

“I don't want to affect other people, as far as possible. We have our principle of doing business. We can't affect because the manufacturer is our neighbour. We always meet with each other. It is meaningless that we compete against each other for an order.”

Also, CASE 2 has its own principle of doing business. This can be shown with the following flow chart:-



First, if there is no profit, CASE 2 will decline the offer. Second, if the order will disturb the existing production schedule, it would be declined. Third, CASE 2 will not compete with low

price as it would make the market over-competitive. Fourth, if the order will affect the business of another manufacturer which they know very well, it would be declined. CASE 2 will only offer the market price and ask buyers to go back to the original producer. Fifth, if the original manufacturer is not able to help, CASE 2 will accept the order so as to help the buyer. The influence of the principle of harmony with others principle seems to be profound. CASE 2 also tries to avoid direct confrontation with other competitors.

Marketing Organization

The company is managed by a team composed of directors and also shareholders. Mr. K, who owns some shares of the company, is allowed to participate in the decision making process. There are four clerks working under Mr. K.

“Some directors contribute some money and have some shares of the company. The big boss, (major shareholder) employs me and gives me some of his shares as a reward. It is very useful. It makes you work hard in the company as you hold the shares. Maybe it is a better way. Paying salary and giving shares make you highly involved in the company.”

However, all the marketing work is done by Mr. K and Mr. K reports to one of the directors. The communications are also very informal. Managers are seeing each other daily. Only major events or issues are formally discussed. Communications in the marketing department are good, said Mr. K

“Our firm is a limited company. We have regular meetings. Sometimes, the directors will sit down and hold a meeting to discuss important matters, the unexpected events. I am the marketing manager and am required to attend and give my opinion. For example, if we unexpectedly receive a big order which requires us to expand our factory, we have a meeting to decide should we confirm the order. Or a customer requires a product of a sizable quantity and requests a favourable price. In such circumstance, we sit down and discuss it.”

Marketing Control

“We do not have any marketing objectives That is ... the business is not controlled by us. It depends on overseas markets and the economic situation. It was good last year, but is bad this year. The profit margins are so so. Every director, tries his best to do his own work. We are in the same 'group', the boss will not blame you.”

“Face”, seems to be an influential factor and it affects the marketing control devices subtly. Only mild and moderate control devices are used. Mr. K acknowledged the effect of “face”:-

“If a director performs badly, we hold a board meeting to investigate the issue. We'll seek the opinion of the major shareholder. There must be something wrong with this person. We would ask him to rectify the situation. If he cannot change, we may ask him to leave the company. That is 'good coming and good leaving' (a Chinese popular saying means that both parties are happy with the arrangement).”

CASE 3: LOW PERFORMING PRODUCTION MARKETER

CASE 3 is a limited company registered in 1983. Previously, it manufactured semi-finished ornament products for customers and other factories. With the changing needs of the market and its customers, CASE 3 changed their operating system and shifted their product lines from semi-finished products to finished products. In 1988, to cut down production and rental costs, CASE 3 moved their production facilities to the PRC. 80% of the products are indirect exports through trading companies. Less than 20% is by direct export. The owner manager has over twenty years experience in the industry. Currently, the PRC factory employs 300 workers. The factory in the PRC is managed by a management team comprising local Chinese managers. The Hong Kong office is the headquarters mainly responsible for processing export documentation, handling customer enquiries and arranging shipments.

The company manufactures products according to the specification and requirements of the customers, which are provided by trading firms. However, the company has recently changed its strategy to become more active in promoting its own products and approaching new customers.

Business Philosophy

CASE 3 believes that, marketing, though important, does not enjoy the supreme position as creditworthiness does. The owner-manager of CASE 3 stressed:

"I believe that creditworthiness is of utmost importance. In Hong Kong, many companies and factories require the support of banks and raw material suppliers to continue their business operation."

"For the support of banks, if a customer offers you a huge order, you are required to purchase a lot of materials for production. Not every factory would have adequate cash flow, especially the small firms. Thus, you will not be able to receive this order if your cash flow is not good or you do not have support from the bank. You should market and promote your products to the public after you have a healthy financial situation."

CASE 3 also stresses the importance of good product quality and on-schedule delivery. The owner manager remarked:-

"We emphasise product quality and on-schedule delivery. Our customers will feel confident of us."

CASE 3 is happy to perform as the buyers' production arm -- produce the product at a reasonable and acceptable quality and deliver on time.

Strategic Awareness

CASE 3 is not familiar with the concept of strategic planning. It does not actively collect market information. The owner manager of CASE 3 explained:

"It mainly depends on the response of our target customers to their markets. In all circumstances, everyone expects better sales turnover and profits year by year. However, the

sales turnover is also influenced by the international economic environment. We cannot pursue all we want."

CASE 3 is not active in collecting marketing information and is highly dependent upon the buyers. The owner manager of CASE 3 remarked"-

"The market information is provided by our customers. Based on our past experience, we estimate the demand. In the sector of ornaments manufacturing, the manufacturers are not large in scale. Thus, most manufacturers depend on the information from the customers. If a customer provides less information, it will affect the sales performance."

However, CASE 3 stresses that it does not solely rely on information provided by the trading firms. They also collect customer information informally:-

"There is a popular Chinese saying - 'Knowing one's own situation and that of the others'. At least, I know the situation, needs and requirements of a market. If we get such information solely from a customer (a trading firm), may be the false estimation of the customers would mislead us. We are not solely doing what the customer instructs. We also collect information from the trade magazines and journals about our market."

The owner manager of CASE 3 explains that time, education, and buyers are three important factors that influence the market information solicitation activities:-

"I think that we are quite passive. All information is provided by our customers. We are not active in analysing the market. First, we have no spare time to visit overseas markets for understanding the sales market. Second, because of the my poor educational level, I am not familiar with foreign languages and I would not be able to conduct research by myself. Third, I do not think that I need to do so because my customers will provide me with up-dated information, if necessary."

CASE 3 denies the need for strategic marketing because of inadequate manpower. This makes the company passive in marketing.

"It mainly depends on manpower. If we plan for market promotion, we are required to have a team of marketing staff. Our existing colleagues and staff could not afford additional work. We are passive. And we have not formulated any comprehensive plans or establish a specific marketing department. This makes our company even much more passive."

The effects of "Yuarn", according to the owner manager of CASE 3, are profound.

"We have not played an active role to provide any product varieties for customer selection. We 'wait by the stump hoping other hares will come by the spot'. We wait for the chance and do not seek for it. But you must prospect businesses by yourself. When Yuarn comes to you, you should know how to catch it. If Yuarn comes to you, you cannot stop it. On the other hand, you need to match it and prepare well for it. We are active in producing customer-designed products at a high quality to attract customers."

The owner manager denies the need to predict and plan for the future. He explained:-

“Yes, we do have an estimate of the amount of sales and profits in mind. We call it 'preliminary forecasting'. In general, we know the actual figure at the end of a year. It is quite accurate. Our production period for an order is short. We may need 2 to 3 months to complete an order. Therefore, we estimate the figure in our mind.”

Marketing Objectives

CASE 3 emphasises medium and long term objectives:-

“We stress the medium/long term. For the short term, we may not be able to fulfill the customer's requirement. Even when we meet some specific requirements in a short term arrangement, for example low price or short delivery notice, we may not be able to do it again in the long term. We should provide confidence to our customers so that they would not worry about the product quality and delivery schedule. Initially, most customers will examine the products in great detail. They will not examine our products thoroughly when they feel confident of our product quality. That is the result of aiming at the medium or long term. We perform well first and make the customers feel confident in dealing with us.”

The company's marketing objective is passive and dependent upon the buyer. CASE 3 also aims at steady orders.

“We would meet the customer's requirements as far as possible. When we satisfy the customer's requirements, we can gain repeat orders from them. This helps us have steady orders for a whole year.”

In response to the question of the influence of the doctrine of the mean, the owner manager of CASE 3 first mentioned that the doctrine of the mean does not influence the setting of marketing objectives:-

“To a typical businessman, the doctrine of the mean is not applicable. We are not the leader of the market. We are not the typical business people. We only work for 'two meals' (This is a Chinese popular saying meaning that one works for one's mouth and stomach).”

However, in subsequent discussions, the owner manager of CASE 3 agrees that the harmony with the nature orientation has some effect on the setting of the company's marketing objectives. He said:-

“Certainly, every businessman expects to develop the business. But, it is required to match with other elements. Till now, the equipment is not ready, hence, we maintain the present status. We 'step out while you see a fore step' (a Chinese popular saying meaning one plays safe and very cautious). It is a conservative alternative. If you really do business, you must step forward rather than maintain the present status. We are not at this stage because of limited resources and manpower. A comprehensive plan should be ready for business development. The plan is implemented by people. The manpower is not sufficient. It is not easy to recruit appropriate marketing staff. We could find no one suitable for the job.”

Marketing Communication

Communications in the marketing department are good. However, participative decision making is not commonplace. The owner manager said:-

"I contact our customers, the Hong Kong trading firms, regularly. After receiving the orders, I consult my colleagues to work out a schedule to handle the specific order. My colleagues will also report the changes in the customer's requirements to me. I pay a great deal of attention to our customers' needs and their responses. My colleagues have done a good job in reporting customers' requirements and responses."

"I, mainly, contact customers. I know more about customers' requirements and how to handle their queries. Hence, I make most decisions. Other colleagues are allowed to make decisions if they have the relevant experience."

Marketing Control

There is no formal marketing control in the company. The owner manager recognized:-

"We use the computer in process documentation. We do not use it to control the marketing and operations activities."

"No, we do not have quarterly and monthly reports. We do not have such analytical and control devices. We are very passive on this issue. Passive means that the business is not 'controlled' by ourselves. When a customer offers us a big order, why should we refuse it! We are not able to control and analyze. We can only try our best to satisfy the customers' requirements. That is out of our control. Even if we have a plan, we are not able to manipulate it. We plan our production step by step. Suddenly, customers will place piles of orders and this might interrupt our plan. Thus, we cannot follow our plans accordingly. It is difficult for us to control the monthly shipments and profit margins."

The effect of "face", according to the owner manager, is profound.

"Of course, if you want someone to respect you, first you should respect others. We want to create a harmonized work atmosphere rather than exercise our power or authority. This is a moderate alternative. If the employee committed a mistake, I would advise him/her, for example, to pay attention next time. If the job is new to them, we know that we should explain the work procedures to them clearly. In general, there are few serious mistakes. They may have not paid much attention to the work, hence, they commit minor mistakes. Normally, we will advise them how to do the work properly."

CASE 4: AVERAGE PERFORMING PROSPECTING MARKETER

CASE 4 was established 7 years ago. At the early stage, there was three owners in the company. It was a partnership company. One year later, it was registered as a limited company. Currently, there are two owners. The respondent, Mr. F, is the major shareholder. He has worked in the printing industry for 25 years.

The company is a production house that produces mainly graphic art works and provides computer laser colour separation services for the printers and advertising agencies. The company employs over 50 workers with an annual sales turnover of HK\$6,000,000.

Business Philosophy

Marketing does not seem to enjoy the supreme priority in the company. Mr. F, acknowledged:-

“Marketing, it is the basic requirement. I must provide according to customers’ needs and wants. Otherwise, the customers would not place any orders with me. However, the order depends on the product quality. If we do not have good product quality, the customers will not place any orders with us again.”

Mr. F believes that networking and company reputation are much more important. He recognised:-

“I believe that networking and company reputation are much more important. The customers appreciate our products and services. We distribute products on schedule with attractive price. We do not advertise our products. Some manufacturing companies and trading firms would introduce customers to me. Every company has its own business objective. I do not go out for cold calls. In our company, I am required to participate in many social gatherings for recruiting businesses. Our new customers are introduced by old customers. We have established a good reputation. All business deals are recruited through referrals. Maybe we have a good relationship with our buyers. I believe that establishing a strong network is essential in doing business.”

“Our customers are manufacturing factories, trading firms and advertising agencies. I am required to maintain close relations with our customers. Otherwise, the customers may place orders with our competitors. Many customers place a total of 10- to 20-thousand-dollar orders a month. Big customers may place 100-thousand-dollar orders for a month. I visit the big customers frequently to establish good relationships. I try my best to provide prompt services.”

CASE 4 is a prospecting marketer as it possesses strong networking power and good interpersonal skills to prospect for business.

Marketing Objectives

CASE 4 does not set specific marketing targets or objectives. It is happy with the current position and does not want to expand. Mr. K explained:-

“No, we do not have any sales targets. The market fluctuates a lot. It is difficult for me to estimate the sales. We are required to finish a task within 3 to 4 days. We do not know the order position next week. As of to date, we have some big customers that place orders steadily. I prefer steady orders rather than market expansion for compensating the overheads. It is enough for me to earn 30 thousand dollars of net profits for a month. The market is in depression. Why should I risk expansion?”

"No. I do not have a sales target for a year. I try my best to strive for business. I have a sales figure in my mind. Currently, there is a discrepancy between the actual sales figure and the one in my mind because I do not have a large working area. On the other hand, the market is depressing. Many factories have closed."

Mr. K admits he does not set long-term objectives. Mr. K explained:-

"This is a re-processing company. Printing factories forward their "raw copy" to our company. We would generate graphic films for printing. We are required to complete a task within a short time, for instance, 4 days. They give us "raw copy" every day and they get the graphic films every day. We always work in a rush. We cannot have any long-term objectives. Our approach has to be on short-term."

CASE 4 believes that Yuarn influences the company's marketing activities. Mr. K recognised:-

"Yes, Yuarn influences our business strategies. We provide good-quality products and attractive prices. But, friends are also helpful in prospecting business. It is much easier to gain business from friends. Establishing a network of friends is very important and it is influenced by Yuarn. Good relationships with people may help get orders. Many customers place orders to us even our price is a little bit higher than others. They appreciate our good services. It is Yuarn."

CASE 4 is not active in soliciting marketing information. Mr. K said:-

"I obtain the market information from the customers. If the printing and scanning orders decrease, I know the market is in depression. On the other hand, the price level offered by the customers reflects the market situation. The low product price means the market is in depression."

Marketing Strategy

In response to the question of the influences of the doctrine of the mean to business strategy setting, the owner manager of CASE 4 responded:

"Yes. I strive for a moderated business development. We do not increase the price drastically because it is not accepted by the market. Maybe your customers place orders to your competitors."

"Yes, I set a moderate marketing strategy. Maybe I am lazy. I think we have developed the company in such scale. I can prospect more customers, but I would not. The profits may not be worthwhile of what I have invested. Therefore, I only maintain some customers with steady orders. At the depression stage, the sales are unfavourable. It is difficult to afford a large amount of labour cost and overheads. I would keep those customers who can pay for the credits."

CASE 4 also avoids direct confrontation, for example price cutting, with other competitors by diversifying to other business. Mr. K mentioned:-

"The competition is very keen now in Hong Kong. We "close our own doors" (this is a Chinese popular saying meaning it is our own business) to do our own work. We strive for seizing customers from our competitors. We do not have any friendly communication. There are about 20 factories in this district. Over 10 thousand factories in the industry are in Hong Kong. Maybe it does not require much capital for establishing a factory. Therefore, the number of factories is increasing. We have to focus on steady orders. You may get a sudden order asking for a low price. The competition is keen. Some of our competitors are willing to offer a very low price to gain businesses. If we offer a price at \$4.5 per sq. in., some may offer \$2.5 for the order. Our price is not able to capture the order. To fight against severe competition, we develop new services. Recently, a new technology, an "Output Machine", is developed for the industry. The machine could generate graphic films automatically. This machine is a substitute for our existing film production. Therefore, we plan to purchase a set of this machine."

The owner manager admits the harmony with others principle influences the setting of marketing strategies. He responded:

"Doing business helps make friends. Sometimes I meet my customers in social functions and gatherings. My customers are my friends. I complete their tasks on time and they trust me. We have established very good relationships."

Marketing Organization

The owner manager and the factory manager, another shareholder of the company, are responsible for the marketing activities.

"The factory manager and I make most marketing decisions. He may make decisions for general and simple matters. I am the final decision-maker for important matters. We talk to each other frequently. Our communications are good."

Marketing Control

The company does not have any systematic marketing control devices.

The computer is used to generate monthly production reports and a current accounts summary. Sometimes, we use the computer for graphic design. It is mainly for production and accounting. We do not use the computer to control the marketing activities."

The control devices are personal and subjective.

'It is based on my experiences. I have worked as a factory manager for 10 years. I am confident of managing a factory. I arrange the job schedule and inspect finished products by myself. In the industry, we may offer 60-day, 90-day, 120-day and 180-day sales credit to customers. On the other hand, you are required to pay off your suppliers. Maybe your customers do not pay you on time. Nevertheless, you are required to pay off your creditors and staff. We save money to reserve for such deficiency."

“Face” also influences the marketing control devices. The owner manager acknowledged:-

“We try our best to provide products/services for customers without any mistakes. Everyone may make mistakes. Our workers have been working in the company for many years. They seldom make mistakes. If they do, the factory manager would investigate the reasons and provide advice for them. I would not talk to the workers directly. The factory manager is responsible for controlling the product quality. The workers are required to re-do the unsatisfactory jobs.”

CASE 5: AVERAGE PERFORMING PARTNERSHIP MARKETER

The respondent is the marketing manageress of the company. The company was established seventeen years ago for producing light bulbs by the respondent’s father, the owner manager. The owner manager worked as a technician in a light bulb manufacturer in Hong Kong. About seventeen years ago, he started the venture. The owner manager is now approaching the age of retirement, the respondent, Ms. W, takes charge of the company's operations.

There are about 30 light bulb companies in Hong Kong. However, only 10 are directly involved in production and manufacturing. Others are export houses or trading firms. The market structure is very simple. Philips is the market leader. Also there are a few medium sized firms with 300 to 500 employees. As the production process does not require substantial equipment installation, there are quite a lot of small manufacturers with employees ranging from 20 to 300 persons. The respondent is one of the smaller group. The major shareholders are family members and relatives. The company can produce thirty million light bulbs annually.

Business Philosophy

CASE 5 does not give marketing the supreme position in the firm’s business philosophy. Rather, Ms. W believes that creditworthiness and brand/company reputation are much more important. Ms. W acknowledged:-

“We do not think marketing is important. Our company does not do much marketing. We use Yellow-Pages - the telephone directory - to identify prospects and send our catalogues and promotional materials to them. Our major buyers are Hong Kong electronics manufacturers. They manufacture computers and electronic products. We do not have product development. Our products, basically, have not been changed in style and design. We do not do customer- or tailor-made products.”

“I think creditworthiness is important. If our relationship with buyers is no good, we cannot have supplies. No supplies, no production and no sales. Thus, no salary for our workers. Therefore, sales and customers are related. We are a family business and our sales are quite steady. We finance ourselves. The operation cost is not high. The factory plant is our property and we do not need to pay any rent. Also, the production cost is not expensive. But as far as I know, some competitors are facing difficulties in the current sluggish economy. Banks refuse to offer them credit and they have had to delay some payments. We do this properly. We do not borrow a large amount of money from banks.”

“Brand/company reputation is also important. We are only a small manufacturer. Initially, I thought that we did not have strong a brand/company reputation. I believed that as long as I could manufacture the product at a cheaper price and a reasonable quality, buyers would purchase our products. However, as more manufacturers closed and ceased operations, we experienced that if we could produce a reliable product, the electronic products manufacturers would place orders with us. The electronic products manufacturers introduced us to one another. The job hopping of merchandisers led to new orders. When the merchandisers switched to a new company, they kept on placing orders with us. We have recently changed our business strategy. Rather than relying solely on buying and selling goods to those electronic product manufacturers, we offer some comment or advice to them. We find that this approach strengthens our relationship and we can co-operate longer. Our prices are roughly the same as our major competitors, but we help our customers solve their problems. Thus, we attain steady orders from them. Basically, our product quality is acceptable. We would not look for an excuse if we had done something wrong. Also we would not bargain with our buyers. Therefore, establishing and maintaining company/brand reputation becomes our top priority.”

In addition to offering good quality products and ensuring prompt delivery, CASE 5 offers advice to the buyers. It does not want to be a production arm, it wants to become the buyer’s partner.

Strategic Awareness

Ms. W claimed that she had no knowledge of strategic planning. However, analysing the interview transcript, it would appear that Ms. W uses some strategic planning concepts. For example, she knows the competitive environments well:-

“Our major competitors are the state-owned enterprises and township and village enterprises in the mainland China. The competition is not very keen. The quality of Chinese products is low and their export prices are relatively higher.”

Also, Ms. W also has some knowledge of product life cycle and market segmentation.

“The life cycle of a product will last for 3 years and then decline. Based on this, we can store sufficient inventory items accordingly.”

“We are at different market segments. We are selling to the medium-end segment. The product price of Philips is 200 to 300% higher than ours. Our prices are 100% higher than those of the Chinese competitors.”

In the very beginning of the interview, Ms. W indicated that she did not believe in Yuarn.

“Yuarn? We do not believe in Yuarn. Even with a large order, say fifty to sixty million dollars export business, it is too much for us. The risks in being involved are substantial and we have no interest in it. Our sales turnover is predictable and relatively stable.”

Interestingly, however, Ms. W acknowledged the influence of Yuarn in the subsequent meeting. Ms. W indicated that she had to work very hard to have Yuarn.

"We initially produced product for local manufacturers. Then we proceeded to export to North American and European countries. However, there is no market for us now because of high production cost. We had dealt with some less developed countries but the export and import documentation was so tedious that it prevented us going further. We have tried USSR, Africa and East Europe. Well, maybe Yuarn influences our business development. Recently, we have had an enquiry from Singapore. I don't know from where he obtained our address. However, we have worked very hard to compete with the Malaysian and Indonesian suppliers. I think hardwork and self-reliance are very important."

The market information solicitation process is buyer-dependent. Ms. W said:-

"We have a lot of well accustomed customers who have dealt with us over 15 years. Should we need to know more information about the market, we can simply talk to them."

However, Ms. W also extends her sources of information to friends and industry participants, but the market research methods remain informal.

"We obtain information of market changes by contacting our customers. We talk to them casually and in most cases we know what happens. Sometime, we learn from our industry partners that their businesses are no good. We also learn from some of our friends who have some inside information on the economy and some industrial sectors. Also, our friends in the mainland China are very helpful. We communicate effectively and we share information with one another. They need to know more about the Hong Kong business environments and we need to know more about the China side. We talk a lot on China and business."

CASE 5 does some forecasting work to guide its operations:-

"We do not do much forecasting. For example, we have a 30% to 40% increase in sales this year. We can estimate that the sales of the coming half year would be quite good. If we cannot manage the production process properly, for example, a new product, then we have to sub-contract it out. Though we may need to bear higher production costs, we have already had an estimation in mind. Thus, nothing will be out-of-control."

Marketing Objectives

As for setting marketing objectives, CASE 5 first determines the annual production plan and formulates the sales target accordingly.

"We have a long-term view of the future. Every year, we have an annual production plan. We predict the sales and install the machinery accordingly. We will have the preparation a year ahead."

CASE 5 also sets long-term conservative marketing objectives.

"Yes, we set very conservative marketing objectives. First, our short term liquidity will be very tight if we expand too much. Even if we have a large amount of orders on hand, we cannot handle it. We cannot expand too much. We are looking for long-term business. An order of 2 to 3 containers is very risky and it will tie up a lot of money. Generally, we ship

the light bulbs to well-developed countries and parts to less developed ones. Our major customers are in the U.S.A. and they are listed companies which is very trustworthy.”

Marketing Strategies

Ms. W acknowledges the company’s marketing strategy is to become the customer’s partner.

“You may say that our marketing strategy is to look for good customers which will offer steady orders but will not default payment. We develop ourselves as a good supplier. Good supplier means supplying products with good quality and prompt delivery. We want to become our customer’s partner and finally we have a lot of old customers with whom we have a very good and long term relationship. Thus, we do not have a large number of customers, compared with our major competitors.”

CASE 5 classifies their competitors on a friendly and unfriendly basis.

“Sometimes, we borrow from our industry participants. In this industry, we have friendly competitors and unfriendly competitors. For the friendly competitors, we are not competing for the same group of customers and we will help each other. If we are competing for the same group of customers, we are unfriendly competitors. For example, if we have to rush for a sample or an order, we may encounter shortage of raw materials, we could purchase or borrow some raw materials from our friendly competitors.”

The doctrine of the mean, according to Ms. W, affects the firm’s marketing strategies.

“I think the doctrine of the mean means to behave properly. To our buyers and the industry participants, we should not go too far in competing with each other or press them too hard. We have to let them have a way out and leave them an option. Do not press them too hard. We have to stick to the industry norm -- cash on delivery. For example, we have about 100 customers. This does not imply that we have 100 replacements. We have to be moderate. Like our competitors, some of their businesses are not developed satisfactorily or due to the age of the owner-manager do not have sufficient energy. They prefer to play safe and switch to become sub-contractors rather than dealing directly with buyers. Once they become sub-contractors, some factories will press them very hard. We should deal with each other properly and we can do things smoothly. Some are my daddy's good friends. Based on the relationship, we will help them. Sometimes, money would not help. If you make too much offensive actions to our friends, no one is willing to help us when we need it.”

“Sometimes, we need to have rebates for our buyers and sub-contractors, the doctrine of the mean applies to the sub-contractors. We think why not help each other. This will build up business. The reliable sales help us to get China markets. We do not need much sales at the moment. Thus, 30% of my effort is now marketing whereas 70% is for production. Production capacity is now nearly full. If we expand, we have to sub-contract out our business. The trust receipt amount would be higher. Thus, we will estimate what we cannot attain and do it properly. Yes, we know we can produce more to attain economy of scale. But, Mr. Siu, you know nothing about our industry. If we expand to a factory of 500 to 600 employees, we need to produce 300,000 products. First, quality is not guaranteed. Second, it will be difficult for us to control too many workers. For example, some steal our light bulbs. Orders of our industry are large but the unit price is low. For example, if we have a

production of one million units and the unit price is 30 cents, the sales turnover would be 30 million. Minimum orders are 10,000 units. If there are 300,000 defect items, it is very serious. This implies the production is weak. Philips does it automatically, we do it manually. We cannot compete with them."

The doctrine of the mean and harmony with nature orientation influence the company's approach to the future.

"We have no plans for the future. Frankly, we have no expansion plan. My dad and mum are over 50. They only work and plan for that day only. As long as they are happy with the current situation, why bother planning. we want to have a steady life."

Marketing Organization

The company's marketing structure is 'flat'. Ms. W is responsible for marketing. Two clerical staff handle the documentation. Ms. W makes all marketing decisions. However, if there are major decision, a decision centre comprising Mr. W, Mrs. W and Ms. W will be formed informally to make decision.

Marketing Communication

Marketing communication in the firm, according to Ms. W, is good.

"As our family oversees the operations, we can have good communications and make fast decisions. For example, we monitor the market and observe the changes. We can change the production and services much faster."

"My parents are quite open. We have frank and open communication with each other as only three persons are involved in the marketing decisions. Right now, the industry knows my name and our factory, which is one of the largest factories in Hong Kong."

Marketing Control

Ms. W does not believe that "face" is important to marketing control.

"Face is not important in management. Reasoning seems to be much more important. We have to respect each other and do not need to use authority or power to harass others. If he or she has committed an error three or four times, the person has to learn what to do next. We do not 'give face' to the staff, we respect each other."

CASE 6: HIGH PERFORMING PARTNERSHIP MARKETER

Note: Should the specific product be disclosed, it would be easy to identify the respondent. Very few companies manufacture the specific sewing products as CASE 6 does in Hong Kong now, even in the world. Thus, only the generic product -- sewing products, will be used throughout the CASE to ensure confidentiality, as promised by the researcher.

CASE 6 was established in 1982 by a group of technicians who had experience in sewing products manufacturing. The technicians worked for a sewing product manufacturing firm. However, the firm moved from an urban area to a suburban area. Some staff did not want to travel back and forth and started their own venture to establish CASE 6. In 1993, one of the staff purchased half of CASE 6's total shares and became the major shareholder. In 1995, the major shareholder purchased all the shares and CASE 6 became a family business.

Now, the firm is managed by a young man, Mr. C, with a bachelor degree and working experience in engineering. Mr. C is a representative of the family. CASE 6 exports sewing products. It also sells some of its product through local retailers. However, the sales turnover of the local business is minimal. The products are exported via trading firms.

Business Philosophy

Mr. C acknowledges that he perceives marketing and networking as the two most important business philosophies:-

"I think it is marketing. In the past, we mainly manufactured sewing products. Now our peripheral products contribute 30 to 40 per cent of our total sales. The peripheral products are various combinations of sewing products. Our product width was quite narrow. Recently, we have introduced a new product line which doubles our sales turnover. About 30 to 40 per cent of our total products are new products. Customers always look for new products. Marketing is important to our business operations. Marketing is important because the competitors in China offer cheaper prices than ours. Some customers may place orders to the factory in the PRC because of low prices. However, we maintain a competitive advantage in packaging and product assortment. We pursue the premium market segment. However, we focus on marketing to satisfy customers' needs. We would provide different product mixes and packages for specific customers."

"We are a small company. We do not require a huge amount of capital. Our major customers are trading firms. Therefore, creditworthiness is not the most crucial issue to our company."

"A customer may purchase the product from either our company or factories in China. The issue of networks is important. Our sales are mainly from our trading firms. We are required to establish good relations with trading firms. Our overseas customers place small orders. We may save transportation expenditure by using the cargo shipment of trading firms."

Strategic Awareness

Mr. C admitted that he did not use any strategic planning tools. However, analysing the interview transcript reveals that Mr. C does have some knowledge of strategic analysis, mainly competitive advantage and marketing segmentation. Mr. C mentioned:

"... we maintain competitive advantages in packaging and the product assortment. We pursue the premium market segment."

Though Mr. C did not admit the influence of Yuarn in the very beginning, in the subsequent discussions he agreed that Yuarn leads to self-reliance. Mr. C said:-

“Not really. I do not think Yuarn influences our marketing strategies. Some people believe in Yuarn. I think that Yuarn is related to one's efforts. Unless you try your best, you may not hold the Yuarn. Maybe, Yuarn lets me own this company. Two years ago, the material cost increased, however, the selling price remained unchange. It was a hard time for us. We put much effort into striving for business development during the past two years. Consequently, we got favourable sales during the market depression. I do not know whether Yuarn provides an opportunity for us to perform well or not.”

The market information solicitation process is mainly buyer and owner-manager dependent. Mr. C explained:-

“I contact our customers, that is the trading firms to determine their market needs and wants. The product demand is sensitive to price changes. When the price of the product increases, the demand of the product decreases, and vice versa. If our product is a "dollar item" or "50p item", the sales are favourable. It is the price ceiling of our products. Now we mainly get the market information from trading firms. We are going to establish our distribution channels for direct export. We will visit trade shows and introduce our products to customers directly.”

Marketing Objectives

Mr. C is responsible for the marketing planning for CASE 6. The specific marketing strategy, according to Mr. C, is:

“We work closely with the trading firm. We provide new product samples for customers via trading firms. The customers mainly consider the price. On the other hand, the trading firms prepare their own catalogues for their customers by including our products.”

“There is a customer base in this company. We also advertise our products in Enterprise (a monthly magazine), newspapers, Yellow-pages and through other channels, to overseas importers. We would send our product catalogue to them if necessary.”

Though Mr. C stresses that the company aims at ‘immediate return’, their marketing objectives are long-term. Mr. C recognised:-

“We adopt these three objectives (short-term profits, steady orders and long-term success). We pursue the "immediate" return. We save some of the return for expansion. We plan for a long-term development. Operating a factory is a long-term investment. We continuously develop our factory to generate profits for compensating our sunk costs. We would not ask for credit from banks, as far as possible. Maybe we are conservative in capital financing.”

CASE 6 does not have any specific marketing target. But Mr. C has a rough estimate. Mr. C said:-

“We do not have any exact sales target, only a rough estimate. The actual sales turnover is influenced by the sales figure of the last year and operating efficiency.”

CASE 6 selects a very conservative marketing objective. Mr. C explained:-

“I am conservative. We develop gradually due to our skill and capital limitations. In the past, you may spend about 200 thousand dollars for building a 10,000 sq. ft. plant in China. Now it costs you millions of dollars for a plant. In comparison with the large factories, we target different customers. We may get a higher profit-sales ratio, though not in a huge amount of dollars.”

“Our strategies are passive in general. We sell our products to customers via trading firms. If we have steady sales, we allocate budgets to market our products by ourselves.”

Marketing Strategy

Mr. C believes that the doctrine of the mean and harmony with nature influence the firm's marketing strategies.

“Businessmen try their best to earn as much money as possible. Sometimes we are forced to follow the doctrine of the mean because the sales depend on the market situation. We want to strive for maximising the profits. But we would allocate appropriate amounts of money to develop our business.”

“For example, most factories are moving their production plants to China. The investments are substantial. We do not do that. We established a factory for packaging the product in the PRC. First, the relative commitment is small, which is suitable for us. Second, we have a competitive advantage in packaging. Our factory in China is responsible for packing the products and our Hong Kong factory is responsible for manufacturing and inspecting the finished products. We control the production schedule tightly in Hong Kong. But, we save time in packaging. Therefore, we can ship the goods to the customers in an earlier schedule. We manufacture the products in Hong Kong and pack and export them from the PRC.”

The specific marketing strategy, according to Mr. C, is to work as the buyer's partner.

“First, we strive for on-scheduled shipments, good product quality and reasonable price. This is the customers' basic requirement. Second, we provide new products. About 30 to 40 per cent of our products are new products. The ideas mainly come from two sources: our own suggestions and discussions with our customers and the trading firms. Based on the discussions, we provide various product assortments at a certain price. As for our own suggestions, I consider customers' specific requirements and select a product assortment or required combination of products. We work with the trading firms and our customers closely.”

The strong motive to work closely with the buyers and to become the buyers' partner indicates that CASE 6 is a good example of a partnership marketer.

Mr. C pointed to the influence of the harmony with others orientation to CASE 6's marketing strategy:-

“All business people strive to dominate the market. Companies may compete with other companies in product price and quality. The companies would seize market share from their competitors. However, we would not make the market over competitive. We put our efforts into providing new products for customers to develop our business.”

Marketing Organization

The marketing structure of the company is rather ‘flat’. There is no middle marketing manager under Mr. C who supervises all the junior marketing staff.

“I take charge of the whole company, including the marketing activities. I delegate authority to my subordinates. I give them clear tasks for completion. I do not accept any excuses for incomplete tasks.”

Marketing Communication

Mr. C acknowledges that communications within the marketing department are good. Should there be major decisions, he seeks advice from other directors:-

“There are two more directors in the company who provide me with opinions.”

Marketing Control

The marketing control measures are subtle. Mr. C does not inform his subordinates the company’s marketing objectives or sales targets. However, he sets a production quota for every worker. Supporting staff are required to submit monthly reports to Mr. C who uses the reports for reference only, not control.

“The manager of the China factory prepares a monthly report for product inventory. The staff in Hong Kong prepare a monthly sales report. Based on the reports, I know the company’s performance.”

“No. My subordinates do not know the sales targets. Every one has a production quota. That is all one needs to know. We have many types of product. The production of our company depends on the customer’s requirements. According to the inventory, we would manufacture the product for filling the customer’s order.”

Mr. C does not think “face” has any influence on the firm’s marketing control.

“All people make mistakes. However, I could not accept those who make the same mistakes repeatedly. I bear the first-time mistake. My subordinates ask my advice to handle some problems, when necessary.”

“I don’t think that a boss is always right. I encourage my subordinates to point out my mistakes. I do not manage their daily administration. They plan themselves and take all responsibility for their work. I am not able to handle all the administrative work of the company. A worker should complete his/her tasks and I am responsible for contacting the trading firms to gain orders. Sometimes I inspect their work and suggest a work schedule to them.”

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