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## Small firm marketing: A comparison of Eastern and Western marketing practices

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This article reports on the analysis of 110 published, undisguised stories about Chinese owner-managers in Hong Kong and determines whether Chinese small firms exhibit the same marketing activities and behavior as their Western counterparts. Content analysis suggests that Chinese small firms are production oriented, whereas small American firms are customer oriented. Chinese small firms are also found to have limited marketing expenditure while their owner-managers have limited marketing expertise. The findings also suggest that Chinese small firms do little strategic marketing planning. One possible reason for this may be that Chinese owner-managers apply innovative tactics and change their marketing planning techniques to suit the characteristics of their firms and their particular circumstances. Thus, it is not unusual to find that Chinese small firm marketing can be described as entrepreneurial and their marketing planning activities as unstructured.

### 1. INTRODUCTION

Research findings (Brock and Evans 1986) generally conclude that small businesses contribute to economic development. In Hong Kong, small firms have played, for some time, a very important role in the colony's economic growth (King and Man 1979). Although there is no official definition of small firms in Hong Kong, Liu and Wong (1992), after a review of government statistics, suggest that manufacturing enterprises employing fewer than 500 persons can be regarded as small- and medium-sized firms. On this basis, smaller firms in Hong Kong constituted 99.8% of the local manufacturing establishments, employed 87.03% of the total manufacturing labor force, and contributed 82.85% of the total sales of goods (Census and Statistics Department 1990).

Despite the importance of small firms in Hong Kong's economy, there has been no major research conducted to examine how, and to what extent, these Chinese owner-managers have managed to survive, grow and succeed. Given, also, the importance of the role and behavior of the entrepreneur in the development of marketing (Cannon 1991), it is particularly surprising that there has been no research specifically into how Chinese owner-managers make marketing decisions, market their products and maintain

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competitiveness, especially since recent research findings (Siu and Kirby 1995) suggest that the broad small firm marketing principles, specifically generated from Western countries, may not be fully suitable for, and applicable to, some specific socio-cultural contexts, such as Chinese small firms in Hong Kong.

## 2. LITERATURE REVIEW

Recent research results (Kohli and Jaworski 1990; Kotler 1988; Levitt 1983; Slater and Narver 1995) have pointed to the positive relationship between marketing orientation and marketing performance. Specifically, Narver and Slater (1990) have examined the three behavioral components — customer orientation, competitor orientation and interfunctional orientation; and two decision criteria — long-term focus and profitability — in market orientation. Kohli and Jaworski (1990) confirm Slater and Narver's inferences and define market orientation as the organization-wide information generation and dissemination process which results in an appropriate response related to current and future customer needs and preferences. Be that as it may, the recent marketing literature related to marketing orientation and performance has been confined to large firms and American marketing managers (Kohli *et al.* 1993; Narver and Slater 1990). There has been relatively little coherent research into small firm marketing (Siu and Kirby 1998) and small firm researchers are not able to reach a consensus on the contribution of marketing to the success of small firms. Notably, however, there has been little published research on Chinese small firm marketing.

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 U.K. or U.S. (Kinsey 1988; Lee 1982). Specifically, the molecular organization<sup>1</sup> and the original equipment manufacturing system<sup>2</sup> ensure that the products of Hong Kong small firms meet the specific requirements of the buying offices, their immediate customers (Redding and Tam 1985), and production is not undertaken until a firm order is secured (Kinsey 1988). Lee (1982) further argues that

<sup>1</sup> 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.

<sup>2</sup> The original equipment manufacturing system (OEM) is a manufacturing arrangement whereby the overseas buyers make use of the cheap labor and modern technology of Hong Kong manufacturers. The goods and brand names of the products are owned by the overseas purchasers, 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.

Hong Kong small firms adopt an overall marketing orientation, while others suggest that they are actually weak in practising marketing (Redding 1990; Siu and Martin 1992; and Sit and Wong 1989), and the success of Chinese small business is not solely influenced by marketing, but by doing favors for others (Yau 1986), trust (Wong 1991), creditworthiness (Silin 1972), and establishing social networks (Wong 1988). Research also reveals that Chinese small firms in Hong Kong are production-oriented (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 and lack of a well-developed and grounded theory. Against this background, this study examines the marketing practices of Chinese small businesses in Hong Kong by analyzing 110 undisguised stories about Chinese owner-managers. 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) Are there differences and similarities between Western and Eastern marketing tenets? (2) How do Chinese marketing practices and principles differ, if at all, from those adopted in the West, as exemplified by American small firms?

In order to have a balanced view to advance small firm marketing knowledge (Siu and Kirby 1998), both normative marketing theories and specific small business marketing models have been integrated to form the analytical framework. Models, including Marketing Activities (Dunn *et al.* 1986) and Marketing Performance for Small Business (Carson 1990), were distilled and constructed to form a content analysis schedule, so as to determine whether Chinese small firms exhibit those marketing activities and behavior. For details of the schedule, see Appendix 1. The two models were selected purposively as they had previously been applied in understanding small firm marketing performance (Carson 1990), activities and orientation (Dunn *et al.* 1986). Moreover, the two models are basically related to the conceptual, activity and performance issues of the marketing paradigm.

The Marketing Activities model proposed by Dunn *et al.* (1986) is based on a list of 19 marketing activities developed by McNamara (1972) 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 is the responsibility of the owner-manager.

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 analyzing small firm marketing. The marketing performance model consists of eight dimensions. These 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 versus 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.

### 3. RESEARCH METHODOLOGY

#### *RESEARCH DESIGN*

Zaltman *et al.* (1982) propose using a 'theory-in-use' approach, working alongside managers, to study their marketing activities. However, when compared with large firms, small firms are less willing and able to co-operate, are often quite reluctant to open the company to an unknown researcher for observation, and have no formal marketing policies and/or are not aware of their strategic decisions (Davis *et al.* 1985). All these make undertaking small firm research difficult. Thus, Manimala (1992) proposes the use of analyzing published, undisguised stories about owner-managers and their firms to identify the owner-managers' marketing activities and strategic marketing decisions, based on the non-routine decisions of the owner-managers. Accuracy in presentation and consistency in emphasis are major drawbacks of using undisguised stories, however. Specifically, the undisguised stories are not written for the research and the content of the report is likely to be biased by the intent and language of the reporter. 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 inferred from the non-routine decisions of the owner-managers. The use of

published, undisguised stories for this research is appropriate because they generally focus on the non-routine decisions, highlighting the successful strategies adopted by each venture, and can be expected to be free from deliberate falsification or misrepresentation of facts (Manimala 1992). Miller and Friesen (1984) also recognize that published, undisguised reports may be more reliable than survey research methods because it is more difficult for owner-managers to hide a real situation from a case writer who studies a firm in detail. Thus, published, undisguised stories were collected for this research in order to shed initial insight on the marketing activities of small firms in Hong Kong.

### SAMPLING PROCEDURES

In recent years, Hong Kong newspapers (*Ming Pao*, *Sing To Daily*) and business-related magazines (*Hong Kong Economic Journal Monthly*, *Economic Reports*) have published interview reports with entrepreneurs and articles about the success stories of chairmen of newly listed companies, which were subsequently published in books (Appendix 2). These books formed the sampling frame for data collection. The books included stories based on interviews with managers of large and public enterprises, but only independent owner-managers were selected as a database. Duplicate stories were integrated into one unit for analysis. If the story reported that a firm grew to a size which no longer conformed with Brooksbank's (1991) and Osteryoung and Newman's (1993) classifications for small-sized firms, the specific portion of the story relating to the large-sized firm was discarded. Stories not having any materials related to marketing were also rejected. On this basis, 110 reports, out of 170, were included as a database for extraction and analysis. Of the 110 reports, 68 (61.8%) were manufacturing firms, whereas 42 (38.2%) were service or trading companies.

### ANALYTICAL METHOD

The study uses the content analysis process proposed by Marino *et al.* (1989) specifically for entrepreneurial research to identify the marketing approaches of small firms in Hong Kong. To ensure data reliability, the 110 stories were coded simultaneously but independently by two native Chinese speakers, including one of the authors. The list of 19 marketing activities developed by Dunn *et al.* (1986) was applied to examine the marketing activities of Chinese owner-managers in Hong Kong. The coders were required to check which of these individual activities were the responsibility of the owner-manager. Eight dimensions of Carson's (1990) Marketing Performance for Small Business model were adopted to examine marketing performance. The coders collected information from the undisguised stories as it related to the eight dimensions. The appropriate option was coded for each dimension. If any undisguised story did not carry the specific piece of information related

to the questions, it was assumed that the owner-manager did not place emphasis on this particular aspect and the lowest option indicating no or little marketing would be coded. Overall inter-coder reliability was 79%, which was regarded as satisfactory (Kassarjian 1977). The differences between coders among all items were then discussed until final consensus was reached. The mutually agreed results were used for the analysis.

## 4. RESULTS

### MARKETING ACTIVITIES

In order to determine 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 was in charge of, or responsible for, a specific marketing activity. Table 1 shows the results. Compared with the results of 98 American small manufacturing firms derived from the survey research findings of Dunn *et al.* (1990), the distribution shows 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,

Table 1 Rankings of marketing activity – H.K. and U.S. owner-managers

| Marketing Activities | H.K.(%) | Ranking | U.S.*(%) | Ranking |
|----------------------|---------|---------|----------|---------|
| 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 *et al.* (1986).

sales forecasting, and product scheduling. In contrast, the American small firms place emphasis on customer relations, advertising, sales, and sales forecasting.

When the rankings are examined 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% 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%. Further, 93.6% of the Chinese owner-managers are in charge of product planning, whereas in American firms only 41.48% of the chief marketing executives do so. The evidence suggests, therefore, that Chinese small firms put most of their efforts into sales and production, whereas the American small firms emphasize customer relations and advertising. Thus, Chinese small firms in Hong Kong can be classified as product or production oriented, whilst the American firms appear to be more marketing or customer oriented.

### MARKETING PERFORMANCE

The results shown in Table 2 reveal that most Chinese owner-managers in Hong Kong spend a minimal amount of money/time on marketing activities (50.9%) and the Chinese owner-managers have minimal education and background in marketing (40%). Nevertheless, about half of them (48.2%) are well known in the market. Though Chinese owner-managers in Hong Kong spend minimal money/time on marketing activities, their presence and impact on the industry is not negligible. It is found that about half of the Chinese small firms in Hong Kong (43.6%) apply innovative and imaginative marketing tactics

Table 2 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 versus 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           | Proactive (20.9%)          |
| Level of activity                | Little (20%)                           | Implicit (47.3%)          | Explicit (32.7%)           |

to suit their own particular circumstances, rather than either using marketing at a very general level or following industrial norms. The results reveal that Hong Kong small firms are divided somewhat equally in planning versus operations. About half of them (45.5%) conduct marketing planning periodically and frequently, whereas the remainder (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. The results reveal that about half of the 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.

## 5. DISCUSSION

The content analysis suggests that, when compared with American small manufacturing firms, Chinese small firms in Hong Kong exhibit distinctly different marketing practices. Chinese owner-managers concentrate on sales, product planning, sales forecasting, and product scheduling. Chinese small firms appear to be more production oriented, whereas American small firms are more customer oriented. As one Chinese manager said:

‘Acceptable quality at reasonable price’ is our business philosophy.’

Chinese owner-managers have limited marketing expertise. About 70% of the owner-managers are primary or secondary educated. They do not have any formal marketing education. In most cases, the owner-manager worked as an apprentice and gained substantial knowledge in production and product design, but not marketing. Chinese small firms possess limited marketing expenditure. Over 80% of the sampling units spend their money and time mostly on production and identifying measures to cut production costs, whereas they tend to ignore the importance of marketing activities. One owner-manager recognized:

‘We do not spend much money on advertising. We rely mainly on word-of-mouth. Thus, we save a lot on advertising. We only use classified advertising in two Chinese newspapers.’

Interestingly, however, Chinese owner-managers appear to be well known in their respective market or industry. Most (over 80%) reported that they had identified market niches and stayed in that particular commercial or industrial sector for more than ten years. Be that as it may, their persistence and desire to be the first in the niche market made them well known in their respective industry or market. One owner-manager has exported garments to Eastern European countries for more than 20 years. He is well known, being the first and largest exporter in Hong Kong dealing solely with Eastern



European countries. The findings also suggest that Chinese small firms do little strategic marketing planning. One possible reason for this 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. Specifically, the Chinese owner-managers perform as 'production arms' of the overseas buyers under the original equipment manufacturing system. Chinese owner-managers place emphasis on producing the products according to the overseas buyers' requirements and on schedule delivery. Thus, it is not surprising to find that Chinese small firm marketing in Hong Kong can be described as entrepreneurial and that their marketing planning activities are unstructured. Figure 1 shows a conceptual framework of their marketing performance and activities.

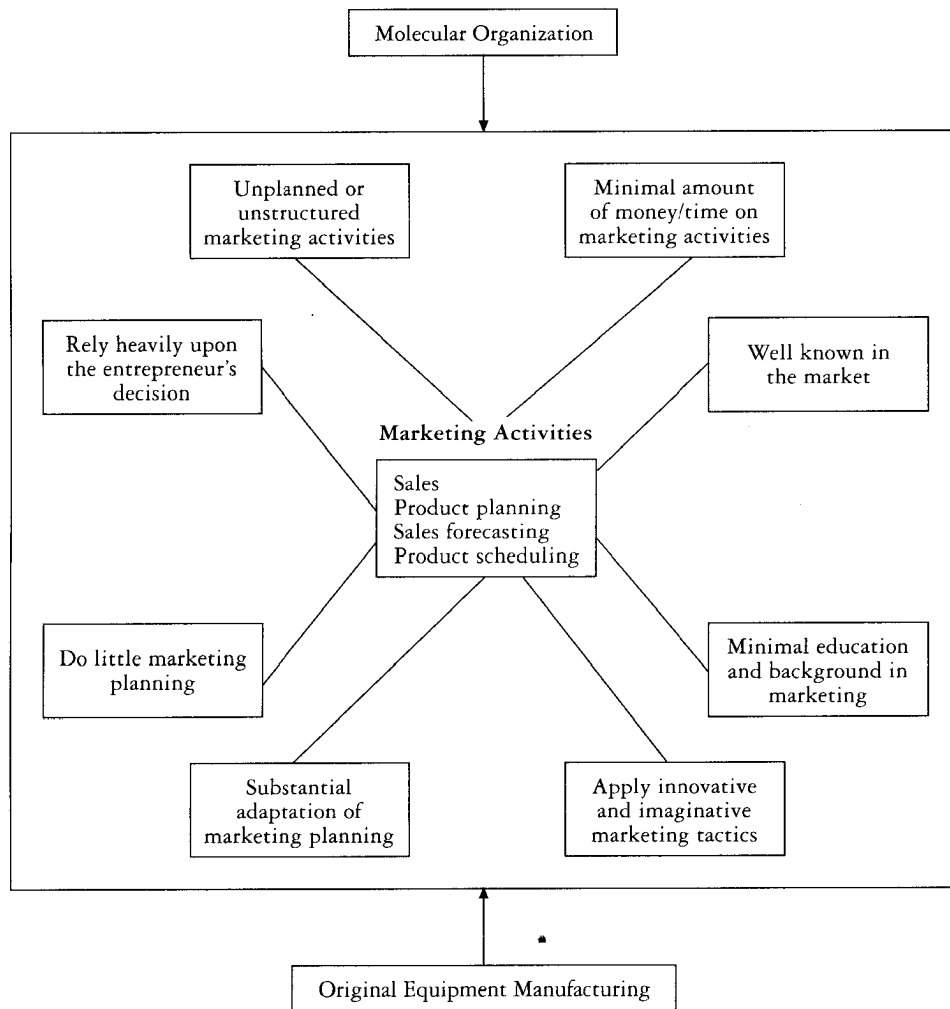


Fig. 1 Marketing performance and marketing activities of Chinese small firms in Hong Kong

The empirical data of this study suggests that Chinese small firms in Hong Kong have a 'distinctive' marketing style, are production oriented and, notably, well known in the market, though their owner-managers do not have extensive formal marketing education. According to Kohli and Jaworski (1990), the marketing orientation of an organization is a function of the formal education of its senior managers, and a marketing orientation enhances the performance of the organization. The research findings reported here do not appear to support this, suggesting that either the Western marketing tenets are not fully applicable in an Eastern context or that the marketing behavior of Chinese small firms in Hong Kong is so distinct that a specific marketing model is needed. However, Kohli and Jaworski also note that the structural form of organizations may also be a barrier to the adoption and implementation of a marketing orientation, though they do not consider the size of the firm. Thus, the differences may be simply a function of size and organizational complexity. It is contested here, however, that factors other than size need to be considered when attempting to make global generalizations and that caution is needed when examining organization performance within the context of the firm.

The results should be interpreted with care. First, the Chinese sample is based on anecdotes about successful small businesses. Second, about 40% of the Chinese small firms are services or trading firms, whereas all the American small firms were manufacturing companies. Also, some Chinese small firms are involved in the original equipment manufacturing system and this inevitably limits the use of branding strategies. Nevertheless, the differences in marketing activities point to the importance of disentangling the effect of environmental differences on marketing rather than simply transplanting Western marketing tenets directly to the Chinese politico-economic environment.

## 6. CONCLUSION

The Chinese sample is based on anecdotes about successful small businesses, whereas the American data is derived from the results of a research survey. Thus, further detailed direct comparison of the two studies is not possible. Nevertheless, the findings of this exploratory research suggest that differences do exist and provide an initial description of marketing factors and the specific marketing practices of Chinese small firms in Hong Kong. The paper also points to the absence of any clear understanding of marketing in Chinese small firms in Hong Kong. First, their approaches to marketing 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 Chinese small firms put marketing into practice in their companies and markets? What are the specific marketing practices of Chinese small firms in Hong Kong? Such issues, clearly, are worthy of further investigation.

The research results suggest that small firm marketing in Western and Eastern business environments may differ. Much of the literature on small firm marketing has adopted the Western marketing paradigm. 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 firm marketing which adopts this approach, though Siu and Kirby (1995) have put forward a tentative theory. This exploratory research suggests that perhaps the broad Western marketing principles are not fully applicable to, and suitable for, some specific politico-economic contexts, for example the Chinese socio-cultural environment. Further research should attempt to examine exactly, and in greater depth, how and to what extent Chinese small firms have managed to survive, grow and succeed in Hong Kong. More specifically, it should examine how they make marketing decisions, promote their products and/or services, and maintain market competitiveness. Also, a number of more pragmatic considerations, specifically related to Chinese small firm marketing, should also be addressed, for example specific marketing approaches to improve company performance.

Moreover, as the undisguised stories were not written specifically for this research, some major issues, for example, branding, customer types, and company performance, were not found. This prohibits further analysis to determine their effects on different marketing practices and approaches. To combat these methodological problems, it is proposed that future research uses the 'co-ordinated research programs' or 'stream of research' approach, proposed by Davis *et al.* (1985), where each study is carefully designed to build upon what has been learned previously to make an incremental contribution to the established knowledge base. Thus, the results presented here are part of an on-going program of research into the marketing activities of Chinese small firms in Hong Kong. As such they are intended to provide a sound foundation for further hypothesis development and testing, as proposed by Churchill (1987). Consequently, future research will build on these findings through the use of a follow-up survey to investigate how Chinese owner-managers in Hong Kong market their operations, utilizing a methodology developed and applied to examine small firm marketing in a Western context (Brooksbank *et al.* 1992) and adopting a contingency approach (Siu and Kirby 1998). This should permit direct comparison between Western and Eastern small firm marketing practices and permit specific environmental factors to be considered.

## APPENDIX 1

### CONTENT ANALYSIS SCHEDULE

*Marketing Activities* (please tick)

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

*Marketing Performance Scale* (please tick)

1. Limitations of expenditure: (an approximation of money/time spent on all aspects of marketing activity)
 

|                                  |                                  |                                      |
|----------------------------------|----------------------------------|--------------------------------------|
| <input type="checkbox"/> minimal | <input type="checkbox"/> limited | <input type="checkbox"/> substantial |
|----------------------------------|----------------------------------|--------------------------------------|
  
2. Limitations of expertise: (the owner's and others' marketing background and the nature and amount of marketing education attained)
 

|                                  |                                  |                                      |
|----------------------------------|----------------------------------|--------------------------------------|
| <input type="checkbox"/> minimal | <input type="checkbox"/> limited | <input type="checkbox"/> substantial |
|----------------------------------|----------------------------------|--------------------------------------|
  
3. Limitations of impact: (whether the company is known in the market and to what extent this knowledge or awareness has changed)
 

|                                  |                                  |                                      |
|----------------------------------|----------------------------------|--------------------------------------|
| <input type="checkbox"/> minimal | <input type="checkbox"/> limited | <input type="checkbox"/> substantial |
|----------------------------------|----------------------------------|--------------------------------------|
  
4. Level of generalization
  - General concepts: a situation where the marketing activities carried out by a firm are at a very 'general' level, that is, they are closely identified with the general concept of marketing as described in the literature and often are not carried through to implementation.
  - Industry-specific: a situation where the marketing activities carried out by the firm are allied closely to that which will happen throughout the industry. That is, they follow certain 'norms and practices' peculiar to that industry.
  - Situation-specific: a situation where a firm will apply innovative and imaginative marketing designed to suit its own particular circumstances and requirements.
  
5. Planning versus operations
  - 'Minimal' refers to a firm that 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 behavior.
  - 'Balanced' refers to some marketing planning that is carried out at least once within a period, or on several occasions during a period. The 'balance' does not refer to equality but 'appropriately' balanced between planning and operational activities.
  
6. Marketing planning adapted for small firms
  - Limited adaptation is reflected in the process of a firm that 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 concentrated either on 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 brochures or leaflets, 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 characterized 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 circumstances where firms are largely reactive to consumer inquiry. They have little or no knowledge of who their customers 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 in companies that engage in any marketing activity as part of a co-ordinated and integrated program with clear objectives and purposes. This need not be explicitly stated but will reveal itself in the way a firm describes a situation and in the breadth of marketing activities utilized. The classification can also be made to both external and internal considerations of marketing planning.
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**APPENDIX 2**  
**UNDISGUISED STORIES USED FOR THE PRESENT STUDY**

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1. Ho, K.L. 1990. *Entrepreneurial Pioneer*. Hong Kong: Man's Co.  
Ten undisguised stories, only eight are used in this study.
  2. Chee, P.L. 1992. *Entrepreneurial Genius*. Hong Kong: Chong Ngai Culture Enterprise  
Fifteen undisguised stories, only five are used in this study.
  3. Ho, M.C. 1992. *New Riches of Hong Kong*. Hong Kong: Ming Pao Publishers  
Thirty-eight undisguised stories, only 35 are used in this study
  4. Lui, C.W. 1992. *Hong Kong Tycoons*. Hong Kong: Ming Pao Publishers  
Sixteen undisguised stories, only ten are used in this study. Five are also discussed in Ho (1992)
  5. Lui, C.W. 1992. *Hong Kong Tycoons (Vol. 2)*. Hong Kong: Ming Pao Publishers  
Fifteen undisguised stories, only nine are used in this study. One is discussed in Ho (1992)
  6. Next Magazine Editorial Board 1992. *Self-made Business*. Hong Kong: Next Magazine Publishing Ltd. and Qin Jia Yuan Publishing Co.  
Thirty-one undisguised stories, all are used in this study. Four are discussed in Ho (1992)
  7. Mak, S.F. 1991. *Files of Successful People – Rules of the Game in Hong Kong Society*. Hong Kong: Long Chiu Publishers.  
Fourteen undisguised stories, five are used in this study
  8. Yiu, W.K. and Wong, W.K. 1992. *Young Successful People in Business*. Hong Kong: Ming Window Publishers.  
Thirty-eight undisguised stories, 18 are used in this study. One is discussed in Ho (1992)
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\* Duplicate stories are integrated into one unit for analysis. In total, 110 stories are used in this study.

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