

The interplay of environment and culture in small firm marketing: a comparative study of the marketing practices of Chinese small firms in Hong Kong and the UK

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Keywords

Marketing strategy, Small firms, Culture, Hong Kong, United Kingdom

Abstract

Previous research by Siu and Kirby has argued that the broad Western marketing principles are not necessarily fully applicable to, and suitable for, the Chinese socio-cultural context. To examine this assertion, provides a comprehensive examination of the marketing practices of 18 Chinese small firms in the UK. In so doing, compares the findings with a similar study of 158 Chinese small firms in Hong Kong. The results suggest that the marketing practices of Chinese small firms in the UK are different from their counterparts in Hong Kong. The findings thus lend support to the notion that socio-cultural values and macro-economic structure are equally important in determining a firm's marketing behaviour. Thus, care should be taken before assuming that marketing, as practised in Western situations, is equally applicable across all contexts.

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Managerial and policy implications

- Most Chinese small firms in the UK and Hong Kong (HK) are not widely aware of, or the owner-managers are not familiar with, sophisticated marketing planning tools, reinforcing the view expressed by Siu and Kirby (1995) that small firm marketing is still in its infancy.
- The business operations of UK and HK Chinese small firms are simple as their markets are segmented (mainly Chinese) and they occupy a niche market and understand their customers so thoroughly that marketing planning tools are not felt to be needed.
- UK and HK Chinese small firms adopt an informal marketing planning approach that relies on social and personal contact networks rather than the formal approach requiring the application of these planning tools.
- The interplay between environment and culture needs to be taken into consideration when attempting to understand the marketing practices of Chinese small firms. Care should be taken before making generalisations about marketing in Western or Eastern situations and in assuming that marketing tools and techniques are equally applicable across all places.
- For government decision makers, understanding the relationship between culture, market structure and marketing strategy could improve policy effectiveness, by creating certain environments that foster particular business behaviours or induce certain required organisational practices.

Introduction

Aldrich (2000) points to the lack of any substantial assessment of the state-of-the-art of research into entrepreneurship in regions other than North America and suggests that to advance entrepreneurship theory requires the examination of national differences. The research findings of Siu and Kirby (1999a) reveal that in HK the broad Western marketing principles are not necessarily fully applicable to, and suitable for, Chinese small



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manufacturing firms. However, as HK is a Chinese city with British characteristics, the assertion that the socio-cultural environment is one of the determinants of marketing practice may only be supported should research undertaken in a similar socio-cultural environment produce similar results. Hence, the research reported here explores insights gained from relevant research (Siu, 2000) in order both to provide a clearer, more systematic understanding of the marketing practices of Chinese small firms in the UK and to better understand the similarities and differences between Eastern and Western small firm marketing, especially the impact of socio-cultural differences (Siu and Kirby, 1999b).

While there are no official statistics about the number of Chinese small firms in the UK, the Labour Force Survey (Office for National Statistics, 2000) reveals that in the autumn of 1999, there were about 11,000 self-employed Chinese. Also, the 1991 Census and the reports of the Policy Studies Institute (Modood and Berthoud, 1997) have shown that the Chinese ethnic group has a higher degree of representation (over 25 per cent) in self-employment to total employment than the indigenous white population. Many of these businesses are concentrated in the restaurant and catering sector (Bank of England, 1999). Indeed, Modood and Berthoud (1997) report that half of the Chinese self-employment is in catering; for example, takeaway food shops; though Parker (1995) suggests that those who now own restaurants often started, and subsequently passed through, the "takeaway" as a stage in capital accumulation. Nevertheless, Watson (1975) reveals that the Chinese operate not only restaurant businesses, but also services industries like minicab hiring and chartered air ticket agents, while the research of Chan (1997) finds that the Chinese in the UK are often involved in the distribution trade (restaurant, retailing and warehousing).

Despite the contribution of the Chinese to the UK economy (Parker, 1999), there is no major research into how, and to what extent, Chinese small firms in the UK have managed to survive, grow and succeed or, more specifically, how they make marketing decisions, promote their products and maintain competitiveness. The research that

has been conducted has been largely piecemeal, is somewhat dated and tends to be biased to the catering sector. It has concluded that, traditionally, Chinese small firms have promoted their services to the Chinese community or have located in environments were less severely competitive (Watson, 1975). Also, because of the family nature of the business, they have tended to compete on price (Parker, 1995) and convenience, often being open 14 hours a day 364 days of the year (Watson, 1977). Hence, this study not only provides relevant information on the marketing activities of Chinese small and medium-sized enterprises (SMEs) but it addresses the important issue of the interplay between environment and culture in marketing, itself a neglected topic.

Literature review

Kohli and Jaworski (1990) define market orientation as the organisation-wide information generation and dissemination process that results in an appropriate response related to current and future customer needs and preferences. Specifically, Narver and Slater (1990) suggest that to examine the market orientation concept it is necessary to recognise three behavioural components – customer orientation, competitor orientation and inter-functional orientation – and two decision criteria – long-term focus and profitability. Various research studies (Kohli and Jaworski, 1990; Slater and Narver, 1995) have pointed to the positive relationship between market orientation and marketing performance. However, the marketing literature has generally been confined to large firms and US marketing managers (Kohli *et al.*, 1993; Narver and Slater, 1990), though Pelham and Wilson (1996) have attempted to examine the relationship of market orientation on small company performance, and there is a growing, but somewhat incoherent, body of literature on the marketing activities of SMEs (Romano and Ratnatunga, 1995; Siu and Kirby, 1998). In comparison, there has been relatively little research into small firm marketing in non-Western contexts (Siu and Kirby, 1999b). However, Heng and Chen (1998) have used the MARKOR scale, adopted from

a sample of large-scale US companies, to reveal that the market orientation of SMEs in Taiwan is a critical determinant of its business performance, while Ngai and Ellis (1998) have argued that in HK company performance is related to marketing practices, not market orientation, a point reinforced by Siu (2000), who suggests that the marketing practices of Chinese small firms in HK are different from their Western counterparts. Although HK is a Chinese city with British characteristics, Chinese small firms in HK are "embedded" (Granovetter, 1985) within the traditional Chinese business environment. In contrast, Chinese small firms in the UK have to deal with non-Chinese publics and are embedded in a Western culture. Thus their approach to marketing may be different from their counterparts in HK. Hence, this study investigates the marketing practices of Chinese small firms in the UK, compares and contrasts their marketing practices with their counterparts in HK, and attempts to determine the applicability of the Western marketing paradigm to different socio-cultural environments.

Methodology

Hypothesis formulation

The study adopts the hypothetic-deductive approach typical of the traditional positivist research paradigm, and follows what Siu and Kirby (1998) have termed the integrative approach – blending the marketing process model (Brooksbank, 1990) and the contingency model (Brooksbank *et al.*, 1992) to identify the differences between the strategic marketing practices of Chinese small firms in HK and their British counterparts in the UK. The six marketing stages specifically related to small firms, proposed by Brooksbank (1990), relate 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 organisation and the implementation of strategic control. They are distilled and used as a framework for hypotheses formulation. Accordingly, 17 hypotheses relating to the differences between the marketing practices of Chinese small firms in HK and the UK are formulated.

Hypotheses relating to business philosophy

Cox *et al.* (1994) reveal that the input of marketing to the strategic planning process is found to be significantly associated with the performance of UK small firms. However, Brooksbank *et al.* (1992) reveal that no significant relationship exists between performance and firm size in UK small firms, while Siu and Kirby (1995) reveal that marketing seems not to enjoy the supreme priority in higher performing Chinese small firms in HK:

- H1. Chinese small firms in HK give a higher priority to marketing than to the other business functions in their overall business approach, when compared with Chinese small firms in the UK.

Empirical studies (for example, Brooksbank *et al.*, 1992; Moller and Anttila, 1987; Weinrauch *et al.*, 1991) have shown that customer-orientation is associated with successful Western smaller firms. Siu and Kirby (1999a) find, however, that successful Chinese small firms define their marketing activities as being more sales or production-oriented in approach, rather than adopting a customer orientation:

- H2. Chinese small firms in HK are less likely than Chinese small firms in the UK to define their marketing activities as customer-driven.

Hypotheses relating to strategic analysis

The empirical findings of British (Cox *et al.*, 1994) and American (Bracker and Pearson, 1986; Bracker *et al.*, 1986; Jones, 1982) studies reveal that small firms use structured strategic planning to attain greater success. However, 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. Chinese small firms in HK are less strategic marketing-planning oriented than Chinese small firms in the UK.

Brooksbank *et al.* (1992) reveal in their empirical findings that higher performing UK small firms are likely to attach considerable importance to a comprehensive situation analysis; for example, internal (company) analysis, competitor analysis, market analysis,

customer analysis, and an analysis of the wider business environment. The findings of Reid and Hinkley (1989) and Siu and Martin (1992) reveal that Chinese small firms are highly sensitive to changing tendencies and external environments:

H4. Chinese small firms in HK pay more attention to a comprehensive situation analysis than Chinese small firms in the UK.

The empirical findings of Brooksbank *et al.* (1992) suggest that successful UK small 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 strengths, weaknesses, opportunities, and threats (SWOT) analysis; the experience curve, product life-cycle (PLC) analysis, portfolio planning matrices; the profit impact on sales (PIMS) study and the marketing audit. Reid and Lee (1989) find that HK firms have little knowledge of strategic planning tools:

H5. Chinese small firms in HK are more aware, and make greater use, of strategic planning tools than Chinese small firms in the UK.

The survey conducted by Brooksbank *et al.* (1992) reveal that there is no statistical relationship between the approach to the future and company performance in UK small firms. Siu (2000) reveals similar results in Chinese small firms in HK:

H6. Chinese small firms in HK are more pro-active with respect to the future than Chinese small firms in the UK.

Research findings (for example, Brooksbank *et al.*, 1992; Schlegelmilch *et al.*, 1985) indicate that better performing UK small firms make a greater use of marketing research in their planning activities. Siu and Kirby (1999a) reveal that successful Chinese owner-managers spend minimal amounts of time in market research activities:

H7. Chinese small firms in HK make greater use of marketing research in their marketing planning activities than Chinese small firms in the UK.

Brooksbank *et al.* (1992) reveal that the performance of SMEs in the UK is associated with self-generated market research, rather than commissioned-in research. Redding

(1980, 1982) finds that Chinese small firms in HK do not often use formal commissioned-in research, but confine their information solicitation methods to informal approaches:

H8. Chinese small firms in HK make greater use of informal marketing research methods than Chinese small firms in the UK.

Hypotheses relating to marketing objectives

Brooksbank *et al.* (1992) find that higher performing UK small firms set longer-term profit objectives. Siu (2000) reveals similar results in Chinese small firms in HK:

H9. Chinese small firms in HK set longer-term profit objectives than Chinese small firms in the UK.

Cox *et al.* (1994) find that higher performing small UK firms take a more aggressive stance in their marketing, specifically more often adopting marketing domination goals. However, the empirical findings of Brooksbank *et al.* (1992) on UK small firms do not support this notion. Davig (1986) finds that there is no best way in competition, because both the “defender” (defensive objectives) and the “prospector” (aggressive objectives) approaches link with company success. Researchers (Redding and Wong, 1986; Wilson and Pusey, 1982) find that the corporate objectives of Chinese firms in HK are more conservative, instead of offensive or aggressive:

H10. Chinese small firms in HK set more defensive marketing objectives than Chinese small firms in the UK.

Hypotheses relating to marketing strategy

Research studies (for example, Wong *et al.*, 1994; Hooley and Lynch, 1994; Peters and Waterman, 1982) support the notion that the higher performing UK 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. Siu and Martin (1992) find that successful HK small firms use the focus of increasing volume; for example, marketing development and diversification:

H11. Chinese small firms in HK concentrate more on raising volume, rather than productivity improvements, than Chinese small firms in the UK.

Empirical findings (for example, Brooksbank *et al.*, 1992; Hooley and Lynch, 1994) suggest that better performing UK companies compete more on the basis of providing value to the customer, than just price alone. The results of Siu and Kirby (1999a), however, reveal that Chinese owner-managers perceive that product planning and product scheduling are of greater importance than other marketing activities, for example price:

H12. Chinese small firms in HK are more likely to compete on the basis of basic value to the customer, rather than price, than Chinese small firms in the UK.

Brooksbank *et al.* (1992) argue that company performance is related to innovation in business practice, but not new product development, in UK small firms. Researchers (Redding, 1990; Siu and Martin, 1992) find that successful Chinese small firms in HK are not active in product innovation. On the other hand, the research results of Siu (2000) suggest that successful Chinese small firms in HK place emphasis on the importance of innovation in ways of doing business:

H13. Chinese small firms in HK innovate less frequently in product development than Chinese small firms in the UK.

H14. Chinese small firms in HK are less innovative in introducing new ways of doing business than Chinese small firms in the UK.

Hypotheses relating to marketing organization

Cox *et al.* (1994) show that there is a relationship between the existence of a separate marketing department and performance in UK small firms. However, the research findings of Brooksbank *et al.* (1992) do not support this notion and they find that higher performance UK small firms have a flatter organization structure. Similarly, Redding and Wong (1986) reveal that

Chinese small firms in HK have a simple organizational structure:

H15. Chinese small firms in HK have a simpler marketing organizational structure than Chinese small firms in the UK.

Brooksbank *et al.* (1992) suggest that higher performance UK small firms 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). Redding and Ng (1982) and Redding and Wong (1986) find that open or participative types of communication in marketing matters seem not to be found in firms in HK. Siu (2000) reveals that Chinese owner-managers of successful small firms in HK communicate well with their subordinates:

H16. Communications in Chinese small firms in HK are more “open” than in Chinese small firms in the UK, which are “fragmented”.

Hypotheses relating to marketing control

Research findings (Brooksbank *et al.*, 1992) reveal that successful UK small firms make greater use of marketing information systems in marketing control. The marketing information systems refer to market research for control purpose, on-going intelligence gathering, and computer-based software as aids to marketing decision making. The research results of Redding and Ng (1982) reveal that Chinese firms tend to use less objective control measures. The research findings of Siu (2000) also show that successful Chinese small firms in HK use very few marketing control tools:

H17. Chinese small firms in HK make less use of marketing information systems than Chinese small firms in the UK.

Research design

Despite all of the limitations associated with the large-scale survey, this research adopts the mail questionnaire method. The approach was adopted not only to obtain a comprehensive picture of the marketing practices of the UK Chinese small firms but also to permit direct comparison with Siu's (2000) earlier work in HK. Given that there

is no official directory relating to Chinese small firms in the UK, it proved difficult to construct a reliable sampling frame. Essentially, two directories were used. These were the Directory of Taiwanese Firms in the UK 1999 (Taiwan Trade Centre in London, 1999) and the Directory of Chinese Overseas Business in UK 1996 (Singtao Publisher, 1996). Together they identify 124 Taiwanese and 220 HK and Mainland Chinese small firms in the UK. These firms are engaged in various activities, ranging from manufacturing to services industries.

The Chinese questionnaire, developed from the literature (Brooksbank, 1990; Cox *et al.*, 1994; Wong *et al.*, 1994) and tested by Siu (2000), was adopted. It was first reviewed by two Chinese professors teaching marketing in UK Universities to ensure face validity, and was further tested by two business practitioners in the UK. No changes were made. Of the 344 questionnaires distributed during October-November 1999, 35 were returned as undeliverable due to a change of addresses or ceased operation. After several telephone reminders, 27 duly completed questionnaires were returned, representing an effective response rate of 8.7 per cent. This is only marginally below the normal response rate (10 per cent) in industrial mail surveys in the UK (Hart, 1987) and a similar study (9.82 per cent) in HK (Siu, 2000). Although several telephone follow-ups were made in an attempt to increase the response rate, the total response rate remained low, and no further action was undertaken to assess the possible extent of non-respondent bias, as the size of the sample suggested that the research findings would be indicative rather than representative of the larger population. Thus, it is not possible to generalise from the findings as the representativeness of the sample is unclear. In the Chinese socio-cultural context, access to firms for data collection is significantly influenced by the researcher's family network and respect for positional authority (Huo and Glinow, 1995). Hence, Chinese owner-managers are unlikely to reveal sensitive marketing and financial information to unknown researchers (Ang and Schmit, 1999), suggesting that perhaps an ethnographic or nomothetic approach to

the research might have been more appropriate in this particular context.

The 27 returned questionnaires were further screened by the definitions proposed by Brooksbank (1991) for SMEs. Only firms with fewer than 500 employees and a sales turnover of less than £30 million were selected. Thus, the actual sample comprised only 18 cases that were analysed using the Chi-square test in the CROSSTABS routine of the SPSS for Windows 10.0 computer software package. This enabled the identification of the differences between the UK (the present study) and HK (Siu, 2000) Chinese small firms in terms of their marketing practices.

Findings and discussion

Business philosophy

From Table I, it would seem that marketing does not enjoy supreme priority in corporate planning ($p = 0.14893$) in Chinese small firms in either the UK or HK. Further, the findings suggest that both the UK and HK Chinese small firms see marketing as having the same importance as production ($p = 0.25708$), finance ($p = 0.60907$), personnel ($p = 0.79124$) and sales ($p = 0.09024$). However, they are divergent in their views about the relationship between marketing and technology ($p = 0.00204$). Thus the results do not lend support to $H1$ – Chinese small firms in HK do not give a higher priority to marketing than they do to the other business functions in their overall business approach, when compared with Chinese small firms in the UK. However, the results suggest that a statistical difference exists between the approaches to marketing ($p = 0.03106$). Based on the present evidence, therefore, $H2$ is supported – Chinese small firms in HK are less likely than Chinese small firms in the UK to define their marketing activities as customer-driven.

Strategic analysis

The statistical results in Table I show that there is a statistical difference between the two cohorts in the extent of strategic marketing planning ($p = 0.00004$). This clearly provides sufficient support for $H3$ – Chinese small firms in HK are less strategically marketing-planning-oriented

Table I Comparative marketing behaviours of Chinese small firms in the UK and HK

	Chi-square	p-value
<i>Business philosophy</i>		
Role of marketing in corporate planning	2.08315	0.14893
Marketing vs production	1.28443	0.25708
Marketing vs finance	0.26153	0.60907
Marketing vs personnel	0.07007	0.79124
Marketing vs technology	9.51730	0.00204**
Marketing vs sales	2.87016	0.09024
Company approach to marketing	4.64977	0.03106
<i>Strategic analysis</i>		
Extent of strategic marketing planning	16.77131	0.00004*
Importance attached to internal (company) analysis	5.36234	0.02058**
Importance attached to market analysis	9.59798	0.00195*
Importance attached to competitor analysis	0.13408	0.71424
Importance attached to customer analysis	7.41604	0.06460
Importance attached to wide environment analysis	1.75283	0.18552
Knowledge of SWOT	14.050719	0.00014*
Knowledge of experience curve	1.89849	0.16825
Knowledge of PLC	4.07712	0.04347**
Knowledge of portfolio matrix	0.07108	0.78977
Knowledge of PIMS	0.07214	0.78824
Knowledge of marketing audit	NA	NA
Level of use of SWOT	22.31615	0.00000*
Level of use of experience curve	1.50329	0.22017
Level of use of PLC	4.86859	0.02735**
Level of use of portfolio matrix	3.13653	0.07656
Level of use of PIMS	0.00075*	0.97812
Level of use of marketing audit	0.53894	0.46287
Approach to planning for the future	8.06843	0.0177**
Research carried out by company	4.34809	0.03705**
Usage of commissioned-in market research	9.32439	0.00226*
<i>Marketing objectives</i>		
Profit objectives	0.12215	0.72671
Sales objective	0.91619	0.33848
Market share movement	4.47931	0.02931**
Cash objective	1.04461	0.30675
Return on investment	0.55309	0.45706
Nature of marketing objectives	6.53592	0.03808**
<i>Marketing strategies</i>		
Way of achievement of marketing objectives	1.91662	0.16623
Performance by product performance	1.65640	0.19809
Performance by product quality	0.74161	0.38915
Performance by product design	0.05901	0.80807
Performance by after sale service	2.33373	0.12660
Performance by credit and finance	1.97049	0.16040
Performance by personal selling	0.53528	0.46440
Performance by advertising	0.04811**	0.82639
Performance by company/brand reputation	1.14414	0.28478
Performance by distribution outlet	3.15687	0.07561
Performance by agency support	2.97144	0.08475
Performance by price	0.02042**	0.88636
Performance by approach to new product development	0.49648	0.48105
Performance by new business practice	2.52686	0.11192

(continued)

Table I

	Chi-square	p-value
Marketing organisation		
Performance by marketing organisation structure	0.74997	0.38649
Performance by opinion vented freely	0.33165	0.56469
Performance by encouraging idea	0.15788	0.69112
Performance by participating decision-making	1.48165	0.22352
Performance by temporary task force	3.29537	0.06948
Performance by overlapping job	3.90749	0.04807
Marketing control		
Performance by customer satisfaction survey	3.47569	0.06228
Performance by claims investigation	0.05722	0.81094
Performance by lost order analysis	0.08080	0.92840
Performance by research market share movement	1.01407	0.31393
Usage of information on competitive behaviour	7.68435	0.00557*
Usage of information on customer behaviour	0.53208	0.46573
Usage of ongoing market intelligence gathering system	1.92332	0.16549
Usage of information on business trend	3.27528	0.07033
Performance by usage of special marketing software	8.95631	0.00276*

Notes: * denotes significant at the 0.01 level of significance; ** denotes significant at the 0.05 level of significance; NA = due to too many empty cells, Chi-square value is not calculated

than Chinese small firms in the UK. It reveals that the UK and HK Chinese small firms are different in the importance of the internal (company) ($p = 0.02058$) and market analyses ($p = 0.00195$). However, no significant differences are observed between the UK and HK Chinese small firms in the competitor ($p = 0.71424$), customer ($p = 0.06460$) and wider business environment analyses ($p = 0.18552$). Thus, the results offer no support for *H4* – Chinese small firms in HK do not pay more attention to a comprehensive situation analysis than Chinese small firms in the UK. Statistically significant differences are found for awareness of the SWOT analysis ($p = 0.00014$) and the PLC concept ($p = 0.04347$). No statistically significant differences were found between the UK and HK Chinese small firms with respect to awareness of the experience curve (0.16825), portfolio planning matrices ($p = 0.78977$), and PIMS study ($p = 0.78824$). The research results suggest that there are differences between Chinese small firms in HK and the UK in awareness of the SWOT analysis ($p = 0.00000$) and the PLC concept ($p = 0.02735$). However, there are no statistically significant differences found between the UK and HK Chinese small firms in the awareness of the experience curve ($p = 0.22017$), planning matrices ($p = 0.07656$), the PIMS study ($p = 0.97812$)

and the marketing audit ($p = 0.46287$). *H5* does not appear to be supported, therefore, and it would seem that Chinese small firms in the UK are more aware, and make greater use, of strategic planning tools than Chinese small firms in HK.

The firms' approaches to the future are also reported in Table I, which suggests a statistically significant difference ($p = 0.0177$) between a firm's approach to the future and its type. *H6* – Chinese small firms in HK adopt a more pro-active rather than reactive approach to the future than Chinese small firms in the UK – could not be sustained, therefore. Furthermore, Chinese small firms in the UK and HK are statistically different in undertaking their own research ($p = 0.03705$) and commissioned-in research ($p = 0.0226$) and do not lend support to either *H7* – Chinese small firms in HK make greater use of marketing research in their marketing planning activities than Chinese small firms in the UK – or *H8* – Chinese small firms in HK make greater use of informal marketing research methods than Chinese small firms in the UK.

Marketing objectives

A statistically significant difference is found between the UK and HK Chinese small firms on using market share movement ($p = 0.02931$) as an objective. The other

marketing objectives, specifically profit ($p = 0.72671$), sales ($p = 0.33848$), cash ($p = 0.30675$) and return on investment ($p = 0.45706$) are insignificant. The results do not provide sufficient support, therefore, for *H9* – Chinese small firms in HK set longer-term profit objectives than Chinese small firms in the UK. However, at the 95 per cent confidence level, there is a statistical relationship between the types of firm and the nature of the marketing objective ($p = 0.03808$). The result appears to support *H10* – suggesting that Chinese small firms in HK do set more defensive marketing objectives than Chinese small firms in the UK.

Marketing strategies

No statistically significant difference, at the 95 per cent level of confidence, was observed on the way of achieving marketing objectives ($p = 0.16623$), indicating that the finding does not lend support to *H11* – Chinese small firms in HK concentrate on raising volume, rather than productivity improvements, compared with Chinese small firms in the UK. Table I also reveals that there are no statistically significant relationships between Chinese small firms in HK and the UK in the 11 areas of the marketing mix – product performance ($p = 0.19809$), product quality ($p = 0.38915$), product design ($p = 0.80807$), after-sales service ($p = 0.12660$), credit and finance ($p = 0.16040$), personal selling ($p = 0.46440$), advertising ($p = 0.82639$), company/brand reputation ($p = 0.28478$), agency support ($p = 0.08475$), distribution outlet ($p = 0.07561$) and price ($p = 0.88636$). Thus the findings do not support *H12* – Chinese small firms in HK compete on the basis of basic value to the customer, rather than price, compared with Chinese small firms in the UK.

The results also show no statistically significant relationship at the 95 per cent level of confidence between Chinese small firms in the UK and HK in their approaches to developing and marketing new products ($p = 0.48105$). Hence they do not point to the rejection of *H13* – Chinese small firms in HK innovate less frequently in product development than Chinese small firms in the UK. Again, there is no statistically significant relationship between Chinese small firms in

HK and the UK in the extent of innovation in introducing new ways of doing business ($p = 0.11192$). Thus, the findings do not appear to support *H14* – Chinese small firms in HK are less innovative in introducing new ways of doing business than Chinese small firms in the UK.

Marketing organisation

Table I suggests that there are no differences between the two types of firms and their behaviour on marketing organisation structure ($p = 0.38649$). This gives no support to *H15* – Chinese small firms in HK have a simpler marketing organisational structure than Chinese small firms in the UK. Similarly, it suggests that there are no differences between the two types of firms and their behaviour on freely-vented opinion ($p = 0.56469$), encouraging ideas ($p = 0.69112$), participative decision making ($p = 0.22352$), and temporary task force ($p = 0.06948$). However, Table I reveals that a statistical difference does exist between the UK and HK Chinese small firms in overlapping jobs ($p = 0.04807$), though these findings do not lend support for *H16* – Chinese small firms in HK use “open” communications instead of “fragmented” communications, compared with Chinese small firms in the UK.

Marketing control

From Table I it is clear that there are no statistically significant differences among the four controlling devices – customer satisfaction ($p = 0.06228$), claims investigation ($p = 0.81094$), lost order analysis ($p = 0.92840$) and research market share movement ($p = 0.31393$) – at the 95 per cent confidence level between the UK and HK Chinese small firms on their ways of controlling marketing activities. However, the results do suggest a difference between the types of firms and the frequency of the observation over the use of information on competitive behaviour ($p = 0.00557$), though there are no differences between HK and the UK Chinese small firms in the use of information in observing customer behaviour change ($p = 0.46573$), market intelligence gathering ($p = 0.16549$) and investigating business trends ($p = 0.07033$). The result from the usage of special marketing software ($p = 0.00276$) does reveal a difference, at the

95 per cent confidence level, between the two types of firm. To some extent, therefore, the results lead to the rejection of *H17* – Chinese small firms in HK make less use of marketing information systems than Chinese small firms in the UK.

Table II contrasts the marketing practices of the UK and HK Chinese small firms. Generally, Chinese small firms in the UK and HK share some common characteristics, but also exhibit some differences in their business philosophies and marketing practices. Nevertheless, several of the differences between these two types of firm are of degree, not of kind. Specifically, the HK Chinese small firms are mainly production-oriented, whereas the UK Chinese small firms are divergent on their business philosophy – from production-orientation to consumer-orientation, which may reflect differences in the market structure. Somewhat surprisingly, perhaps, the research results also suggest that the UK Chinese small firms believe that marketing is more important than technology, compared with their counterparts in HK. Be that as it may, the web of subcontracting and the original equipment manufacturing (OEM) (Siu and Martin, 1992) systems in HK ensure that the products of the HK Chinese small firms meet the specific requirements of the buying offices, their immediate customers and production is not undertaken until a firm order is secured. However, most of the UK Chinese small firms are original brand marketers (OBMs) and they have to market their own brands and to use new technology to develop new products and offer added-value products to customers. The UK Chinese small firms, compared with their HK counterparts, tend to adopt a longer-term orientation in their approaches to strategic marketing planning. Once again this is possibly surprising given the emphasis placed in Chinese culture on longevity and continuity and the more traditional Western concept of “short-termism”. However, it may be a reflection of the pace of life in HK and also the possible influences of the OEM systems of the HK Chinese small firms. Thus, the UK Chinese small firms carry out either their own market research or make use of outside research resources more frequently than their HK counterparts. A possible explanation of the specific pattern is that the

HK Chinese small firms are embedded in an “information void” business environment (Haley and Tan, 1996) where data from market surveys seem highly suspect. Thus, the HK Chinese small firms tend to use personal contact networks to collect information and rely on their own perceptions, not hard data, to make decisions. Thus, the environmental influences are profound.

There is little awareness and application of marketing planning tools in both the UK and HK Chinese small firms. The possible explanations of this result are several. First, most of the Chinese small firms are not widely aware of, or the owner-managers are not familiar with, sophisticated marketing planning tools, reinforcing the view expressed by Siu and Kirby (1995) that small firm marketing is still in its infancy. Second, their business operation is very simple and less changeable. The UK Chinese small firms operate in a less competitive market, where there are no dominant market leaders in their respective sectors and they feel fewer threats, therefore, from their major competitors. It is also possible that their markets are segmented (mainly Chinese) and they occupy a niche market and understand the customers so thoroughly that marketing planning tools are not felt to be needed. Third, other means; for example, social and personal networks, are more effective. Gabreyna and Hwang (1996) suggest that the system of relational norms, specifically family-based or family-like relationships, supporting social interaction in a Chinese society, manifests a form of rationality very different to that of the Western societies with the discrete individualistic, formally rationalised exchanges commonly invoked in economic analysis. Thus, the HK Chinese small firms may adopt an informal marketing planning approach which mainly relies on experience and instinct rather than the formal approach that requires the application of these planning tools. The relational norms tend to affect the operations of Chinese small firms in HK. The UK Chinese small firms are much more proactive than their HK counterparts in defining marketing objectives. Instead of defending and maintaining the current situation as showed in HK Chinese small firms, the UK Chinese small firms aim to

Table II Similarities (S) and dissimilarities (D) of marketing practices of Chinese small firms in HK and the UK

Categories	Performance	S/D	Findings
1. Business philosophy	Role of marketing in corporate planning	S	Both types of firms see marketing has the leading and joint leading role
	Company approach to marketing	D	UK firms are market/consumer oriented and HK firms are production/sales oriented
2. Strategic analysis	Extent of strategic marketing planning	D	UK firms use annual or long-term marketing planning and HK firms use annual budgeting or no planning
	Importance attached to the internal (company) and market analyses	D	UK firms attach high importance to the internal (company) and market analyses and HK firms attach average or low importance to them
	Importance attached to the competitor, customer and wide environment analyses	S	Both types of firm attach average or low importance to competitor customer and wide environment analyses
	Awareness and application of the SWOT analysis and the PLC concept	D	UK firms are much aware of, and also apply them than HK firms
	Awareness and application of the experience curve, PIMS matrices and the marketing audit		Both types of firm not much aware of, nor apply them
	Approach to planning for the future	D	UK firms forecast and plan the future, and HK firms monitor and then adapt
	Use of research carried out by company	D	UK firms have research done more frequently than HK firms
	Use of commissioned-in market research	D	UK firms have research done more frequently than HK firms
3. Marketing objective	Profit objective	S	Both types of firm pursue long term/medium term profit objective
	Nature of marketing objectives	D	UK firms aim for steady growth and HK firms aim for defending and maintaining current position
4. Marketing strategies	Performance by product performance, product quality, product design, credit and finance, personal selling, advertising, company/brand reputation, sale services, distribution outlet, agency support price	S	Both types of firm see themselves as the same/inferior to their competitors
	New product development, new ways of doing business	S	Both types of firm believe they are superior to their competitors
5. Marketing organisation	Organisation structure	S	Both types of firm adopt a flatter organisation structure
	Opinions vented freely, encourage ideas, participate decision and temporary task force	S	Both types of firm adopt these practices
	Overlapping job	D	HK firms feel more strongly than UK firms on disagreeing overlapping job and temporary task force
6. Marketing control	Claims investigation, customer satisfaction survey, lost order analysis, research market share movement	S	Both types of firms carry out these researches less frequently
	Use of information on competitive behaviour and use of special marketing software	D	UK firms tend to use these more frequently than HK firms
	Usage of information on customer behaviour, use of information on business trend, marketing intelligence gathering system, usage of ongoing market intelligence gathering system	S	Both types of firm have an average to low usage of these tools

grow and dominate the market. Under the influences of the harmony with others orientation in a Chinese socio-cultural environment, the HK Chinese small firms will try to avoid face-to-face competition with their Chinese competitors. Thus, the influences of the Chinese cultural orientations tend to be significant.

Implications, limitation and conclusion

For far too long the impact of culture and environment in marketing have been ignored. Led largely by the "scientific" search for generalisable, universally-accepted laws and theories derived from a positivist approach to research in the social sciences, marketing, as a newly-emergent discipline, has tended to adopt such an approach in the search not just for universal truths, but also for academic respectability. In so doing, it has been argued here, that it has failed to recognise the impact of the indigenous and exogenous factors affecting the organisation and their impact on marketing activity. Much of the research on marketing has been conducted on large firms, which may not necessarily be applicable in a small firm context, as Brooksbank *et al.* (1992) have demonstrated. Moreover, that research which has been undertaken on SMEs has rarely been conducted in non-Western contexts where the broad Western marketing principles may not be fully applicable, either, as Siu and Kirby (1999a) have suggested. Hence it is for this reason that it has been proposed (Siu and Kirby, 1998) that a contingency approach needs to be adopted, taking into consideration the various extraneous factors impinging on a firm's operation. Thus this study has adopted such an approach and is probably the first of its kind to investigate the marketing behaviours of firms with the same culture root but operating in different market settings. It has attempted to identify whether Chinese firms in HK and the UK exhibit similar or different marketing behaviours and, as appropriate, the nature and extent of such differences. The Chi-square tests 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 practices of one type of firm differ from another. Though some findings from this study are not statistically significant, they tend to suggest that the firms are similar in some aspects of marketing behaviour but dissimilar in others, even though they share the same cultural values.

It argues that to understand why the UK and HK Chinese small firms behave differently requires a thorough understanding of the culture and operational environment of these firms. The fact that they do not adhere to the normative "best practice" models of marketing derived largely from the study of large-firm marketing in Western contexts does not mean, necessarily, that they are "wrong". Similarly, the fact that they behave differently, though from the same cultural root, does not mean that one has adapted more successfully than the other. Rather, it is more likely that they are responding to different environmental circumstances and influences that, up to now, have rarely been considered in any great detail when considering the marketing practices of either large or SMEs. Thus, while there is literature on the marketing behaviour of Chinese small firms in HK, studies on their counterparts in the UK are few. This makes it difficult not only to understand the behaviour of Chinese small firms in the UK but it prohibits international comparison. However, much of the existing literature has emphasised that culture has a profound impact on firm behaviour (Hofstede, 1980) and researchers have identified family, dialect, and the Confucian value systems as peculiarly suited for business (Redding 1990). The research findings here seem to suggest that the Chinese owner-managers in the UK have maintained their original culture to a large extent despite operating in a Western environment. Thus, it is not surprising to see that the UK Chinese small firms exhibit similar behavioural characteristics to their HK counterparts. However, the differences in marketing practices also point to the importance of understanding the environmental factors. The UK Chinese small firms have to adapt to the UK market systems and operate somewhat differently from their counterparts in HK. The research findings suggest that the interplay between environment and culture on the marketing practices of Chinese small

firms in HK and the UK and also point to the importance of taking both environmental and cultural factors into consideration in making such comparisons. Thus, care should be taken before making generalisations about marketing in Western or Eastern situations and in assuming that marketing tools and techniques are equally applicable across all places. Socio-cultural influences should be considered when attempting to understand the marketing practices of Chinese small firms in general, as should the macro-economic environment.

Apart from its significance for marketing theory, the findings have important practical implications for those from the West wishing to do business with the Chinese, whether expatriates or those from the People's Republic of China. Rather than believing that the overseas Chinese adopt the Western marketing practices and principles, it is important to recognise that their approach to marketing is likely to be determined by both socio-cultural and politico-economic influences. Accordingly, while it may appear to be similar to the Western approach, it is also likely to be significantly different, requiring greater practical understanding and insight.

Clearly, despite adopting a positivist approach to the research it is not possible to generalise from the findings owing to the smallness of the UK sample. However, the findings do suggest that the topic merits further investigation, particularly with respect to determining the interplay of culture and environment in a firm's marketing behaviour. One way to further the research is to adopt a dynamic model, capable of revealing the interplay of the business behaviour and key environmental factors. Such an approach would be especially valuable in identifying whether, eventually, the Chinese culture will be replaced by the Western culture for overseas Chinese firms. Alternatively, a further way to discover the explanation power of both culture and environment might be to adopt a more qualitative approach, using in-depth interviews to determine how environmental and cultural factors influence the marketing practices of owner-managers. Indeed, given the difficulties experienced with this study, even for indigenous Chinese researchers, it is probably advisable not to use

a hypothetico-deductive approach but to adopt an ethnographic or nomothetic methodology or/and a combination of the two – what Siu and Kirby (1999b) have referred to as the contextual stepwise approach. The more qualitative approach to research into small firm marketing has certainly proved to be valuable in mainland China (Siu, 2001) and has been shown by Brooksbank *et al.* (1992, 234) to be “an important means of expanding, further, the findings derived from the mail survey” in a Western (UK) context, also.

This research attempts to improve our understanding of the relationship between culture, market structure and marketing strategy. Given the relationships between the socio-cultural, politico-economic environment and business practice, a business organisation can develop its competitive strategy based on its understanding of the cultural background of a rival organisation. Moreover, for government decision makers, understanding such a relationship could improve their policy effectiveness by creating certain environments that either foster particular business behaviours or induce certain required organisational practices. Whatever, in a global economy and society, in which SMEs are increasingly being required to operate, it is imperative that the impact of culture and environment is understood and appreciated.

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