Small Firm Marketing in China: A Comparative Study

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ABSTRACT. This paper examines the influence of Chinese cultural values on marketing practices in different socio-cultural settings and business contexts, for example the United Kingdom, Hong Kong and China. 20 Chinese small firms in China were selected and their owner-managers were interviewed. Findings of interviews undertaken by Brooksbank et al. (1992) with 20 British small firm chief marketing executives, and Siu (1997) with 26 Chinese owner-managers in Hong Kong, were collated to form a database for comparison purposes. The research results suggest that the specific marketing practices of Chinese small firms in mainland China are different from those of their counterparts, for example, British and Hong Kong Chinese small firms. A tentative model is developed explaining the factors that appear likely, on the basis of this research, to affect the marketing performance of small firms in China.

1. Introduction

Much of the research on marketing in general and small firm marketing in particular has been conducted in a Western context. Increasingly, however, it is becoming apparent that the basic principles and practices which apply in one specific environment may not be necessarily relevant and applicable in another. Siu and Kirby (1999a) have argued that in the case of small firms, research into marketing needs to adopt a contingency approach. In pursuit of this, they have undertaken (Siu and Kirby, 1999b) a comparison of Eastern and Western small firm marketing practices based on Siu's (1997) research in Hong Kong. The opening up of the Chinese economy provides an opportunity to extend the work into Mainland China where small firms are beginning to play an increasingly important role in the development of the country's economy. By the year 2000, it is expected that the private sector will have increased its share of the nation's gross value of industrial output from 0.8% in 1957 to 13.4%, whereas the contribution of the state sector will have declined from 53.8% to 27.3% (Goodman, 1995). Notably, the contribution of the private sector, mostly small firms, will be of increasing importance to China's future economic development.

Since 1978, China has adopted a series of reform measures and open door policies aiming at switching China from a highly-centralised planned state to a socialist market economy. Consequently, the political, legal, social and cultural dimensions of the market environment in China have become chaotic. During the transition, the central government decentralises decision-making power to enterprises and gives them greater control rights. Nevertheless, government planning still exists, such as interference in market activities, setting the institutional determinants – the political and economic institutions set up by the government to shape a firm's incentive system and thus influence its behaviour and performance, and policies that continue to encourage distorted firm behaviour like concentrated on government-guided production only. Thus, the performance of Chinese enterprises is determined not only by environmental factors in the market economy, but also by factors such as the institutional determinants (Li, 1998).

Also, the planned economy and the shortage of products had cultivated a "production concept" rooted in Chinese enterprise managers or factory directors for about 40 years, especially in the state-owned enterprises (Wei, 1995). Chinese enterprises are in the process of adapting their production to the market demand and transforming their production concept to the modern marketing tenets. Though the recent decade of economic

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reform has greatly influenced both consumers and enterprises in China, the traditional culture remains underpinning Chinese values and behaviour (Bond and Hwang, 1986). Siu's (1997) pilot investigation provides evidence of mediating variables, for example the Chinese cultural value orientation, that hold implications for actionable marketing practices in Chinese small firms in Hong Kong, a Chinese city with British characteristics. To disentangle the influences of the environmental factors on Chinese enterprises, the published research results of the marketing practices of British small firms (for example Brooksbank et al., 1992) and Hong Kong (Siu, 1997; Siu, 2000) have been collated to form a database to compare Chinese and British marketing practices, offer enlightenment regarding mediational processes and identify boundary conditions for Chinese small firm marketing theory.

2. Research objectives

Since marketing scholars (Carson, 1990; Siu and Kirby, 1995) have argued that marketing contributes to small firm success, it seems appropriate to investigate how Chinese small firms undertake marketing and to compare their understanding of marketing and its implementation with their counterparts in the West. Thus, the first objective of this research is to contribute both to theory and practice by examining the marketing practices of small firms in China and investigating the extent to which marketing has actually been adopted by Chinese small firms.

Brooksbank et al. (1992) reveal that higher performing British small firms give a higher priority to marketing than the other business functions in their overall approach to business. The British small firms are customer driven and use annual and longer-term marketing planning. Higher performing British small firms use both formal and informal market research and adopt a proactive approach in planning for the future. Also higher performing small firms in Britain use market expansion strategies and explicit approaches to control marketing activities. Interestingly, however, the research results of Siu (2000) discover that Chinese small firms in Hong Kong, a Chinese city with British characteristics, exhibit different marketing behaviour. For example, higher performing Chinese small firms in Hong Kong are sales- or production-oriented. They neither undertake comprehensive situation analysis, nor have knowledge, or use, of marketing planning tools. Higher performing Chinese small firms in Hong Kong place emphasis on personal selling, production performance and company/brand reputation, but less on product price and quality. Thus, the second objective of this paper is to compare and contrast the marketing practices of small firms in China with similar studies in the U.K. (for example, Brooksbank et al., 1992) and Hong Kong (Siu, 1997; Siu, 2000) and also to determine the applicability of the Western marketing paradigm to the China context.

3. Conceptual framework

For many management scholars (for example Kotler, 1988; Levitt, 1983) marketing is the essential ingredient for success in business. To date, scholarly publications on the management of small firms in China are few and scarce. Some researchers have adopted macro, non-managerial perspectives, such as regional studies (Anyansi-Archibong et al., 1989; Chang and MacMillan, 1991), urban development (Gold, 1989), political studies (Wang, 1990), sociology (Solinger, 1984a, b) and economic development (Tuan et al., 1986; Young, 1991) to examine Chinese small firms, while others have concluded that factors, such as the competitive environment (Nolan and Dong, 1990), psychological traits (Guo, 1990) and the entrepreneurial spirit (Siu et al., 1993, Kirby and Fan, 1995) are essential to small firm success. Given the apparent importance of marketing to small firm success, but its clear neglect, this research examines the marketing practices of Chinese small firms in mainland China, comparing them with those of their counterparts in Western (for example the British) society.

Also, researchers (Day, 1986; Wensley, 1981) argue that the traditional content approaches, using formal planning procedures and logical flow plan models, are inappropriate to the reality of planning marketing, while Piercy and Morgan (1994) have suggested that marketing should be examined from the context approach, which places emphasis on the behavioural process in making marketing decisions. This study adopts the context approach, which has been proposed by some small business researchers (Carson, 1990; Brooksbank et al., 1992; Siu and Kirby, 1999a), to investigate small firm marketing in China. In order to advance small firm marketing theory, the study follows the integrative approach (Siu and Kirby, 1998) – 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 higher and lower performing small firms in China and their British counterparts in the U.K. and also Chinese counterparts in Hong Kong. The six-stage small firm marketing practices, 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 organisation and the implementation of strategic control, are adopted. Followed the approach used by Brooksbank et al. (1992), self-reported information on how, in a company's last financial year, it performed (1 = "Better", 2 = "The Same", 3 = "Worse" or 4 = "Don't Know") relative to major competitors on the following criteria: profit, sales volume, market share, and return on investment is used to determine company performance. 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. This paper identifies the relationship between marketing practices and company performance.

Much of the literature on small firm marketing has adopted the Western marketing paradigm. The research findings of Siu and Kirby (1995, 1999a) suggest that small firm marketing in Western and Eastern business environments may differ and point to the importance of using traditional cultural values in understanding Chinese marketing decisions. However, there is no major study of Chinese small firm marketing which adopts this approach. 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. Thus, this research attempts to apply the traditional Chinese cultural value model proposed by Yau (1988) to examine small firm marketing.

Yau's (1988) Chinese cultural value orientations (Table I) 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.

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 individuals, which are far beyond the control of an individual. However, Yau (1988) 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 they 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.

TABLE I
Yau's (1988) classification of Chinese cultural values

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 *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 business run 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 Chinese societies and organisations because of its pervasive influence in interpersonal relations, as suggested by Bond (1991). Redding and Ng (1982) find 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 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 (1990). Kluckhohn and Strodtbeck (1961) note that the Chinese have a strong preference for past-time orientation as they place primary emphasis on the 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 commonalties (instead of extremities) inherited in things and thus to attain the "natural laws" (i.e. moral principles). Though Yau (1988) 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 above review of Chinese cultural values tends to suggest that Chinese small firms, under the influences of the man-to-nature orientation, will not formulate formal marketing plans. Also, the man-to-himself orientation may affect Chinese small firms not to set specific marketing objectives. Given the strong influence of the relational orientation, Chinese small firms may rely heavily upon personal contacts as a marketing tactic. Under the influences of the time-orientation, Chinese small firms may be less innovative than their Western counterparts. It is also expected that the personal-activity orientation may affect the marketing control activities of Chinese small firms to be less explicit. Thus, this paper tries to determine to what extent, the Chinese cultural values, will have mediating effects upon the performance of a Chinese enterprise.

4. Research design

Although a survey is a valuable method of identifying marketing practices, it provides limited opportunity to investigate the issue in depth. Much debate exists about the methods appropriate for research in the small business sector. Zaltman et al. (1982) propose using a "theory in use" approach and suggest that researchers should work alongside managers if they want to study marketing activities. Curran and Burrows (1987) doubt the effectiveness of survey based research methods in understanding the actions, meanings and intentions of owner managers, while Carson (1990) and Gibb and Davies (1990) recommend small business researchers to use qualitative research methods to offer "in-depth" knowledge and Brooksbank et al. (1992) have pointed to the deficiency of relying entirely on survey data. Researchers (Milliman and Glinow, 1998) argue that translated questions and scales may not have the same meaning from one country to another. More importantly, the access to firms for research interview or data collection is significantly influenced by the researcher's family network and respect for positional authority in the Chinese socio-cultural context (Huo and Glinow, 1995). Woodcock and Chen (2000) suggest that though a researcher may lack positional authority within firms, the academic position could assist the requests for co-operation and participation in case study research in Taiwan, a Chinese society. Thus, given the exploratory nature of this comparative research, the case study approach derived from Yin (1989) is used. The high quality of information obtained from the case study approach permits the marketing planning process of Chinese small firms to be examined in-depth.

Small firms from Guangdong, the economic hub of South China and also the province abundant in small enterprises, were purposively selected. The owner-managers were interviewed. Should they not be available, the Chief Marketing Executive of the firm was approached and 20 small firms were successfully interviewed. All 20 Chinese small firms of this research are manufacturers. 7 (35%) also participate in direct and indirect exporting and 1 (5%) in importing. 5 (25%) sell products to local and overseas markets, 2 (10%) only to overseas markets and 13 (65%) only to local markets. The products include electronic products, household appliances, printing, food, furniture and audio equipment and others. 6 (30%) are state-owned, 5 collective (25%), and 7 (35%) private enterprises and 2 joint venture (10%) are included in the sample. 16 (80%) are small firms with employment size less than 200, whereas 4 (20%) are medium sized firms with 200 to 500 employees. Detailed profiles of the respondents of this research are shown in Table II. However, the published results of Brooksbank et al. (1992) do not reveal details of the sampled 20 British medium-size manufacturing firms. As for the Hong Kong database (Siu, 1997), all 26 sampled 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.

5. Data analytical method

In order to explore in more depth the marketing decision process and behaviour of small firms in China, personal interviews were used. A semi-structured interview schedule was adopted to collect information. McCracken's (1988) long interview techniques were used to guide the inter-

TABLE II
Profiles of respondents

Case	Ownership type	Industry
1	Collective enterprise	Pig farm
2	Private enterprise	Audio equipment
3	Joint venture	Office equipment
4	State-owned enterprise	Ship repair and maintenance
5	Private enterprise	Household appliances
6	Private enterprise	Food
7	Joint venture	Shoes
8	Private enterprise	Furniture
9	Private enterprise	Printing
10	State-owned enterprise	Pharmaceuticals
11	State-owned enterprise	Air-conditioning
12	Private enterprise	Packaging equipment
13	State-owned enterprise	Fire extinguishers
14	Collective enterprise	Computer
15	State-owned enterprise	Pharmaceuticals
16	Private enterprise	Household appliances
17	State-owned enterprise	Electronic products
18	Collective enterprise	Food processing
19	Collective enterprise	Cloth dyeing
20	Collective enterprise	Household appliances

view and to provide focus using a series of open questions pertaining to marketing decisions in small firms. Based upon the approach used by Brooksbank et al. (1992), 3 (15%) of the respondent firms were classified as "Higher Performers", 7 (35%) as "Average Performers" and 10 (50%) as "Lower Performers". Prior research studies (for example Wright and Geroy, 1990) had demonstrated that the long interview technique was useful and effective in small business research and the average duration of each interview was two to three hours. Interviews were recorded and transcribed accordingly. Given the exploratory nature of the research, NUD.IST, a computer-aided qualitative research software, was used to process the data. The findings were compared with the published results about the marketing practices of 20 British small firms (Brooksbank et al., 1992) and interview findings conducted with 26 Hong Kong Chinese owner-managers (Siu, 1997).

6. Findings

6.1. *Business philosophy*

The published results of Brooksbank et al. (1992) revealed that British small firms used an integrated effort, involving all the business functions, in corporate planning. Higher performing British small firms were more inclined to highlight marketing as the "driving force" behind the firm's planning efforts, compared to the others who placed emphasis on selling, production or R&D featured most highly. In contrast, in-depth interviews with 20 Chinese owner managers and/or small firm chief marketing executives revealed different findings. To most Chinese marketing executives, they are involved in implementation, rather than strategy formulation, where they play a consultative role, and planning is the "baby" of the chief executive, the owner-manager. Planning is regarded as confidential and owner-managers refuse to disclose the detail in most cases. When pressed, most Chinese respondents revealed, however, that marketing was not regarded as being of more importance than any other functional activity. Interestingly, product quality, credibility, personal networks, relations with government officials and company/brand reputation appear to have the leading role in corporate planning. According to one respondent:

> "Yes, marketing plays a decisive role in a company. We need to consider the market behaviour to develop plans. We also need to conduct market research. Whether marketing in our company is the same as those theories, I think there is a distance. We are a new company with high growth rate. At this rapid development stage, we have to establish good relationship (with government officials)"

Another respondent made the following remark:

> "Those who have used our services will come back again. . . . Credibility is very important."

In response to the question of what is the key task of marketing in the company, Brooksbank et al. (1992) revealed that the lower performing British firms emphasised the need to make sales. In contrast, high performing British firms identified that marketing had a more cross-functional responsibility for the firm's future from a long-term perspective. For example, Brooksbank et al. (1992, p. 226) reported that one British respondent remarked:

> "Marketing has to make sure we always keep one step ahead of our competitors".

In contrast, the responses provided by the Chinese respondents indicate that marketing is an order-getting activity, linked closely with sales and the strengthening of personal networks. Two respondents recognised:

> "Marketing is to sell products and strengthen relationships with our customers."

> "Sales is equal to marketing."

Be that as it may, Chinese enterprises are still accustomed to the central planning system and thus they perceive marketing as a sales function.

6.2. *Situation analysis*

According to Brooksbank et al. (1992), the higher performing British firms had budgeting and annual marketing plan activities. In contrast, half the lower performing British small firms limited their marketing planning activities only to annual budgeting. Interestingly, however, all of the Chinese firms had annual budget plans. As for the lower performing Chinese firms, the marketing plan was derived from the production plan. This suggests that Chinese enterprises still follow the planning practices under the central planning system and little marketing analysis is undertaken. Though the higher performing Chinese small firms have annual plans, strategy formulation is somewhat different. The rural and private enterprises have more freedom to develop their plans, compared with the state-owned enterprises. Thus, they put much more effort into studying the customer responses and inputs from other managers. Marketing planning in Chinese small firms, in practice, consists of a series of informal meetings between senior managers from all functions. Critical issues and questions are addressed, discussed and exchanged simply in term of words and ideas, before gradually crystallising and evolving. Brooksbank et al. (1992) revealed similar activities in British higher performing small firms.

The lower performing British small firms did not use situation analysis frequently. However, the British higher performing firms seemed far more competitor-focused and collected information for tactical, rather than strategic purposes. Brooksbank et al. (1992, pp. 226–227) specifically reported that:

> "For example, invariably an 'internal analysis' would simply mean keeping track of sales and cost information for control purposes. Information on competitors was typically limited to salesforce feedback and personal contacts in industry, with customer and market information based on reading trade journals and occasionally buying-in commercially available market reports."

Interestingly, Chinese small firms performed somewhat similarly, but depended much more on the marketing executive or the owner-managers. When asked about the use of various situation analyses, they reported that they did not do much about this. The respondents mentioned:

> "The accounting department will inform me of everything I need. I can ask them to provide me with information. I also know the sales record well."

> "I subscribe to ASIAN SOURCES (a trading magazine) and other business magazines. I also read newspapers. Though I return home late at about 1:00 am, I watch the news programme of the CCTV International Channel. Of course, I use the internet."

> "A lot of channels. It includes internal information, enquiries over the phone . . . To sum up, we do not rely on one channel. So we are relatively flexible."

> "I collect the information through my personal network. Of course, the General Manager has his own. We rely on our networks to collect information."

Industry and competitor information was collected from sales contacts with customers and reading newspapers and professional magazines. Compared with British small firms, the Chinese small firms appear to be less active in undertaking formal situation analysis.

The planning tools most commonly used and understood by British small firms were SWOT analysis, PLC analysis and the Marketing Audit. The others, for example, the experience curve, portfolio planning matrices, the PIMS study and the Marketing Audit were rarely used. Brooksbank et al. (1992) reported that most British executives used simple discussion as an "analytical tool". In contrast, the Chinese executives had heard of these Western marketing planning tools. However, they had not applied them. One Chinese respondent remarked that they had heard of these important tools but did not know how to use them.

> "We need to pass the manager/economist qualifying examination. This is a prerequisite for any managerial appointments in Chinese enterprises. . . . We are like crabs caught and kept in a basket. The government, in the past, exercised their control over all our activities and we had little room for manoeuvre. We did not need to practise those business activities. Now, they allocate more autonomy, remove all barriers. We are like the crabs released from the basket. However, we are not equipped with any modern marketing knowledge or techniques. It's like a crab that crawls across the ground without knowing where the pond is. We may be trapped in a pit!"

British small firm managers disclosed that their plans were based on their forecasts of the future and both front line staff, for example the salesforce and also other functional staff participated in forecasting the future. The higher performing British small firms, revealed by Brooksbank et al. (1992), not only used computers as an on-going intelligence-gathering "machine" which provided a rich data source frequently, but also adopted a more detailed and systematized "judgmental" approach, and relied less on "gut feel" and informal salesforce feedback. Brooksbank et al. (1992, p. 228) reported that one British interviewee explained how his company's technical and financial managers were responsible for ensuring that predictions were consistent with the prevailing general technological and economic trends, respectively.

As for the Chinese small firm executives, most respondents 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, the majority responded that they could only complete the orders in hand and were not able to estimate or predict what would happen in the future. Fatalism seems to influence 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, it is interesting to note that there are discernible differences between state-owned enterprises and private enterprises. Managers of state-owned enterprises believed fatalism (Yuarn) had nothing to do with their businesses. They were convinced that hard work to attain acceptable product quality and on-schedule delivery were crucial and essential for business success, not Yuarn. In contrast, the private enterprise managers accepted that Yuarn had, to some extent, influenced their operations. One respondent admitted:

> "We have developed a new product and sell only to local buyers. One day, an old lady from Hong Kong walked in and placed an order. I asked how she knew us. She said by referral. She knows us from indirect sources. I think that may be a little bit of Yuarn."

Further analysis of the interview scripts suggests that the respondents believe that Yuarn helps Chinese small firms identify prospective buyers, brings in some unsought business, 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. Siu (1997) revealed similar findings in studying marketing practices of Chinese small firms in Hong Kong. Two respondents commented:

> "Yuarn is important, but so too is hard work."

> "When you continue to explore, Yuarn will come. Yuarn can be found if you are eager to look for it. It is directly related to your hard work."

This finding confirms Yau's (1988) argument that Yuarn leads to self-reliance. Chinese small firm 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. One respondent acknowledged:

> "I was young at that time, about 26. I went to Xiamen to develop new business by cold calls. The prospect was a famous facsimile company in Xiamen. The manager did not hear about our brand, company, or product. I introduced our products with the catalogues. Then, we signed the contract. He even made part pre-payment. Yuarn exists. However, Yuarn only comes when the buyers believe that you are reliable, trustworthy and credible."

The interviews revealed a sharp contrast between the British and Chinese small firms with respect to research and the range and innovativeness with which it is carried out. The British small firms, as suggested by Brooksbank et al. (1992), tend to follow-up customer complaints or analyse the reasons for lost business by questionnaire surveys, telemarketing research, qualitative field work and joint co-operation with customers or suppliers, and sponsor research projects with universities and colleges. However, the Chinese small firms tend to use personal observation, product comparison and personal contact networks either by the owner manager or the firm's sales representative to solicit information. As one Chinese owner manager said:

> "We send the sales representative to observe the market, compare and contrast our products with that of our major competitors. So, we know the market situation."

Yet another pointed out that,

> "We talk to our friends and government officials."

The results tend to suggest that in Chinese small firms the information solicitation process is owner-manager dependent and significantly influenced by his/her personal networks.

6.3. *Marketing objectives and strategies*

Brooksbank et al. (1992) reveal that British small firms tend to set long-term objectives. As for Chinese small firms, there are sharp contrasts between the private and state-owned enterprises. State-owned enterprises tend to set short-term (1 or 2 year) plans. One Chinese executive explained:

> "Our factory is a state-owned enterprise. This is our limitation. The term of service of a factory director (or enterprise manager) is only 2 to 3 years".

Interestingly, however, the private enterprises tend to have a medium- (3 to 5 year) to long-term planning horizon and it would appear that the continuity of operations and type of ownership permit this. One respondents recognised:

> "We consider the medium- and long-term profits. If I carry out a project, I would only implement it when it can make medium- or long-term profits. As long as we can earn profits in the long-run, we can forgo the short-term loss."

Whereas the strategic focus of British small firms was raising volume by either expanding the total market or entering into new markets, rather than improving productivity through cost reduction (Brooksbank et al., 1992), Chinese small firms appear to focus on cost reduction and productivity improvement. According to one Chinese executive:

> "We will not use price cutting to compete, we compete with our good product quality, low production price, high reliability and prompt delivery."

Siu (1997) has revealed that in Hong Kong the doctrine of the mean and the principle of harmony influence the formulation of marketing objectives of Chinese small firms. Asked how these traditional Chinese concepts influenced their operations, executives of state-owned enterprises strongly indicated they had nothing to do with their businesses. They were convinced that good product quality and low production costs would be crucial and essential, not the doctrine of the mean and the principle of harmony. Interestingly, however, the private enterprise executives accepted that the doctrine of the mean and the principle of harmony had, to some extent, influenced their operations. Two respondents admitted:

> "There is an old Chinese saying – 'Participants in the same industry are rivals'. But, it changes now. If a customer needs a product that I cannot produce, I will refer him to other industry participants. Similarly, others will do the same for me. Rivalry could change to reciprocity."

> "We do not have adequate strength to compete directly with our major competitors, as we were not so strong in 1993 and 1994. We were the market leader in Southwest China. Company X (the respondent's major competitors and name not disclosed to maintain confidentiality) entered into the region. We do not want to have direct confrontation with them. We identify a market niche (the low- to medium-end market) and we enter into it to gain the leading position in that sector."

Siu (1997) has found that Chinese owner-managers in Hong Kong classify their competitors into three types, namely friendly and close competitors, friendly but not close competitors, and unfriendly competitors. The interview results also support this classification. Thus, it seems that the interdependence principle and group orientation of the Chinese cultural values influence the marketing strategy formulation of Chinese small firms with respect to their competitors.

6.4. *Marketing organisation*

Brooksbank et al. (1992) reported that the higher performing British small firms used "flatter" organisational structures, and facilitated "informal" and "open" information and communication flows. However, the Chinese respondents indicated that they were still using the traditional "pyramid" organisational structure with several managerial layers. Also, due to the pyramid structure, their information flow tends to be more "formal" and "fragmented" (i.e., with communication between levels in the management hierarchy). Two respondents said:

> "We have 30 staff in the marketing department. I am the marketing manager. Under me, there is a customer services department, product development department and after-sales maintenance department. They have department heads and managers."

> "We have three sales directors. I am the head, the other two are my assistants. One of them is responsible for the Northwest and West while the other is for the Central region. We have regular monthly meetings. We may discuss why the sales situation is not so good and why customers default payment. We could also discuss about remedial measures. We allocate 32 staff members to manage provinces outside Guangdong. Each staff is responsible for two provinces. The Guangdong province is managed by 7 staff. They also share the sales support jobs including preparing sales quotations, writing sales reports and answering enquiries."

6.5. *Marketing control*

The British executive interviews undertaken by Brooksbank et al. (1992) showed that most British companies used an informal approach to gather and file relevant information generated from a variety of sources, for example the sales force reporting procedure. This information would tend to be disseminated throughout the "open" organisational structure. The Chinese respondents were not able to describe their marketing control devices either in detail or clearly. The preceding sections have outlined that the marketing planning activities of Chinese small firms are derived from the production plans. Also, Chinese small firms do not know how to use marketing planning tools. Thus, it may be expected that Chinese owner managers will not be able to convey their marketing goals and objectives to their subordinates. Rather, they rely on the performance of their subordinates to determine the reward. One respondent acknowledged:

> "The control method is based on the results. The person who can sell more will be rewarded with higher pay. We adopt a progressive approach to increase the sales target annually. If they cannot reach the target, they have less bonus."

Siu (1997) reveals that face is an important influential factor in marketing control in Chinese small firms in Hong Kong. Interestingly, however, almost all the respondents (95%) indicated that face was not an important factor. They agreed that face could not help them attain success, nor survival, in severe competition. However, reviewing the interview scripts suggests that the influences of face are profound in marketing control in small firms in China and there is not much difference between their counterparts in Hong Kong. One respondent recognised:

> "If the performance of the salesman is no good, I'll talk to him and advise him how to improve. Allow some more time for improvement, for example, three months. If there is no improvement, I'll advise him to leave the company."

It seems that under the influence of the personal activity orientation, the respective marketing control tactics of Chinese small firms are vague, subtle, and sometimes unclear. Hence, marketing control methods used by Chinese marketing executives are mostly non-objective performance assessments.

7. Discussion

Table III provides a detailed comparison between the research results on marketing in small firms in Britain (Brooksbank et al., 1992) and the present study. It reveals that the higher performing British small firms are customer-driven and give a higher priority to marketing than the other business functions in their overall approach to business. They have annual marketing plans, high levels of awareness and degrees of using situation analysis. British small firms use various forecasting methods to predict and respond to the future and various approaches, both formal and informal, to research the market. British small firms set long-term objectives and their strategic focus is on raising volume by either expanding the total market or entering into a new market. The British small firms adopt simple organisational structures and facilitate open communication flows and tend to use an explicit approach to control their marketing activities.

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 politico-economic nature of China – a state controlled socialist business environment. Thus, Chinese small firms have to ensure that the products meet the specific requirements of the government, their immediate customers and they perceive marketing as a sales function and an order-getting activity. Though the Chinese economy is now becoming more market economy oriented, traditional influences still prevail. Also, when small firms practise marketing by themselves, they have nobody to learn from, except the large state-owned enterprises, which are production- or sales-oriented (Siu and Tam, 1994). Nevertheless, this specific politico-economic structure also makes Chinese small firms aware of the importance of good relationships with customers, government officials and other business practitioners. Small firms in China put much effort into establishing close and good relationships with the buyers and government officials. The research results reveal that this is influenced by the relational orientation of Chinese culture. Thus, this explains why they perceive that business success will not be influenced solely by marketing, but by product quality, personal networks, relations with government officials and company/brand reputation.

There is little marketing analysis in Chinese small firms. The respect for authority principle encourages paternalism in Chinese small firms (Redding and Wong, 1986) and the marketing

TABLE III
Marketing practices of British vs. Chinese small firms

	Marketing practices	British small firms (adapted from Brooksbank et al., 1992)	Chinese small firms (based on results of the present study)
1	Business philosophy	Marketing has the leading role	Marketing has a joint leading role together with product quality, credibility, personal network, and relationship with government officials;
		Customer-driven	Order-getting
2	Strategic analysis	Use annual or long-term marketing planning	Use annual budgeting or no marketing planning;
		Place high importance on comprehensive situation analysis	Have knowledge about, but do not use comprehensive situation analysis;
		Undertake both formal and informal market research	Rely heavily on personal contact network in market research
		Use a proactive approach in planning for the future	Deny the need to predict and plan for the future
3	Marketing objectives	Adopt medium- to long-term profit objectives	State-owned enterprises adopt short-term profit objectives. Private enterprises adopt medium- to long-term profit objectives
4	Marketing strategies	Focus on market expansion	Focus on cost reduction
5	Marketing organisation	Adopt a flatter organisation structure	Adopt a pyramid organisation structure;
		An open communication flow	A closed communication flow
6	Marketing control	Use explicit approach to control their marketing activities	Use non-objective performance assessments

information solicitation process depends highly upon the drive and motivation of the owner-managers and the marketing executives, their personal observations, networks or “gut feelings”. Hence, formal and commissioned research activities are rarely found in Chinese small firms. The research results reveal that Yuarn, the deep sense of fatalism in Chinese culture, frequently makes Chinese owner managers deny the need to predict and plan the future. Chinese small firm managers believe that the pre-determined relations with other things or individuals are beyond their 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. 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 their customers or buyers. 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.

The research evidence challenges the argument proposed by Siu (1997) 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. Interestingly, the research findings show that Chinese state-owned small firms use a short-term planning horizon, whereas the private enterprises adopt a medium- or long-term approach in planning. The research results also confirm the findings of Nee (1992), Whitley (1994) and Child (1994) that the mediational factors, for example, the continuity of operations and type of ownership, do influence the performance of Chinese enterprises. 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. Hence, Chinese small firms are not able or willing to set specific targets in formulating marketing objectives. The marketing control tactics in Chinese small firms, as revealed by the research, are vague, subtle, and sometimes unclear.

From a policy perspective, the findings reported here suggest that the marketing practices of British and Chinese small firms are different. Therefore, British small firms should be cautious when trading with Chinese small firms or doing business in China, assuming that their western tenets are applicable worldwide. Specifically, British small firms should consider expanding their networks into the Chinese communities or enter them so as to capture more business opportunities. As Chinese small firms adopt a pyramid organisational structure and use a closed communication flow, British small firms need to be patient to allow the business information to flow from one layer to another. Alternatively, British small firms may proactively reach all layers of the Chinese organisation so as to facilitate proper and faster information flow. When dealing with their Chinese partners, British small firms may need to identify the importance and impact of the environment as Chinese small firms do not undertake formal situation analysis.

The findings of this research provide an in-depth evaluation of marketing practices in small firms in China. The results also provide a detailed description of how, and to what extent, these Chinese small firms make marketing decisions, market their products and maintain competitiveness. However, the findings tend to suggest that the readily broad small firm marketing principles, specifically generated from the Western economies, may not be fully suitable for some specific politico-economic contexts, for example small firms in China. Researchers (Brown, 1995; Redding, 1990) have acknowledged that cultural, structural and institutional factors influence business and marketing practices. Thus, mediational variables, for example, the continuity of operations, type of ownership, and relations with government officials have to be considered in developing a marketing theory or model specifically for small firms in China. The dependent variables, for example success or failure of Chinese small firms, can only be understood and

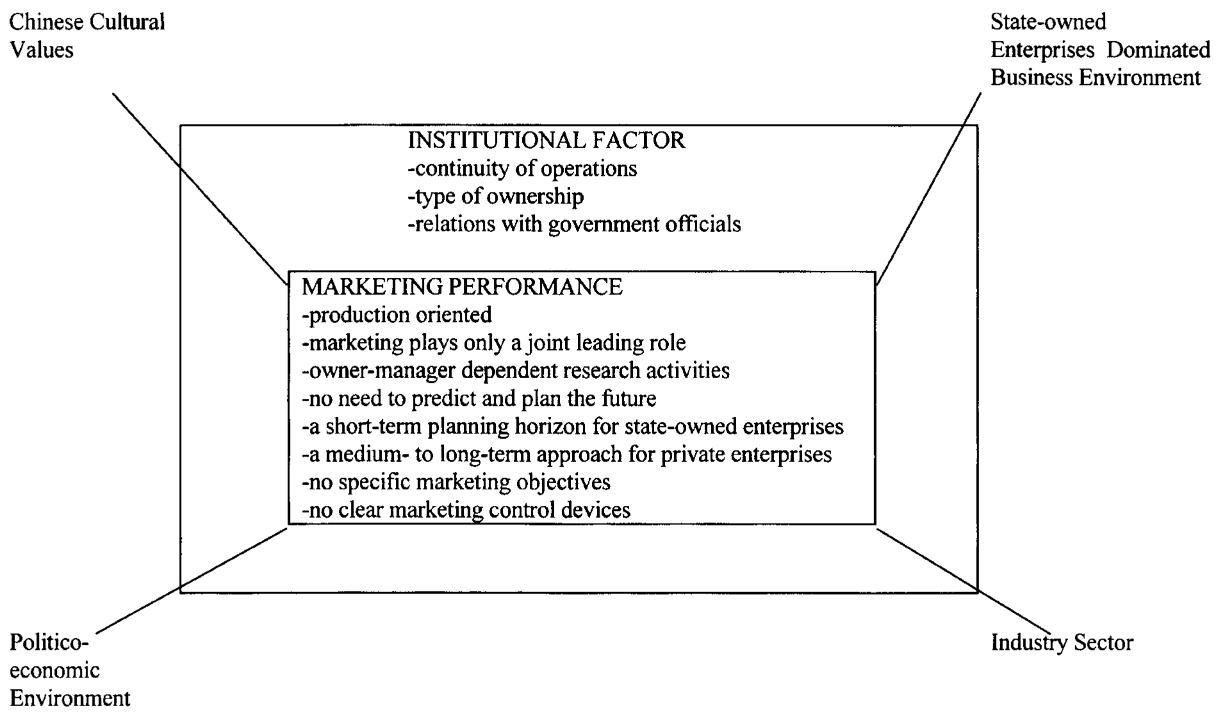

Figure 1. A tentative contingency model for marketing performance of Chinese small firm in mainland China.

explained by acknowledging the effects of the independent variables, for example Chinese cultural and economic institutions, as well as the politico-economic structures and environments within which they operate. This conforms with the proposal of using contingency approach (Siu and Kirby, 1998), in research into small firm marketing. A tentative model explaining the factors that appear likely, on the basis of this research, to affect the marketing performance of Chinese small firms is shown in Figure 1.

However, the tentative model should be interpreted with care. First, the conceptualization of marketing practices is quite limited in that rather generic items reflecting a traditional staged approach to marketing are used instead of other measures which attempt to differentiate relationship or transaction based marketing. As the British study adopting the transactionally-oriented marketing is held out as a reference point, the contribution of social network and time orientation to relationship based marketing is not specifically considered for comparison purpose. Thus, future research should consider the conceptualization of marketing practices and acknowledge the importance of relationship marketing. Second, there is a time lag of several years between the reference study and the present research, which may have influenced the results. Further research to update the marketing practices of Hong Kong and British small firms will provide a sound and better base for comparison. Third, the Chinese cultural orientation is addressed as mediating which indicates an assumption of causality. However, there are a number of other models, for example small firm learning style (Chaston et al., 2000) and entrepreneurial marketing competencies and networks (Carson, et al., 1995), to some extent, could equally well explain the observed phenomena. Hence, this research will progress to conduct a large-scale survey to determine the extent to which institutional and cultural factors in China influence small firm marketing performance from a relationship marketing perspective.

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