STRATEGIC MARKETING PRACTICES OF HIGH PERFORMING MALAYSIAN FIRMS

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INTRODUCTION

In today's extremely competitive world marketing effectiveness is not just a necessity, it is the prerequisite of business success. It was none other than Drucker who expressed the view that marketing is so basic to the business that it can hardly be looked at as a separate function. The final results of the business depend on how the customer sees the whole business. Subscribing to this viewpoint Kotler (1986) suggests that the number one challenge facing management is to develop, improve and implement competitive marketing strategies.

However, browsing through the literature one quickly notices that few studies have tested the relationships between strategic marketing practices and the performance of the firm, (Sieh 1987, Sim 1981 and Kapoor and Singh 1987). Even the few studies that were conducted provided conflicting, if not inconclusive results. Furthermore, most of the studies focused on strategic management aspects rather than strategic marketing (Sulaiman, 1993).

This study is intended to explore the relationships between strategic marketing practices and the performance of the firm, specifically in the Malaysian environment. It is hoped that the study will be able to shed some light on which practices do contribute to performance and which ones do not.

MARKETING CONCEPTS

Marketing is undoubtedly a complex process and marketing problems cannot be easily understood or explained in clearly quantifiable terms. The environment, psychological forces, budgets and costs simultaneously interact to affect marketing activities of the firm. In addition, the lack of reliable information on various variables affecting marketing makes the process even more challenging and unpredictable.

Marketing has been defined as " the business function that identifies unfulfilled needs and wants, defines and measures their magnitude, determines which target markets the organisation can best serve, decides on the appropriate products, services and programs to serve these markets and calls upon everyone to think and serve the customer"(Kotler 1986, p.15). From this definition it is clear that marketing plays a central role in defining the business mission, analysis of the environment, competitive

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and business situations, defining goals and objectives, strategies, products, markets, distribution systems, and quality plans to implement the strategies. It is also obvious that marketing should be founded upon strategic plans of the firm. Strategic planning is the managerial process of developing and maintaining a viable fit between the organisation's goals and resources and its changing market opportunities. The objectives of strategic planning are to design and redesign the company's business and products for enhancing the firm's long-term profits and growth.

Marketing management is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services, to create exchanges that satisfy individual and organisational objectives. The process consists of analysing marketing opportunities, researching and selecting target markets, designing marketing strategies, planning marketing programs, organising and implementing and controlling the marketing effort. Marketing planning is the crux of strategic marketing management. It focuses on the detailed product-market strategies and programs for achieving the firm's objectives. The marketing plan is the main tool for directing and co-ordinating the marketing effort. Firms which aspire to improve their performance have to learn how to formulate and implement sound marketing plans (Kotler, 1986).

Strategic marketing management can perhaps be summarised as follows: strategic plan → business unit goals → marketing plans → marketing plan implementation → evaluation of results and taking corrective action. McCarthy and Perrault (1990) depict the strategic marketing management process in the following simplified model.
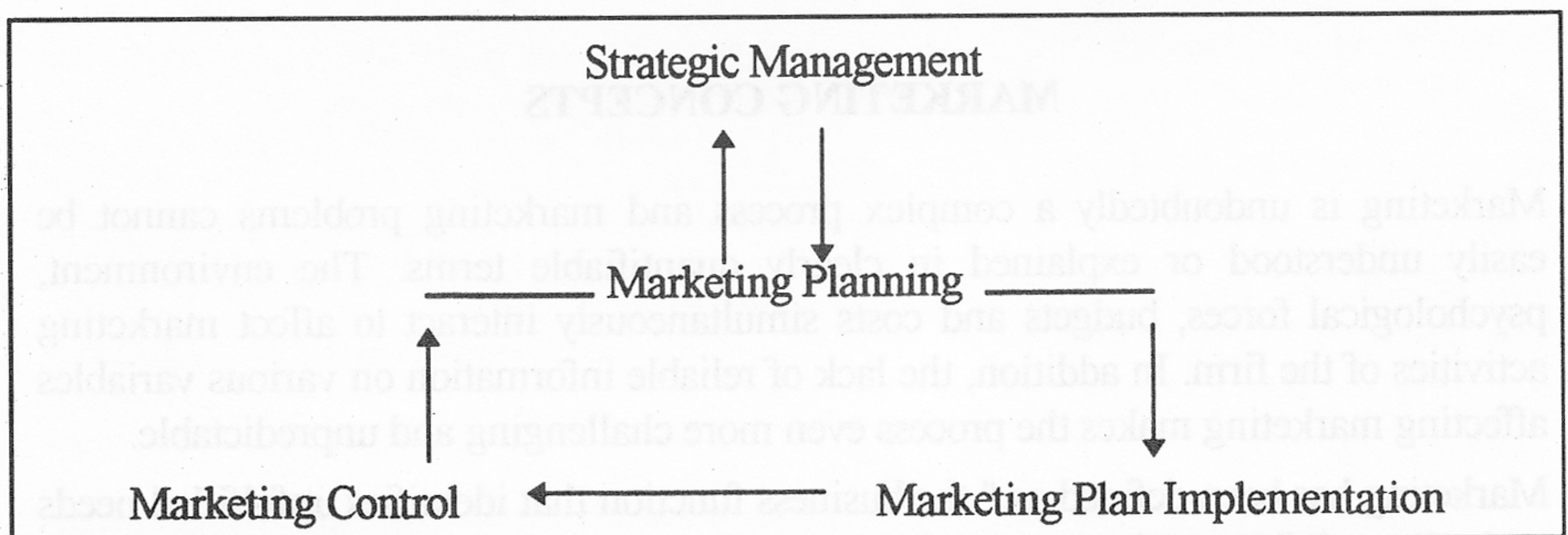
Strategic management defines the corporate mission, goals and objectives and the product-market scope of the business. From this, strategic marketing management formulates marketing strategies which lays out the broad decisions regarding marketing objectives, marketing mix, the marketing budget and its allocation. Plans for the product, pricing, place, and promotion have to be crafted. These plans have to be given the necessary resources and geared into action.

PRIOR RESEARCH

Prior research into the relationships between strategic marketing management and firm performance have produced at best ambivalent results. Some research found support to the hypothesis that planning, strategising, implementation and control are related to higher performance. Yet other studies provide results which are quite the opposite.

Shoefler, Buzzel and Heany (1974) and the PIMS (1977) studies found that planning and strategising, do contribute to increasing market share, profitability and improved cash flow. Schewe (1987) also found that firms using long-term planning (which are formalised and comprehensive) are more successful than those which did not. These studies support prior research by Thune and House (1970), Grinyer and Noburn (1975), Karger and Malik (1975), Ansoff (1970) and Pearce, Robbins and Robinson (1987). Kaye and Garter (1979) found that in a majority of cases firms fail because of weak management and poor control. This view is shared by Sharma and Mahajan, (1980).

On the other hand, several research have provided evidence to the contrary. Fulmer and Rue (1974), Lindsay et al (1981) found no significant relationships between planning activities and performance. Similarly, Kudla (1980) found that planning has no effect on reduction of risk and returns on equity. Robinson and Pearce (1987) studying the banking industry found that strategic planning has no relationship with performance. For manufacturing firms Frederickson and Mitchell's (1984) study indicated that comprehensive planning has negative relationship with performance.

RESEARCH OBJECTIVES

This research is aimed at fulfilling two main objectives. The first is to determine the relationships between strategic marketing management (planning, implementation and control) and firm performance. Secondly, the research hopes to find the characteristics of strategic marketing practices exhibited by high performing firms.
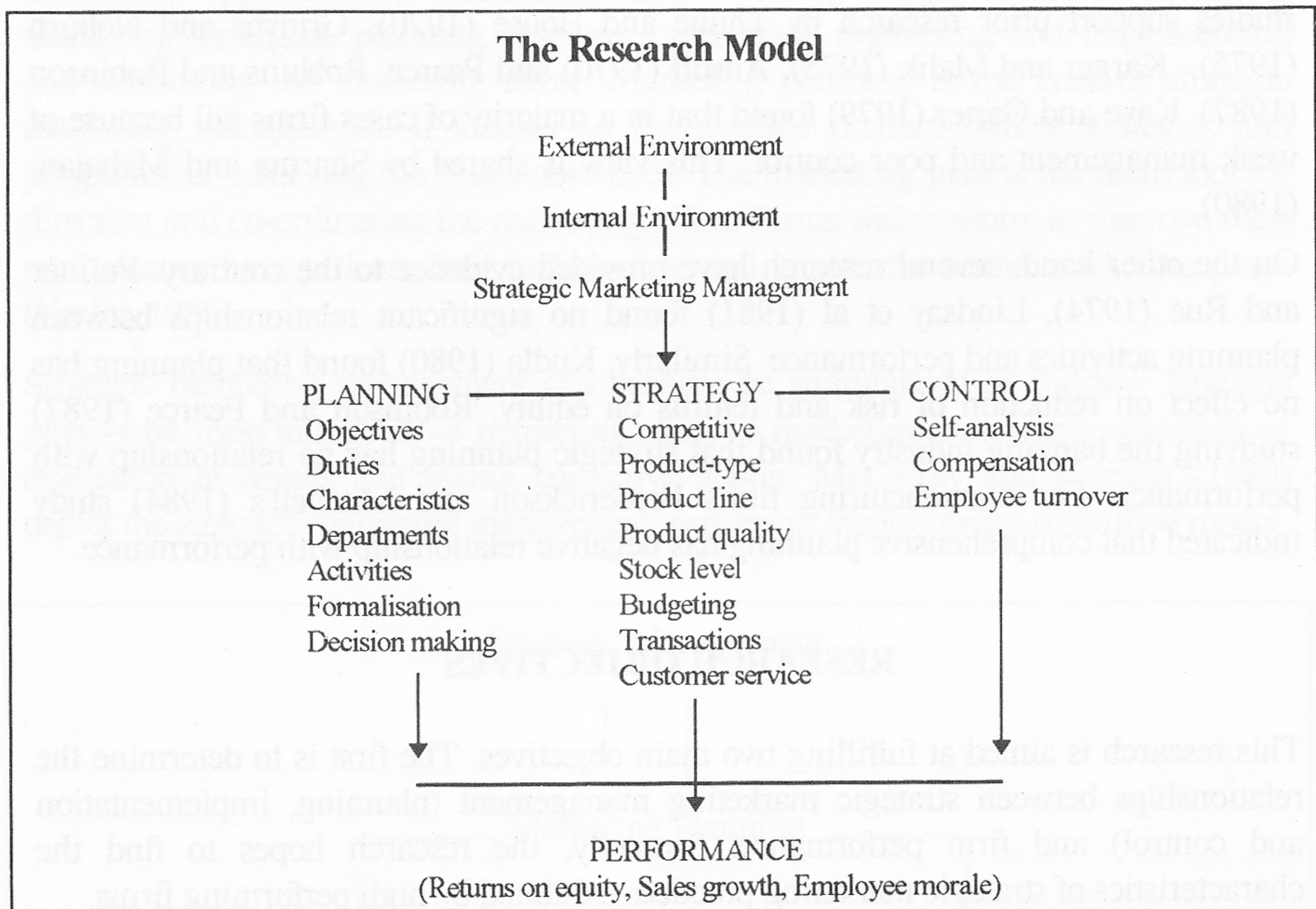
RESEARCH MODEL

A model is useful in helping us conceptualise more clearly the relationships of the many variables in the research. The variables in this research can be hypothesised as having the relationships depicted in the model.

QUESTIONNAIRE AND SAMPLE

For a study of this nature a questionnaire survey is felt the most appropriate means of collecting the data. The questionnaire designed consisted of five main parts. The first part requests the respondent to provide the background data of the firm, such as the name of the firm, the name of the respondent and designation, number of employees, age of organisation, etc. The second part of the questionnaire requests the respondent

to evaluate the external environment of the firm. The variables on environmental uncertainty and competition are on a scale of 1 to 5. The third part of the questionnaire relates to planning variables, such as objectives, planning characteristics, size of marketing department, decision making process, etc. Most of the variables are on the Likert-scale of 1 to 5, though some are objective data. Questions in the fourth part are on strategy variables, such as what type of competitive strategy the firm adheres to, the marketing mix variables, strategy variables relating to product type, product lines, quality level, stock level and budget type. The fifth part consists of control variables, such as the type marketing audits used, analysis of strengths and weaknesses, compensation level and employee turnover.

The Research Model

External Environment
|
Internal Environment
|
Strategic Marketing Management
|

PLANNING ———— STRATEGY ———— CONTROL
Objectives   Competitive   Self-analysis
Duties   Product-type   Compensation
Characteristics   Product line   Employee turnover
Departments   Product quality
Activities   Stock level
Formalisation   Budgeting
Decision making   Transactions
                        Customer service

PERFORMANCE
(Returns on equity, Sales growth, Employee morale)

Three performance measures are selected as dependent variables. They are returns on equity (ROE), sales growth and employee morale. They represent different aspects of firm performance. The objective performance data are collected from the Kuala Lumpur Stock Exchange Annual Handbook, for the period of five years from 1987 to 1991. Profitability and sales growth figures are calculated over the five-year period and averaged. The behavioural performance of morale is a perceptual measure to be evaluated by the respondent on a scale of 1 to 5 (very poor to excellent).

THE SAMPLE

The sample for this research are selected from the list of manufacturing firms quoted on the Kuala Lumpur Stock Exchange. Manufacturing firms are chosen because their

nature is such that they have direct interactions with their environments. Marketing effectiveness or the lack of it, is expected to become prevalent very quickly.

In 1991 there were 292 manufacturing firms on the Kuala Lumpur Stock Exchange listing. From these 169 firms were selected and approached to participate in the research. Seventy-five of these firms agreed to participate and to be interviewed. The respondents were either the chief executive officer or the marketing manager who filled out the questionnaire. One of the researchers would then interview each respondent to confirm the data and obtain further information about the firm. The data was collected between September 1992 and February 1993, in Kuala Lumpur, Penang, Johor Baru, Melaka and Seremban.

SAMPLE CHARACTERISTICS

Of the 75 firms 32 were producing consumer products, while 43 were producing mainly industrial products. They cover a wide variety of industries from steel to tyres to plastics and to food items like soft drinks. The average sales range from RM 6 million to RM 346 million with a mean of RM 287 million, (RM 2.55 = US$ 1). The average annual sales over the five years increased from RM 168 million to RM 444 million. The average annual profit of the firms range from a loss of RM 18.4 million to a profit of RM 371 million. The earnings per share range from a loss of 6 cents to a profit of 15 cents.

HYPOTHESES

Three general hypotheses can be advanced from the research model. They relate to the linkage between the performance variables of return of equity, sales growth, and morale and strategic marketing variables. They can be stated thus:

a) Return on equity = f(firm profile variables, planning activities, strategy variables, control variables, and environmental variables).

b) Sales growth = f(firm profile variables, planning activities, strategic marketing variables, control variables, and environmental variables).

c) Employee morale = f(firm profile variables, planning activities, strategic marketing variables, control variables, and environmental variables).

The independent variables are broken down into sub-variables as listed in Table 1.

ANALYSIS AND FINDINGS

Before testing the hypothesis the data was treated to a Cronbach alpha test to ascertain its reliability. The Cronbach alpha values obtained were between 0.61 to 0.91 which are above the minimum (0.50) required for these tests (Cronbach, 1951).

Various statistical techniques were tried on the data to determine the relationships between strategic marketing variables and performance variables. Spearman

Table 1: Spearman Correlation of Performance with Strategic Marketing Variables

Variables	ROE	Sales Growth	Morale
Firm Profile			
Age	.01	-.21*	.08
Co. size	.13	.21*	.36*
No. in Markt Dept.	.18	.20	.27*
Diversification	.00	.22*	.37*
Planning Activities			
No. of Planners	.01	-.06	.23*
Involvement of planners	-.13	.02	-.19
Inv. of personnel and fin.	.08	-.01	-.14
Inv. of corp. markt.	.23*	.17	-.16
Importance of objectives	.29*	-.07	.35*
Inv. of production dept.	-.32*	-.01	.10
Inv. of distribution dept.	.23*	.09	-.01
Inv. of public relations	-.05	.03	.05
Customer service	.11	.13	.09
Formalisation	-.11	-.04	-.20*
Product. decisions	.01	-.05	-.02
Marketing budget	-.11	-.14	.06
New product decisions	.08	.02	.06
New work methods	.20*	.06	.07
Strategy			
Product advantage	.21*	.13	.47*
Channel advantage	.01	.01	.30*
Advantage in contacts	.12	.02	.21*
Brand advantage	.11	.07	.20*
Prod. type advantage	.08	.13	.09
Prod. line advantage	.31*	.01	.27*
Prod. quality	.08	.20*	.35*
Stock level	.29*	.04	-.19
Budget flexibility	-.02	.25*	.21*
Transactions	.06	.07	.03
Customer services	.31*	.03	.03
Control			
Marketing control	.10	.01	.25*
Management control	.13	.08	.41*
Management Info. system	.03	.12	.24*
Salary level	.28*	.04	.36*
Turnover of personnel	-.11	-.11	.05
Environment			
Political uncertainty	.03	.12	.13
Technological uncertainty	.20*	-.12	.15
Uncertainty of resources	.11	.05	.19*
Economic uncertainty	.05	.01	.21*
Level of competition	.15	-.12	.15
Competition in price	.02	-.14	.08
Competition in distribution	.07	.03	.35*
Competition in promotion	.26*	.02	.38*
Certainty of internal envir.	.01	.09	.12

* $p < .05$

correlation, anova, t-tests, regressions and the Mann-Whitney U Test were conducted. But for the purposes of this paper only the correlation and the regression analysis results are presented. These tests very much confirm each others' results. The correlation and the regression results provided the most convincing evidence of

relationships. The three dependent variables used in this research, are namely returns on equity (ROE), sales growth and employee morale. Returns on equity is averaged over five years from 1987 to 1991. Sales growth is also averaged over the five-year period. Employee morale is the general level of motivation in the firm as evaluated by the respondent.

Table 1 shows the Spearman correlation results of the performance variables with the strategic marketing variables.

The correlation coefficients are not strong, but some conclusions could be drawn from them. ROE is significantly correlated with the involvement of the corporate marketing department in planning, importance of objective setting, planning of distribution, new work methods, having product advantage, higher stock level, better customer services, higher salary level, economic uncertainty and competition in promotion. ROE is negatively related with production planning, though.

The performance variable of sales growth is significantly related positively with company size, size of marketing department, level of diversification, budget flexibility and product quality. However, sales growth is negatively related to the age of the firm. The older the firm the slower seems the growth rate.

Employee morale is significantly related with most of the strategic marketing variables. Size of the firm, size of marketing department, diversification are related significantly with morale. The number of planners, emphasis on objectives, formalisation, all the advantages in product, channel, etc. contribute significantly to morale. Most of the control variables also are related positively with morale. This is a surprising result, looking from the Western viewpoint. But in the Malaysian context the result supports earlier studies, (Sulaiman, 1993) that stronger control need not lower morale. On the contrary, it could enhance it.

Tables 2, 3 and 4 present the step-wise regression analysis results of the performance variables on strategic marketing variables.

Table 2: Regression of ROE on Strategic Marketing Variables

Variables	Regression Coefficient	T-value	Sig.
Constant	0.365	.996	.323
Product planning	-.227	-2.79	.007
Work methods planning	.173	2.23	.029
Marketing dept.	.188	.21	.030
Customer service	.300	3.88	.002
Stock level	.163	.34	.022
Economic uncertainty	.239	3.15	.002

Multiple R=0.65, R2=0.427, Adj. R2=0.38, Std. error = 0.38, F=8.45, sig. F. = 0.00

Table 2 shows that six of the strategic marketing variables significantly contribute to ROE. The length of time taken for product planning contributes negatively to ROE; but work methods planning, the size of marketing department, the emphasis on customer service, the stock level and the perception of economic uncertainty

significantly improves ROE. The whole model is significant with adjusted R2 of .38 and F-value of 8.45, which is quite credible for a research of this type.

Table 3: Regression of Sales Growth on Strategic Marketing Variables

Variables	Coefficient	T-value	Sig.
Constant	1.248	3.548	.001
Budgeting	0.205	2.295	.024
Multiple R = 0.26, R2 = 0.07, Adjusted R2 = 0.05, Std. error = 0.80, F. = 5.26, Sig. = 0.03			

Table 3 shows the regression results of sales growth on strategic marketing variables. Only one independent variable is significantly related to sales growth, i.e. budget flexibility. It appears that firms with a more flexible budget achieve a faster rate of growth.

Table 4 presents the regression results of morale on the strategic marketing variables. Five independent variables significantly contribute to morale of personnel. Product advantage, management information systems, compensation level, channel uncertainty and economic uncertainty explain more than 50% of the variations in the model. While product advantage, a better information system, and a higher salary level could easily explain a higher morale, uncertainties in marketing channel and the economy are quite unexpected. It is likely that challenges in the market place such as found in channel competition and the uncertain economy help to raise the level of activities in the firm and thereby raise morale.

Table 4: Regression of Morale on Strategic Marketing Variables

Variables	Coefficient	T-value	Sig.
Constant	1.060	4.250	0.000
Product advantage	0.125	3.336	0.001
Mgt. info. system	0.079	2.169	0.033
Salary level	0.156	2.497	0.015
Uncertainty in channel	0.129	3.618	0.001
Uncertainty in economy	0.095	2.618	0.011
Multiple R = 0.71, R2 = 0.50, Adj. R2 = 0.45, Std. error = 0.30, F = 11.28, Sig. F= 0.00			

The regression results help to strengthen our findings from the correlation analysis. These results indicate that the model built for this research has a basis, though it has yet to be refined.

CONCLUSIONS AND DISCUSSIONS

This research has provided evidence that some strategic marketing activities do contribute to higher performance. It was found that in planning the involvement of

the marketing department, specific marketing objectives, production planning, innovative work methods are important ingredients for higher returns on equity. In strategy formulation, having more product lines, higher stock level, better customer service can make a difference to profitability. In the control aspect, a better compensation package can positively contribute to earnings. These findings are consistent with those of Schoefler, Buzzel and Heany (1974), Schewe (1987) and Pearce, Robbins and Robinson (1987).

On the performance criteria of sales growth only two strategic marketing variables have significant relationships. Higher product quality and budget flexibility seem to contribute to faster sales growth. This seems to support the findings of Fulmer and Rue (1974), Lindsay et al, (1981), Kudla (1980). This paucity of significant relationships could be due to the timing of the study. The period 1987-1991 was a period of very fast economic growth for Malaysia. The country's gross domestic product grew on average between 8% to 10.5%. As indicated in the sample characteristics most of the firms grew at very rapid rates.

This research also provides evidence that strategic marketing elements are significantly related with employee morale. The morale of employees of firms engaged in strategic marketing planning are higher. Employee morale is an important ingredient of organisational health and long-term performance.

The data from Malaysian firms largely confirm the theory that proper planning, implementation and control of the strategic marketing effort do contribute to firm profitability and employee morale, though not to sales growth. Managers concerned with their firms' performance should note· that effective marketing planning, strategising and control do make a difference to their firms' returns on equity, sales growth and morale.

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