MANAGERIAL PERCEPTIONS OF RELATIONSHIP MARKETING EFFECTIVENESS ON PERCEIVED BUSINESS PERFORMANCE IN THE HONG KONG INFORMATION AND COMMUNICATION TECHNOLOGY INDUSTRY

Toni Maria Tong, City University of Hong Kong, PRC
Philip J. Rosenberger III & Gulftherme Pires
University of Newcastle, Australia

ABSTRACT

There is scant literature and a lack of empirical knowledge regarding buyer-seller relationships within technology-based environments, such as the ICT sector in Hong Kong (HKICT). Moreover, the available empirical research on the applicability of RMO in the HKICT industry is both limited and important, since ICT businesses appear to adopt a product-focused orientation. This abundantly justifies the purpose of this research, consisting of an empirical examination of managerial perceptions of the influence of RMO on business performance in the HKICT industry. Following an introductory discussion of the HKICT industry, the strategic foundations of RMO are then discussed, leading to the development of a conceptual model linking RMO and business performance. Developed from research by Yau et al., (1999) and by Sin et al., (2002), the conceptual model is extended to account for potential moderating effects of organizational factors, namely firm size, product type and perceived relationship prominence. The methodology, results, conclusions, and limitations are then presented. The research findings offer empirical evidence that supports a positive, albeit smaller than expected, impact of perceived RMO on business performance in the HKICT industry. The results also indicate that organizational factors do not significantly moderate the relationship between RMO and business performance.

I. INTRODUCTION

To deal with the intense competitive pressures many businesses face, analysis in Western countries have advocated and found evidence of enhanced performance by businesses following a relationship marketing orientation (RMO). This orientation shifted their strategic attention from market share to customer share, fostering long-term relationships with stakeholders (Baum and Khan, 2003; Colgate and Lang, 2005; Shoemaker and Bower, 2003; Bauer et al., 2002; Narver and Slater, 1990; Berry, 1983).

Relationship marketing (RMO) entails "identify and establish, maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises" (Gronroos, 1994: 9). While the acquisition of new customers is not discarded, adoption of RMO involves the application of RM principles with a view to enhancing business performance (e.g. profitability) and marketing performance (e.g. market share, customer loyalty) through customer retention and long-term commitment (Dawes and Swailes, 1999; Bharadwaj et al., 1993).

Implementing RMO can act as a tool of differentiation as perceived by stakeholders (Hunt and Arnett, 2006; Winklhofer et al., 2006) and to support networking capabilities, one of the key features of contemporary high-performance organizations (Whit, 2007). But, the generalization of RM effectiveness to different industries and contexts has been questioned.

The development of RMO occurred in a Western context and the appropriateness and extent of applying Western marketing principles in distinct social-cultural contexts remains to be unambiguously established. In the case of RM, its applicability for the Asian context has been questioned on the grounds that the desired relational benefits depend on cultural differences (Siu, 2000), a notion supported by Patterson and Smith (2001) finding of a marked difference in customer perceived value between US and Asian customers. But the similarities between RM practices and certain Chinese business practices that are essentially culturally influenced are acknowledged by Roslin and Meclew (2004). While cautioning against inferences of a direct relationship between both practices, RM constructs such as commitment and trust are also present in Chinese business associations, particularly among those with established social linkages. Nevertheless, a lack of stronger evidence for the merit of RM practices paved the way for the argument that traditional or transactional marketing offers a more suitable approach, including for Hong Kong firms (O'Loughlin and Szszjin, 2007; Siu, 2005). The relevance of RM in the Asian context merits further investigation.

The few studies conducted within the East Asian context offer support for the appropriateness of RM practices in this region. China and Hong Kong are recognized as Confucian societies, arguably characterized by a higher belief in unselfishness, keeping promises, justice and loyalty (Gao and Kim, 2009).

Evidence exists supporting the existence of benefits ensuing from the adoption of RM practices within various industries in Hong Kong, a service-oriented economy. This includes the services sector as a whole - using an aggregated sample of businesses drawn from finance, real estate, wholesaling, retailing, trading, hotel and catering sectors (Sin et al., 2002) — and the financial, textiles and education sectors (Gordon et al., 2008; Adamson et al., 2003; Ngai and Ellis, 1998). When the financial sector is concerned, the importance of RM for Asian banks is supported by So and Szepece (2000) and Gordon et al., (2008), with the latter placing an emphasis on the importance of communication.

Given the importance afforded to information and communications technology (ICT) and ICT-based strategies such as customer relationship management (CRM) by businesses employing RM strategies, one industry that appears ideally positioned to benefit from the adoption of RMO, is the highly competitive ICT industry in Hong Kong (Wright et al., 2002). However, there is scant literature and a lack of empirical knowledge regarding buyer-seller relationships within technology-based environments (Grüner and Homberg, 2005; Ruyter et al., 2001), such as the ICT sector in Hong Kong (HKICT). Moreover, the available empirical research on the applicability of RMO in the HKICT industry is both limited and important, since HKICT businesses appear to adopt a product-focused orientation. This abundantly justifies the purpose of this research, consisting of an empirical examination of managerial perceptions of the influence of RMO on business performance in the HKICT industry.

The HKICT industry is first discussed to establish the research context. The strategic foundations of RMO are then discussed, leading to the development of a conceptual model linking RMO and business performance. The model is then extended to examine whether the relationship between RMO and business performance is moderated by firm size (Baum et al., 2000), product type (Bendapudi and Berry, 1997) and perceived relationship prominence (Oleander-Schroder et al., 2003). The methodology, results, conclusion and limitations are then presented.

II. THE ICT INDUSTRY IN HONG KONG

The HKICT industry comprises three sectors: internet, information technology and telecommunications (HKITDC, 2007b). Total ICT expenditure experienced by the HKICT industry grew at a rapid 56 percent to approximately HK$25 billion in dollars in the 1998-2000 period, and at a much lower rate of 7 percent to reach HK$32.7 billion (or 1.9 percent of Gross Domestic Product (GDP)) in 2005 (HKCSD, 2007a). In 2009, the value added of the HKICT industry amounted to HK$68 billion, representing 4.4 percent of GDP. The 15,300 HKICT businesses employed around 114,200 people, accounting for 3.5 percent of total employment (HKCSD, 2011). This represents an increase of almost 64 percent in the number of businesses and 52 percent in total employment relative to 2005 (HKCSD, 2007).

The slower post-2002 growth mean that the HKICT industry did not expand as expected, giving rise to discussions of whether the industry requires a shift in marketing focus from a transactional orientation to a relational one, and of the effectiveness of traditional marketing approaches in promoting HKICT goods and services.

Adoption of RMO compels firms to possibly engage in an initial investment aimed at attracting customers' lifetime value. If this investment creates a cost disadvantage for firms, these firms risk being left behind by competitors, at least in the short to medium terms. Notwithstanding, nowadays customers can be argued to be more cautious, knowledgeable and rational in their ICT spending, substituting perceived value objectives for purely cost-based criteria. For firms in the HKICT industry, this prompts the need to better attend to customers' needs, implying that there might be a need to modify their marketing orientation in order to create sustainable competitive advantage.

The above view of the industry is strengthened once it is recognized that technological products often face the problem of appropriability when their development is costly, but can be imitated cheaply. Arguably, this is a problem that may be solved with successful branding and relationship marketing practices (Rao, 2005), a tenet supported by a study which focused on practitioners began to identify the development of long-term relationships with customers and suppliers alike as a critical success factor for the HKICT (SiH, 2007). Faced with more sophisticated customers and intensified competition, further understanding of the extent of the adoption of customer-focused RM strategies in the HKICT industry is therefore needed.
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I. INTRODUCTION

To deal with the intense competitive pressure many businesses face, analysts in Western countries have advocated and found evidence of enhanced performance by businesses following a relationship marketing orientation (RMO). This orientation shifted their strategic attention from market share to customer share, fostering long-term relationships with stakeholders (Huang and Khan, 2008; Colgate and Lang, 2005; Shoemaker and Bowen, 2003; Heskett et al., 2002; Narver and Slater, 1990; Berry, 1983).

Relationship marketing (RM) entails to "identify, establish and maintain and enhance and, when necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met, and this is done by mutual exchange and fulfillment of promises" (Greenley, 1994: 9). While the acquisition of new customers is not discarded, adoption of RMO involves the application of RM principles with a view to enhancing business performance (e.g., profitability) and marketing performance (e.g., market share, customer loyalty) through customer relations and long-term commitments (Dave and Swamidas, 1999; Bhargav et al., 1993).

Implementing RMO can act as a tool of differentiation as perceived by stakeholders (Hunt and Arnett, 2006; Winklhofer et. al., 2006) and to support networking capabilities, one of the key features of contemporary high-performance organizations (Wael, 2007). But, the generalization of RM effectiveness to different industries and contexts has been questioned.

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Evidence exists supporting the existence of benefits ensuing from the adoption of RM practices within various industries in Hong Kong, a service-oriented economy. This includes the services sector as a whole — using an aggregated sample of businesses drawn from finance, real estate, wholesaling, retailing, trading, hotel and catering sectors (Kim et al., 2002) — and the financial, textile and education sectors (Gordon et. al, 2008; Adamson et al., 2003; Ngai and Ellis, 1998). When the financial sector is concerned, the importance of RM for Asian banks is supported by So and Szepece (2000) and Gordon et al., (2008), with the latter placing an emphasis on the importance of communication.

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II. THE ICT INDUSTRY IN HONG KONG

The HKICT industry comprises three sectors: internet, information technology and telecommunications (HKTDIC, 2007b). Total ICT expenditure experienced by the HKICT industry grew at a rapid 56 percent to approximately HK$325 billion dollars in the 1998-2000 period, and at a much lower rate of 7.5 percent to reach HK$137 billion in 2004 (Gross Domestic Product (GDP) in 2005 (HKSDS, 2007a). In 2009, the value added of the HKICT industry amounted to HK$68 billion, representing 4.4 percent of GDP. The 15,300 HKICT businesses employed around 114,200 people, accounting for 3.3 percent of total employment (HKSDS, 2011). This represents an increase of almost 64 percent in the number of businesses and of 52 percent in total employment relative to 2005 (HKSDS, 2007).

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III. STRATEGIC FOUNDATIONS OF RELATIONSHIP MARKETING

The pursuit of strategic competitive advantage justifies that businesses attend to customer retention as a means of improving business performance (Hibbard et al., 2003). In addition to acting as switching and entry barriers (Dwyer et al., 1987), maintaining beneficial long-term relationships enables delivering sustained customer perceived value, required for creating sustainable competitive advantage (Cannon and Homburg, 2001). Hence, RM is viewed as a new strategic approach (Gummesson, 1997; Berry and Parasuraman, 1993), and relationships are viewed as strategic resources for businesses (Woodruff, 1997).

Relationship building is an important asset for the ICT and other technology-oriented industries. For example, the formation of bilateral relationships with buyers is seen as an essential determinant of new product success in technology-based, industrial markets (Athaide and Stump, 1999). In addition, it is argued that the volatility of ICT markets drives ICT firms to form long-term, inter-firm relationships to reduce risks involved in expensive research and development (Palmberg and Martikainen, 2004), as well as market and technological uncertainties (Hills and Sarin, 2003), leading to sustainable development of the ICT industry (Bruno et al., 2004). However, there is a lack of scholarly examination of the extent to which leveraging RM can lead to optimum business performance in the ICT industry.

In terms of operationalizing RMQ, there is a lack of agreement on the variables that must be taken into account, which also explains a lack of a unique definition for RMQ. Sin et al. (2002) developed and validated a RMQ scale as a multi-dimensional construct made up of six dimensions (trust, bonding, communication, shared value, empathy, and reciprocity) that make up a comprehensive, psychometrically sound and operationally valid measure of a firm’s RMQ, bringing together the activities involved in the implementation of the relationship marketing concept. This RMQ conceptualization is adopted in the present study.

IV. RESEARCH MODEL AND HYPOTHESES

This study’s conceptual model (Figure 1) is developed from research on the impact of RMQ on business performance by Yau et al. (1999) and explored further by Sin et al. (2002). The model explores the association between the RMQ construct (comprising trust, communication, bonding, shared value, empathy and reciprocity) and common indicators of business performance (namely market share, return on investment (ROI), sales growth, customer retention and lead time). The model further examines the impact of three RMQ moderators (firm size, product type and perceived customer relationship proneness) on business performance.

![Figure 1 Conceptual Model](image-url)

Whilst empirical knowledge regarding buyer-seller relationships within technology-based environments is lacking (Buyer et al., 2001), there appears to be a clear motivation for organizations to adopt RMQ as a means to establish competitive advantage (Syn et al., 2006). This expectation leads to the following hypothesis:

H1: From the managers’ perspective, RMQ has a positive association with business performance in the HK/ICT industry.

The notion that different products require various relationships styles along the transaction/relationship marketing continuum receives coherent support from various scholars (Day, 2000; Fontenot and Wilson, 1997). Transaction marketing focuses on discrete transactions and has less emphasis on customer contact and relationships (Christopher et al., 1991), being best suited for packaged goods that require minimal customer contact (Barnes, 1997). In contrast, RMQ recognizes relationships between buyers and sellers as a focal element of the marketing effort, hence being better suited for exchanges involving service products that require a high level of interactivity and communication between suppliers and customers (Gronroos, 1994). Rather than advancing the adoption of RMQ as a guarantee of success, the marketing strategy continuum model implies the necessity to implement marketing efforts based on the categorization of products (Eiritz and Wilson, 2006). This suggests that the impact of the adoption of RMQ on business performance may be moderated by type of product, leading to the following hypotheses:

H2a: From the manager’s perspective, RMQ has a greater impact on business performance for companies who provide services.

H2b: From the manager’s perspective, RMQ has a lesser impact on business performance for companies who provide goods.

In terms of firm size, the strategic management literature suggests firm size is a key moderator of strategy and performance (Baum et al., 2000), with a more recent study on ICT start-ups in France finding a negative relationship between firm size and company growth (Lau, et al., 2007). The literature also suggests that the RM approach may be better suited for small and medium enterprises (SMEs). Contrasting with arguments that larger firms tend to show low support for the notion that RM is everyone’s responsibility in the organization (Covello and Brodie, 1998), RM is sometimes advanced as the only reasonable strategic choice at the reach of SMEs (Lagiram, 2003). Arguably, personal relationships and word-of-mouth play significant roles at the early stages of SME development, with these firms tending to prefer informal methods for market information, gathering it through networking or relationship building (Liu, 1995). In agreement with this view, Zanopoulos and Anderson, 2004 indicates that, rather than using impersonal, mass-promotion marketing programs, SME entrepreneurs prefer direct interactions with target customers and develop a specialization in forming these relationships. Arguably SMEs gain marketing and strategic advantages from a close proximity with customers and use of networks, which supports the hypothesis that,

H3: From the manager’s perspective, RMQ has a greater impact on business performance for SMEs than for larger firms.

Shifting attention to customer relationship proneness as a potential moderator for the link between RMQ adoption and business performance, the importance of adjusting RMQ efforts according to customers’ relationship proneness has also been a focus in the marketing literature (Odekerken-Schroder et al., 2003). The suggestion is that customer relationship proneness affects relationship variables, such as trust and commitment, as well as assisting in reducing price sensitivity and developing a more favourable perception of marketing efforts (Bloemer et al., 2003; Bloemer and Odekerken-Schroder, 2000). Arguably, it is inappropriate to assume buyer and seller relationships are always attractive or desirable in the eyes of customers (Barnes, 1997; Geiger and Turley, 2003). In some instances, some consumers may prefer to commit to a particular supplier for a long period of time, hence are relationship prone, whilst other consumers may prefer to consider which supplier to use on a case-by-case basis (Zineldin and Philipson, 2007). Hence, the level of relationship proneness is perceived to have an impact on the effectiveness of RM strategies (Christy et al., 1996), moderating RMQ effect on business performance and leading to the following hypothesis:

H4: From the manager’s perspective, RMQ has a greater impact on business performance for customers that have higher perceived customer relationship proneness.

The last component of the model is business performance. Since different industries have various key performance indicators, this study uses two broad measurement categories for business performance. They are
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H4: From the manager’s perspective, RMO has a greater impact on business performance for customers that have higher perceived customer relationship proneness.

The last component of the model is business performance. Since different industries have various key performance indicators, this study uses two broad measurement categories for business performance. They are
"financial performance" (including market share, sales growth and ROI) and "marketing performance" (including service lead-time and customer retention).

V. METHODOLOGY

A cross-sectional, quantitative approach was used, featuring an anonymous, self-administered, postal survey with a self-addressed, reply-paid envelope requiring ten minutes to complete. Respondents were offered a summary of the findings upon completion of the research by completing a "request for feedback" card. The four-page questionnaire was available in both English and Chinese versions. The original English version was translated into Chinese and then back translated into English by separate Chinese-English bilingual professionals. It was then pilot tested, with corrections made to items and instruction wording.

A summated, 28-item, 7-point, Likert-type RMO scale (α = .93) tapped six areas that set as foundations in developing long-lasting relationships and as drivers for positive business performance: trust, bonding, communication, shared value, empathy and reciprocity (Yoo et al., 1999; Sin et al., 2002). Current business performance used a summated, five-item, 7-point scale assessing the firm's subjective performance compared to its major competitor (1 = worse than our competitor, 7 = better than our competitor) for market share, return on investment (ROI), sales growth, customer retention and lead time (α = .87). Product-type (services or goods) and firm-size (< 50, 50-100, > 100 employees) moderators used fixed-response categories. Perceived customer-relationship prominence (α = .68) used a 3-item, 7-point, Likert-type scale (Bloemer and Dekker-Kerkoom-Schroder, 2002; De Wolf et al., 2001). Social-desirability response bias (α = .51) used a 5-item (true-false) index adapted from Shiu and Corbea (1972).

A random selection of 3,000 of the 5,182 unique HKICT firms listed in the (ICT) section in the online directory of the Hong Kong Trade Development Council (HKTDCC) were posted the English and Chinese versions of the cover letter and questionnaire along with a self-addressed, reply-paid envelope and request-for-feedback card. A total of 443 usable questionnaires were received, for a response rate of 14.8 percent. A non-response bias check of early versus late respondents (Armstrong and Overton, 1977) found no significant differences for firm demographics and the key variables.

Respondent firms are primarily from the IT (61 percent), telecommunications (30 percent) and the Internet (17 percent) sectors. Most firms are SMEs with 100 or less staff (89 percent), with firms with fewer than 50 staff accounting for 53 percent of the sample. Most of the firms are service providers (87 percent), with manufacturing accounting for only 11 percent of the sample. In terms of product type, 17 percent of firms reported their major source of revenue as being goods, with 83 percent reporting services. Individual respondents are primarily middle aged (74 percent were 30-49 years old), male (60 percent), were either a project manager/supervisor or department manager (67 percent) or general manager or CEO/managing director (30 percent) and tertiary educated (81 percent).

VI. RESULTS

To address H1, partial correlation analysis was used to control for common method bias due to the use of self-report questionnaires (Podsakoff et al., 2003). Table 1 uses the 5-item version of the social desirability scale to report the correlations between RMO, the individual business performance elements and overall Business Performance. Partial correlation coefficients controlling for social desirability are shown in brackets below the zero-order Pearson correlation coefficients.

The small differences between the zero-order and partial correlation coefficients suggest that social desirability bias was minimal and not a significant influence. The partial-correlation results indicate that RMO has a significant, positive association with all five business performance elements (partial r > .24, p < .001) and overall Business Performance (partial r = .39, p < .001). Therefore, H1 is supported. To test H2, H3 and H4, Cohen et. al.'s (2003) recommended approach was followed, with the independent variables being mean centered and interaction terms created (e.g. RMO x Product Type). Hierarchical regression was used to examine the interaction effect of the moderator for each hypothesis, with the independent and moderator variables entered into the model first followed by the interaction term. Regressions for each sub-group were then used to further explore each moderator's effect.

<p>| TABLE 1. CORRELATIONS OF RMO SCALE AND OVERALL BUSINESS PERFORMANCE |
|-------------------------|----------------|----------------|-----------------|----------------|-----------------|</p>
<table>
<thead>
<tr>
<th>Market Share</th>
<th>Sales</th>
<th>ROI</th>
<th>Retention</th>
<th>Lead Time</th>
<th>Overall RMO</th>
<th>Overall Business Performance</th>
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<td>Market share</td>
<td>1.00</td>
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<tr>
<td>Sales</td>
<td>0.73</td>
<td>* 1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROI</td>
<td>0.59</td>
<td>* 0.71</td>
<td>* 1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retention</td>
<td>0.48</td>
<td>* 0.52</td>
<td>* 0.60</td>
<td>* 1.00</td>
<td></td>
<td></td>
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<tr>
<td>Lead Time</td>
<td>0.05</td>
<td>* 0.46</td>
<td>* 0.46</td>
<td>* 0.46</td>
<td>* 0.46</td>
<td>* 0.46</td>
</tr>
<tr>
<td>Overall RMO</td>
<td>0.24</td>
<td>* 0.27</td>
<td>* 0.31</td>
<td>* 0.35</td>
<td>* 0.35</td>
<td>* 0.35</td>
</tr>
<tr>
<td>Overall Business Performance</td>
<td>0.39</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Pearson correlations reported. Figures in parentheses are partial correlations controlling for social desirability. All correlations significant at p < .01 (2-tailed).

The H2 results show that the Product Type moderation effect is nonsignificant (β = .048, p > .20), with RMO having a positive, significant effect (β = .349, p < .001) and Product Type nonsignificant (β = .341, p > .20). To assess if this effect held for H2a and H2b, sub-group analysis was conducted, with separate regression analyses performed on the Services (n = 370) and Goods (n = 73) sub-samples. The significant relationship between RMO and Business Performance held for the goods and services sub-samples. However, the influence of RMO was noticeably stronger for Services (β = .38, p < .001) than Goods (β = .20, p < .05) and performed better in explaining changes in Business Performance for Services (R² = .15, Adjusted R² = .14) than Goods (R² = .04, Adjusted R² = .03).

The H3 results show that the Firm Size moderation effect is nonsignificant (β = .020, p > .20), with RMO having a positive, significant effect (β = .361, p < .001) and Firm Size nonsignificant (β = .070, p > .10). Sub-group analysis was then conducted, with separate regression analyses performed on SMEs (n = 258) and Large Firms (n = 198) sub-samples. Firms were divided based on HKSR classifications, where manufacturing companies with fewer than 100 employees or any non-manufacturing companies with fewer than 50 employees were classified as SMEs and all others as Large Firms (Trade and Industry Department, HKSR, Government, 2005). The significant relationship between RMO and Business Performance held for the SME and large-firm sub-samples. However, the influence of RMO was stronger for Large Firms (β = .380, p < .001) than SMEs (β = .339, p < .001) and performed better in explaining changes in Business Performance for Large Firms (R² = .145, Adjusted R² = .140) than SMEs (R² = .115, Adjusted R² = .112).

The H4 results show that the Customer Relationship Proveness moderation effect is significant (β = .078, p < .05), with RMO having a positive, significant effect (β = .293, p < .001) and Customer Relationship Proveness marginally significant (β = .076, p = .057). Sub-group analysis was then conducted, with separate regression analyses performed on high and low Customer Relationship Proveness sub-samples formed using a median split. The significant relationship between RMO and Business Performance held for the Low and High Customer Relationship Proveness sub-samples. However, the influence of RMO was stronger for the High (β = .283, p < .001) than the Low (β = .239, p < .001) sub-sample and did a slightly better job of explaining changes in Business Performance for the High (R² = .083, Adjusted R² = .079) than the Low (R² = .057, Adjusted R² = .053) Customer Relationship Proveness sub-samples.

VII. DISCUSSION

Relative to the positive but moderate association of RMO with overall Business Performance (partial r = .394),
“financial performance” (including market share, sales growth and ROI) and “marketing performance” (including service lead-time and customer retention).

V. METHODOLOGY

A cross-sectional, quantitative approach was used, featuring an anonymous, self-administered, postal survey with a self-addressed, reply-paid envelope requiring ten minutes to complete. Respondents were offered a summary of the findings upon completion of the research by completing a “request for feedback” card.

The four-page questionnaire was available in both English and Chinese versions. The original English version was translated into Chinese and then back translated into English by separate Chinese-English bilingual professionals. It was then pilot tested, with corrections made to item and instruction wording.

A summated, 28-item, 7-point, Likert-type RMO scale (α = .93) tapped six areas that act as foundations in developing long-lasting relationships and as drivers for positive business performance: trust, bonding, communication, shared value, empathy and reciprocity (Yau et al., 1999; Sin et al., 2002). Current business performance used a summated, five-item, 7-point scale assessing the firm’s subjective performance compared to its major competitor (1 = worse than our competitor, 7 = better than our competitor) for market share, return on investment (ROI), sales growth, customer retention and lead time (α = .87). Product-type (services or goods) and firm-size (< 50, 50-100, > 100 employees) moderators used fixed-response categories. Perceived customer relationship promises (α = .68) used a 5-item, 7-point, Likert-type scale (Bloemer and Odekerken-Schroeder, 2002; De Wolf et al., 2001). Social-desirability response bias (α = .51) used a 5-item (true-false) index adapted from Strahan and Cooper (1972).

A random selection of 3,000 of the 5,182 unique HRCT firms listed in the (ICT) section in the online directory of the Hong Kong Trade Development Council (HKTDC) were posted to the English and Chinese versions of the cover letter and questionnaire along with a self-addressed, reply-paid envelope and request-for-feedback card. A total of 443 usable questionnaires were received, for a response rate of 14.8 per cent. A non-response bias check of early versus late respondents (Armstrong and Overton, 1977) found no significant differences for firm demographics and the key variables.

Respondent firms are primarily from the IT (61 percent), telecommunications (20 percent) and the Internet (17 percent) sectors. Most firms are SMEs with 100 or less staff (89 percent), with firms with fewer than 50 staff accounting for 53 percent of the sample. Most of the firms are service providers (97 percent), with manufacturing accounting for only 11 percent of the sample. In terms of product type, 17 percent of firms reported their major source of revenue as being goods, with 83 percent reporting services. Individual respondents are primarily middle aged (74 percent were 30-49 years old, 10 percent were between 50 and 69 years old), with 40 percent (20 percent) were either a project manager/supervisor or department manager (66 percent) or general manager or CEO/managing director (33 percent) and tertiary educated (61 percent).

VI. RESULTS

To address H1, partial correlation analysis was used to control for common method bias due to the use of self-report questionnaires (Podsakoff et al., 2003). Table 1 uses the 5-item version of the social desirability scale to report the correlations between RMO, the individual business performance elements and overall business performance. Partial correlation coefficients controlling for social desirability are shown in brackets below the zero-order Pearson correlation coefficients.

The small differences between the zero-order and partial correlation coefficients suggest that social desirability bias was minimal and not a significant influence. The partial correlation results indicate that RMO has a significant, positive association with all five business performance elements (partial r > .24, p < .001) and overall business performance (partial r = .39, p < .001). Therefore, H1 is supported. To test H2, H3 and H4, Cohen et al.'s (2003) recommended approach was followed, with the independent variables being mean centered and interaction terms created (e.g., RMO x Product Type). Hierarchical regression was used to examine the interaction effect of the moderator for each hypothesis, with the independent and moderator variables entered into the model first followed by the interaction term. Regressions for each sub-group were then used to further explore each moderator’s effect.

<table>
<thead>
<tr>
<th>TABLE 1</th>
<th>CORRELATIONS OF RMO SCALE AND OVERALL BUSINESS PERFORMANCE*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Market Share</td>
</tr>
<tr>
<td>Market share</td>
<td>1.00</td>
</tr>
<tr>
<td>Sales</td>
<td>(0.721)</td>
</tr>
<tr>
<td>ROI</td>
<td>(0.572)</td>
</tr>
<tr>
<td>Retention</td>
<td>(0.474)</td>
</tr>
<tr>
<td>Lead Time</td>
<td>(0.413)</td>
</tr>
<tr>
<td>Overall RMO</td>
<td>(0.237)</td>
</tr>
<tr>
<td>Overall Business Performance</td>
<td>(0.735)</td>
</tr>
</tbody>
</table>

* Pearson correlations reported. Figures in parentheses are partial correlations controlling for social desirability. All correlations significant at p ≤ .001 (2-tailed).

The H2 results show that the Product Type moderation effect is non-significant (β = -.048, p > .20), with RMO having a positive, significant effect (β = .349, p < .001) and Product Type non-significant (β = -.041, p > .20). To assess if this effect held for H2a and H2b, sub-group analysis was conducted, with separate regression analyses performed on the Sales (n=370) and Goods (n=732) sub-samples. The significant relationship between RMO and Business Performance held for the goods and services sub-samples. However, the influence of RMO was noticeably stronger for Services (β = .38, p < .001) than Goods (β = .20, p < .05) and performed better in explaining changes in Business Performance for Services (R² = .15, Adjusted R² = .14) than Goods (R² = .04, Adjusted R² = .03).

The H3 results show that the Firm Size moderation effect is non-significant (β = -.020, p > .20), with RMO having a positive, significant effect (β = .361, p < .001) and Firm Size non-significant (β = -.076, p > .10). Sub-group analysis was then conducted, with separate regression analyses performed on SME (n=245) and Large Firm (n=198) sub-samples. Firms were divided based on HKHAR classifications, where manufacturing companies with fewer than 100 employees or any non-manufacturing companies with fewer than 50 employees were classified as SMEs and all others as Large Firms (Trade and Industry Department, HKHAR Government, 2005). The significant relationship between RMO and Business Performance held for the SME and large-firm sub-samples. However, the influence of RMO was stronger for Large Firms (β = .390, p < .001) than SMEs (β = .339, p < .001) and performed better in explaining changes in Business Performance for Large Firms (R² = .145, Adjusted R² = .140) than SMEs (R² = .115, Adjusted R² = .112).

The H4 results show that the Customer Relationship Promises mediation effect is significant (β = -.078, p < .05), with RMO having a positive, significant effect (β = .293, p < .001) and Customer Relationship Promises marginally significant (β = .076, p = .057). Sub-group analysis was then conducted, with separate regression analyses performed on high and low Customer Relationship Promises sub-samples formed using a median split. The significant relationship between RMO and Business Performance held for the Low and High Customer Relationship Promises sub-samples. However, the influence of RMO was stronger for the High (β = .289, p < .001) than the Low (β = .239, p < .001) sub-sample and did a slightly better job of explaining changes in Business Performance for the High (R² = .083, Adjusted R² = .079) than the Low (R² = .057, Adjusted R² = .053) Customer Relationship Promises sub-samples.

VII. DISCUSSION

Relative to the positive but moderate association of RMO with overall Business Performance (partial r = .394),
relationships with their customers. This is supported by common views of business executives in the HKICT industry as practical and profit oriented, looking for short-term solutions with immediate results (Austrade, 2011). Hence, R4 may not be supported because it takes two to have a relationship. If managers do not see the adoption of RMO as a critical success factor for business characteristics and sustainable competitive advantage, then customer willingness to engage in long-term relationships is of no consequence. Another possible explanation is that if procurement decisions are mostly directed to getting the best value, then decision criteria, such as specifications and price, are the focus. Whether the procurement managers are prone to the decision-making process. Clearly, the building of long-term relationships with ICT suppliers may not be perceived as essential, especially if customers seek to purchase standardized ICT goods and services, such as computer hardware, telecommunication and ISP services. Standardized products may be considered as commodities (likely straight rebates), in which case buyers can be expected to be more price sensitive and RM approaches by sellers less suitable.

VIII. CONCLUSION

This is one of the first studies that empirically examines managerial perceptions of the impact of the adoption of RMO in the HKICT industry. There is support for a positive impact, albeit smaller than expected (Barnes, 1994; Bhuradwaj et al., 1996; Dawson and Swales, 1999). This study also extends the RM literature by addressing issues of perceived effectiveness of RM investments from the managerial perspective, by testing the impact of company attributes (namely, firm size and product type) and perceived customer relationship proneness on the perceived effectiveness of RMO within the HKICT industry. The results suggest that these organizational factors do not significantly moderate the relationship between RMO and business performance.

Whilst this study broadened the understanding of RMO, it is important to recognize the limitations of the study. First, the study focuses on one single industry in one country, limiting the applicability to other contexts. Second, the use of a cross-sectional survey makes it difficult to deduce cause-and-effect relationships between RMO and business performance, as well as how aspects of relationships change over time (Barnes, 2005). Third, this study relied on subjective business performance as opposed to using objective business-performance measures. Finally, since the business operates within a vacuum, the outcomes of adopting RMO may also be influenced by other factors.

Drawing on the results of this research and the study’s limitations, a number of suggestions to guide future research in this area emerge. First, future longitudinal studies would be able to track RMO effectiveness over time and thus may tell a clearer picture of the relationship between RMO and business performance. Second, future research could expand to include the ICT (and non-ICT) sectors of other countries. Third, future research could consider collecting dyadic-level data from both buyers and sellers. Finally, future research could also incorporate additional psychological and inter-organizational variables (Hennig-Thurau and Klee, 1997) — and other context factors surrounding the exchange — such as industry structure, buying situation, decision-making structure and cultural, transaction costs and tolerance of risk (Sheth and Shah, 2003).

This research offers empirical evidence that suggests a positive relationship between perceived RMO and business performance. In terms of applicability of the research, careful consideration is taken when firms consider changing their marketing focus into a relational approach. The moderate positive relationship between RMO and business performance suggests that HKICT firms should take a holistic and balanced perspective in their marketing practices in which the view that both transaction and relationship exchanges may co-exist in all markets, regardless of the product/service sold or client/market served (Pels, 1999). Customer acquisition is still important if markets are not fully developed (such as the HKICT industry in this case), because customer acquisition activities can affect customer relationship development (Verhoef and Langerak, 2001), implying that the economic returns of relationship marketing practices are more complicated that they might have been appeared (Palmietz et al., 2006). The core of any transaction is the offering of perceived customer value and relationships alone may not be sufficient to initiate an exchange (Barker et al., 1999). For RM programs to deliver real benefits, these benefits need to be “believed” by both buyers and sellers (Daily, 2005).
with the weakest association being with Market Share (partial $r^2 = 0.22$) and the strongest with Lead Time (partial $r^2 = -0.359$), one interpretation is that RMO is not perceived by the HKICT respondents as a major factor for improved business performance. This is somewhat surprising, because the initial expectation of a strong association should be naturally consistent with the Chinese cultural context (characteristics Hong Kong (Adamsen et al., 2005; Gilbert and Cheung, 2003; Lat and Speece, 2000; Murphy and Wang 2000; Sin et al., 2005). One possible explanation is that managerial perceptions may not correspond strongly with actions because the HKICT sector conforms to the view that traditional price-focused marketing strategies may prevail in high-technology contexts (Gardner et al., 2000; Lindgreen et al., 2007).

An alternative view that needs to be acknowledged here is that, although close relationships with good customers may be perceived positively by managers, there may be continued concern about how RM concepts can be effectively applied in the HKICT sector. In contrast to considering RMO components, such as trust and bonding in purely inter-personal relationships, the notion of adopting RMO in the business-to-business setting that characterizes the HKICT sector may be challenging due to its involving both inter-personal and inter-organizational relationships (Mozar, 2007). The fact is that there is no set of rules guiding the application of RM components in practice (Patt and Daggers, 2007).

Also worth noting is that deliberate adoption of RMO is not a necessary prerequisite for building long-term legal agreements to cooperate in areas such as R&D and innovation. Hence, rather than implying RM practices, businesses appear to opt for contractual commitments (Min and Mentzer, 2000), as long-term relationships may become a strategic hindrance (Morgan and Hunt, 1999).

It may be further argued that, in the HKICT sector, goods and services must reach a critical mass and become the industry standard in order to be successful. The creation of the “best product” (no matter what) will not suffice if the number of users is minimal. In the case of technological innovations, mass-marketing techniques may be perceived as highly applicable.

Finally, it should be noted that most contracts for the supply of ICT in Hong Kong are subject to an open-to-tender bidding process, especially for key components and services, and for government contracts. The tendering process is normally conducted based on set criteria—normally including price, product quality, past record of the company, delivery terms and services—and suppliers are requested to submit their offers within a relatively short time frame. This tendering process reduces the long-term competitive pressures and, therefore, any attempt to build sustainable long-term relationships may not be feasible. In addition, this competitive tendering process may be perceived as a win/lose situation, a notion that contrasts with the central theme of RM, which is the development and creation of inter-organizational exchanges for mutual benefit. With open tendering procedures, how to ensure that both partners’ objectives are met is practically challenging (Gok, 2007). Arguably, the tender-bidding approach may create conflicts with the rules of relationships, such as trust, openness and commitment (Donaldson, 1996).

**Moderation aspects**

In relation to the role of product type, firm size and customer relationship prominence as moderators affecting managerial perceptions of the link between RMO adoption and improved business performance, this study found weak influences in all moderators. This will be elaborated upon now for each potential moderator.

In contrast to how RM is better suited for service products that require high levels of interaction and coordination between both buyers and suppliers and customers (Christopher et al., 1991; Groves, 1994), this study found no support for the hypothesis that RMO has a greater perceived impact on business performance for suppliers of services (H2a) than for suppliers of goods (H2b). The suggestion is that the link between RMO adoption and improved business performance is not moderated by product type. However, this product type needs to be taken with caution, as the sub-group analysis found a greater RM influence for services compared to goods.

The hypothesis that RMO has a greater perceived impact on business performance in the case of SMEs as compared with larger firms (H3) was also not supported in this study. This is surprising, because firm size has significant positive impacts on productivity, especially in the high-technology sector, such as software (Goo et al., 2004). We argue that the Hong Kong context is relevant here, and the findings need to be interpreted to indicate no difference in managers’ perceptions, independently of the size of their firms. The large majority of HKICT firms are SMEs, as in the case of 90 per cent of all respondents in this study. Therefore, the very large proportion of SMEs in the sample used in this study limits categorical conclusions as to the importance of firm size, though it can be concluded that RMO is perceived by all sized firms as positively influencing business performance.

Lack of support for H4 that RMO has a stronger impact on business performance for firms with higher perceived customer relationship prominence implies that HKICT managers are not naturally adept at engaging in long-term relationships with their customers. This is supported by common views of business executives in the HKICT industry as practical and profit oriented, looking for short term solutions with immediate results (Austral, 2011).

Hence, H4 may not be supported because it takes two to have a relationship. If managers do not see the adoption of RMO as a critical success factor for business performance and sustainable competitive advantage, then customer willingness to engage in long-term relationships is of no consequence. Another possible explanation is that if procurement decisions are mostly directed to getting the best value, then decision criteria, such as specifications and price, are the focus. Whether the procurement managers are prone to significantly influence the decision-making, the building of long-term relationships with ICT suppliers may not be perceived as essential, especially if customers seek to purchase standardized ICT goods and services, such as computer hardware, telecommunication and ISP services. Standardized products may be considered as commodities (and likely straight rebuys), in which case buyers can be expected to be more price-sensitive and RM approaches by sellers less suited.

**VIII. CONCLUSION**

This is one of the first studies that empirically examines managerial perceptions of the impact of the adoption of RMO in the HKICT industry. There is support for a positive impact, albeit smaller than expected (Barnes, 1994; Bhattacharya et al., 1993; Dawes and Swolles, 1999). This study also extends the RM literature by addressing issues of perceived effectiveness of RM investments from the managerial perspective, by testing the impact of company attributes (namely, firm size and product type) and perceived customer relationship prominence on the perceived effectiveness of RMO within the HKICT industry. The results suggest that these organizational factors do not significantly moderate the relationship between RMO and business performance.

While this study broadened the understanding of RMO, it is important to recognize the limitations of the study. First, the study focused on one single industry in one country, limiting the applicability to other contexts. Second, the use of a cross-sectional survey makes it difficult to deduce cause-and-effect relationships between RMO and business performance, as well as how aspects of relationships change over time (Barnes, 2005). Third, this study relied on subjective business performance as opposed to using objective business performance measures. Finally, since no business operates within a vacuum, the outcomes of adopting RMO may also be influenced by other factors.

Drawing on the results of this research and the study’s limitations, a number of suggestions to guide future research in this area emerge. First, future longitudinal studies would be able to track RMO effectiveness over time and thus may tell a clearer picture of the relationship between RMO and business performance. Second, future research could expand to include the ICT (and non-ICT) sectors of other countries. Third, future research could consider collecting dyadic-level data from both buyers and sellers. Finally, future research could also incorporate additional factors — such as intra-organizational variables and situational variables (Hennig-Thurau and Klee, 1997) — and other context factors surrounding the exchange — such as industry structure, buying situation, decision-making structure and cultural, transaction costs and tolerance of risk (Sheth and Shah, 2003).

This research offers empirical evidence that supports a positive relationship between perceived RMO and business performance. In terms of applicability of the results, careful consideration must be taken when firms consider changing their marketing mix into a relational approach. The moderate positive relationship between RMO and business performance suggests that HKICT firms should take a holistic and balanced perspective in their marketing practices, in line with the view that both transaction and relationship exchanges may co-exist in all markets, regardless of the product/service sold or client/ market served (Pels, 1999). Customer acquisition is still important if markets are not fully developed (such as the HKICT industry in this case), because customer acquisition activities can affect customer relationship development (Verhoeven and Langereis, 2002), implying that the economic returns of relationship marketing practices are more complicated that they might have been appeared (Palmatier et al., 2006). The core of any transaction is the offering of perceived customer value and relationships alone may not be sufficient to initiate an exchange (Baker et al., 1998). For RM programs to deliver real benefits, these benefits need to be “believed” by both buyers and sellers (Daltrey, 2005).
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