

UNIVERSITY OF STRATHCLYDE

DEPARTMENT OF MARKETING

COMPETITIVE MARKETING STRATEGY :

A STUDY OF JAPANESE FIRMS'

COMPETITIVE PERFORMANCE IN THE

BRITISH MARKET

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ABSTRACT

While, Japanese marketing strategies in world markets have attracted much attention in international business circles, they have received only secondary attention from researchers. Indeed, most studies into the competitive behaviour of Japanese firms have not identified marketing as a particularly significant factor in accounting for their overall success. By default, therefore, researchers have failed to provide information and insight into an area which is recognised as crucial to efficient performance. The aim of this study was to gain an insight into the role marketing plays in affecting the competitive position of Japanese firms in the British market. In particular, the research focused on the overall approach of Japanese companies to the marketplace, the process by which they identify and bring products to the market and their view towards the 1992 single European market.

Care has been taken in describing and explaining the competitive behaviour of Japan's companies in order to achieve a fair analysis of the contribution of marketing to their overall strategy. In doing so, it is hoped that a more analytic and less subjective outcome will be of value and interest to the Western business community.

Based upon the literature review which documented the positive role of marketing in competitive success, analysed the factors that contributed to Japan's success in world markets and

highlighted the specific role played by Japanese marketing strategies in achieving such results, a set of hypotheses were developed and tested.

The field research was carried out during October/November 1989 following a series of five personal interviews with managing directors and senior marketing staff in August 1989 to pilot test the questionnaire. Questionnaires were despatched addressed in person to the managing directors of Japanese companies operating in Britain. The subsequent analysis is based upon a total sample of 57 companies operating in the U.K. - a substantial proportion of the total (63%).

The broad findings emerging from this research present few surprises. Japanese companies do not seem to suffer from a 'sales orientation', 'production orientation' or 'finance orientation' as opposed to a marketing orientation. The in-roads being made into the British market are based by and large on a strategy aimed at satisfying customer needs and wants. Japanese companies saw their strengths in placing emphasis on research and engineering and bringing the right product to the market quickly and decisively. As far as 1992 is concerned, Japanese companies indicate that they will be fighting aggressively to hold onto their market share. They also anticipate increased competition coupled with a necessity to know and serve the market better.

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CHAPTER ONE

GENERAL INTRODUCTION

THE AIM AND SIGNIFICANCE OF THE STUDY

CHAPTER ONE

GENERAL INTRODUCTION : THE AIM AND SIGNIFICANCE OF THE STUDY

1.1 Introduction

One of the most impressive events in modern times is the rise of Japan after the second world war to become one of the richest nations on Earth. By most measures Japan's post war economic progress has been remarkably successful. Japanese corporations achieved leadership positions in many industries, and by the early 1980s Japanese firms dominated world markets in a whole range of consumer and industrial products, including such key components as semi-conductors, without which many prominent U.S. and European companies could not operate (Figure 1/1).

The increase in Japan's share of world trade was translated into growing trade surpluses in the 1980s (Figure 1/2). Consequently, Japan's GNP real growth rate consistently outpaced that of the U.S. and the E.C. (Figure 1/3).

The continuous strong growth enabled Japan to achieve the highest per capita GNP among the leading industrial nations in 1988. Thirty years earlier the comparable figures for Japan and America were \$346 and \$2,612 (The Economist Intelligent Unit, 1987). In 1990, income per head in Japan is expected to be around \$25,990 compared with \$22,200 in America (The Economist Intelligent Unit,

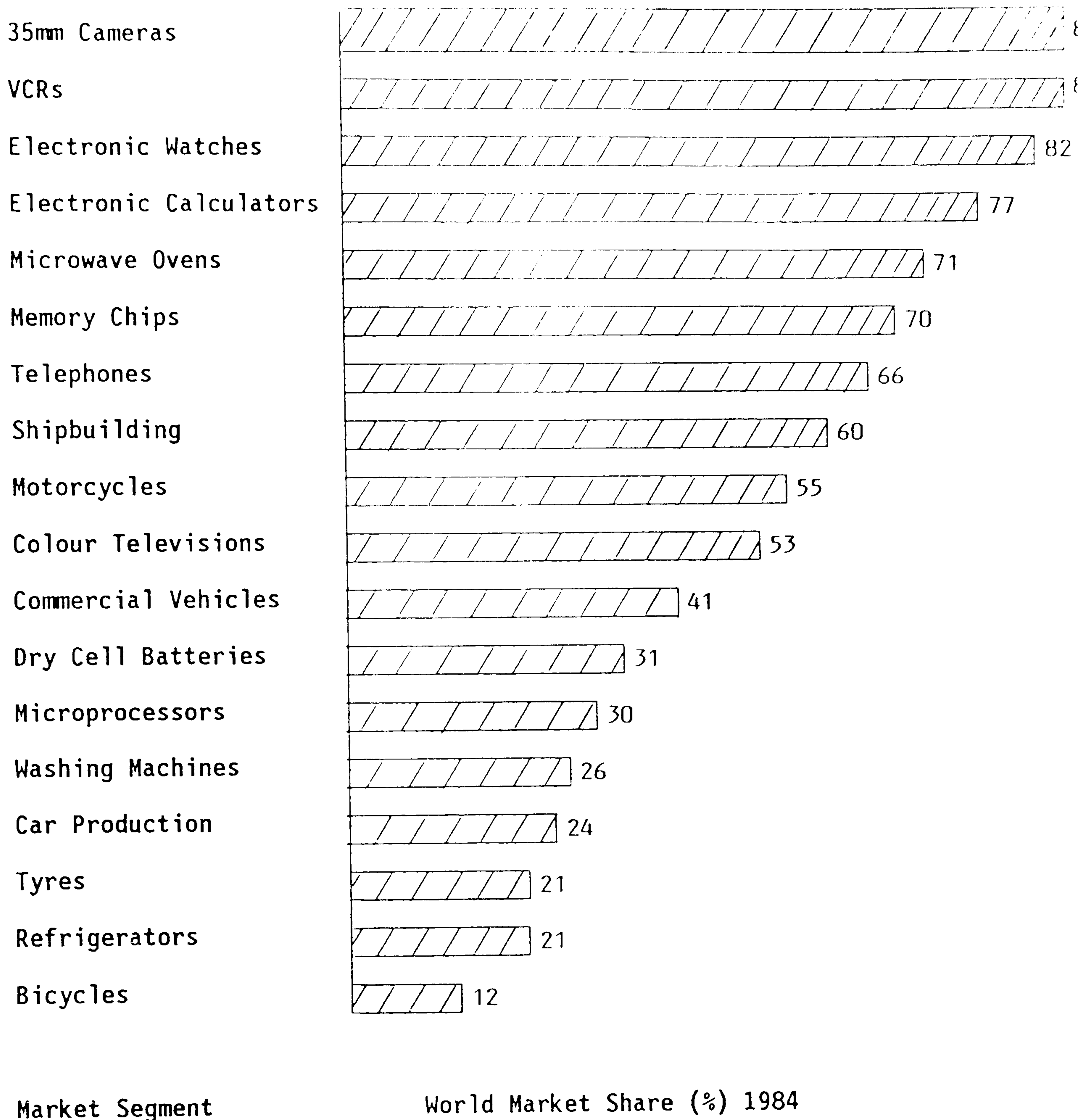


FIGURE 1/1 WORLD MARKET SHARE OF JAPANESE COMPANIES IN
DIFFERENT MARKET SEGMENTS

Source: B.G. James (1989), p16.

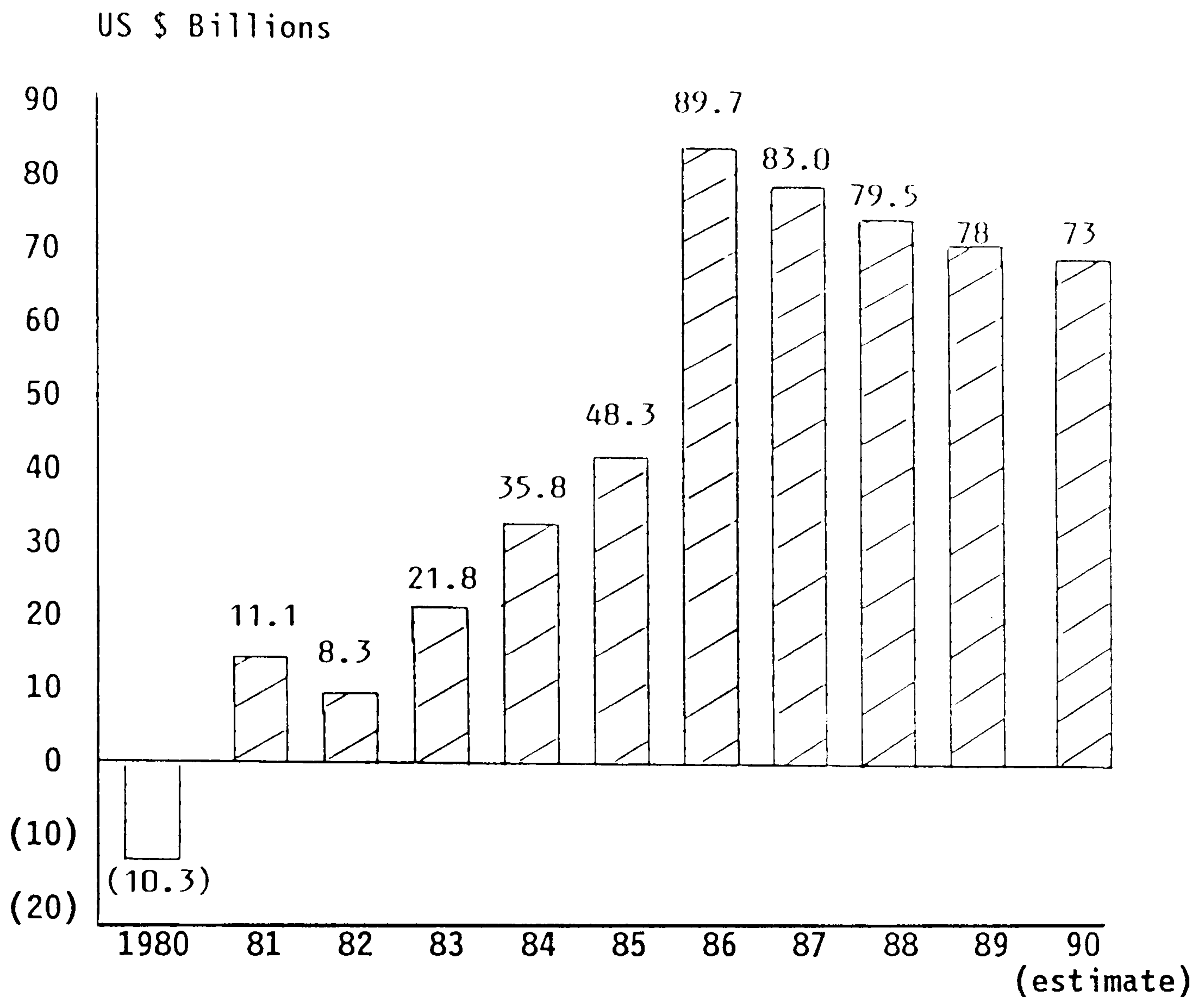


FIGURE 1/2 JAPAN'S TRADE SURPLUSES IN THE 1980s

Source: Figures up till 1987 GATT, Geneva, September 1988
 Figures for 1988, 89 and 90 'The World in 1990', EIU, London

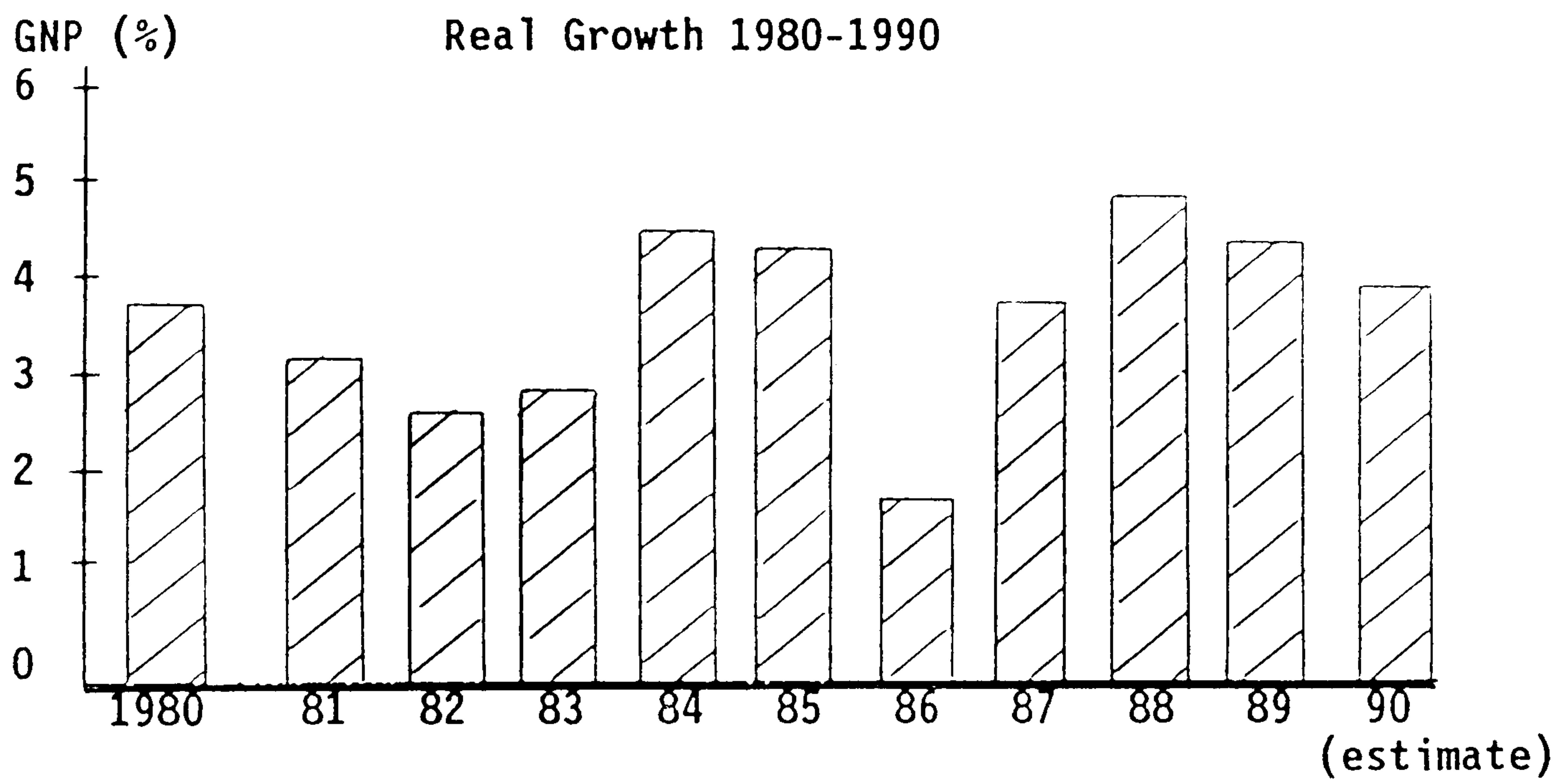


FIGURE 1/3 JAPAN'S REAL GROWTH IN GNP 1980-90

Source: International Management (1990), 'Japan Report', February, p52.

1989). It is clear that Japan's successes have transformed her position into one of the most feared and respected economic powers in the world.

Japan's strength is, moreover, not merely the size of her GNP per capita or her rate of economic growth. The idea of Japan as a leading industrial force is based on the country's huge exports of capital and its emergence as the world's largest net creditor. The country's net external assets reached \$65 billion in 1985, \$137 billion in 1987 and \$400 billion in 1989; that 1987 figure is roughly equivalent to the entire GNP of Sweden or Switzerland (Emmott, 1989). Between 1985-88, Japanese annual direct investment in the 12 EC nations surged 500% from \$2 billion to \$10 billion per year (International Management, 1990).

In addition, Japan's remarkable economic achievements over the past several decades have had a profound effect on the world's economic and political systems. For example, the centre of world manufacturing is shifting from the North Atlantic to the Pacific. It is argued that the long dominance of Western Europe and the U.S.A. is ending. In fact some observers argue that the next century will be the Pacific century due to the increasing share of the world's GNP originating there (Abegglen, 1984).

To understand and explain Japan's economic miracle, explanations have gone through a series of phases but failed to give

a full account of the whole story. Not surprisingly, the initial reactions some years ago reflected disbelief, and Japan's rapid economic progress was either simply dismissed as temporary or explained in such terms as 'cheap labour', 'copying', 'dumping' or was attributed to mere 'luck and happenstance'. The next phase of explanations focused on Japan's government support and actions. In addition, Japan's unique management practices have attracted great attention.

In fact, the reasons cited for Japan's success concentrated on such issues as :

- Government direction and support.
- Co-operative labour/management.
- Socio-cultural features of Japan.
- Superior manufacturing capabilities.
- High productivity.
- High level of quality.
- Supportive financial system.

Surprisingly, little attention was given to the study of Japanese marketing practices and strategies in world markets. Surely attention should be paid to explore the role marketing must have played in achieving Japan's competitiveness in world markets.

The purpose of this research is therefore to examine the

factors behind the marketing strengths of Japanese companies. Although the question 'why have the Japanese succeeded?' will probably never be settled definitively, a closer look at Japanese marketing and the competitive behaviour of her firms should help understanding the main deficiencies in British firms. It is hoped the study will be of value and interest to the Western business community. It is also hoped that it will provide a basis for British firms to take the necessary actions to become more efficient and competitive and hence to increase their share of world and U.K. markets.

1.2 Objectives of the Study

Briefly the aim of this study is : First, to explore the overall approach of Japanese companies to the marketplace. This includes top management attitudes towards business and marketing strategies, the nature of their marketing objectives, the actual marketing activities carried out by firms to meet competition, and to what extent marketing is important to the company. Second, to investigate innovation and NPD processes in the corporation. This includes the process by which new products are identified and brought to the marketplace; the origin of ideas for new products; the speed of introducing products to the market; and whether the whole process is technology driven or market-led. Third, to look at the view of Japanese firms towards the 1992 single European market. This includes the measures taken - if any - to maintain their

competitive position, and the ability of their strategies to exhibit flexibility and to make adjustments in response to the expected changing conditions.

1.3 Research Method

The study comprised three stages - literature review, personal interviews to pilot test the questionnaire and minor revisions and finally, mail survey data collection and analysis. The field of inquiry involved Japanese companies with manufacturing plants in the U.K. in a wide range of manufacturing industries. The sample is fully described in Chapter Five.

1.4 Significance of the Study

Despite recent efforts, Japanese marketing strategies in world markets, which are receiving more attention in international business circles, have received secondary attention from researchers. Indeed, several studies into the competitive behaviour of Japanese firms have tended to show that there is nothing special about Japanese marketing. In short, researchers have failed to provide information and insight into an area which is recognised as crucial to efficient performance. The study by Wong, Saunders and Doyle (1987) has begun the job of developing our knowledge, but, there is still a long way to go and lessons to be learned from Japan's experience. In order to overcome the main deficiencies of

British firms, it is vital to establish knowledge of how marketing is carried out across the broad spectrum of Japan's manufacturing firms in the U.K., and to define the main factors behind its strength.

The significance of this study is its contribution to our understanding of the vital and positive role of marketing activities within Japanese organisations, of how new products are identified and brought to the market, and how the whole process changes in different circumstances.

1.5 Organisation of the Study

The study is organised in seven Chapters, the first of which is the Introduction.

Chapter Two is concerned with the theoretical explanation of how marketing contributes to competitive success. It begins with exploring the most significant changes that have made marketing a priority, and with which marketers must learn to deal. This is followed by an explanation of the key role with which marketing can contribute to business success as reflected in both academic and practitioners writings. The question whether successful companies are marketing oriented is then dealt with. Finally, the chapter outlines the role of different marketing factors in achieving competitive success and highlights the role of the marketing

function in competitive strategy formulation.

Chapter Three documents the impressive record of Japan's economic success, analysing the different factors that are believed to have contributed to the overall competitiveness of Japan. The chapter then investigates the effect of recent trends on Japan's competitiveness.

Chapter Four is an attempt to examine the extent to which Japanese companies are actually applying marketing principles and techniques in world markets. The range of marketing strategies used by the Japanese to identify opportunities, and enter world markets are described, highlighting the role of different marketing factors in affecting the competitive position of Japanese firms.

Chapter Five describes the methodology of field research. It includes the formulation of the research problem and objectives, the development of the hypotheses, the design of data collection method, the identification of the field of inquiry, the design of the questionnaire and testing procedures and the implementation of the survey.

Chapter Six demonstrates the analysis and findings of the field research with the statistical techniques used in this analysis.

Chapter Seven gives a full summary and main conclusion of the study, highlighting its contribution and limitations. The chapter also offers recommendations for British firms and suggests areas for further research.

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CHAPTER TWO

THE CONTRIBUTION OF MARKETING
TO COMPETITIVE SUCCESS

CHAPTER TWO

THE CONTRIBUTION OF MARKETING TO COMPETITIVE SUCCESS

Major economic and social changes during the 1980s have made marketing a priority for many firms. Marketing, it is argued, can help companies to win against severe national and international competition. It can also provide companies with strategic weapons to achieve success. In fact, the importance of marketing in achieving business success has been the subject of several studies recently. However, any attempt to stress the role of marketing in achieving success should try to answer some fundamental questions, such as what are the significant changes that have made marketing a priority; what are the theoretical dimensions with which marketing can contribute to competitive success; are successful companies really marketing oriented; what is the role of different marketing factors in achieving success; and finally, what is the role of the marketing function in competitive strategy formulation?

This chapter will address itself to answering these questions. It will be divided into the following sections.

Section One : This section is concerned with exploring the most significant environmental changes that have made marketing a priority, and with which marketers must learn to deal.

Section Two : This section explains the key role with which

marketing can contribute to business success as reflected in both academic and practitioners writings.

Section Three : This section seeks to answer the question whether successful companies are really marketing oriented and if they are how marketing has contributed to their success.

Section Four : This section outlines the role of different marketing factors in achieving competitive success and shows the role of the marketing function in competitive strategy formulation.

SECTION ONE

2.1 Marketing Amidst Rapid Change

Vast economic and social changes have made marketing an imperative. Realisation of this fact has made companies of every type look for a president with marketing experience who understands such concepts as target markets, market segmentation, product life cycles, and developing product strategies. Companies are seeking a renewal of the risk-taking, entrepreneurial spirit that they need if they are to be successful (Business Week, 1983).

These changes include a rapidly changing business environment, a critical need by business to understand markets and competition, and a challenge to managers to adjust marketing strategies to changing conditions (Cravens and Woodruff, 1986).

Gumpert (1985) summarises four of the most challenging areas of change that have made marketing an imperative, and that have combined to make the marketing manager's job increasingly challenging and complex as being :

1. A rapidly changing national and international order;
2. An increasingly competitive marketing environment;
3. Changing attitudes to what comprises effective management;
4. The information-technology revolution.

On the other hand, a Business Week article entitled "Marketing : The New Priority", summarises the vast social and economic changes that have altered the shape of competition as :

1. The emergence of a fragmented consumer population.
2. Intense international competition.
3. Rapid technological change.
4. The maturing or stagnation of certain markets.

Changing conditions, it is argued, have given marketing one of the key roles - if not the key one - in corporate strategy (Business Week, 1983).

As a matter of fact, more rapid changes in the practice of marketing are expected to take place in the future. These have led Michaels to suggest that marketing will be tomorrow's competitive cutting edge (Michaels, 1982).

Cravens and Woodruff (1986) predict that the nature and scope of social and economic changes in the future are likely to occur at a much faster rate than in the past. Intense global competition, increasing complexity of people's needs and wants. Emergence of new firms, application of modern marketing practices by less developed countries are all seen as factors contributing to this quickened pace.

To quote Cravens and Woodruff (1986) :

"Looking ahead to the next twenty years, the fiercely competitive business environment that is expected to prevail simply will not allow firms in many industries to succeed unless they develop and maintain strong marketing capabilities".

In fact, some years ago, Baker (1979) pointed this out and said :

"... change is inevitable; in order to survive, organisations must anticipate and adapt to change, and the responsibility for anticipating and responding to changes belongs with management".

Similarly, Kotler and Singh (1981) predict that marketing competition will heat up in the years ahead.

The reasons for change in the business environment are quite diverse. Incomes fluctuate; technology progresses; peoples' living patterns change; the age distribution of the population changes, and

so on (Itami, 1987).

Perhaps the accelerating technological change in recent years has had one of the most profound effects on businesses. The pace of technology has been rapid, and its impact in most cases has been dramatic. The eighties produced astonishing leaps in technological growth. Technological advances have had a substantial effect on the variety of goods and services available to consumers. For example, digital watches now account for a substantial share of all timepieces sold. Digital records offer a new high level of fidelity and clarity. Digital television is on the horizon (Bennet, 1988). Companies must monitor those technologies most likely to affect their goals and efforts. Companies must be ready to modify their plans in response to the ever-changing needs of consumers. One foundation of good marketing is the effective management of change. Better managed companies manage change instead of being "shocked" by it (Tofler, 1970). Managers should wake up every morning uncertain about the marketplace, because it is invariably changing (McKenna, 1988).

It is logical to hypothesise then, that companies emerging from this complicated situation will be those that understand better the new marketing and consumer environment.

Finally, if there is a conclusion to be drawn from this opening section, then, it is clear that businesses are facing dramatic changes in the external environment. These changes should

have an impact on their strategies and tactics. Businesses need to pay closer attention than ever before to changing political, economic, social, and technological trends. It is clear that the fast pace of environmental change creates both marketing opportunities and threats. Good marketing, it is argued, can help companies to win against the rapid change in the external environment, providing companies with strategic weapons to achieve success.

In summary, Buzzell (1983) really encapsulates the whole argument when he says :

"If you have to change how to compete, then all of a sudden marketing is a very important function".

SECTION TWO

2.2 The Key Role of Marketing in Achieving Success

Having shown that our current environment is changing continuously, and that marketing has become a priority for many businesses, it is the objective of this section to explain the theoretical dimension with which marketing can contribute to success.

Levitt (1983) in "The Marketing Imagination", says :

"The world of competitive enterprises openly facing each other in open markets is clearly a world of constant change. The marketing concept alerts us to this fact with the prescriptive injunction that to keep up requires studying and responding to what people want and value, and quickly adjusting to choices provided by competitors".

Levitt argues that successful enterprises know that the requisites of competitive success are as follows :

1. The purpose of a business is to create and keep a customer.
2. To do that the business has to find a niche and produce and deliver goods or services at competitive prices.
3. To continue to do that the enterprise must have a sound financial base and a thorough knowledge of its markets.
4. To achieve this, the enterprise has to clarify its purposes, strategies, and plans, clearly communicate and frequently review them.
5. Finally, there should be a system of control to assure that what's intended gets properly done and, when not, that it gets quickly rectified.

In fact the role of marketing in helping to achieve success was appreciated many years ago. Eppert (1965) stressed the key role of marketing in sustaining America's progress. He indicated that "more than ever before, the economic future of the U.S. is vested in the marketing process and future American progress will be determined largely by marketing management's success in the new frontier : the world market".

Twenty years later other writers still share the same view, as Stanton and Futrell (1987) indicated :

"Now as we approach the end of the 1980's, it is increasingly clear that marketing is the name of the game in both business and non-business organisations".

In the same vein, Cravens and Woodruff (1986) suggest that :

"As the world moves toward 1990 the analysis, planning, and implementation of effective marketing strategies will be essential to the successful performance of business and other organisations".

Schwartz (1981) makes a very simple and straightforward statement when he says :

"Because marketing managers are responsible for both implementing the 4Ps and adapting to the uncontrollable elements in the environment, the key to a firm's success rests with its marketing managers".

Further evidence of the key role of marketing is expressed by Cunningham et al. (1987) as they say "In many ways, effective marketing is the key to success in business". They add : "In the free enterprise marketplace, the consumer decides who wins and who loses".

However, it is important to note there that in our discussion we do not relate business success to marketing factors alone; in

fact doing this is considered to be unsatisfactory as Baker and Hart (1989) indicate. They argue that the reasons for the performance of a company are manifold and overlapping.

Barry (1986) expresses the same view when he suggests that the managerial talent across all functional areas is the prime determinant of a firm's long run success or failure. In fact he goes on to say that there are some production-oriented as well as finance - or sales-oriented firms and some of them are successful. However, he admits that they could be more successful with a marketing-oriented philosophy. In his own words :

"We propose, however, that they could be more so (successful) with a more customer-oriented philosophy".

In a Harvard Business Review article, Shapiro (1988) argues that the term "market-oriented" represents a set of processes touching on all aspects of the company. It is far more than "getting closer to the customer". A company can be termed market driven only if information on all important buying influences permeates every corporate function; strategic and tactical decisions are made interfunctionally and interdivisionally; and finally, divisions and functions make well co-ordinated decisions and execute them with a sense of commitment.

The key role of marketing in achieving success is not only found in academics' writings, but increasingly practitioners tend to

share the same view.

A survey (Webster, 1981) conducted with 21 of the largest American corporations concluded that "chief executives believe that marketing is the most important management function in their businesses, and they see it becoming more important in the future". Several respondents expressed the opinion that the financial management orientation that tended to dominate corporate strategy once may have created a weakened position versus what corporations can do with effective marketing.

Accepting the proposition that companies can perform better with effective marketing raises the question of whether successful companies are really marketing oriented and if they are how marketing has contributed to their success.

SECTION THREE

2.3 Are Successful Companies Really Marketing Oriented?

Before answering such a question, it is necessary to define what we mean by success.

In fact success has many dimensions. At a simple level it may be viewed as the consistent achievement of company objectives, which varies from a definition of the role that the company seeks to play in its industry to targets related to innovation and

technology. However, it is a common view that the most usual type of company objectives are finance related, like sales volume, market share, return on investment. Looking at the major studies designed to test what it is that distinguishes successful companies we find that they all used financial criteria as means of measure successful performance (Baker, Hart et al, 1986).

In addition some other studies have considered softer measures such as "Quality of management", "Quality of products or services", "Ability to attract, develop, and keep talented people", "Community and environmental responsibility", and, "Innovativeness" (Schultz, 1988).

Whatever the merits and demerits of each type of measurement, Baker and Hart (1989) summarise the major conditions that measurement criteria should meet as follows :

1. It is helpful if the measures can be verified from sources, like company reports to minimize the effects of respondents' errors and to simplify the research questionnaire.
2. The measures should not vary from one industry to another where industries are to be compared.
3. The measures should vary as little as possible from company to company.
4. It is helpful to have measures which can be calculated and compared longitudinally.

Finally it is important to note here that whatever the company objectives are, the presumption is that companies can do better with a marketing oriented philosophy.

Peters and Waterman (1982) in "In Search of Excellence", identified about 50 businesses that have a history of successful performance. Two traits that every one of these companies had were (1) a drive to provide a superior service and quality to customers, and (2) a drive to innovate - to develop new products and services. Peters and Waterman found that excellent companies exhibit among other factors closeness to customers. While closeness to customers seems a cliché of modern business, it is apparent that only few companies adhere to it. These were the excellent ones. Peters and Waterman uncovered that "excellent companies are really close to their customers. Other companies talk about it; the excellent ones do it".

They also indicated that the excellent companies are obsessed with service, quality and reliability and these characteristics comprise an essential part of their value system. In fact, Peters and Waterman found that the secret of many excellent companies lies in their service, especially after sales-service. In their own words, they concluded that :

"In fact, one of our most significant conclusions about the excellent companies is that, whether their basic business is metal bending, high technology, or hamburgers, they all defined themselves as service businesses".

Procter & Gamble provides an interesting example on how to get really close to the customer. In one of their factories, workers are given letters from customers who have problems with the products. In another factory, customers are called up to talk directly to line workers (Dumaine, 1989).

Further evidence comes from Clifford and Cavanagh (1985) in "The Winning Performance". They concluded that the majority of winning performers exhibit among their strategic traits :

- * Emphasis on innovation.
- * Creating and serving niches defined by customers' needs.
- * Ability to identify and build on distinctive strengths.
- * Recognition that the value of product or service, not just price spells success.

They found that continuous market-driven innovation underpins the success of the winning performers. They also found that successful companies compete by producing and delivering a product that supplies superior value to customers rather than one that just costs less. They indicated as well that in successful companies profit was not viewed as the prime objective, instead there was a view of profit and wealth creation as inevitable by-products of doing other things well.

A similar view was indicated by Peters and Waterman (1982) where they pointed out that the prime objective of excellent

companies was service excellence and that profitability naturally follows.

Buchan and Marsh (1989) examining the successful performance of Merck, the world's biggest pharmaceuticals group, found that a key to Merck's winning mix in drug research is a close involvement by marketing staff in new research projects. There are continuous meetings between scientists working on a new product and the people who will eventually sell it. According to J. L. Huck, Merck's ex-chairman, "... this ensures that when the drug comes to the market it will meet a real need."

Fisher (1989), President and CEO of Motorola, a company that is a world leader in a range of technology-intensive products and systems and one which even makes advances against formidable Japanese competitors, says, "We are driving Motorola in one very clear direction : answer every question in the context of the customer. Everybody in this organisation has to understand the customer much better. There is only one customer - the person who pays the bills. That's the person we're serving".

It is not only in the U.S. that business success has been associated with a marketing orientation, McBurnie and Clutterbuck (1987) in "The Marketing Edge" found that all companies which have achieved success in the marketplace have made marketing the foundation stone of their business. Whether these companies were service companies, consumer goods companies, manufactured durables

companies, successful ones were found to be clearly market-driven.

Marketing as the foundation stone of successful companies was reflected in their corporate strategies where you often find such statements as :

- * Providing the highest level of service to all customers.
- * Responding quickly and sensitively to the changing needs of present and potential customers.

In fact, one big consumer goods company attributed its success to four particular factors :

- * Creative Marketing.
- * Every one in the company is going in the same direction.
- * Concentrating on areas where the company has expertise.
- * Commitment of the total management team.

Saunders and Wong (1985) indicated that excellent companies in the U.K. placed emphasis on providing customer satisfaction through product quality and service. The main feature of the better performers was offering superior quality products and services at competitive prices.

Hooley and Lynch (1985) in their study of 1,504 British companies, found that more successful ones, called the "High-fliers" shared three common characteristics to a degree which the less

successful companies called the "Also-Rans" cannot match, these characteristics were :

1. A genuine market orientation.
2. A strategic sensitivity and responsiveness.
3. Particular emphasis on product quality and design to a larger extent than on price.

The genuine market orientation of the "High-fliers" appeared significantly in their greater use of market research in its many forms from the less to the more sophisticated.

Michaels (1982) examining the characteristic features of leading consumer packaged-goods companies identifies five features. These are :

1. The most effective organisations are consumer-oriented.
2. They take an integral view to planning.
3. They look further ahead - at least 3 to 5 years.
4. They have highly developed marketing systems.
5. Marketing dominates the corporate culture.

Ogilvy (1983) looking for the reasons for Procter and Gamble's overwhelming success indicated that they are really marketing oriented. They apply marketing principles and techniques like marketing research and marketing segmentation in every basic meaningful way. Their test marketing is particularly thorough and

patient. They tested one product for regional expansion, from the West to the East coast of the U.S., for six years.

In fact, evidence supporting the key role of marketing in achieving success is not only limited to the industrial sector. Further evidence comes from Davis' (1987) study "Excellence in Banking". He found that :

"The excellent banks have been driven by their customers to re-evaluate their client priorities, organisational structure, information base and delivering systems. They are much closer to their customers in the sense of physical contact, formal and informal market research and the use of relationship managers who are assuming an increasingly important role in customer interface".

Moreover, the role of marketing is not limited to the size of the company. Both, large and small firms can benefit from the strategic weapons marketing provides.

Chaganti and Chaganti (1983) comparing the key features of the product and market strategies of profitable and not-so profitable small businesses, found that the most profitable firms achieve this status by identifying a niche in the marketplace.

Seller (1987) investigated the reasons why one American beer company was performing so well and increasing market share steadily unlike any major competitor. She found the secret in the application of marketing techniques more vigorously and

imaginatively than its competitors. The company's most important techniques were its target marketing and its obsession with quality.

Finally, Baker and Hart (1989) found that successful companies have a number of differences from the less successful ones. At the strategic level :

1. These companies have greater commitment to strategic planning.
2. They quantify objectives to a greater extent.
3. The period covered by strategic plans is generally longer.
4. They add value to their products to a significantly greater extent.

At the tactical level :

1. The more successful companies were more actively involved in market research and information gathering, market segmentation and promotion.

Certainly lessons can be learned by examining the factors that have contributed to the failure of some businesses.

One study (Clark, 1979) followed the activities of unsuccessful organisations. Reasons for failure included :

1. An inability to adjust to changing times and consumer needs.
2. Improper execution of marketing, finance, and production techniques.
3. Inability to develop a distinctive, positive image in the marketplace.
4. Implementing radical changes too late.
5. An ineffective drifting in the marketplace; a lack of understanding company strengths and weaknesses.

At first glance, it is not difficult to conclude that basically most of these factors reflect poor marketing performance. It is apparent that these companies were unable to understand and implement marketing principles and techniques. In short, they were not marketing oriented.

A more recent study (Bruno, 1987) entitled "Why Firms Fail", supports the above findings. Among the reasons cited for failure of some high-technology firms were :

- * Wrong product timing and design;
- * Ineffective distribution relations;
- * Unclear business definition; and
- * Too great a reliance on one customer.

Another study (Doyle, 1985) examined how four large Dutch enterprises had, after a long period of decline, been turned around

into profitable businesses. Among the factors identified for the revitalisation of the businesses were :

- * Development of clear marketing strategy defining target markets, and differentiated advantage.
- * Determining clear product market priorities for action.

It is apparent from the above studies that poor marketing is regarded as a main cause of failure in business. In fact, the lack of effective marketing is considered a main reason behind the decline of British producers in world markets.

One study (NEDO, 1981) assessing the marketing efforts pursued by the British industrial sectors both in home and overseas markets has identified the lack of commitment to marketing as the single most important constraint against improvement in the U.K.'s market share.

Another study (Stacey, 1962) concludes that the neglect of marketing functions, including market research, advertising and public relations abroad, was one of the main reasons causing Britain to lose her share in world markets.

Further evidence comes from a study by Johnson (1982) where he concludes that Britain's lack of competitiveness is reflected not only in the production function but also in marketing performance. He argues that British producers make products which are comparable

to their competitors, but their marketing is not as aggressive as that of foreign producers.

In the same vein, another study (Turnbull et al, 1981) about marketing and purchasing practices in five European countries came to the conclusion that British firms are slow in offering new products, less likely to initiate joint product development with their customers, cannot be relied upon to supply products of consistently high quality nor to provide customers with technical information, and finally they are regarded as slow and very unreliable in delivery.

In an article entitled "Marketing and the Competitive Performance of British Industry : Areas for Research" , Doyle (1985) suggests that poor marketing has been an important contributor to the decline of Britain's competitive market position. He argues that instead of investigating macroeconomic factors as a cause of the U.K.'s poor performance, attention should be paid to the examination of factors within individual firms, for example, lack of commitment to marketing.

Finally, McBurnie and Clutterbuck (1987) state that :

"The plain fact is that if even half the major (let alone the minor) companies in Britain understood and reacted to customers' needs as well as they should, the entire economy would be far stronger than it is now - and the Japanese would be trooping here to find out how it was done".

Before closing our discussion, insights can be gained by examining the factors that have contributed to the success of some specific companies. IBM and AMSTRAD will be examined from the consumer electronics business, with REEBOK and HI-TEC from the leisure and sport business.

IBM

The information technology business is one of the most complex and competitive markets, demanding high R & D capabilities, technological innovation, manufacturing excellence, financial soundness, and aggressive marketing.

IBM is an excellent example of a company which has remained highly competitive through all the changes that have affected the industry.

Its founder, Thomas J. Watson (1963) articulated IBM's philosophy in 3 simple beliefs :

1. Respect for the individual.
2. Superior service to the customer.
3. Pursuit of excellence as a way of life.

The key element in IBM's success is their superior service to the customer. Throughout the company the message is made clear : "Remember, the customer pays your salary". The company is clearly

market driven. Markets are extensively researched, analysed and segmented in a meaningful way.

McBurnie and Clutterbuck (1987) observe :

"It is, quite simply, a strongly market-driven, well managed organisation which knows exactly where it intends to go and how it will get there - a formidable combination with a high likelihood of success".

AMSTRAD

AMSTRAD founded only in 1968 has grown rapidly and is now considered one of the most successful consumer electronics companies in the U.K. (Financial Times, 1988a).

Its founder, Alan Sugar (Financial Times, 1988a) describes his company as a "marketing company". He believes that it is mainly marketing that has contributed to his company's success.

What AMSTRAD does is very simple and can be termed "creative imitation". AMSTRAD waits until a product shows signs of taking off. By looking hard at the existing offerings, they come up with simpler designs, often adding some innovative features of their own.

The product, usually priced cheaply enough to undercut all opposition, is pushed by a large advertising budget often directed at people who are price sensitive.

REEBOK

REEBOK international the sports shoes manufacturer has grown dramatically in the 1980s to acquire one third of the athletic footwear market in the U.S. and is now growing rapidly overseas (Financial Times, 1988b). The secret of REEBOK success, it is argued, lies in its analysis of what consumers want from their sports shoes. REEBOK studying carefully market trends in the U.S., discovered it is the leisure areas which determines success or failure in the industry.

REEBOK left rivals behind sweeping the market in the States with its fashionably oriented shoes of soft leather appealing strongly to women. In the words of Rene Jaeggi (Financial Times, 1988c) Chairman of ADIDAS one of REEBOK's competitors "Reebok discovered females". He added, "A new product was created. It was actually a very simple idea, but excellently and consistently marketed".

HI-TEC

HI-TEC is another company in the leisure and sport business which provides an excellent example of a company founded only in 1974, and now placed very close to the market leader (McBurnie and Clutterbuck, 1987).

It is argued that the company has achieved this position

through its marketing orientation. Technology and sport-shoe manufacture is widely known so the competitive edge it is argued has to come from styling and quality of construction to ensure performance to the standard required.

In a relatively short period of time, the company has established itself in the core sport segments and now it is extending its brand into fashionable footwear. It positioned itself to exploit a market gap between an inactive Dunlop and an expensive Adidas. High-tec's chief executive summarises the main features of the company's successful strategy as follows :

- * Being better informed and wider awake than the competition.
- * Having the best product for money in the market.
- * Consistently providing the right colours and cosmetic appeal.
- * Being more creative and imaginative than others in the marketplace.

Accepting the fact that companies can do better with a marketing orientation, and demonstrating that successful companies can only do this by meeting the needs of the marketplace, it is now proposed to discuss the role of different marketing factors in achieving competitive success.

SECTION FOUR

2.4 The Role of Different Marketing Factors in Achieving Success

Having discussed the key role of marketing in affecting the positions of competing firms, it is appropriate now to outline the role of different marketing factors in achieving success.

Some of the major factors will be discussed next to see how each factor may affect the position of competing firms in the marketplace.

2.4.1 The Role of Marketing Research

In essence marketing research is undertaken to help marketing managers make better decisions. In today's highly competitive environment, the effective use of information is a critical managerial weapon. Moreover marketing research is expected to be more important in foreign markets where the risks are certainly greater.

Tookey (1964), Shankleman (1975), and McFarlane (1978) found that the inefficiency of the marketing research function is one of the major causes behind some companies' lack of competitiveness.

On the other hand, Baker and Abou-Zeid (1982), found that 86% of companies with a high record of export performance carried out

export market research.

Support of the above findings is found in a NEDO report (1979) which showed that gathering detailed and reliable information is a major factor behind success in these markets. By contrast, an ITT report (1975) considered the lack of market research activities as a major constraint on export growth.

Finally, Hooley and Lynch (1985) indicated that successful companies made much greater use of all types of market research than did less successful ones. Market research techniques used included customer surveys, qualitative research, field experiments and laboratory experiments.

2.4.2 The Role of the Product

Baker, Hart et al (1986) state that ultimately company success is dependent upon its product policy. In the same vein, Kent (1984) indicates that price is the price of the product, distribution is the distribution of the product, and advertising is the advertising of the product.

In considering the role of the product in achieving business success, we will deal with the following issues :

- * Product differentiation.
- * Product quality.

* Product innovation.

2.4.2.1 Product Differentiation

Levitt (1980) in his article "Marketing Success Through Differentiation of Anything", stated that "there is no such thing as a commodity, all goods and services are differentiable". Levitt attributes the success of companies like IBM, Xerox, Texas Instruments, and ITT to the amount of careful analysis, control, and field work that characterises their management of marketing. Their success, he argues, is related to their ability to differentiate the most commodity-like products.

Hall (1980) studying the financial performance of leading firms in eight established old industries, found that over a significant period of time the top firms in these industries outperformed well known growth-industry leaders. Explanation of their superior performance was that they pursued meaningful differentiation in their offerings.

Levitt (1980) suggests that "meaningful differentiation is competitively more effective and enduring than low cost production alone".

Support of Levitt's suggestion comes from all the major empirical studies conducted to explain the success of top performers (Peters and Waterman, 1982, McBurnie and Clutterbuck, 1987, Clifford

and Cavanagh, 1985).

In the study by Clifford and Cavanagh (1985) one CEO of the top performers stated :

"The lessons to be learned is that no matter how commonplace a product may appear, it does not have to become a commodity. Every product, every service can be differentiated".

In fact, one of the three strategies for a company to pursue, identified by Porter (1980) in his "Competitive Strategy", is differentiation. In this strategy the company concentrates on creating a highly differentiated product line and marketing programme so that it comes across as the class leader in the industry. Most customers would prefer to buy this brand if its price is not too high.

Saunders and Wong (1985) found in their survey that excellent companies were better at product differentiation than less successful ones.

A business and its products can be differentiated in different ways. Among the favourable routes are : providing superior product quality or offering innovative features. These will be discussed next.

2.4.2.2 Product Quality

El-Morsy (1986) indicates that the role of product quality represents the most important aspect of product-related factors, and is considered the main method of achieving competitiveness.

According to John A. Young (1984), CEO of Hewlett-Packard, "In today's competitive environment ignoring the quality issue is tantamount to corporate suicide".

In fact, product quality, it is argued, is a powerful ingredient in a successful competitive strategy. Quality can increase productivity and profitability by lowering costs and increasing sales (Shetty, 1987).

Shetty (1986) in his study of the relationship between product quality and profitability found that a strategic focus on quality is one of the best ways to gain a sustainable competitive advantage.

Another study by Ross and Shetty (1985) supports the above findings. It was found that quality has a direct impact on both market share and profit margins.

Further evidence is found in Schoeffler, Buzzell and Heany's study (1974). They provided quantitative data concerning the link between quality and profitability. They found that both rate of

return on investment and net profit as a percentage of sales rose as quality increased.

They further discovered that businesses that improved quality increased their market share five or six times faster than those whose products declined in quality.

Along similar lines, a study by Buzzell and Wiersema (1981) investigating the relationship between advertising, price, product quality, and market share found that quality improvement is the most powerful in building market share.

The study showed that :

- * Changes in product quality had the strongest relationship to changes in market share.
- * Advertising had only a modest relationship to share changes, and
- * Price changes had no relationship to share changes.

Shetty and Buehler (1983) using case studies involving several companies showed that quality can increase profits by lowering costs, increasing sales, and improving the firm's competitive position.

It is worth noting here, however, that superior quality is not synonymous with high or sophisticated technology. Successful companies always sacrifice an unproven technology for something that

works (Peters and Waterman, 1982).

In fact, Takeuchi and Quelch (1983) argue that quality is more than making a good product. They say that it is also a matter of keeping close tabs on changing consumer values and after sales services.

Garvin (1984) in one of his several studies attributes the decline of American competitiveness relative to Japan to high quality imports and relative lack of emphasis on quality by American firms.

With respect to British experience, similar evidence of the importance of quality is documented in many studies.

A NEDO (1983) study stresses the importance of quality to British producers. It states that "price, though important, is not everything in today's international markets. What is just as important in world markets is quality". The report adds : "The most effective way of increasing our share of world markets is to give the customer the quality he demands at a price he is prepared to pay".

It is important to emphasise that quality improvement is a continuous process, for there is no such thing as top quality. Everyday, each product or service is getting relatively better or worse compared to competition (Peters, 1988).

Finally, companies using product quality as a competitive strategy should define quality from the customer's perspective. Quality, Garvin (1987) contends, means pleasing customers, not just protecting them from annoyances. He says that customers complaints play an important role because they provide a valuable source of product information. He adds some customers' preferences should be treated as absolute performance standards. In other words, customers define quality and management should accept the perception of customers. To identify customers' requirements, however, successful companies use customer surveys, customers' comments, focus groups and constant interaction with the customer (Shetty, 1987).

2.4.2.3 Product Innovation

One basic role of the marketing function is helping and assisting new products to achieve success in the marketplace.

Baker (1988) in an article entitled "Innovation - Key To Success", claims that the key strategy to achieve competitiveness is innovation, and that it should receive the most attention from top management.

Drucker (1989) provides a clear example of a business priorities. He says, "because its purpose is to create a customer, the business enterprise has two - and only two - basic functions : marketing and innovation. Marketing and innovation produce results;

all the rest are costs". Marketing and innovation in turn are about building strong position and achieving market dominance.

Companies that do not have the will to innovate, inevitably end up with obsolete products which customers refuse to buy. Companies wishing to hold to their present customers and enter new market segments must deliver new products or services which meet the needs of the customers more effectively than those currently in the market (Humble and Jones, 1989).

In fact, with shorter product life cycles, intense international competition, complexity and variety of consumer needs and wants, innovation turns out to be a necessity not just an afterthought.

Wilson (1984) indicates that if the processes of innovation are to be successful, they must run in parallel with a deeper and consistent study of the innovative concept or product, that is the customer.

Pearson (1988) contends that what distinguishes successful competitors from less successful ones are two basic principles. First, successful competitors know that consistent innovation is the key to a company's survival. Second, they understand that the most successful innovation they can make are those that create value for the current and potential customers.

Support for this view has been provided by Von-Hippel (1982) who argues that customers rather than manufacturers are often the actual developers of successful new products.

Among the most extensive innovation studies has been the SAPPHO project (1972). It came to the conclusion that successful firms pay more attention to the market than do failures. Successful innovators innovate in response to market needs, involve potential users in the development process, and better understand user needs.

Support of the above findings is found in the McKinsey study of America's high-growth mid-sized companies. Successful companies, it was found, see their role as taking note of customer needs and meeting those needs in a distinctive way by innovating on their behalf (Clifford and Cavanagh, 1985).

Cooper (1979) identifies three factors that contribute to new product success. These are marketing and managerial synergy, strength of marketing communications and launch effort, and market needs, growth, and size. It is clear that these factors describe a strong marketing orientation.

Doyle (1989) argues that innovation is not about new technology but rather about developing brands which meet the needs of customers more effectively than products or services currently in the market. Successful innovation requires creating a climate in the organisation which focuses on market needs and brand development

rather than on short-term profit performance.

On the other hand, poor marketing is regarded as a chief factor in the failure of new product innovation.

Cooper (1975) in another study refers to marketing as a major cause of failure of new industrial products.

Millmans (1982) indicates that the lack of market orientation and breakdown in communication are the reasons for British industry failing to complete the product innovation cycle and achieve full commercial exploitation.

In the same vein, Wilson (1984) argues that Britain's economic failure has not been caused by shortage of creative ability, but by inability to exploit inventions.

In his article entitled "Marketing and Competitive Performance of British Industry : Areas for Research", Doyle (1985) states that :

"The marketing success stories are not the Concorde, Hovercrafts, Prestels or EMI Scanners, but the Sony Walkman, Honda Accord, McDonalds and Komatsus - conventional technologies, superior marketing".

Drucker (1985) sums up the whole argument when he says :

"The test of an innovation, after all, lies not in its novelty, its scientific content, or its

cleverness. It lies in its success in the market".

2.4.3 The Role of Price

Udell (1964) in an article entitled "How Important is Pricing in Competitive Strategy", tried to ascertain the key elements of business success in the marketplace. In his survey of 200 producers of industrial and consumer goods, one half of the respondents did not select pricing as one of the five most important strategy areas in the firm's marketing success.

According to Udell three factors probably account for the relatively low ranking of pricing. These are : (1) Little or no freedom for a company to deviate from the market price; (2) Today consumers are interested in more than just price; (3) It is through successful product differentiation that a manufacturer may obtain some pricing freedom.

A similar view is shared by Posner and Steel (1979) who indicated that non-price factors are more important in advanced manufacturing countries.

On the other hand, some other studies stressed the critical role of price. One study (The Central Policy Review Staff, 1975) indicated that British car manufacturers must equalise their cost base to that of the competition if they are to achieve success.

In the same spirit, Mikesell and Farah (1980) reported that the decline in the U.S. share of markets in less developed countries were mainly due to price factors.

However, being the low costs producer, only, is not enough; price competitiveness makes sense when it is combined with competitiveness in all other factors (Levitt, 1983). Along similar lines, Baker, Hart et al. (1986) concluded : "... price is important if and when the quality of rest of the package is comparable to the competition. Otherwise the cost benefit trade-off must be considered".

2.4.4 The Role of Distribution

It is widely accepted that the selection of effective channels of distribution is often a critical factor in a firm's differential advantage in world markets.

Blackwell (1982) indicated the importance of distribution when he stated that :

"In an environment of technological parity, effective market coverage becomes even more important in determining competitiveness, and choosing the best channels to serve specific market segments becomes a critical and complex decision".

Stern and Sturdivant (1987) stated that :

"Of all marketing decisions, the ones regarding distribution are the most far reaching. A company can easily change its prices or its advertising. It can hire and fire a market research agency, revamp its sales promotion, even modify its product line. But once a company sets up its distribution channels, it will generally find changing them to be difficult".

They further argued that distribution, too often, is the neglected side of marketing. Many companies lose large shares of their markets because they resist making changes in their existing distribution network or because they reach their markets in outmoded or outdated ways.

Similarly, Nadel (1987) wrote :

"One of the most vital and powerful parts of the product mix is distribution, and companies that control distribution control almost everything".

Slijper (1978) supported the above finding. He concluded that better distribution may often be the means of facing intensive competition in world markets.

Walsh (1979) indicated that distribution was the most effective way for British producers to enter the German market.

On the other hand, the Central Policy Review Staff study (1975) concluded that a poor distribution network is one of the chief factors contributing to British car manufacturers' lack of

competitiveness.

In short, it is clear that the ability of the firm to choose and manage the appropriate channel of distribution will ultimately influence its success or failure.

2.4.5 The Role of Promotion and Advertising

Relatively few studies have emphasised promotion as a factor for achieving competitive success.

Nevertheless, Slatter (1977) in his study of the pharmaceutical industry claims that promotion is a major factor leading to the increase in market share.

Suzuki (1980) in his study of Japanese advertising in the U.S.A. reveals that there is some correlation between the sales volume of four sectors and the increase of advertising expenditure which means that advertising had some effect on export performance in the U.S. market.

Johnson (1982) indicates that failure to create the right image and effectively communicate the benefits of the product, is one of the major reasons behind the British car industry's lack of competitiveness.

On the other hand, Mitchell (1979) reported that only 3 per

cent of the firms he surveyed claim that advertising is a vital factor for success in foreign markets.

Increasingly, however, it seems that companies are now considering successful advertising to be a prerequisite for profitable international operations. A successful advertising campaign is seen to be the critical factor in achieving sales goals (Roth, 1982).

Killough (1978) in an article entitled "Improved Payoffs From Transnational Advertising", argues that if advertising succeeds in establishing and maintaining the desired market image, it can pave the way for expansion.

In brief, promotion and advertising activities, if used effectively, can create a perceptible effect and can have a key role in achieving business success.

Before closing our discussion of the role of different marketing factors in achieving success, we will deal briefly with the role of the marketing function in competitive strategy formulation.

Levitt (1983) points out that "there can be no corporate strategy that is not in some fundamental fashion a marketing strategy". Ohmae (1988) argues that the first principle of strategy is not to beat the competition but to serve the customer's real

needs. He argues that it is important to take the competition into account only after management recognises that the heart of strategy is : creating and delivering value for customers. Ohmae (1989) argues that getting back to strategy and focusing on providing value for customers lies at the heart of the competitive challenge facing managers today.

Accepting the idea that the purpose of the business is to create and keep a customer, it follows that an effective corporate strategy should predict and respond to what customers are willing to pay at a certain price.

Schendal and Hofer (1979) identify four distinct levels of strategy formulation :

1. Enterprise strategy : This level of strategy formulation is concerned with the overall social, political, and legal environment of the firm. It deals with such issues as government relations; the social responsibility of business; policy towards stockholders; ethical conduct and the like.
2. Corporate strategy : Strategy formulation at this level is concerned with selecting the portfolio of business for the firm. It provides a way for management to answer more effectively the questions : what business is the firm in? and what business should it be in? In general, corporate strategy serves to integrate the activities of such critical

management areas as marketing, finance and production.

3. Business strategy : This level of strategy formulation is concerned with the selection of overall competitive goals and tactics by the business unit within a specific industry. At the business level, the major purposes of strategy are to identify the major opportunities and threats of a business will face and to identify the key resources and skills around which it can develop a strategy that will exploit these opportunities and meet these threats in a way which will satisfy its goals within its existing structure.

4. Functional strategy : Corporate strategy, by definition, constrains all administrative and operational decisions throughout the organisation. Because of the size and complexity of these functional areas, such as marketing, finance and production, it is not surprising that each, in turn, seeks to develop its own strategy which constrains the action within each group. Each of these functional strategies is an element of corporate strategy and when aggregated they provide a substance and meaning to the firm's overall strategy.

Perhaps the work by Porter (1980) on "Competitive Strategy", is the most comprehensive in the area.

Porter proposed three generic strategies that a company can

pursue within a market.

Overall cost leadership. Here the company works hard to achieve the lowest cost of production and distribution, so that it can price its products lower than its competitors and win a large market share.

Differentiation. Here the company concentrates on creating a highly differentiated product line and marketing programme so that it comes across as the class leader in the industry. Most customers would prefer to buy this brand if its price is not too high. Companies pursuing this strategy have major strength in R & D, design, quality control and marketing.

Focus or Market Segmentation. Here the company focuses its effort on serving a few market segments well rather than going after the whole market. The company gets to know the needs of the segments and pursues either cost leadership, product differentiation, or both within each chosen segment.

Although, Porter did not address marketing directly in his discussion, however, it can be safely concluded that at least two of these strategies are marketing oriented (El-Morsy, 1986).

For example, focus strategy is by definition a marketing strategy. In fact, the concept of market segmentation and its counterpart, positioning, are seen as marketing's most important

contribution to strategic thinking in general and competitive strategy in particular (Briggadike, 1983).

With reference to the second strategy which is a differentiation strategy. A business is differentiated when some value-added activities are performed in a way that leads to perceived superiority along dimensions that are valued by customers (Day and Wensley, 1988).

Among the most favoured routes to differentiate a business or its products are : providing superior service, using strong brand name, offering innovative features, and providing superior product quality.

It is obvious that for such a strategy to achieve success needs in the first place a strong marketing orientation.

In fact, Levitt (1980) points out marketing's ability to differentiate anything.

From this brief discussion, it is not difficult to conclude then, that marketing provides a key input to the competitive strategy formulation process.

2.5 Conclusion and Summary

The purpose of this chapter was to shed light on the

contribution of marketing to competitive success. It has been already concluded that companies need to pay closer attention than ever before to changing political, social, economic, and technological trends. Marketing, it is argued, can help companies win against severe international competitions. Yet, for all the lip service companies give to being marketing oriented, it is remarkable that only a few of them appear to adhere to it. Successful companies, on the other hand, have made marketing a distinctive element in their business strategies. They view it as a major factor to gain market power and competitive strength. Lastly, it was made clear that marketing is a key element in competitive strategy formulation.

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CHAPTER THREE

A CRITICAL REVIEW OF JAPAN'S SUCCESS IN WORLD MARKETS

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A CRITICAL REVIEW OF JAPAN'S SUCCESS IN WORLD MARKETS

From the preceding chapter, it is apparent that the environment is undergoing rapid and significant changes. No business can hope to survive, much less grow, without a repositioning of marketing within the firm. Marketing provides the means for business growth in an unstable environment. It also allows the firm to take advantage of the environmental opportunities and minimise the risks of external threats. Moreover, in international markets with the ever sharpening competition, marketing is a key factor to gain market power and competitive strength.

With this background in mind, the researcher now turns to review the reasons often cited in the literature to explain Japan's phenomenal success, to examine whether marketing has attracted the attention it warrants.

In doing so, the chapter will be divided into three sections.

Section One : This section will give a general overview about the reasons often mentioned to explain Japan's success.

Section Two : This section will deal with the different factors that are believed to have contributed to the overall

competitiveness of Japan.

Section Three : This section will examine the effect of recent trends on Japan's competitiveness.

SECTION ONE

3.1 Reasons Cited for Japan's Success in World Markets

In 1988, income per head in Japan was around \$21,000 compared with \$19,600 in the United States. Thirty years earlier the comparable figures were \$346 and \$2,612. In one generation, Japan has raised itself into one of the richest nations on earth (The Economist Intelligent Unit, 1987 and 1988).

To explain this economic miracle, a host of factors may be cited but seem to give an incomplete explanation of the whole story. Kotler (1985), on reviewing these explanations, showed that some argue that the foundation of Japan's success rests on a combined policy of protecting its home market against foreign competition while dumping its goods in foreign markets. Others argue that Japan's success is due to its cheap labour costs. Still others argue that Japan's success is due more to luck and happenstance than to its superior capabilities. Still others attribute their success to what might be called the creative advantage of starting behind. Japan has no resources worth noting; it also has minimal energy

resources, Ohmae (1982) in "The Mind of the Strategist" put it this way :

"From age six to age twelve one theme was drilled into me (at school) : how Japan could survive. The only solution to this problem, pupils were and are still told, is to import raw materials, add value to them, and export We must do this or perish This cultural upbringing is the mainspring of the "workaholic" nature of the Japanese".

Sethi (1974) attributes Japan's postwar recovery to three sets of factors :

1. The historical traditions, personality, culture and social norms of the Japanese people;
2. Strong business-government ties, and;
3. Japanese management traditions and practices.

In the same vein, Vogel (1985) stated that :

"The key Japanese ministries like MITI have a sense of responsibility for the overall success of Japanese industries in their particular sector. Their job is not to dictate to industry but to provide the external environment conducive to a Japanese company's long term success".

According to Inose (1979), the major factors contributing to Japan's rapid industrial expansion has been technological innovation, government policy and a motivated labour force.

This last point (motivated labour force) has attracted some attention. To the Western eye the Japanese are willing to work hard and think of the company they work for or the group they belong to as a part of themselves. They are seen as eagerly devoting themselves to the organisation, to the extent of sacrificing their personal lives or time with their families (Hamaguchi, 1988).

Vogel (1979) emphasises this point further, in his words :

"... compared to Americans they are absent less, strike less, and willing to work over-time and refrain from using all their allocated vacation time without any immediate monetary benefits, loyalty to the company is typically higher and hard work more common".

Morita (1987) highlights the role of management in motivating the labour force and denies the role played by the government in achieving Japan's current position. In his own words :

"There is no secret ingredient or hidden formula responsible for the success of the best Japanese companies. No theory or plan or government policy will make a business a success : that can only be done by people. The most important mission for a Japanese manager is to develop a healthy relationship with his employees, to create a family-like feeling within the corporation, a feeling that employees and managers share the same fate. Those companies that are most successful in Japan are those that have managed to create a shared sense of fate among all employees, what Americans call labour and management and the shareholders".

However, still others disagree with this last point mentioned

and emphasise the role of the government. Scott (1984) concluded that Japan's remarkable postwar economic growth is based considerably on Japan's government rejection of static, conventional economic theories.

Some others relate Japan's success story to their distinctive personnel and industrial relations. Things like "life-time employment" is often mentioned as a psychological factor that has contributed to minimise the resistance of workers to automation and peacefully accept changes in production technology (Ways, 1967).

Reasons cited so far for explaining Japanese success have been limited to issues like the active role of the government and human resource management, what some writers call "Japanese software systems" (McMillan, 1983). Recently Japanese manufacturing systems have also been mentioned as an area where the secret of their success lies. Substantial references in the literature relate their success in world markets to their distinctive production techniques.

Things like high productivity, benefits of the experience curve, high levels of quality, automation of the production procedures and just-in-time purchasing are often mentioned (Buffa and Sarin, 1987; Cavinato, 1984).

Their advantages in TV sets appeared to lie in the following (Financial Times, 1979) :

1. Labour cost half or one third as high as in Germany or the U.K.
2. Designs requiring up to 30% fewer components than the West European and U.S. sets because of a greater use of integrated circuits.
3. Automation in the assembly sets (between 65% and 80% of total components used as against between 10 and 15% in Germany and U.K. plants), meaning that a Japanese company can produce a colour TV set with an average of 1.9 man hours against 3.9 in West Germany and 6.1 in Britain.
4. Large scale of plant operations (output per plant of around 500,000 sets a year) with double the capacity of European plants.
5. Superior quality components.

Productivity changes for industrial countries are given to prove Japan's higher productivity and consequently competitive success.

Over the period 1960-1980, Japan's productivity averaged 9.5%, while in Germany, France, the U.K. and the U.S.A., it was 5.6%, 5.4%, 3.6%, and 2.7% respectively (Buffa, 1984). Also comparing the productivity of the Japanese automobile production worker with his American counterpart, it was noticed that the Japanese produces 50 cars per year, while the American produces only 25 (Takeuchi, 1981).

Takeuchi (1981) also concluded that the attention given to quality control to change the image of "cheap and shoddy" associated with "made in Japan" products, was a key factor that enabled Japan to compete successfully in world markets.

In part, the supportive financial system is also mentioned as a factor which contributes to Japan's success. It was concluded that Japanese companies, which are largely bank-financed, do not have a constraint or an obligation to achieve short term profits to provide stockholders with earnings on their investments as is the case in Western companies (Kotler, 1985). The obligation to pay early dividends on the part of Western firms - which might be in the interest of stockholders - might be a limiting factor in their ability to compete successfully in world markets.

Abegglen and Stalk (1986) attributed Japan's continuing success in world markets to their fierce competitive environment found back at home. They added that Japan is particularly successful if another two factors are present, namely :

1. Labour productivity.
2. Cost advantage.

Others do not view Japan's model as unique, and argue that the Japanese are imitators rather than innovators. To quote Nadler (1984) :

"A good deal of Japan's recent success has its roots in what the Japanese learned from the U.S. and which we seem to have forgotten".

In a less friendly and less objective recitation of Japan's culture orientation, it is reported that Japan is "un pays de maniaques du travail, qui vivent dans ce que les Occidentaux ne considereraient guere mieux que des clapiers, ou les cadres abandonnent leur droit aux vacances parce qu'ils estiment que leur entreprise a besoin de leur efforts" ("a country of workaholics who live in what Westerners would regard as little better than rabbit hutches, and where workers give up their rights to vacations because they believe their enterprises need their efforts") (Quoted in Johnson, 1983).

Not denying Japan's success story, Franko (1983), however, attributes a large part of it to the errors and mistakes made by Western competitors. In his own words :

"Strong as the Japanese have been, they have often been aided mightily by errors of omissions or commissions of their Western competitors".

The aim of the above is to give an idea about the reasons widely mentioned in the literature, explaining Japan's success.

Having done this, certain issues arise : First, it is apparent that most of the reasons cited concentrated on issues such as :

- * Government support.
- * Good labour/management relations.
- * Socio-cultural features of Japan.
- * Superior manufacturing skills.
- * High productivity.
- * Higher level of quality.
- * Supportive financial system.

Surprisingly, little attention was given to the study of Japanese marketing practices and strategies in world markets. Surely, attention should be paid to explore the role marketing must have played in achieving the Japanese competitive success in world markets. One piece of work reads :

"It must be pointed out here, that enough literature does not exist on this very important aspect of Japanese management system, enough research needs to be conducted on this subject and the general impression among experts, that 'there is nothing special about Japanese marketing' does not seem very convincing" (Karim, 1984).

Similarly, Kotler (1985) suggested that :

"The Japanese successes in European markets are no longer based on their 'cheap labour' or dumping, as frequently seen by European business leaders in the past. On the contrary, their current successes are the result of good planning and efficient execution of marketing strategies".

Second, it seems that most of the search for Japan's hidden

success was shortsighted and expresses only one perspective. One scholar discovered this and said :

"Unfortunately, much of what has been reported about Japan is reminiscent of the story of the blind men asked to study the elephant and, unable to see it in its entirety, drew very different conclusions as to what it was and how it functioned" (Wheelwright, 1981).

He went on to say that "these misconceptions range from the notion that business and government co-exist in complete harmony to the presumption that all Japanese workers enjoy permanent employment, receive lower wages than workers in other developed countries, and work in the world's most automated factories. He concluded that :

"Such myths need to be replaced with a more comprehensive understanding of the complexities and realities of Japan, its businesses, and its management approaches if useful lessons are to be learned".

Third, some of the reasons cited for Japan's success are either outdated or entirely untrue or misleading.

Take for example the notion that workers in Japan are willing to work harder and often for longer hours at the expense of their personal lives. Table 3/1 shows that average hours worked per employee per week in manufacturing are longer in South Africa, Czechoslovakia, Switzerland, the U.K. and Ireland than they are in Japan.

TABLE 3/1

HOURS WORKED PER WEEK IN MANUFACTURING : INTERNATIONAL
COMPARISONS, 1986

South Africa	46.7	Japan	41.1
Czechoslovakia	43.1	U.S.A.	40.7
Switzerland	42.6	Germany	40.4
Ireland	41.4	Netherlands	40.2

Sources : United Nations Monthly Bulletin of Labour Statistics
June 1988 and Year Book of Labour Statistics 1987.

Even if we accept the claim that they are really willing to work harder, it does not prove anything. What they produce matters more than how hard they work, what is really important is whether they work on high value added products like aeroplanes or computers or on low-value added products like steel or calculators (Franko, 1983).

Also, the lower absenteeism rate which is mentioned as one of the factors leading to high productivity in Japanese firms is not entirely true. Andrew Weiss (1984) proved in a study that many American firms have lower absenteeism than Japanese firms (Table 3/2).

TABLE 3/2

COMPARISON BETWEEN ABSENTEEISM OF AN AMERICAN
AND A JAPANESE COMPANY

	ABSENTEEISM RATES	
	JAPANESE COMPANY	AMERICAN COMPANY
Production Workers	6.1%	4.8%
White-collar Workers	4.7%	2.2%
Men	4.6%	2.9%
Women	6.8%	5.3%

Source : A. Weiss, "Simple Trusts of Japanese Manufacturing",
Harvard Business Review, July-August 1984, p. 120.

Indeed one of the reasons heavily reported as contributing to Japan's success, i.e. higher productivity, should not be accepted without question. Although Japan's productivity increase was more than that of other countries, nevertheless, in absolute level of overall productivity per employee in industry, Japan appears to lag behind the Netherlands, Germany, Switzerland, Norway, Belgium, the U.S., France, Canada, Sweden, Austria and Denmark.

TABLE 3/3

INTERNATIONAL COMPARISON OF ABSOLUTE LEVELS OF
INDUSTRIAL PRODUCTIVITY OUTPUT PER INDUSTRIAL WORKER IN 1979
IN U.S. DOLLARS ('000)

Netherlands	29.1	France	22.2
West Germany	28.1	Canada	20.6
Norway	25.0	Sweden	20.1
Belgium/		Austria	18.3
Luxemburg	24.7	Denmark	17.4
U.S.	22.8	Japan	17.0

Source : OECD and European Management Forum, 1981, p. 30, in
L. G. Franko, (1983) p. 6.

In fact, Ozawa (1983) states that :

"The overall absolute level of labour productivity in Japan is much lower than in most Western economies. On labour productivity, Japan only ranked eleventh in 1979. In addition, for a variety of reasons, the growth of Japan's labour productivity has slowed down considerably in recent years".

Alston (1986) indicated that the United States' economy has a higher overall productivity level than any other country including Japan. If we use the United States' output as an index of 100, the

United States is ten per cent more productive than its nearest rivals namely Canada, France, Germany, followed by Japan respectively.

Moreover, the difference in the annual growth rate of labour productivity in favour of Japan (a point mentioned earlier), is indeed normal and can be largely due to the difference in the stage of economic development between Japan and its Western competitors.

In fact, not only has Japan had notable years of very fast growth, but also years of production slow down and declining productivity. In 1986 for example, the annual growth in manufacturing productivity was 3.7% in the U.S., 3.5% in the U.K., compared to 2.8% in Japan (Monthly Labour Review, 1987). Indeed, the average annual growth of productivity in the years 83/87 was 5.8% in Britain, 5.5% in the U.S., compared to 5% in Japan (Financial Times, 1988).

As for attributing Japan's success to a high level of quality, this is not always the case. In many developing countries Japanese products are lower in quality than Western products. Kotler (1985) noted that Thai consumers view American refrigerators as better than Japanese, however, they are more expensive. In short, some of the factors reported as contributing to Japan's success, though sometimes true, give an incomplete explanation of the story.

Attributing Japan's success to its cheap labour cost is completely out of date. By 1978, Japanese labour cost were higher than those in the U.S. (Vogel, 1979). Moreover, Japan can no longer compete on the basis of low cost alone; it is already facing severe competition from low cost producers, notably, Taiwan and South Korea.

Also, Japanese management practices, which were often cited as a major component of her competitiveness, are on the decline (Sethi et al, 1984). Take for example, life time employment, which once created a high degree of employee loyalty is now facing many changes. Confronted with slowing economic growth and increased international competition, combined with the sharp rise in the value of the Yen in 1985, Japanese corporations are reducing the workforce as fast as they can. For instance, over a ten year period, Hitachi has reduced its workforce by 15 per cent, or about 76,000 workers. In addition, over the period 1989-92, the three largest steel Japanese companies plan to shed 40,000 jobs (Mroczkowsk and Hanaoka, 1989).

Also, decision making by consensus is undergoing many changes. Japanese corporations are facing some new conditions which are making it difficult to follow their typical so called "Ringi Seido" system of decision making. For instance, companies with the greatest exposure to rapid rate of technological growth and rising new competition, such as Sony, are breaking away from the conventional system. Contrary to the general impression that

Japanese Corporations are free from labour problems and disputes between labour and management, the situation in Japan, in fact, is not very different from that in the West. In the words of Masumi Tsuda (1987) :

"Labour management relations in Japan are justly noted for their harmony, but every year sees the labour unions getting up for what at first seems head-to-head confrontation. Banners wave, demonstrations are staged, negotiations go on deep into the night before the deadlines for signing a contract".

Further the view of a diminutive Japan with no resources and lack of experience in international management, which once acted as self-fulfilling prophecies, is no longer the case.

Ohmae (1987) is promoting the idea that Japan should re-think her preconceptions about herself, and head for world dominance. In his own words : "Tiny, weak Japan is a myth. And the world has shared our belief in this myth until recently". He goes on to say :

"Japan is a super power unaware", he finally concludes that "Japan is giant, and its ignorance is unacceptable".

Fourth, it seems that different reasons or justification cited for Japan's success arise from different conceptions or definitions of success. It can also be said that most experts have limited their concept of success to financial figures and criteria. However, to the Japanese, ultimate business success flows from

product and market development and not from financial dealing and trading (Kotler, 1985). Kotler (1985) stated that :

"The Japanese believe that the firms that out-perform others in the product-market battle-field win not only the competitive war but ultimately the financial spoils".

Finally, it should be commonly accepted that success in business is success in the market (El-Morsy, 1986). It follows then that Japanese firms cannot achieve competitive success in world markets through their distinctive management style for example. An ordinary customer does not prefer Japanese products because Japanese firms follow a unique management style, or because of their harmonious government business relations ... etc. A customer is not aware of that; his or her preference can be attributed to Japanese marketing excellence. The limitations and obsolescence of the factors reported for Japan's success and the low attention marketing has received and when one considers the viable role marketing can play in achieving competitiveness in world markets, give this study its importance, novelty and significance.

Having said that, the researcher does not entirely deny the role played by some of these factors in achieving Japan's success. In fact, some of these arguments have some elements of truth. However, attributing Japan's rapid growth to one factor alone is unsatisfactory. In the next section, a more in-depth analysis of these factors will be attempted to try to gain more insight into the overall competitiveness of Japanese industry.

SECTION TWO

3.2 The Role of Different Factors in Achieving Japan's Competitiveness

3.2.1 The Role of the Government

It is not easy to define the role of the Japanese government in Japan's rapid growth. The issue is a controversial one, with arguments covering the whole range from seeing the Japanese government as highly controlling and closely supervisory to arguing that Japan has done well through entrepreneurial vitality and free market forces despite government's interference (Abegglen, 1984). One writer, for example, argues that, "it is the special and unique way in which the Japanese government has guided the economy's development and the interaction of government and enterprise which is the peculiar hallmark of the Japanese economy. Japan's economic destiny has not been left to the free play of market forces" (Kaplan, 1972).

At the other extreme, you find this argument : "Careful examination of Japan's postwar trade and industrial development in comparison with general world performance indicates that the Japanese pattern was not unique at all. Thus, while government policy may have been important, its impact on economic performance was not 'uniquely Japanese'" (Patrick and Rosovsky, 1976).

However Harvoth and McMillan (1980) point out that many see Japan as a highly planned society, an economic success that makes it a model for others. They add that the main point of Japan's economic planning is not to produce a blue print but to give direction, and that direction is clearly market and trade-oriented.

A NEDO report (1982) entitled "Transferable Factors in Japan's Economic Success", identifies the principal aims of Japan's postwar industrial policy as being :

- * To assist specific industries to become internationally competitive through the exploitation of economies of scale aided by a large expanding home market.
- * To select potential growth industries by identifying where future advantage will lie, making use of international trends in world production, trade and competitiveness.

Scott (1984) expresses the view that Japan's government recognised that Japan could create competitive advantage by mobilising technology, capital, and skilled labour to attack problems or identify opportunities in selected sectors. He concludes that they created a strategy of dynamic comparative advantage at the national level that parallels the strategy of a diversified company as it shifts resources from less-promising to more-promising areas.

A similar view is expressed by Vogel (1978) when he claims that Japanese government officials consider one of their basic tasks to be the guiding and encouraging of industries that they expect to become increasingly competitive internationally. Conversely, they discourage industries that seem unlikely to remain competitive. In a sense they provide non-market mechanisms that hasten the response to market forces.

Along similar lines, Beresford (1981) pointed out that Japan's industrial policy is progressively to upgrade the domestic industrial structure through shifting resources from older, raw material labour-intensive industries into the new, knowledge-intensive industries.

In the same fashion, Duus (1976) says that the government in Japan has played a key role in promoting economic growth. The Japanese government did attempt to guide private enterprise by a complex mixture of planning, persuasion, and control. The basic goal of the government policy was to promote exports in order to pay for the imports of raw materials and manufactured products. The result was an "export or die" psychology that led Japan to expand exports at double the world rate.

At the extreme, the relation between government and business has been seen as a national conspiracy and a plot to dominate industry worldwide (Wolf, 1985).

In fact, Japan has a very strong and powerful economic planning agency, which maps out industrial strategy for the nation. The national strategy is carefully weighed and considered when companies develop their corporate strategy. The other key role of government in the development of Japanese business strategy is to act as an organiser for breakthrough efforts involving multicompany R & D, and to provide tax and fiscal incentives for companies to invest heavily in R & D (Zimmerman, 1985). Furthermore, under this helpful government-business partnership known as "Japan, Inc.", the government gives companies direct and indirect support for productivity improvement. For companies in selected growth industries, the government provides direct support in the form of tax concessions, technology transfer, and preferential financing. The government also provides indirect support to all companies by funding Japanese Productivity Centre (JPC), which was established as a means of involving management and labour unions in a national movement towards achieving higher productivity (Takeuchi, 1981).

Perhaps a comparison between Japan and Britain in this context is helpful. One writer summarised the difference between Japan and Britain relating to the government business relationship when he pointed out that, "In Britain, government and business are separate and independent entities; the relationship that exists between them is one of antagonism and hostility". He continues, "By contrast, in Japan, the parties are dependent on each other; in fact, they are two sides of the same coin. The relationship is one of harmony and collaboration, so much so, that some Western

observers feel that Japan may be playing the economic game under a set of rules different from that in Britain or the U.S." (Kassem, 1974).

McCraw (1986) provides a useful and detailed explanation on the role played by the Japanese government after the Second World War. He indicates that the Japanese government rejected the option of heavy borrowing, a strategy followed by other countries like Brazil and Mexico. The rationale behind this strategy was that they did not want creditors to have influence in shaping Japan's future. He adds that Japan also rejected a policy of allowing FDI by American or European multinationals. Only in the case of absolute necessities such as oil or high technology industries did the Japanese government permit FDI by foreign multinationals. A third alternative to economic development - a strategy emphasising state-owned enterprises - was also rejected. Japanese policymakers, McCraw reports, chose an alternative called : a pay-as-you-go strategy. In other words, they had to generate their own capital from within, and employ it through their own privately owned enterprises. To achieve this, the Japanese government penalised consumer borrowing by taxing interest payments and rewarded consumer saving by exempting from taxation. Clearly these policies represent a reversal of the American and European system, which encourages consumer credit borrowing and penalises saving.

The Japanese habit of saving, encouraged by the government, had produced an immense pool of funds for industrial growth.

Japanese companies, on the other hand, relied heavily on bank loans for their capital needs instead of relying on the issuing of shares and bonds. This practice resulted in extremely high debt-equity ratios in most Japanese firms : about 85:15, versus about 50:50 for the typical Western industrial company. In the meantime, bank loans were funnelled to industries with high-growth potential, while gradually denied to industries regarded as declining.

This finely co-ordinated strategy, McCraw states, was the basis of Japan's overall growth strategy.

To explain Japan's postwar economic recovery, several claims are made regarding Japan's government protectionist policies.

Dicken (1988), for example, claims that the Japanese government exerted very tight control over foreign exchange and the imports of technology. Technology, he writes, was imported primarily through licensing agreements and not via direct investment by foreign firms in Japan. Technologies themselves were carefully selected to meet the needs of particular industries regarded as necessary to achieve national objectives. Selected industries were further aided by preferential financing and tax concessions and were protected from foreign competition.

Similarly, Pepper, Janow and Wheeler (1985) argue that the government in Japan was able to influence industrial growth in the

early postwar period through direct control over the use of foreign exchange, import of capital equipment, and, because imports of raw materials and capital equipment were so essential for the development of domestic industries, the government was able to control the level of domestic investment as well. Specifically, the government policy aimed during this period at protecting home market against foreign competition, while building and expanding basic manufacturing industries. They further add that the U.S. occupation policy in the postwar period deliberately aimed at the emergence of Japan as a major power as a counterweight to newly perceived threats represented by the Soviet Union and the Communist regime in China.

Majumdar (1988) stresses the role played by the Japanese government in the successful development of Japan's electronics industry. He reports that the Japanese government restricted imports and prevented foreign companies from setting up wholly-owned subsidiaries in Japan.

Recently, Japan's government protectionist policies have been further stressed. James (1989) offered an insightful analysis of Japanese operations worldwide in an extremely critical fashion. He attributed Japan's remarkable postwar rapid growth to an exclusionary import policy, an expansionist trade policy determined to export at any cost, and delaying the opening of its own market to foreign competition.

While apparently it is true that Japan has protected many of

her industries and domestic market from foreign competition, claiming that Japan has succeeded because of her protectionist policies rather than in spite of them could be entirely misleading.

Although there is little evidence to conclude that Japan has succeeded in spite of her protectionist policies, the fact is this contribution ought not to be exaggerated. More importantly, one has to realise that Japan's industrial success stems from many sources and is not fully understood. The contributing factors are various and it is hard to argue that protectionism was the decisive factor (Blinder, 1987).

Lionel Olmer (1985), the former Motorola executive in Japan said recently :

"Japanese high technology industries are advancing rapidly - due largely, but not exclusively, to government direction and support".

He went on to say :

"The government's role is to select target industries, to reduce risks and facilitate large scale economies in research, development and production".

In fact, one important factor aiding Japanese businesses overseas is the support they receive from the Japanese government. To cite one example, the Japanese government's aid to developing countries is linked to the purchase of goods from Japan, and thus

creates an early market-share lead for Japan in the countries that receive the aid. In this way the government actively encourages the expansion of Japanese business into markets in developing countries that would not merit the efforts of individual companies (Zimmerman, 1985).

Perhaps the most important aid given to Japanese business by the government is what it receives from MITI (Ministry of International Trade and Industry) (Johnson, 1982). In fact, MITI is often referred to as "the maestro" that orchestrates Japanese industrial policy (Buckley, 1985).

Sautter (1984) indicates that in the postwar period, MITI played an important role in stimulating companies to adapt to world market trends and managed the "catching up" phase by means of administrative guidance and its forceful encouragement of information exchange.

Brown and Read (1984) identify the role of MITI as being crucial in shaping, directing, and assisting Japan's industrial development through a co-operative relationship with industry.

Taylor (1983) claims that Japan's Ministry of International Trade and Industry and the Ministry of Finance keep jealous watch over their domains. He goes on to say that MITI tries to create optimum economic conditions by encouraging efforts in promising industries, seeing that the right technology is imported, urging

mergers when necessary, and generally keeping an eye on the need of the economy as a whole. Finally, he contends that MITI has little statutory authority, but its "administrative guidance", comes from the top of the national hierarchy and is generally respected by the consensus seeking Japanese.

Similarly, Buckley (1985) points out that MITI has an important role in encouraging the development of new industries, the consolidation and centralisation of those judged to be terminal cases if left to market forces. He concludes that the role of the state in setting economic goals and then encouraging particular industries to conform to its guidelines has paid its dividends.

From the above, it is clear that the role of MITI is multidimensional. It supports national programmes aimed at developing technologies essential to the development of new industries. It supports R & D into new technologies. It persuades industry to move forward into new industrial projects, it helps with the re-organisation of industries, and rationalisation. After lengthy discussions with industry, it sets down the long-term strategies for the future (Prentice, 1984).

In fact, some argue that the basis of Japan's success as a developed economy is the very high degree of industrial co-operation between producers, banks and government. Phrases such as "Japan, Inc.", seem to suggest that Japan's 120 million people in some mysterious way all march in step with MITI beating time (Bishop,

1981).

Recently, a Financial Times (1987) survey indicated that the industrial policy in Japan continues to be among the most admired in the world. It points out that industry, government and labour still work together in ways which other nations can only envy. It also contends that MITI has a powerful influence over industry through its ability to guide rather than intervene, on matters of national concern.

Amaya (1988), a high official in MITI says that, "We (MITI) violated all the traditional economic concepts. ... the realisation of the myth that if you entrust things to the market mechanism, the invisible God's hand will bring about a rational result is quite limited".

It may appear that Japan had an unfair advantage through its government support, however, critics do not seem to realise that MITI does not hand out money (Taylor, 1983). Indeed, as Abegglen (1984) indicates if one measures government's influence in terms of proportion of national cash flow in the direct hands of the government, the role of the Japanese government is smaller than that of any of the other developed economies. A similar view is shared also by Huggler (1987) when he points out that Japan today has the lowest relative government expenditure among all industrialised countries. Moreover, the French, the Austrian and the Scandinavians are typical examples of giving government considerable authority

over business (Taylor, 1983).

Perhaps more importantly, once economic development in Japan gradually advanced beyond a recovery state, the earlier postwar government control over economic activities became gradually inappropriate.

In the present time, where Japan is not in a "catch-up" phase vis-a-vis other developed nations, Pepper, Janow and Wheeler observe that MITI role in influencing Japanese industries is in a long term decline. Based on the wide ranging review of Japan's postwar government policies, they conclude that :

"Perhaps the most important single implication to be drawn from this review of postwar Japanese industry policies is their declining importance, compared with other factors, as the Japanese economy itself has matured. This decline is certain to continue as the economy develops further".

Similarly, Yoffie (1988) indicates that as Japan became more successful in international markets, MITI's authority decreased and companies became less dependent on its guidance for import licenses, technology and capital. For example, many large Japanese corporations have developed independent sources of capital, either from internally generated funds or from Eurocurrency markets which have given them great financial freedom. In addition, in high technology industries, where Japan is on the cutting edge, MITI itself depends upon Japanese firms for information about industry

trends, and competitive dynamics.

Finally, if there is a conclusion to be made here, then it is clear that in an attempt to explain the astonishing success of Japan's rapid postwar economic growth many writers have created the notion of a "Japan, Inc.". By focusing on Japan's unique government-business relationship, the idea has proved a useful one for explaining Japan's success. Furthermore, what Japan's experience demonstrates is that coherent national planning can be a powerful instrument for improving a nation's economic performance (Business Week, 1980).

3.2.2 Japanese Management Practices

In recent years there has been a growing interest in Japanese techniques of management such as on-the-job training, life-time employment, a seniority-based wage system, decision making by consensus, and long term planning (Pascale and Athos, 1981; Wilkinson, 1983).

It has been argued that Japanese industrial successes were not based on some mysterious partnership between government and business, but rather on Japanese management techniques.

In "Behind Japan's Success", Drucker (1981) summarises some of the principles that accounts for Japan's success in the world of commerce and industry. He lays aside the notion of "Japan, Inc.",

suggesting instead that there are rules for managing complex organisations in the modern world. He concludes that it is management practices and not merely the co-operation between government and business that have resulted in Japan's success.

Patrick (1977) thinks the role of the government and its institutions has been exaggerated and attributes Japan's strong economic performance primarily to the actions and efforts of private entrepreneurs responding to the opportunities provided in free markets rather than the supporting role of the Japanese institutions.

Keidal (1981) has pointed out in an article in "Business and Society in Japan", that one of the major factors in Japan's successful industrial growth was that Japan already had a body of highly trained and disciplined managers to draw on. According to him : "... if there was any single element in Japan's industrialisation drive that set her apart from other economies whose growth efforts have failed, it was this network of educated managerial and leadership potential".

In "What We Can Learn from Japanese Management", Drucker (1971) addresses three aspects important to the success of any manager. These aspects are making effective decisions, integrating issues of employment security and productivity, and developing young professional managers. He claims that these aspects have been addressed effectively in Japanese organisations and that they have

been major factors in Japan's achievements.

The key factor in Japan's high economic growth, as stated in the OECD studies of 1970 and 1975, was the Japanese employment system, supported by the three "pillars" of life time employment, seniority-based wages, and enterprise-based unionism (Tatsuhito, no date). The studies later added a fourth pillar : the community consciousness within the company, based on "vertical" relationships, reciprocal obligations and decision making by consensus.

In the same vein, Vogel (1979) states that because the employee has job security and knows his salary will rise with seniority, he is willing to accept moderately low wages during his first few years in the company. He adds that Japanese firms are less interested in short-term profits and more concerned with the long run. They sacrifice profits for several years to build the basis for later success. They build good relations with institutions that might potentially be useful. They provide comprehensive training for personnel in skills that might be needed in the future. They invest massive amounts in technology if they feel it might pay off later. They invest heavily in plant modernisation even if present plants meet immediate demands.

Industrial relations is probably the one area which received the most interest from observers of Japanese management. Lester Thurow (1985) indicates that in Japan long-run success is believed to flow from the ability to mobilise human capital not financial

capital. Thus it is more important to conserve and improve the human base than the capital base, as Koike (1988) puts it, "A nation's productive power consists of capital and labour, and capital consists of plant and equipment. Plant and machinery can be purchased from those countries that introduce them, but labour and human capital is not so internationally mobile. The productive power of a nation is largely dependent on the quality of human capital and labour force".

Takeuchi (1985) proclaims that Japanese companies treat employees as if they were family members.

McMillan (1985) says that Japanese industrial relations have very distinctive features. For example, workers are viewed as a resource no different from any other high cost capital item, therefore, the best use must be made of them. He adds that in Japan, worker and technology are not viewed as being in conflict, in the sense that new production processes or indeed automation are seen by workers as adding to their job security, not threatening it.

As a matter of fact, in theory Z, Ouchi (1982) asserts that American firms do not lack capital or technology. What they lack, as he indicates, is the human factor. He maintains that in successful business organisations, there exist - "trust", "subtlety", and "intimacy" - elements especially observed in Japanese firms and in some uniquely successful American corporations.

Iacocca (1984) in his autobiography compares the relationship between labour and management both in America and in Japan. The relationship between labour and management in Japan is one of co-operation and mutual respect, he indicates. By contrast, in America, he reveals that the relation is one of antagonism and mutual suspicion.

A study by Takezawa and Whitehill (1983) comparing how Japanese and Americans feel about their work reveals some interesting results. A major difference between the two national workforce is that the Japanese show more respect for superiors and managers. To the statement "if my immediate superior enters a crowded bus on which I am riding" the answer "always offer him my seat since he is my superior" and "offer him my seat unless I am not feeling well" were selected by 45% of the Japanese and 4% by the Americans. More revealing are the answers to the statement, "I think it is most desirable for my co-workers to work at maximum capacity ...". Forty nine of the Japanese agreed with this statement as compared to 16% of the Americans. When asked to agree or disagree with the statement, "I think of my company as having a greater or equal importance than my personal life", 73% of the Japanese agreed while only 21% of the Americans did so.

While some of these answers in the case of Japanese workers may be attributed to their cultural upbringing, surely the role of management in creating a family-like environment plays an important role. It has been reported that NSK's ball bearing factory in the

U.K. encourages worker loyalty and enthusiasm in several ways. Using a primarily British workforce, the NSK management sends each worker a small cheque on his or her birthday as a reminder that management cares. By contrast, most Western companies officially recognise a worker's age only when it is time for retirement (Alston, 1986).

Finally, among the other techniques of Japanese management practices is collective decision-making process. Japanese management commonly uses a collective, consensus method of making key decisions. The participation method may have at least two advantages : (1) it allows for a greater number of reasonable alternatives to be considered; and (2) although, it may be slow once the decision is made, the implementation time required to sell the decision is faster than in the West (Lee and Schwandiman, 1982).

On the other hand while Japanese management practices have been praised by many, it should be noted here that their system has been under attack by many writers as well.

To cite some examples, Abegglen (1984) stated that : "One must be careful not to overstate this management issue, since a good many Japanese companies and industries display no special competitive strength". He concludes that, "Japanese management methods - however effective they may be - are not sufficient to override basic economic forces".

Fukuda (1987) expressed the view that although Japanese companies do appear to have some common characteristics, in reality they display these features in varying degrees and no one organisation contains each and every characteristic in pure form.

Robert Hayes (1981) says that the Japanese custom of life-time employment, which has attracted attention in the West is not the rule in all Japanese companies. Less than a third of all Japanese workers are life-time employees. He adds that only top companies whose products typically appear in international markets usually practice it, and even those dilute it by using both sub-contractors and large numbers of temporary workers. He contends that life-time employment is not so strange. In most large American companies, 30% to 40% of the workforce has life-time employment, in the sense that any production worker who has worked for more than ten years is almost never laid off.

Similarly, Briggs (1988) stresses that the security of life-time employment is offered to a minority of the workforce. The system, she writes, is operated only by large firms, who take on less than one third of the workforce. In addition, she reports that there is a growth of small firms in Japan, with 35% of the Japanese workforce now employed by small firms of less than fifty employees.

Taira (1988) writes, "life-time employment as the Japanese understand it among themselves (in the absence of foreigners) is not what the words mean in ordinary usage. It does not last for life.

It is not employment security for the benefit of the employee. It is not universal in Japan; hence it is not typically Japanese. One cannot identify the Japanese employment system with it. Thus, Japan's life-time employment as understood outside Japan is a myth".

Furthermore, Trevor (1983) indicates that if life-time employment has been a factor that has contributed to the rapid advancement of the Japanese economy in the postwar period, it does not apply to overseas subsidiaries. In his own words :

"Local staff in Japanese companies overseas are not permanent staff. They are recruited under different conditions for local service only and there is no suggestion that they can join the permanent staff of the head office based system".

Finally, a 1985 survey of Japanese manufacturing subsidiaries in Europe, carried out by the Japan External Trade Organisation showed that few of the companies tried to export Japanese management practices wholesale, but chose to adapt to local conditions (Rapoport, 1985).

3.2.3 Japanese Manufacturing System

The discussion in the preceding section, concerning the Japanese style of management, was limited to the human resource aspect of management, or the so-called "Japanese software systems" (McMillan, 1985).

Recent studies indicate that Japanese software systems alone do not account for their success, but rather their relationships to hardware and production systems. In fact, there is substantial evidence in the literature that Japanese success in markets worldwide has been a result of their distinctive production techniques, irrespective of the fact that most of these techniques originated in the West (Weis, 1984; Schonberger, 1986; Purnaby, 1987).

In "Trading Places : How We Allowed Japan to Take the Lead", Prestowitz (1988) argues that the first concern of Japan has always been the manufacturing system. He indicates that it is in the manufacturing process that the Japanese have demonstrated their masterly and innovativeness which is not fully recognised by the rest of the world.

In "Why Japanese Factories Work", Robert Hayes (1981) concludes that paying attention to the basics - running factories as they were meant to run and as managers know they should be run - accounts for much of Japan's competitive advantage in manufacturing. He indicates that they constantly work to improve equipment design, inventory control systems, and workers skills through co-operation at all levels.

Along similar lines, William Abernathy et al. (1981) attributes Japanese carmakers success to superiority in the manufacturing plant, especially in their process systems and

work-force management.

Similarly, Steven Wheelwright (1981) attributes the high level of performance of Japanese companies in the U.S.A. to their highly advanced manufacturing system. In his own words :

"Not cultural ideals nor government policies nor industry structures but a very special understanding of what it means to manage a production system. The Japanese have learned both to think about manufacturing operations in an effective way, in disciplined fashion, to put that thinking into practice".

A main factor in Japan's success, the NEDO report (1982) argues, appears to be that at plant level the Japanese are very efficient in organising and controlling their industrial production. It is reported that individuals on the factory floor meet at least once a day to discuss and agree upon planning schedules, job progress, quality improvements, and cost reduction; everyone is thus committed to achieving these targets.

Basic to Japan recent economic successes are the ways Japanese manufacturers produce a high quality product at a relatively low cost. This has been achieved primarily by adopting the total quality control concept.

Total quality control concept which is frequently assumed to be Japanese in origins, may be traced to Juran and Deming, both American advisers on quality control, who travelled to Japan in the

1950s. Their philosophy was that quality control should be conducted as an integral part of management control, in contrast, to the common situation in which responsibility for product quality is vested in the hands of a quality control department (Ishikawa, 1984). Juran and Deming's ideas by and large were taken and implemented in Japan, while largely ignored in the West (Oliver and Wilkinson, 1988). The original motivation of Japanese companies to learn about Juran and Deming's methods lay in the sense of industrial inferiority in the postwar period when compared with the West (Saso, 1981).

Perhaps among the most publicised techniques in Japanese manufacturing systems are "Quality Control Circles" and "Just in Time Purchasing".

Quality control circles put simply are voluntary study groups that meet regularly under the leadership of a foreman to examine work problems affecting the quality of output, and to recommend solutions to these problems (Sasaki and Hutchins, 1984). Takeuchi (1981) extends the concept further to include not only the quality of output but also cost reduction, safety precautions, employee morale improvement, pollution control, and continued employee education.

Claims have been made as well for the significance of quality circles regarding motivation and commitment. It is suggested that quality control circles are a "participative mechanism" creating

shop-floor involvement and leading to (among other things) job satisfaction, good management-employee relations, increased commitment, improved morale and opportunities for "self-actualisation" (Ishikawa, 1984).

Deceptively as it might be, Hutchins (1984) contends that the employment of quality control circles on a massive scale throughout Japanese industry has undoubtedly played a very significant role in the extraordinary success of Japan.

Wheelwright (1981) indicates that for the Japanese manager the issue is not to choose between cost and quality but to identify those approaches to quality improvement (as a means) that will help reduce overall costs (as an end).

In fact, much has been written about the Japanese methods of quality control. A conclusion which can be drawn here is that Japanese quality control is more on-line control than it is after-the-fact screening of defects.

On the other hand, in Japanese manufacturing system, inventories are by definition bad, and therefore great effort is focused on reducing their level. Just in Time is a production method where materials are supplied just in time for use in the factory (Buffa and Sarin, 1987).

Bicheno (1987), impressed by Japanese Just in Time production

system describes its goal as :

"To produce instantaneously, with perfect quality and minimum waste".

The Just in Time production techniques, however, highlights some critical elements. Given that ideally products are produced perfectly matched to market demand, then two conditions are implied if production is to be performed at the last minute.

First, demand is uniform - or at least predictable - and so plans can be made in advance. Second, the production process itself must be inherently very responsive (Oliver and Wilkinson, 1988).

Sepehri (1986) reports on a sample of five Japanese companies that employ the Just in Time method. The five companies show improved productivity, reduction in set-up times, reduced inventory, improved quality, saved space, and reduced lead times.

The productivity is remarkable, ranging from a 45 per cent to a 250 per cent increase. The reductions in the set-up times of specific operations are impressive and suggested that economical batch size could be reduced, leading to in-process inventory reductions. The inventory reductions reported for all five Japanese companies are indicative of lower cost operations that are responsive to market needs. Quality improvements are significant for all five companies, and all show important space savings and reduced times.

However, a simple and straightforward idea is a quality product does not sell itself. In other words, a highly sophisticated manufacturing system does not guarantee success. In fact Schonberger (1986) says :

"If a world-class manufacturing effort fails to make it easier for marketing to sell the product, then something is wrong".

In "Mechatronics : Japan's Newest Threat", Hunt (1988) argues that the Japanese realise that the future in production innovation belongs to companies who learn how to optimise the marriage between electronic and mechanical systems. He describes mechatronics as the Japanese practice of using fully integrated teams of product designers, manufacturing, purchasing, and marketing personnel to design the product and the manufacturing system. He further argues that the Japanese production advantage cannot be explained by culture or work ethic. It might, however, be explained by their philosophy and practice of mechatronics, he contends. The optimum combination and efficient integration of efforts have led the Japanese to achieve precise design of their products; and use the state-of-the-art technology.

Finally, examples are often mentioned about Japanese companies with manufacturing plants overseas and how their manufacturing techniques really work.

Just to cite some examples, in the early 1970's Matsushita

bought the Motorola T.V. assembly plant in Franklin, Illinois. The plant had a poor record for both productivity and quality (more than 150 defects per 100 completed sets). Within three years, Matsushita was able to increase productivity by 30 per cent and reduce defects to below 4 per 100 sets (Wheelwright, 1981).

In 1976, Sanyo bought the Warwick T.V. plant in Forest City, Arkansas. Sales had declined to such an extent that 80 per cent of the plant's capacity had been closed. In less than three months, quality had been improved from a defect rate of about 30 per cent to less than 5 per cent, while assembly line productivity had improved substantially (Takeuchi, 1981).

Management Today (1989) feature Britain's best factories. Five factories are identified as being able to compete with global best practice in the areas of operations management, quality, technology, organisation and clarity of mission. Two out of the five factories are Japanese subsidiaries namely Sony manufacturing (U.K.) and Toshiba Consumer Products.

Quality, suppliers and product design are the three key areas Sony had to address in pursuit of business excellence. Applying the total quality control approach, Sony was able to significantly reduce the cost of manufacturing and minimise the loss of scrapped goods and materials.

Toshiba, on the other hand, tries to increase worker's

co-operation and enthusiasm by encouraging participation and involvement in the decision making process. They have done so by creating production groups of 30 workers who plan their daily production and diagnose work problems. Quality, at Toshiba, is defined as the conformance level which meets specified customer demand, making the point that quality must by its nature be relative.

Both Sony and Toshiba pursue a strategy of global localism; they are not screwdriver operations. They have a strategy to become vertically integrated, manufacturing key components included in their final product. The average product content sourced in Europe is 90% and 80% respectively. They both realise the need to be a good corporate citizen and encourage the personnel development of their employees. They also hire non-Japanese personnel in key positions. Managing directors in both factories are British.

3.2.4 Supportive Financial System

The Japanese supportive financial system has also been cited as contributing to their overall competitiveness.

Brown and Read (1984) report that the Japanese banking system has played a very positive role in fostering industrial development, being willing to invest on a long-term basis without demanding, or expecting substantial short-term returns.

Similarly, Popham (1988) indicates that immense financial solidity on the one hand and a workforce of impressive adaptability on the other are the ingredients of Japan's miracle.

The NEDO report (1982) stresses that Japan's rapid industrial expansion has been facilitated partly by the close interdependence between banks and large industrial corporations. This close relation, the report says, has given major Japanese firms access to substantial long term loans which accounted in many cases to over 50% of the total external funds.

In the same fashion, Gregory (1984) claims that a neglected aspect of Japan's rapid advance is the availability of cheap capital to its industrial firms. He contends that the logical consequence is that technologies too expensive to develop in the West and America will be more easily financed in Japan, which, can rationalise production, cut down costs and raise added value.

Along similar lines, Bishop (1981) explains that Japanese companies can borrow for long periods and small companies can do that with the aid of the government loan guarantee. Both large and small companies are typically financed on a ratio of 80 per cent debt to 20 equity. Their ability to operate so flexibly, he argues, is a tribute to the flexibility and risk taking attitude of the banks, and to bankers' willingness to support their major clients.

In the same vein, Taylor (1983) says that Japanese financing

patterns permit a more relaxed attitude toward immediate profits. He concludes that company executives do not have to worry much about high dividend rates to raise their stock price. Instead, they can concentrate on the long term measures that will make the company a good risk for long term lenders.

In fact, Dore (1986) argues that the net effect of the financial structure of Japanese industry helps reduce the pressure from shareholders on corporate managers. This leads to the inclusion of achieving large market share among corporate objectives instead of the emphasis on short term profits. In the U.K., by contrast, it is claimed that companies are limited by a short-term profit horizons due to primarily depending on the stockmarket. This being compounded by the fact that British banks, in general, do not provide long-term, low interest loans.

Ackroyd et al. (1988) report that the proportion of industrial funds contributed by bank loans in Britain is the smallest of all developed countries (6% of total fund compared to 44% in Japan). In addition, compared with other industrial nations, Britain has the largest proportion of ploughed back profit as a source of funds.

By contrast, Zimmerman (1985) indicates that Japanese banks assist the rather narrow and insular medium-sized Japanese manufacturers in many industries to expand abroad, for otherwise such manufacturers would be unable to compete.

3.2.5 Intense Domestic Competition

Finally, it has been reported that fierce and intense - and often excessive-competition among local manufacturers in Japan is a major factor explaining their success when they go overseas.

On the high level of competition in the Japanese market, a McKinsey (1983) report reads :

"Japan ... is probably one of the most fiercely competitive markets in the world".

The impact of Japanese business strategy at home on Japanese competitiveness overseas is very strong. Companies that face intense competition at home tend to be the ones that go into overseas markets. To the Japanese, competition from the local companies in the foreign markets they have penetrated is usually tame and fairly easy to handle (Zimmerman, 1985).

Sautter (1984) indicates that "excessive competition" which described the extraordinarily acute competition within the Japanese domestic market, is now a phenomenon prevalent in international markets. Japanese companies, he argues, have carried with them their competitive instincts from their home market. He adds that they very logically behave in world markets vis-a-vis European and American competitors, with the same aggressiveness as they do in the Japanese market among themselves. They approach markets strategically and market goods competitively just as they do in the

home market.

The Japanese themselves have often referred to a problem of "excessive competition", which leads to the installation of extra capacity in order to gain a larger market share (Saso, 1981).

Finally, Pepper, Janow and Wheeler (1985) claim that the fiercely competitive Japanese market and the pre-eminent position of the company in Japanese society - not government direction or Japanese management practice - have led most directly to the success of Japanese companies. Indeed, they argue that Japan's government policies succeed only when they accidentally reinforce the market.

SECTION THREE

3.3 The Effect of Recent Trends on Japan's Competitiveness

Looking ahead, it seems that Japan could be facing some serious problems caused by social and industrial change. There are many internal as well as external forces for change which indicate there is no guarantee that Japan's "economic miracle" will continue without pause.

On one hand, some manufacturing industries have lost some of their competitiveness to foreign competition. This can be attributed to several reasons including higher energy costs than prevalent in other countries, more alert competitors in the West,

and an increasingly capable NIEs who have developed to a point where their products can compete effectively with Japanese goods. On the other hand, several writers have reported that the Japanese economy faces substantial pressure for dis-investment in a broad range of declining industries which includes petrochemicals, steel, textiles, aluminium and other non-ferrous metals. It is argued that the restructuring of these industries will create problems and restrain economic growth (Pepper, Janow and Wheeler, 1985).

Claims have been made as well that successful Japanese companies are now flooded with free cash far in excess of their opportunities to invest in profitable internal growth (Jensen, 1989). Jensen believes that Japanese companies will make uneconomic acquisitions and diversification moves, generate internal waste, and engage in value-destroying activities. The long term results, he argues, will be the growth of inefficiency and the deterioration of product quality and organisational responsiveness.

Perhaps more important, instead of the problems of poverty, the Japanese will be faced with the problems of affluence (Woronoff, 1982). Younger workers now want to work less hours in order to be able to enjoy their prosperity. The new generation born and raised in relative prosperity does not feel driven to work as hard.

Recently, Emmott (1989) reports that a surge in consumer spending will soon combine with the inevitable demands of an ageing society to depress the country's high saving rate. That will slow

the outflow of the investment capital while the rapid growth of overseas tourism will exacerbate the invisible deficit. As a result, the current account surplus will soon move into sharp decline, even if a trade surplus remains. Emmott believes that Japan's current account surplus might disappear as early as 1995.

Despite his view, Emmott does not fall into the trap like some Western observers who assume when they see the Japanese enjoying MacDonal'd's and Wendy's burgers, Kentucky Fried Chicken products, and Coca Cola, that Japan is on the way to economic decline (Rodger, 1989).

Having said that, these changes taking place are hardly surprising since a long-term shift towards consumption has been a main characteristic of modern economic development. Different countries make this shift at different levels of affluence. By the same token, cultural differences and tastes themselves can change over time. Although several scholars have argued that Japan has a unique culture and changes will take time to penetrate the layers of Japanese conformity, it - like other cultures - is also changing particularly as per capita income increases (Pepper, Janow and Wheeler, 1985).

As far as the problem of declining industries is concerned, Japan's ability to move resources rapidly from activities with declining potential to activities with growing potential has been, and seems likely to remain superior to that of other advanced

nations (Pepper, Janow and Wheeler, 1985). A recent Fortune report (1989) reads "The Japanese textile, shipbuilding, petrochemicals, and steel industries - once presumed doomed - suddenly look more alive than ever. They are not only profitable, but are also once again, setting the pace worldwide".

What Japan has always demonstrated is her ability to survive and prosper during both favourable and unfavourable global economic conditions. Japan has always been keen to adapt and try new technologies and management techniques under adverse conditions. Thus a main element in their success which is not reported by many analysts is considered to be their flexibility and willingness to learn.

Empirical evidence appears to confirm the above view. Indeed, the increasing protective measures taken by Western governments, and severe cost competition from NIEs together with the appreciation of the Yen (endaka) have not significantly undermined Japan's competitiveness. Instead of stimulating the Japanese market and undermining Japan's export which could have reduced the deficit in the U.S. budget as expected by Western governments, a high Yen has created several problems for the West. Japanese companies responded quickly and effectively through a series of restructuring measures to offset the negative effects of the high Yen. These include : automation to lower production costs, squeezing suppliers at home, reducing labour costs, selectively increasing prices, moving up-market to add more margin per unit sold, and diversifying

into new technologies. All these responses have contributed to an improved position and helped Japanese industry to maintain its competitiveness (James, 1989).

Recent economic results indicate that after the shock of the high Yen the Japanese economy has pulled off yet another "miracle"; and Western observers who predicted decline in Japan's competitiveness have been proven wrong. In 1987, Japanese industrial output was 4% higher than in the previous year. The profits of Japanese manufacturers grew by 25-30% in fiscal 1987 and investment in new plants and machinery grew by a total of 33% in real terms in 1984-86 (Mroczkowsk and Hanaoka, 1989).

3.4 Conclusion and Summary

The main purpose of this chapter was to review the reasons often cited to explain Japan's postwar phenomenal success. The chapter was divided into three sections. The first section gave a broad idea about the arguments put forward to explain this success. The second section examined the full range of factors that are believed to have contributed to the overall competitiveness of Japan; such factors as : The role of the government, Japanese management practices, Japanese manufacturing system, supportive financial system and intense domestic competition. The third section examined the effect of recent trends on Japan's competitiveness.

Reviewing these factors enabled the researcher to draw the following conclusions.

First, undoubtedly Japan's government had a role to play in shaping the overall competitiveness of Japan, especially in the postwar period. The Japanese government set up the appropriate environment to catch-up with the West. It developed and promoted a national industrial plan, kept intervention to a minimum, and gave businessmen a relatively free hand to run their businesses. Nonetheless the role of industrial policy and the Japanese government has changed recently. As Japan's industry grew to the forefront, the government's role on influencing industry decreased, it is believed that industry needs less government guidance than it once did.

Second, although Japan is poorly endowed with natural resources, she is very rich in human resources. This had led Japan to utilise her human resources more fully than any other country. In fact, the one striking characteristic of the Japanese company is the greater attention given to the human factor. The general theme reported in the literature is the harmony in the workplace in Japan is more visible than in the West. This has been attributed mainly to the family like environment which management tries to create.

Third, Japanese manufacturing systems - although originating basically in the West - have been a factor that has helped to shape the overall competitiveness of Japanese manufacturing worldwide.

Fourth, a supportive financial system has helped the highly competitive Japanese companies to concentrate more on long run

growth rather than on short term profits.

Once again, what is not generally admitted in the literature is the direct role marketing must have played in shaping and influencing the overall competitiveness of Japanese companies in world markets. Having said that, attention now will be shifted towards examining Japanese marketing strategies.

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CHAPTER FOUR

A CRITICAL REVIEW OF JAPAN'S

MARKETING STRATEGIES IN WORLD MARKETS

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A CRITICAL REVIEW OF JAPAN'S MARKETING STRATEGIES IN WORLD MARKETS

So far the discussion has embraced two topics. On one hand, the viable role of marketing in affecting the position of competing firms in international markets was discussed. On the other hand, however, it was noticed that marketing has received secondary attention as compared to other aspects to explain Japan's success in world markets.

Having said that, the crucial role marketing must have played in shaping and influencing Japan's competitiveness in world markets will be discussed in this chapter. In doing so the chapter will be divided into the following sections.

Section One : This section delves into Japanese marketing philosophy and business strategy trying to identify their main features.

Section Two : This section follows the general pattern of entry of Japanese companies into foreign markets highlighting the common characteristics in that pattern.

Section Three : This section outlines the role of different marketing factors in contributing to the overall competitiveness of Japanese companies.

Section Four : This section gives practical examples of marketing practices of some Japanese companies as reported in the literature.

SECTION ONE

4.1 Japanese Marketing Philosophy and Business Strategy

It has been reported that Japanese companies initially lacked marketing orientation and were basically production or sales oriented companies. In fact, it has been observed that large manufacturers seldom undertook intensive marketing of their products. They had no marketing or sales departments as such and even those firms having a department usually gave it a secondary position (Karim, 1984).

However, when Japanese firms became interested in growing markets, and desired a greater share of them, they discovered the need for active marketing efforts. The need for timely and accurate information about capacity planning, new product development and product planning, particularly when operations crossed national boundaries, made marketing an imperative.

Sims (1986) indicated that "just as the study of marketing has evolved by borrowing theory and principles from the various social sciences, so has the practice of Japanese marketing evolved by borrowing the best business techniques from around the world".

Likewise, McGraw (1981) states that Japanese policies following second world war were based on the identification of some key marketing variables as part of what can be called a national market concept. First, the Japanese identified Europe and the U.S. as markets with high demand potential. Second, consumer preferences were identified as discretionary income rose and finally, they identified their own ability to meet these needs.

Nakanishi (1981) claims that Japanese multinationals expanding worldwide were forced to take initiatives to develop international marketing programmes. In doing so, marketing practices were at first transplanted from the United States to Japan, but many Japanese firms, he argues, have reached a point of maturity where their marketing practices not only have gone beyond mere imitations, but developed distinctively Japanese characteristics.

In fact, Lazer et al. (1985) in their "Japanese Marketing : Towards a Better Understanding", concluded that although the Japanese have embraced Western ideas, they were able to Japanese American marketing. They have reported that the marketing discipline in Japan passed through five stages namely :

1. Pre-marketing (1946-1953).
2. Marketing awareness and interest (1953-1964).
3. Acceptance and diffusion of marketing (1965-1969).
4. Expansion of the marketing domain (1970-1973).
5. Global marketing (1973 - present).

They went on to say that there are three widely-held misconceptions about government-marketing relationships. These are:

1. Government protection and direction are the main reasons for Japanese marketing success.
2. Japanese markets are closed to competition and cannot be penetrated, and;
3. Japanese companies do not compete, but get together and act as "monopolies".

They also added that, many Japanese companies' marketing functions and responsibilities tend to be rather loosely defined and Japanese personnel do not see their duties tied to any one department and functional area.

They finally described Japanese marketing management as a "classic textbook case" of applying the marketing philosophy, carefully studying consumer wants and needs in international markets, developing products incorporating desired features, and establishing effective marketing programmes to support them.

The BCG report on the British Motorcycle Industry (1975) provides more insight into Japanese marketing. The report indicates that the market approach of Japanese companies has certain features which, taken together, may be described as a "marketing philosophy". The fundamental features of this philosophy are the emphasis it places on market share and sales volume. "Objectives set in these

terms are regarded as critical, and defended at all costs".

The main thrust of the marketing programme in each country where the Japanese operate is towards maintaining or improving market share position. It has also been reported that Japanese companies set their primary objectives in terms of sales volume rather than short term profitability. The essence of this strategy is to grow sales volume as fast or faster than any of your competitors. A number of more specific policies follow from this general philosophy, for example :

1. Products are up-dated or re-designed whenever a market threat or opportunity is perceived.
2. Prices are set at levels designed to achieve market share targets, and will be cut if necessary.
3. Effective marketing systems are set up in all markets where serious competition is intended, regardless of short term costs.
4. Plans and objectives look to long term pay-offs.

The result of these policies for Japanese competition, the BCG report indicates, have been spectacularly successful.

To understand and learn from the Japanese marketing philosophy, some authorities contrasted the Japanese marketing philosophy with that of other nations.

Baker (1979) compared both British and Japanese marketing strategies in the motorcycle industry and concluded that the difference lies in "a sales strategy based on short term profitability, as conceived by traditionally minded accountants, and a marketing strategy based on the satisfaction of the customer".

Similarly, Murata (1984) pointed out that Japanese car manufacturers are re-introducing the marketing concept. Their cars, he argues, are not "... Toyota cars, Datsun cars, or Honda cars. They are all marketing cars, because they fit the needs of American or European consumers".

Morland (1983) comparing marketing systems in both the West and Japan, concluded that :

"... in the West, firms tend to exchange a defined product or service for a defined sum of money. The transaction is cash-based and involves few benefits beyond those that are clearly visible. By contrast, the Japanese expect the exchange to involve far more complex processes at a number of levels. These complex processes make for much more durable and robust relationships, which are anchored in the concept of real customer service, coupled with restrained self interest on both sides".

Manasian (1985) noted that Japanese executives seldom explain their interest in business as being a chance to make a lot of money as Western executives generally do. Japanese executives talk about growth markets, beating the competition, and achieving sales targets.

Along similar lines, a PA consultant has noted that :

"While European accountants tell their companies which markets to abandon as unprofitable .. the Japanese would do exactly the opposite. They have a set of priorities, enshrined in their business philosophy : first, to improve or maintain market share; second, to do what is best for the company's people, third, to do what is best for the company; and fourth, to make a profit" (Piercy, 1982).

Furthermore, Murata (1984) reports that Japanese marketing strategies are typically longer-range oriented compared to the strategies of the average European firm, and, in the meantime, strategies exhibit flexibility towards changing conditions.

In the same vein, Thurow (1982) indicates that Japanese companies start with a long-range view of what people want and attempt to figure out what products flow from these wants. The list of potential products is then scanned to find those products that fit in with the company's comparative advantage.

When it comes to foreign markets, probably the major characteristic of Japanese companies is their patience and willingness to study foreign markets to determine what foreigners want. It was reported for example that Datsun lost money in the American market for ten years before it started to generate profits. Such patience is thought to be required if companies are going to break into major markets.

However, it should be noted here that Ohmae (1982a) maintains that the success of Japanese companies is due primarily to their determined focus on short-term incremental gains and not on long-term planning. This observation seems to be at odds with the general theme reported in the literature. Instead, one can conclude that the Japanese have a long-range view and their planning is worldwide in nature as it will be mentioned later, with their strategies exhibiting flexibility towards changing conditions.

Also related to Japanese marketing philosophy and business strategy, Cortazzi (1985) pointed out that :

"A key element in the performance of many Japanese companies has been anticipating demand and elaborating marketing strategies". He adds that, "Japanese companies are meticulous in their analysis of new markets and in monitoring changes in demand".

Ohmae (1978) describes a number of routes to "competitive superiority" used by Japanese companies. These are summarised below.

First, a focus on key factors, which are discovered by market analysis and the study of "winning companies" to assess the reasons why they have succeeded.

Second, questioning the status quo in the marketplace and adopting unconventional routes. For example, building the flash-gun into the camera; re-designing the electric blanket so that it can be slept on; or breaking with the tradition of making afternoon sales

calls with salesmen reporting to the office in the morning, to allow more productive morning sales calls.

Third, seeking relative advantage over competitors to develop market share. For example, Sakura the colour film manufacturer discovered in their market analysis a growing cost consciousness among amateur photographers. This led them to squeeze extra exposures on to the twenty frame film and sell it at the same price. As a result, Sakura's market share doubled.

Fourth, utilising available degree of strategic freedom. For example, in the photography market it is argued that more benefits may be achieved by improving the film, by upgrading the mechanics of the equipment, or by improving the optics. The firm producing all three product lines has three degrees of strategic freedom while the specialist film producer has only one.

In "Kaisha : The Japanese Corporation", Abegglen and Stalk (1985) focus on the actions of firms in the competitive arena. Marketing Strategy is important to the authors' analysis. To quote them :

"The need for an explanation of the success of the Japanese is not satisfied by either the benign (management) or conspiracy (government) theory. These simply do not address the realities of international business : companies, not societies, compete for markets, companies not governments, trade; and in the end it is companies that prosper or stagnate-in Japan, as well as in the United States and Europe".

Abegglen and Stalk argue that there is a marketing as well as a production rationale for the development of just-in-time purchasing which is thought of primarily to be as a production method. For the marketer, however, it has two benefits. It "relieves the ever present tension between the desires of the marketing organisation and the manufacturing organisation". It also permits a wide range of marketing options and permits much quicker change in the mix of products if the markets are rapidly changing and unpredictable.

Keegan (1983) in a powerful analysis points out that :

"The Japanese automobile success is based on a broadened concept of marketing : a focus on the customer in order to have knowledge of what the customer wants and needs, and a focus on the product in order to create what the customer wants and needs. This is a marriage of information and action, which is the essence of strategic marketing management".

Similarly, Takeda (1986) indicates that the success of leading Japanese corporations such as Toyota, Honda, Sony and Matsushita is an outcome of their superiority in international marketing programmes. In his own words :

"All these firms, it is safe to say, have successfully 'exported' their highly sensitised marketing systems, and in fact might describe this as a prerequisite to successful international marketing, at least as far as Japanese multinationals are concerned".

He goes on to say that :

"While these companies sometimes make mistakes in their respective markets, they both remedy them quickly and learn from them. They thus are able to improve their performance, because their marketing systems have all developed integral mechanisms which can speedily detect and respond to every trend, no matter how subtle, among the end consumers of their products".

One of the studies which investigated Japanese marketing strategies in the British market was that by Wong, Saunders and Doyle (1987). They concluded that Japanese subsidiaries were more marketing oriented, more responsive to strategic opportunities, and more single-minded in their pursuit of market share. They recommended that most British companies have to operate on a product basis rather than production or financial aggregates. They also added that British companies need to be more marketing oriented especially on the part of the chief executive who should take the lead. Finally, they called for better professional education for British managers, who appeared to be unaware of basic marketing skills.

However, and in spite of the clear thought and simple procedures followed in undertaking the study, all hypotheses should have compared U.K. subsidiaries operating in overseas markets with others operating under the same conditions. In other words, a firm's domestic marketing strategy may be quite different from that pursued in an overseas market, particularly when the subsidiary is allowed more autonomy and freedom in developing, formulating and implementing its strategy.

To become industry leaders, a Business Week article (1985) explains that Japanese companies invest in international distribution systems and brand name recognition. Then, they leverage the brand name by diversifying into related products, such as Honda's move from motorcycles into cars, garden implements, and lawnmowers. By spreading risks over several national markets and a broad product line, Japanese companies are able to absorb downturns in key markets.

Monroe (1978) likewise identifies major factors that have contributed to Japan's export growth. It is worth noting that these factors do not include events or conditions outside Japan that may have established demand for Japanese products. The major factors are :

1. Building of exports through market-share objective.
2. Implementing of a marketing strategy based on the marketing concept.
3. Efficient and careful planning from beginning to end in export promotion.
4. Competitive pricing.
5. Generous financing terms and conditions.
6. Competitive product design or re-design.

Similarly, Redy and Rao (1982) indicate that the Japanese have demonstrated their mastery in the use of the "marketing concept", by first finding out what the customers want or need, and

then satisfying them through the creation of appropriate products and services.

It does seem to the researcher, however, that the Japanese have gone beyond just simply an adherence to the conventional marketing concept. One can argue that some Japanese companies are now applying an approach which will offer attractive opportunities to the companies that are first to grasp and implement it - in the U.S., in Europe or in Japan.

This approach can be termed as "Humanistic Marketing" defined by Kotler (1988) as :

"Humanistic Marketing is a management philosophy that takes as its central objective the earning of profit through the enhancement of the customers' long-run well being. It assumes that : the customer is active and intelligent; seeks satisfaction of both immediate needs and larger interests; and favours companies that develop products, services, and communications that enrich the customer's life possibilities".

Kotler goes on to say that humanistic marketing is an attempt to apply humanistic philosophy to the practice of marketing. He adds that , "Humanism is an ethical philosophy that attaches primary importance to human beings and the creation of conditions under which individuals can realise and perfect their potentialities".

Turning back to Japanese companies, it does appear that they have recognised and comprehended this approach several years ago.

The best example is reflected in the remarkable discussion of philosophy of management by Konosuka Matsushita, the founder of Matsushita Electric. To quote him :

"... the starting point of a true management philosophy lies in the laws of society and rules of nature. Though a management outlook which grows out of this philosophy may differ somewhat in application depending on the conditions of the times, I think it may be said that its foundations are unchanging". He describes this management philosophy as being "established on what is right in terms of essential human qualities and nature". He concludes that : "A management philosophy must be founded on a view of what is right for life, society and the world. This view will provide the basis for conducting effective management" (Quoted in Keegan, 1983).

Although at a first glance the sentiment in Matsushita's words sounds "corny", however, a more in-depth insight into the several themes in the philosophy articulated by Matsushita gives an idea about what the researcher calls a Japanese humanistic marketing concept.

One theme is the need to be in harmony with the natural laws of human kind and nature. Another is the belief that while profits are essential for the enterprise, they are not the purpose of the business. The purpose, according to Matsushita is to improve human life. Profit is important only to pursue this basic mission. He views enterprise management as an essentially public, not a private matter because an enterprise is a function of society. Throughout his philosophy, Matsushita expresses the belief that human beings

are creatures of unlimited potential for growth and change and as the rulers of the universe.

Although the argument might appear unreal and a bit exaggerated, the following sections will provide evidence on how this philosophy actually works.

SECTION TWO

4.2 The Japanese Pattern of Entry into Foreign Markets

In entering a foreign market, there are a number of alternatives for a company to choose from. The choice of these alternatives depends upon a host of factors but it does seem that the transition from a firm producing for its domestic market to one engaged in overseas production follow a systematic development path (Johanson and Valne, 1977). Sometimes the whole process is seen as sequential or evolutionary whereby companies move from one alternative to another as they gain experience and establish themselves in foreign markets (Dicken, 1986; Rugman, 1985). For example, at initial stages of internationalisation a company may only export, with exporting beginning with the psychologically closest countries. At this stage the company is trying to avoid the risk of heavy financial commitments involved in other alternatives like joint ventures or foreign production.

As the company establishes itself in foreign markets it might

start considering other operations like licensing, joint ventures or foreign production.

Nonetheless, a company's development overseas would be expected to be subject to breaks in sequence, the jumping of stages or indeed the reliance on one or more strategic routes (Young, 1988). In addition, a speeding up of the internationalisation process has been suggested where the view has been "the establishment and growth strategies on foreign markets are changing towards more direct and rapid modes than those implied by theories of a gradual and slow internationalisation process".

The approach followed by Japanese firms, however, called "linear penetration" is not very different from the ordinary pattern (Takeda, 1986).

Under linear penetration the firm passes through four different stages. These stages are summarised below :

At the first stage, the firm enters the foreign market with the help of an exporter, in Japan this exporting function is performed by general trading companies. A notable feature of this stage is that the manufacturer does not have any overseas operation and all marketing activities are carried out by overseas distributors. At the second stage, Japanese manufacturers use agency contracts in the host country in an effort to make local distributors an extension of their own marketing system. However,

local distributors may not take adequate interest unless they find the operations profitable to them.

At the third stage, and as a result of the lack of managerial control, Japanese manufacturers start to consider developing their own long-term plan for sales expansion through the establishment of their own sales base. This step will include measures to directly strengthen the manufacturer's brand image in the marketplace and to create their own information gathering. Leading firms like Sony, Honda, Yamaha, Matsushita, and Toyota expanded their operations by following this path.

Having established their own local sales subsidiaries, the manufacturers will be able to develop their marketing programmes in accordance with their own policies. Various promotion and advertising activities can be conducted to support retailers. Tighter control over retail prices can be exercised. Local staff can be trained and closely supervised improving the product's and company's image. The desire of the head office to exercise even greater control takes the company to the fourth stage where production facilities are established in the foreign country. The transition from stage three to stage four can take place either through a greenfield operation or by acquiring a local firm.

Sony U.S.A.'s San Diego plant is a good example of the first approach and Matsushita Electric's purchase of Motorola in the U.S.A. illustrates the second alternative.

Takeda argues that some of the Japanese companies operating overseas have now reached the fourth stage. These companies have some characteristics in common. They have long experience in exporting to the local market, have systematically accumulated information about market trends and fully adopt competitive pricing policies.

The fourth stage completes the linear penetration approach applied by the Japanese in overseas markets. However, as Takeda indicates, the combination of exports from Japan with local-production, and with exports of the same local-production products to third countries begins to demand more sophisticated co-ordination and planning of both sales and production, from a global perspective. It has been suggested that when foreign operations become more complex, companies do not have a choice but to adopt an approach known as Network Development Approach (NDA).

From the viewpoint of the local market, this approach combines importation of finished goods and components from third countries as well as from Japan with local production of goods that will be exported as well as sold locally.

This approach, as applied by Japanese companies, also involves four stages namely :

1. Establishing a sales subsidiary in a developed country.
2. Establishing a sales subsidiary in a developing country.

3. Setting up a production operation in the developing country.
4. Setting up a production operation in the developed country.

The basic difference between the two approaches as applied by Japanese firms is that when a firm follows the linear penetration pattern, after establishing a sales subsidiary in the foreign country, it goes for local production. Whereas under the NDA, Japanese firms first diversify their markets for products produced at home by setting up sales subsidiaries in the developing as well as the developed countries.

Under the NDA, sales subsidiaries in both developed and developing countries function as receivers and distributors of goods produced in Japan.

As the marketing system of the manufacturer develops, subsidiaries will start to handle goods produced by the manufacturer in third countries as well.

Having set up sales subsidiaries in both developed and developing countries, the third stage starts where the manufacturer begins production in a developing country utilising the local labour force to increase his production capacity and expand his sales. These local markets of developing countries soon get saturated due to their initial small size and low purchasing power in most cases.

The manufacturer then uses the excess production capacity for

exports. For example, Matsushita Electric exports from Malaysia to Europe, Fujitsu from Singapore to the U.S.A. and Hitachi from Taiwan to the U.S.A. These exports also take place from one developing country to another. Besides these exports to developing countries, the manufacturer may also export to Japan.

In fact, as Takeda indicates Japanese multinationals typically complete the first three stages of the NDA before they establish production facilities in developed countries.

Along similar lines, it has been reported that Japanese firms have avoided going global at once. Ohmae (1982b), for example, pointed out that :

"When they have (the Japanese) an exportable product, they test it out in South East Asia and a few U.S. cities in order to learn how to market it abroad. When the situation looks risky, they also ask trading companies to do the overseas marketing on their behalf, again to prevent their lack of critical resources from becoming a bottleneck to international growth".

Similarly, Rose (1978) revealed that Japanese firms moved abroad, generally by first penetrating the market of developing countries where they would not be challenged by stiff competition.

In the same vein, Johansson and Nonaka (1983) indicate that before entering Western markets, the Japanese made an attempt to enter the Australian market which was viewed as a "dress rehearsal". Japanese companies wanted to develop some exporting skills before

taking on the major market countries.

To become global marketers, Jatusripitack, Fahey and Kotler (1985) report that Japanese firms passed through the following five stages :

1. Relying on outsiders.
2. Establishing local sales companies.
3. Producing locally in less developed countries.
4. Producing locally in developed countries.
5. Taking steps to become global marketers.

In the first stage, Japanese companies relied basically on outsiders. In other words, most Japanese firms started by utilising the large Japanese trading companies. Trading companies were familiar with overseas markets, business customs, legal procedures, etc. Some other companies employed local independent agents or distributors to carry their products.

In the second stage, Japanese companies started to replace their external agents and distributors with their own overseas sales branches and distribution network. In this stage they gained managerial experience and strengthened their brand reputation through controlling advertising, promotion, and after-sales services in each market.

In the third stage, Japanese companies began to establish

local manufacturing plants in less developed countries to exploit the cheap local labour and available raw materials used in production.

In the fourth stage, the Japanese started to establish local production in developed countries, especially in America which was viewed as the most attractive due to its size and high standard of living.

In the final stage, to become global marketers, Japanese firms start to allocate resources behind global objectives. In other words, they have to decide where in the world to build their plants, and which plants would manufacture which products for which markets to obtain the lowest costs of production and distribution.

Ohmae (1987) presents a slightly different scenario on the evolution of a multinational corporation and how Japanese companies fit in the whole picture. He breaks the whole system into the following 5 stages :

1. Exporting.
2. Direct sales and marketing.
3. Direct production.
4. Full autonomy.
5. Global integration.

He says that most Japanese companies passed through the first

stage in the 1960s. They relied on trading companies for exporting and used local distributors to carry their products.

In order to get better access to customers, Japanese companies moved to the second stage by establishing their own sales representatives with marketing, sales, and service functions.

Some companies, he indicated, have moved production to the U.S. and Europe, thus entering stage three. However, most companies in this stage do not integrate their production facilities and sales representatives into one unit. For example, one might find the production plant reporting to the headquarters production function, while the same company's sales office reporting to the overseas business department. This format, Ohmae argues, does not allow the local manufacturing plant to act as an integrated organisation responsible for price, cost and volume.

If the company wants to become a fully-fledged insider into local markets, it needs to transfer such functions as R & D, engineering and financing - thus entering stage four. While some Japanese companies have established R & D facilities in America and Western Europe, no one, Ohmae contends, has truly moved into this stage.

Although no one has done so, leading multinationals need to move into the fifth stage of the evolution, that is, global integration. In this stage, companies realise that it is cheaper to

conduct basic R & D and raise capital worldwide. Companies are also characterised by hiring the best personnel for key positions regardless of their origin or nationality. While some European and American corporations are gradually moving to stage five, Ohmae observes, "Japanese companies are far behind this and don't even begin to understand the requirements, particularly in personnel, to succeed in the key markets of the world".

However, Ohmae's observation seems to be at odds when one considers that several Japanese companies have already started to integrate their operations on a global basis. Honda, for example, have hired six non-Japanese, mostly Americans, straight out of college to work in Japan. In 1988, they hired ten. Early in 1989, Sony appointed an American and West German to its board. Increasingly Japanese corporations tend to buy components, raise capital, hire key personnel and base their manufacturing facilities wherever they can do it best. In fact, the Japanese approach has been termed "Glocalisation", where they make global decisions on strategic issues about products, capital and research, but let local units decide tactical issues about marketing and advertising (Main, 1989). Much of the recent talk about "globalising operations" has come from Japanese companies. Honda, Sony and Nomura Securities are all seen taking positive steps towards integrating their operations on a worldwide basis. Honda is trying to establish Honda North America as an equal partner to the Japanese parent. Nomura wants eventually to have three equal head offices : New York, London and Tokyo. In addition, Japan has two important advantages. First,

unlike Western firms, they are mostly setting up from scratch. They do not have to teach an old, bureaucratic structure new rules. Second, they have lower capital costs when compared with Western firms. They can afford to expand overseas - and to make mistakes (The Economist, 1989).

As far as the principles and techniques employed by the Japanese in their entry to foreign markets, Kotler and Fahey (1982) indicate that Japanese firms tend to undertake substantial analysis before embarking on a programme of international market entry.

Sims (1986), impressed by Japanese market entry strategies, says :

"Japan has approached market entry strategy in classic textbook fashion. The Japanese carefully analyse market opportunities through exhaustive market feasibility studies before entering any market. They first search for attractive opportunities that match the economic goals of the Japanese nation. Then following the guidelines of the marketing concept, they develop products that customers want or need. Once products are developed, market-entry points and timing of entry are chosen with the objective of obtaining a strong initial share of the market. Once an initial foothold is gained, the strategy then shifts to market penetration tactics which will broaden the customer base while continuing to expand market share".

In the same fashion, Zimmerman (1985) claims that Japanese companies enter foreign markets one after the other in quick succession, using low price, high quality, heavy advertising, and shrewd knowledge of customers and competitors gathered prior to

penetrating the market.

Also related to Japanese market entry strategies, Keegan (1983) indicates that when the Japanese enter a market, they are committed to a long term goal.

Japanese carmakers provide a good example of commitment which, it is argued has been an essential part of Japan's success. Toyota, for example, entered the U.S. market in the late sixties with a model called the "Toyopot". The product was a failure to the extent that after a year trying to sell the car, Toyota had to ship unsold cars back to Japan. Toyota, however, realising that it could not compete in the U.S. with a product designed for Japan, gathered all the necessary information about the U.S. market, and designed a car for the U.S. consumer. Toyota now is ranked fifth in overall market share in the U.S. market.

In addition, Magaziner and Hout (1980) have noticed that the market and product entry strategies of Japanese companies commonly begins exporting to third world markets which are peripheral to their U.S. or European competitors but can add significantly to the Japanese company's volume base. When entering these markets, Japanese companies generally cut price.

On their long-term views, Anderson (1985) argues that creating new markets, or penetrating someone else's existing market requires patience. This is, Anderson argues, what the Japanese have

in abundance. They tend to think long term rather than short term. Perhaps the words of Soichiro Honda (the founder of Honda) give an idea on how they are future oriented :

"The deputy president and I have not signed any papers or attended any executive committee meetings for the last ten years. We have done what presidents should do; we have spent our times correctly judging future trends. This is our job" (Quoted in Anderson, 1985).

Keegan (1983) in a thoughtful analysis describes how the Japanese entering world markets passes through a series of objectives. These objectives are :

1. Learning.
2. Entry.
3. Take over.
4. Holding.

Initially, if a Japanese company entering a new market, makes so many mistakes that its effort is not successful, it is not defined as a failure, but as learning. After the initial learning stage, the Japanese company is not yet well known in the market and is seeking its first sales. The Japanese strategy, Keegan argues, is to offer as much product, promotion, and place value at a price advantage. In fact, Keegan claims the major entry tool for Japanese companies is price.

In the third stage, there is fierce head-to-head competition

between Japanese and Western competitors. The Japanese rely on constant improvements and refinements of the product, promotion and place coupled with continuous price pressure. The objective is to offer the customer more value and thus gain market share.

In the final stage, when a market has been taken over and a leading position established the objective is to hold on to the market. This is done, Keegan indicates, by putting emphasis on product refinements and improvements, promotion and channel design management, and a tendency to increase price to reflect the greater perceived value of the total offering. A good example of pricing at this stage is the Datsun 240 Z, which was initially offered to the market for \$4,000, and in 1983 was priced over \$20,000 in the same range as a Porsche.

Piercy (1982) was in agreement with Keegan when he noticed that Japanese companies are turning their emphasis from price to non-price competition.

The following examples have been reported as an evidence of this shift in Japanese competitive strategies.

On their entry to the U.S. market, the Japanese photocopiers producers offered reliability as well as competitive and flexible prices. This seems to be one of a number of markets where Japanese firms have entered at the bottom of the market-selling small, slow, low volume desk-top copiers on the basis of low prices and have

moved progressively up-market from this foothold, through product development.

The Japanese machine tool producers provide another example of the shift from price to non-price competition.

In the early stages they had a substantial price advantage and were accused of unfair competition by U.S. producers. Recently however, the Japanese have developed numerical control lathes, sold on quality and sophistication as a result of product development effort.

Finally, Japanese fork-lift trucks producers entered the U.S. market in the late sixties with initial emphasis basically on price. Options were extremely limited. However, they moved from a competitive strategy based on price to one drawing on non-price strengths. They have developed extensive dealer networks, upgraded product lines and put more emphasis on quality.

SECTION THREE

4.3 The Role of Different Marketing Factors in Contributing to the Overall Competitiveness of Japanese Companies

Having discussed the main thrust of Japan's marketing philosophy and business strategy and highlighted the general pattern of entry of Japanese firms into foreign markets, attention now will

be given to the role played by different marketing factors in influencing the overall competitiveness of Japanese companies.

Some of the major factors will be discussed next to determine how each factor can affect the position of Japanese firms in world markets.

More specific, these factors will be discussed :

- * The Role of Information Gathering.
- * The Role of Market Segmentation.
- * The Role of the Product.
 - * The Role of Product Quality.
 - * The Role of Innovation.
- * The Role of Price.
- * The Role of Promotion.
- * The Role of Distribution.

4.3.1 The Role of Information Gathering

The dedication and commitment of Japanese companies to information gathering has been documented in many studies.

Vogel (1982) for example argues that one of the deep reasons why Japan has been so successful is the search for information around the world. In fact, Vogel (1978) has pointed out that to the Japanese "information gathering is general and specific, long-term

and short-term, formal and informal. Organisations send out observation teams and invite in experts. They gather information from classrooms and golf courses, from conferences and bars, from think tanks and television. They gather it from (professionals and amateurs,) friends and foes". He goes on to say that, "the process is nothing if not thorough". He finally concludes that "Japanese companies collect and process information more thoroughly than their foreign competitors".

Michaelson (1987) was in agreement with Vogel when he stated that "To today's Japanese manager, competitive intelligence is simply part of the total process of good management. Companies like Matsushita have entire intelligence offices searching journals for information on competition. At trade shows, the Japanese can be seen moving from booth to booth, thoroughly examining each new product, taking pictures of everything, and collecting brochures. While this is a common process, no one seems to do it as thoroughly as the Japanese".

In the same vein, Zimmerman (1985) indicates that Japanese firms have been known for their continuing dedication to maintaining of detailed information gathering.

Along similar lines, Murata (1984) claims that in order to identify consumer needs, Japanese companies utilise depth interviews or group discussion methods. Customers representing a particular market segment are invited to discuss their problems to disclose or

identify certain consumer needs.

Any understanding of Japan's marketing is incomplete without exploring the role played by Japan's trading companies, especially their role in information gathering (McMillan, 1985).

The most basic function of large trading companies is to facilitate exchange between Japanese manufacturers and buyers in different countries (Rugman, 1985).

Burton and Saelens (1983) argue that Japan's trading companies played an important role in the development of her economy in the postwar period. They took responsibility for the development and management of Japan's external economic links through their ability to secure raw materials, market Japan's finished goods, acquire foreign exchange and serve as the main vehicle for the implantation of Japan's foreign economic policy. In addition, Vogel (1978) indicates that one of the biggest and most systematic information-collecting devices in Japan are the general trading companies. He argues that a middle sized Japanese firm through its connection with the general trading company has the kind of information it needs to develop a global marketing and production strategy. General trading companies, it has been reported, are good sources of new ideas and provide understanding about market penetration.

Vogel (1978) had indicated that "the Japanese general trading

companies are unparalleled by other companies, Japanese or foreign in their international information network".

Further evidence on the role played by Japanese trading companies is provided by Jain (1987). He proclaims that Japanese trading companies have been very successful in promoting Japan's export. He adds that they offer a broad range of services, from marketing research to financing, and present a relatively inexpensive form for the small or medium size firm to do international marketing.

Similarly, Zimmerman (1985) reveals that Japanese trading companies run huge intelligence networks that feed essential information to Japanese firms so that they can outperform their competitors in world markets. General trading companies provide a data bank, information network, and survey of different countries opportunities, in addition to several other intelligence related services to different Japanese corporations.

Furthermore, Aoyama (1982) reports that the ability of Japan's general trading companies to gather information is almost legendary. Through their representatives throughout the world, they gather all kinds of information - business, social and political. They have worldwide telecommunication networks so that information obtained can be transmitted and used to best advantage.

In fact, one Singaporean government official once commented

that the Japanese trading companies are better at information gathering than the CIA (Zimmerman, 1985).

It has been reported that there are approximately 7,000 trading companies in Japan today, but only 300 of them are engaged in foreign trade. The six largest trading companies in Japan referred to as the big six had combined sales of \$320 billion in 1984. They are responsible for bringing about 50 per cent of Japan's imports and shipping out about 50 per cent of its exports. The big trading companies control 56 per cent of Japan's foreign trade. Together they are the main exporters of almost every product (except cars and electrical appliances) that is exported directly by manufacturers (Jain, 1987).

Table 4/1 shows the name and rankings of the largest trading companies.

Finally, the role of Japan's trading companies seems to have somewhat weakened as the new and rapidly growing Japanese corporations have increased in importance outside their sphere of influence. However, their importance particularly in the internationalisation of the Japanese economy, should not be undermined. As Dicken (1988) points out, "when the emphasis in the Japanese economy began to shift from a sole reliance on exporting to increasing direct investment overseas, this already established international marketing and intelligence gathering infrastructure was a major advantage to Japanese manufacturing firms moving abroad

TABLE 4/1 : THE TEN LARGEST TRADING COMPANIES IN JAPAN.

1. Mitsubishi Corporation.
2. Mitsui & Company Ltd.
3. Marubini Corporation.
4. C. Itoh & Company, Ltd.*
5. Sumitomo Shohi Kaisha Ltd.
6. Nissho-Iwai Company Ltd.
7. Tomen Ltd.
8. Kanematsu-Gosho Ltd.
9. Nichimen Company Ltd.
10. Ataka & Company Ltd.*

Source : A. M. Rugman (1985), p. 88.

* Merged in 1977.

for the first time. In particular, the vast and complex network of sales and marketing operations established over the years by the sogo shosha (trading company), together with the financial and other support services provided made possible overseas investment by small-sized and medium-sized manufacturing firms".

4.3.2 The Role of Market Segmentation

Explanations offered for Japanese marketing success are many and inter-related. Yet one particular aspect has attracted attention : the Japanese approach towards market segmentation.

Keegan (1983) argues that the foundation and basis for all success in marketing is concentration and focus. He goes on to say that the essence of the Japanese approach to product/market scope is concentration and focus. The Japanese, he argues identify markets and then focus their resources in selected enterprises whose aim is to capture leading world positions in the target markets.

Similarly, Sims (1986) indicates that "Japan's strategy for market entry has followed the classic philosophy of market segmentation and product positioning".

A Financial Times (1981) article claims that the Japanese approach towards market entry shows that they are strong believers of the concept of market segmentation. They divide the total market into well defined market segments and then move from segment to segment at the most suitable time and with the most suitable marketing mix.

Fahey and Radnor (1982) were on line with the above views. In their study about the product-market strategies of the U.S. and Japanese firms, they revealed that Japanese product-market strategies were highly market oriented, and, unlike the the U.S. approach, worldwide in scope. A significant reflection of this market orientation is the product market strategy adopted by the Japanese to enter and develop a strong position in the U.S. market. This strategy can be summarised as follows : focusing upon market segments not being addressed. High volume products are then

developed through aggressive pricing, private labelling, and using the distribution arm as a promotion tool. Once a significant market position is established, Japanese manufacturers move up the product line.

Lazer et al. (1985) confirm the commitment of the Japanese to market segmentation. They claim that Japanese products have become attuned to the local requirements and the wants and needs of different market segments throughout the world. Japanese companies monitor world markets continuously and insightfully and have been successful in developing new products to meet them.

In the same fashion McMillan (1985) argues that Japanese manufacturers have been spectacularly successful because they have developed marketing niches, that is, segments of the market either ignored or abandoned by foreign competition.

Similarly, Magaziner and Hout (1980) indicate that Japanese companies often enter a business at the simpler end of the product line, where Western competitors often have lower profits.

In the same vein, Kleiman (1980) maintains that Japanese companies have been very shrewd at marketing. They have been able to penetrate the U.S. markets by concentrating on those niches that U.S. manufacturers served poorly or simply ignored.

Several examples have been documented in the literature to

demonstrate this Japanese phenomenon.

Just to cite some examples, Japanese car manufacturers like Honda and Nissan marketed small, fuel-efficient cars that were not available from American manufacturers until recently.

Similarly, the Japanese motorcycle manufacturers were able to break through and eventually dominate the U.S. market by offering a lightweight product catering to mobile and young customers who had previously been ignored.

Furthermore, Japanese photocopier companies were able to break in the office market. Xerox and IBM were focusing on medium and high priced models that yielded larger profit margins. Japanese companies like Ricoh, Canon and Sharp correctly perceived a gap at the lower end of the market. They introduced small machines at lower prices attuned to users with limited needs and budgets.

The same story of the Japanese market segmentation strategy was repeated in the black and white and then colour T.V. market in the States. When the Japanese firms entered the U.S. black and white market, they did not try to compete head-to-head with major American competitors. Instead, they offered a completely different product family, with screen sizes smaller than what was available from domestic manufacturers. They correctly judged that U.S. buyers might need second and third sets - table, portable and battery - to go along with the large consoles (Kleiman, 1980).

Finally, in the machine tool industry, the Japanese successfully identified a part of the U.S. market - standard machines in the small to medium sized ranges - which was not being well served by U.S. companies. As a result, Lampert (1983) in a Financial Times article comments, the Japanese were everywhere selling good quality machines for immediate delivery at favourable prices.

On the other hand, it has been reported that "although the Japanese start at the low end of the product line, they rarely remain there. In motorcycles they increased their volume so rapidly that they earned enough to be able to afford highly specialised machines". In consumer electronics as well the Japanese moved quickly from radios to tape recorders to black-and-white T.V. and then colour sets (Rose, 1978).

Magaziner and Hout (1980) confirmed the above view when they said : "In fact as the long list of products, demonstrates, Japanese competition rarely stops with the 'low end' of the business. The extensive experience, production volume and distribution strength gained there can form a base for successful expansion".

The Japanese carmakers now commanding 25% of sales in the American car market, are extending their business to the most profitable market segments : mid-sized and luxury cars. It is believed that they could win up to 8 more points of market share by 1994 (Taylor III, 1989). Toyota's Lexus and Nissan's Infiniti are

both aimed at the high performance luxury car market - a segment of the market which is up till now dominated by a select band of carmakers. Toyota, for example, is said to be looking for a median age of 43, and a median income of \$100,000 a year for buyers of its model (Financial Times, 1989).

In a thoughtful analysis, Kotler and Fahey (1982) identify three stages in Japanese marketing strategy as follows :

- Entering the market. Japan's market entry involves segmenting the market, targeting a segment that competition is not adequately serving, designing the product for the market segment, entering at a low price, offering high quality and service, developing strong distribution, and backing the product with heavy promotion and advertising.
- Taking over the market. Once Japanese firms have entered the market, they direct their efforts towards competitive leadership. The drive for product-market dominance takes two related forms; product development strategies in the form of product improvement, product upgrading, and product proliferation. The second includes market development strategies such as market segmentation, market sequencing, and market flexibility.
- Market maintenance. The Japanese market maintenance strategy seems to involve doing more of what won them the market in

the first place, i.e. product development and market development.

Finally, the BCG (1975) report on "Strategy Alternatives for the British Motorcycle Industry", best summarised the Japanese approach towards market segmentation. The reports reads :

"Starting from the base of a large home market for lightweight machines, the Japanese companies have identified the growth markets of the world, in terms of both product segments and national market segments. They have then developed the models and the marketing network necessary to gain share of these markets".

The report then adds that, "at the same time a supportive level has been developed in terms of R & D, advertising, service facilities, and dealer networks". It finally concludes that "Japanese producers have consequently come to dominate the world motorcycle industry".

4.3.3 The Role of the Product

As mentioned earlier the Japanese product strategy is highly market oriented and worldwide in scope.

Michaelson (1987) for example noted that critical to the success of Japanese products is the fact that they often give more value for money. Japanese cars get their entry into the United States because they delivered more features, more performance, more

styling for less money.

Manasian (1985) indicates that Japanese companies have the ability to translate technical excellence into marketable products, getting full co-operation between research and development, marketing and manufacturing. Companies always aim for re-designing and re-shaping products for better functioning.

In addition, Kotler and Fahey (1982) reveal that Japanese firms are committed to continuous product improvement - they try hard to find ways to improve the product's performance, quality, features and style. "They will survey users and collect their complaints and suggestions. They will test potential new product features on a sample of product adopters".

Similarly, Clark (1984) claims that Japanese companies try to offer a comprehensive range of products and are unwilling to give market segments to their competitors.

Johansson and Nonaka (1983) in their study "Japanese Export Marketing : Structure, Strategies, Counter Strategies" found that most of the companies interviewed emphasised the "marketing concept" and their desire and intent to make sure that the foreign markets are supplied with the products they wanted. They also revealed that there was agreement among the companies that products marketed abroad must show definite differential advantage over competitive offering. Sony, for example, was reported for innovativeness and

introducing new features into the products which set the norms for other products in the market, both in Japan and abroad.

A manifestation of Japanese product strategy is the fact that Japanese companies develop a variety of different versions of the same product in order to meet the requirements of different market segments.

Ball (1981) reports that as shrewd and systematic marketers, the Japanese have made a continuous effort to adapt their goods to European tastes and expectations.

Marketing of Casio watches in the Middle East is an interesting example of product adaptability. For instance, in Libya, watches were marketed with Colonel Qaddafi's photographs on the dial, in Saudi Arabia the same watch was marketed with pictures of the holy places on the dial (Karim, 1984).

Arnott (1983), in his study of the British machine tool industry points out that the key to success of Japanese producers is "their accurate identification of where the future potential of the market lay". Instead of producing specialised and customised machines, for which they forecasted that there was a limited market, the Japanese turned to making smaller multi-purpose machines.

In addition, product planning is very important to Japanese manufacturers.

Anderson (1985) claims that the Japanese now make better cameras than the Germans, better watches than the Swiss, and better radios and T.V. sets than the Americans.

The starting point in car design according to Nagisa (1986) is to "humanise" the mechanical utility of a car to the point of including personal feelings and taste.

It has been reported that Japanese car manufacturers designing their cars study their users carefully. They also undertake detailed research on what the users want, including their desire and satisfaction levels.

Accordingly, Kono (1984) indicates that the Japanese cars have such devices as warning signals for the handbrakes, warning signals for the reverse gear, rear window washing and so on.

In addition, the Japanese definition of the customer is very broad. For example, in the case of automobiles the customer is not only the driver but the automechanic as well. The product design does not appeal only to the aesthetics of the customer but also makes the product very comfortable to use. Toyota attributes its success to a basic marketing philosophy which places "the customer first, the dealer second and the manufacturer third" (Toyota Motor Sales, 1981).

Finally, Keegan (1983) argues that the Japanese motor vehicle

built more reliable cars with better workmanship, better engineering, better fit and finish, better gas mileage, greater reliability and better overall quality.

4.3.3.1 The Role Product Quality

Before discussing the role of product quality in contributing to the overall competitiveness of Japanese firms, it is of paramount importance to note that quality in itself of course is meaningless if it is lavished on products no one wants.

As Ishikawa (1984) indicates :

"Some people are under the misapprehension that Q.C. (quality control) is just the manufacturing of goods to the best quality. However, the meaning of quality in Q.C. is that which satisfies the customer and not only what satisfies National Standards. Q.C. means to design, to produce, and to sell goods which actually meet the needs of the user. Good quality means quality which is produced with the maximum use of the manufacturer's existing capability such as production, engineering and process capability to meet consumer needs".

In fact as Anderson (1985) reveals :

"The Japanese were quick to recognise this. Indeed, their ability to identify what the market will probably want is unequalled by any other country. This is no accident. The Japanese listen carefully to what the consumer is saying. Then they give him the product he wants, not the product they think he should want".

The Japanese approach towards product quality has been documented in several studies.

Manasian (1985) noted that the investment by Japanese companies in quality control stems from their concern for building and maintaining the trust of consumers in their name.

Kono (1984) also stated that "Japanese companies did not follow a strategy of selling low-quality products at low prices. The consumer wants quality goods. Emphasis on quality was important for Japan's competitive strategy in world markets".

In the same vein, Fahey and Radnor (1982) indicated that emphasis on product quality : reliability, durability and product features was critical to the Japanese product-market strategy in the U.S.

Along similar lines, Zimmerman (1985) reveals that Japanese products have captured the western markets because of superior quality where Japanese producers provide good value for the consumer's money.

Naisbitt (1982) traces the downfall of American competitiveness with Japan and attributes it to high quality imports and relative lack of emphasis on quality by U.S. firms and managers.

In the same fashion, Wyller (1981) was on line with that

view. His study revealed that Japanese firms increased their competitiveness through product quality features and service facilities. One of the major criticisms of American companies was that products offered are not designed to meet the needs of American consumers.

In fact it has been reported that American and European managers set an acceptable level of quality and then stick to it. The Japanese by contrast are constantly upgrading their products (Main, 1980).

Furthermore, Edwards (1967) has noted that increasingly Japanese-American competition involves quality competition. A remarkable fact is the Japanese focus on preventing defects in the first place rather than subsequently inspecting them out.

A survey by J. D. Power & Associates, the American automotive consulting firm measured the number of problems reported by owners after 90 days of purchase. Over the period 1987-89 the number of defects in American cars decreased from 177 to 163 per 100 vehicles. Defects in Japanese cars, on the other hand, decreased from 129 to 119. Among the ten brands with fewest problems, six were Japanese, two Americans, and two Germans. In fact the survey may understate the quality gap. It is claimed that older buyers who tend to buy Americans, are less critical and report fewer problems than younger owners, who are more likely to drive Japanese cars (Taylor 1989 III).

Similarly in 1989 the British Consumers' Association evaluated 35 recent models sold in Britain on such criteria as frequency of breakdowns and number of repairs. Four of the seven most reliable cars were Japanese : Nissan's Micra, Sunny, and Bluebird models, and the Toyota Corolla (Fortune, 1990).

Japanese carmakers aim to have around 20% of the European market by 1993, up from the current 11% and analysts indicate that they could reach 30% within 10 years (International Management 1989).

Claims have been made as well that in industry like semi-conductors equipments, Japanese machines generally require less set-up time; break down less often and have few problems meeting their specified performance levels; traits that are desired by most buyers (Garvin, 1987).

Muaser (1980) expresses the view that in foreign markets the Japanese introduces premium quality goods and consume relatively inferior quality goods in their home market.

With respect to British experience, Arnott (1983) found that Japanese machine tool producers have been successful in developing products to meet international needs. By contrast, British machinery has too often earned a reputation at home and abroad for being unreliable, of lower quality and offering inadequate service.

In addition, McKenna (1984) points out that Japanese firms

are aggressive in the development of new technology that delivers high quality products at a low cost.

Finally, Prentice (1984) indicated that the high quality standards of Japanese products are a result of the following :

- Paying more attention to the product specification process. In this context, the level of performance and cost are always regarded as something to be improved even further. In addition a very close watch is kept on competitors' specifications to ensure that their own specifications do not lag behind those of their competitors.
- A good inspection system which is designed not to accept and reject, but to put things right.
- A management style which appreciates that the company's future depends on keeping on top of technological and scientific developments.

4.3.3.2 The Role of Innovation

It is not easy to define the role of innovation in the overall competitiveness of Japan. The issue is a controversial one, with arguments covering the whole range from seeing the Japanese as highly innovative to arguing that Japan has done well through the copying of Western technology which gave them an advantage of

producing quality products at low costs.

At the initial stages of Japan's postwar development, it is argued, that the copying of technology gave Japanese companies an advantage of producing quality products at lower costs. The Japanese were able to avoid heavy R & D expenditures which prevented their competitors from marketing goods at competitive prices (The Economist, 1982).

The Economist survey (1982) entitled "Japanese Technology", reveals that Japan has learnt that simply being an imitator of technology is a dangerous strategy. Now, the Japanese improve on the technology they borrow, keeping a close watch on what the market is demanding.

Several observers, building on a distinction between invention and innovation, argue that Japan do best when operating within a given set of parameters, that is, innovating (or even copying). Japanese lose their advantage, the argument runs, when they have to pick the parameters within which to operate to a new environment, that is, inventing "entirely" new things or concepts (Pepper, Janow and Wheeler, 1985).

Yakawa (1985), a Japanese nobel prize-winner, has been quoted as having said that he did his best work while thinking in English, since the Japanese language made it difficult to conduct scientific enquiry through hypotheses testing.

Esaki (1985), a Japanese nobelist who worked for IBM and lived in America for a long time claims that Japanese society is too conformist to encourage creativity. "Japanese culture is overly sentimental, too aesthetic, too intuitive and irrational. My fellow Japanese are obsessed with form and peripheral behaviour without being able to get to the heart of the matter".

Kikuchi (1982), a director in one of Sony's research centres, has written along similar lines : "We Japanese are very strong in learning and understanding when we have a clear target in view, but perhaps not quite so strong when it comes to setting a new target or finding a new direction". He concludes that "papers by Western authors show a preference for a way of thinking and analysis related to fundamental principles, and Japanese researchers concentrate more on sophisticated, detailed approaches to existing problems".

Alston (1985) indicated that Japanese culture which emphasises conformity and group loyalty creates a problem in encouraging enough individuality to achieve creativity and innovation. The situation, Alston writes, is opposite in America. American culture encourages individuality which is more likely to result in creativity and innovation.

A newer view that is gaining support asserts that creativity can exist within the process of innovation. It is argued that the potential for originality exists both in the process of inventing something "entirely new" and in the process of innovating from an

existing base (Pepper, Janow and Wheeler, 1985).

Hunt (1988) argues, that few people today would say that the Japanese are only copiers of others. Americans are studying Japanese processes and designs to find out why Americans have become second best in areas where they had no competition before.

Kikuchi (1983) says : "While I will always reject the argument that Japan only imitates other countries, it is nonetheless clear that Japanese creativity differs somewhat from the Western mode".

Kikuchi (1981) argues, for example, that Japanese may be well-suited to work in future computer-related innovations because they tend to avoid Western style "yes-no" categories. He indicates that Japanese methods of pattern recognition de-emphasise logical, or sequential thinking, which he sees as advantageous in going beyond the yes-no logic built into previous concepts of computer design.

Murata (1984) examining the marketing strategy of Japanese companies, indicated that, "Japanese marketers believe that innovative product development is most essential for their growth and survival".

Hayes and Abernathy (1980) in "Managing our Way to Economic Decline", pointed out that Japanese firms tend to emphasise the role

of product innovation as a main aspect of their competitive strategy.

In pursuit of global dominance, it has been reported that Japanese firms attack their leading competitors by a lethal combination of innovative product design competitively priced (Moss 1988).

In addition, Vogel (1978) reports that Japan is turning more to basic and innovative research, contrary to its past practice of concentrating on adaptive research.

However, the remarkable ability of Japanese companies to identify new products and processes with world market potential leads to reconsidering the importance of basic versus applied research in the development of competitive advantage for competing firms in the international arena.

Moreover, in 1987 Japanese companies won the three top places for the number of new patents issued in America which questions America's leadership in the inventiveness league table (The Economist, 1988).

Table 4/2 shows the rankings of the new U.S. patents in 1987.

TABLE 4/2 : NEW U.S. PATENTS, 1987

	<u>NO.</u>
1. Canon (Japan)	847
2. Hitachi (Japan)	845
3. Toshiba (Japan)	823
4. GE (U.S.A.)	779
5. North American Philips (U.S.A.)	687
6. Westinghouse Electric (U.S.A.)	652
7. IBM (U.S.A.)	591
8. Siemens (West Germany)	539
9. Mitsubishi Denki (Japan)	518
10. RCA (U.S.A.)	504

Source : The Economist, October 8th, 1988, p. 83.

As far as the attention given to the consumer needs and wants in developing new products, one chief executive of a Japanese company explains how new product development takes place. He says :

"We start product development not from the viewpoint of what we can do to make the company more profitable or to increase market share, but how we can help our customers" (Quoted in Dumaine, 1988).

The statement sounds sentimental and unreal, but it is apparent how Japanese companies are successful worldwide in the development and introduction of products that satisfy consumer needs.

Also the role marketing plays in new product development in Japanese firms is very essential.

Murata (1984) indicates that marketing staff working for a new product development project make use of research data from monitoring surveys. They also review unsatisfactory points of their own products as well as competitors. They are convinced that customers' complaints about marketed products often provide an easy opportunity through which the company can find out new valuable product ideas. He also adds that market research provides an input to the process through identification of which market segments are left unapproached or poorly served.

Nishikawa (1989) describes the successful development of a washing machine at Hitachi based on the analysis of a change in the life-style of housewives. The washing machine launched in 1987 was a great success, with much lower noise level than conventional models. The company used advertising copy appealing to the consumers' requirements and showing that sleeping babies did not wake up beside the washing machine in operation.

Kono (1984) mentions several examples on how Japanese companies have been successful worldwide in developing new products - in cameras, in the shipbuilding industry, in watches and so on.

To name a few, Japanese camera manufacturers were sensitive to the change of demand and technology, and they developed the

electrically controlled automatic shutter mechanism, the mini size camera, and the autofocus camera, and successfully competed with German manufacturers.

In the shipbuilding industry, Japanese manufacturers found the new demand was for bulky goods like crude oil-carriers, and they made all their efforts to produce large, standardised, low priced ships, using innovative production methods.

Finally Seiko was the first to develop a crystal quartz watch and came to hold the largest share in world markets.

4.3.4 The Role of Price

The role of price in the overall marketing strategy of Japanese companies has been strongly stressed. Several studies emphasise the role of price in Japan's success worldwide.

Piercy (1982) states that, "No analysis of Japan's strategy in export business can fail to start from the point that Japanese firms have been aggressive users of price competition, where it gains volume and achieves market penetration".

Similarly, Abegglen and Rapp (1970) say that "Any discussion of managerial behaviour is likely to lead quickly to the issue of pricing policy. Both in domestic market and in export markets, it appears that Japanese firms rely more heavily on price as a

competitive weapon against each other and against competitors in foreign markets than is the case with U.S. or European companies".

In the same vein, Rose (1978) in "The Secret of Japan's Export Prowess", has pointed out that "Japanese firms have been successful by competing on price when necessary : The typical Japanese manufacturing company makes dedicated efforts to increase its market share. If the company can only achieve this goal by cutting price, it will normally do so, despite the possible short term penalties".

In order to win a new market, or to retain a work force in time of recession, Cortazzi (1985) claims that Japanese companies are prepared to adjust their prices to undercut the competition.

In fact around the world the Japanese have been accused of dumping their products in foreign markets to gain a large market share.

Nevin (1978) for instance gave several examples of cases where Japanese export prices are low enough to undercut local producers. In other words, lower than Japanese domestic prices, and, it is claimed in some cases they are less than the cost of production and delivery.

It was reported that Nissan and Toyota priced their export units at least 20% lower than those similar models sold at home

(Karim, 1984). Komatsu as well, it was mentioned that in some markets its prices 10% or more less than Caterpillar (Krisher, 1981).

However, it should be noted here that although Japanese companies might have been dumping in foreign markets, in the long run selling below the cost of production is unprofitable to anyone.

The role of price in Japan's competitive strategy has been documented in several studies.

A NEDO report (1980) entitled "Japanese Competition", concludes that successful Japanese companies obtain competitive advantage by aggressive pricing and long term investment policies which result in high growth of market share "the Japanese fall back position is always price".

Along similar lines, Sims (1986) indicates that Japanese pricing strategy is the most pivotal variable in market entry strategy. The Japanese seek to become the price quality leader and then squeeze competitors profit margins through low cost pricing. This strategy involves three important product characteristics.

- * Low-cost products;
- * Innovative products; and
- * High-quality products.

In the same vein, Kotler et al. (1985) state that :

"In every target country-market the Japanese have entered, they applied a market share pricing strategy which deliberately uses a low entry price to build up market-share and establish a long-run dominant market position. The Japanese almost always set the prices of their products much lower than their competitors to attract potential customers, and they feel content to accept losses in the early years because they view them as an investment in their long-run market development".

Similarly, Johansson and Nonaka (1983) in their study confirm the above view. The general theme reported by companies interviewed was one of seeing their entry into a market as a long-term investment and market penetration was accordingly a much more important pricing objective rather than quick profit-making with a skimming approach.

In the same fashion, Keegan (1983) reveals that the pivotal point especially in the early stages of Japan's entry into a foreign market is price. The Japanese entry strategy is to offer more than the competition and charge less. As their market share rises and the market perception of the offered value increases, they adjust prices upward to reflect the perceived value of the offering.

Also it has been documented that in markets like that for steel, bearings and chains where price is the only competitive weapon, Japanese companies have been successful by offering lower prices than other competitors (Piercy, 1982).

Hamel and Prahalad (1989) argue that to pre-empt Xerox in the

personal copier business, Canon set its engineers a target price of \$1,000 for a home copier. At the time, Canon's least expensive copier was offered to the market for several thousand dollars. Trying to reduce the cost of existing models would not have given Canon the radical price-reduction it needed to deter Xerox's entry into personal copiers. Canon engineers, Hamel and Prahalad argue, were challenged to re-invent the copier for the company to achieve its strategic intent.

On the other hand, it is noteworthy at this point to indicate that cutting prices is only one of the weapons the Japanese use to build market share. In addition, recently there has been a tendency to increase price to reflect the greater perceived value of the total offering. In fact, since the mid 1980s the Japanese price advantage has narrowed to almost nothing (Taylor III, 1989).

Smoch and Hoeffler (1982) indicate that at the heart of Japanese planning is a single theme. That is, "Beat American technology and service - not just price".

Finally, although the pricing policies of Japanese corporations seem to have contributed towards their success in world markets, one should not overlook the role played by the superior quality of their products. Low prices, undoubtedly, is a good penetration device but for a long-term stability and success in a market, product quality is a more powerful weapon.

4.3.5 The Role of Promotion

Although there is not much evidence, it is safe to say that the Japanese are good at their promotional efforts.

Zimmerman (1985) indicates that Japanese firms in the consumer business are spending on advertising and promotion to build corporate image.

Similarly, Yoshino (1978) reports that Japanese firms, and in particular large manufacturers of consumer goods, are now making intense efforts to create and stimulate both primary and selective demand for their products through direct appeal to consumers, using a variety of promotional tools.

In the same vein, Stone (1984) claims that Japanese companies use heavy advertising when appropriate, to create brand awareness and sometimes to generate a high volume of customer enquiries.

Keegan (1983) says that in international advertising competition, advertisements created by Japanese companies are winning the acclaim of peer review panels for their creativity and imagination. In addition, Japanese companies use local agencies to insure that their communications are aligned with the cultural values of the target market.

Similarly, Johansson and Nonaka (1983) found among the

companies interviewed that promotional efforts must be tailored to each country specifically.

Suzuki (1980) in his study of Japanese advertising in the U.S.A., reveals that most Japanese firms had to learn and adopt the American way of promoting sales in order to compete with them because of their desire to adapt to peculiar conditions in the U.S. market (a highly consumer-oriented market, where consumers are well educated, and well informed).

The study reveals correlation between the sales volume of four sectors (cars, cameras, calculators, T.V.s) and the increase in advertising expenditure which means that Japanese companies do consider advertising essential for stimulating demand for their products.

The study showed that the Japanese advertising strategy in the U.S. market has passed sequentially through four stages. The initial stage of "nationally-supportive" advertisements, partly because the products are not well known in the U.S. and partly because the firms are not familiar with American advertising strategy, tend to emphasise non-product attributes. These include such things as the company's high performance in Japan and its long business history, in order to build up a reputation in the new market.

In the next stage, they go for "product-attributes

advertisements" trying to highlight product attributes.

In the third stage, when they face aggressive competition from local producers, they have to resort to "challenge and response" advertisements.

At the final stage "world market-oriented advertisement" they turn to put emphasis on the worldwide marketability of their products, "Our model is the world's best selling".

Finally, India represents a classic example of how the Japanese consider promotional efforts essential in their overall marketing strategy.

India is a closed market to imports of Japanese consumer electronics. Import duties range from 100 to 500 per cent. Undeterred, Matsushita has been taking full page advertisements in the largest circulation newspapers informing Indians that National and Panasonic are two brand names they can trust. The company knows that many Indians work overseas where Japanese products are sold, it also hopes that one day the huge Indian market will be opened or the investment climate may improve to the point that direct investment in manufacturing in India can be justified (Zimmerman, 1985).

4.3.6 The Role of Distribution

In the early stages of Japan's internationalisation,

distribution of their products was dominated by general trading companies. These trading companies have proved to be the most cost effective distribution channels and enabled Japanese companies to keep their distribution costs low. At times they have been described as "the world's most efficient international marketing channels" (Vivabharathy, 1984).

However, gradually many Japanese corporations developed their own independent distribution systems. In fact, it has been reported that the Japanese industry's willingness to establish marketing channels in export markets, even though financially unattractive in the short term, was one of the distinguishing characteristics of the "Japanese marketing philosophy" and the reasons for its success.

Moreover, one of the contrasts made by the BCG (1975) between the British and Japanese motorcycle industry was the Japanese willingness to invest in setting up sales and distribution systems ahead of sales.

Keegan (1983) indicates that the Japanese are good at integrating distribution into the marketing mix. If the existing channels for the product are not appropriate, they come up with an appropriate one.

For example, Japanese photocopier producers used distributors instead of the industry's traditional direct sales force. On the other hand, if the existing channel is appropriate, they seek to put

together a strong and effective dealer or distribution organisation. In motorcycles, for example, the Japanese not only have a strong product offering, but they have the strongest dealer organisation in the industry in each country market.

Along similar lines, Kleiman (1980) reports that in entering the U.S. TV market, the Japanese used innovative marketing outlets. They used American mass merchandisers who did relatively little business with the major U.S. TV manufacturers but wanted to get into the act. In other words, the Japanese entered the market by offering a different product through channels of distribution that had not been used much before.

In addition, Kono (1984) noted that a number of services are given by Japanese manufacturers to their dealers, namely training of the top management and employees, display shelves, outdoor advertisements, special discounts, guarantee against debts, and financial aid among others. Kono argues that the advanced methods of management and marketing developed by the manufacturers are transferred to the dealers. These resulted in reduced distribution cost, and this in reduced final prices that are beneficial to the consumer and increase the price competitiveness of the manufacturers.

Finally, Fahey and Radnor (1982) have reported that in the area of consumer electronics, Japanese manufacturers use a one step distribution system direct from manufacturers to retailers as an

economical way of serving a relatively small number of high-volume accounts and thus achieving relatively quick penetration of the U.S. market. They also employ the distribution arm to promote their products by offering relatively higher profit margins to dealers, causing dealers to support their brands at the point of sale.

SECTION FOUR

4.4 Examples of Marketing Practices of Some Japanese Companies in World Markets

In this final section some practical examples of some Japanese companies are given to see how marketing has affected their position in the marketplace.

Matsushita Electric

Matsushita Electric Company is the largest consumer electronics company in the world and was ranked nineteenth among the world's 50 biggest industrial corporations in 1987 (Fortune, 1988).

The factors that have contributed to Matsushita's growth to achieve its current position as a leading corporation cannot be related simply to conventional factors. Matsushita is now known for "its consensus decision-making" and "bottom up communication". It is not synonymous with "Japan Inc.". It has never been a targeted priority of the Japanese government, nor has it been provided with

special protection and economic support (Pascale and Athos, 1981).

It has been reported that Matsushita consistently violated the strategic routes Japanese business followed. For example, instead of using the Matsushita name as the custom was in Japan, it introduced the national brand name and promoted it vigorously; instead of dealing through existing networks of independently owned manufacturers' representatives, Matsushita created its own channels of distribution and dealt directly with retailers. It offered them trade financing and created a close continuing partnership. Matsushita pioneered the introduction of instalment sales and the use of point-of-purchase displays in retail outlet.

In short, as Pascale and Athos (1981) noted "not only was its marketing strategy innovative, but many of its principle features were revolutionary at the time". It was also reported that Matsushita's strategy gives clear recognition to the importance of market share. "As soon as high production volume generate cost savings, they are passed to the consumer in the form of reduced prices". However, Matsushita did not try to pioneer new technology but emphasised quality and price to position itself in the marketplace. "Matsushita rarely originates a product, but always succeeds in manufacturing it for less and marketing it best".

Canon

Before World War II German cameras dominated world markets.

After the war, however, Japanese manufacturers began to dominate the market (Kono, 1984).

Canon in particular emerged as the world's largest producer of 35 mm cameras. Canon, it has been reported, brought out innovative products and promoted them vigorously and cleverly worldwide (Kraar, 1981).

However, in 1975 the company suspended dividend payment for the first time. According to its managing director, "Canon's technical strength had not been backed by a coherent management strategy. Marketing was weak".

Canon introduced the best selling AE-1 camera which was targeted at "the large amateur photographer market that wanted a good quality picture at a reasonable price" (Cravens and Woodruff, 1986).

The product component of Canon's marketing mix was a camera that produces clear, sharp pictures taken with little effort. Amateur photographers quickly became comfortable using them. Canon also provided an excellent after sales services. In fact, it has been claimed that Canon's network across the States was one of the several facility services that it has made an integral part of its marketing mix.

Canon's promotion was very effective as well. Canon knew

that the amateur photographers wanted information to help them decide what camera to buy. The company had increased its promotion efforts to inform the market about its cameras. Salespersons worked with stores to show personnel how to explain to customers the benefits of its cameras as well as how to operate them, special sales promotion such as camera displays in the stores and price-off deals were used to attract customers.

Canon has developed an extensive distribution system made up of speciality camera stores, large discounts, mail order houses and catalogue ordering services of mass merchandisers to reach the large amateur photographer market.

Finally, Canon cleverly recognised that amateur photographers were price sensitive. Through its innovative manufacturing and substitution of less expensive materials, Canon has been able to lower its prices and provide more value for money.

All this had led one writer to say that Canon has created its own rules of the game-technology, design, distribution and sales arrangements, pricing, service and even the say of defining market share have changed (Lorenz, 1985).

Since 1975, sales have expanded by 385%, and net profits by 1,233%, while the dividend payments are 158% higher than they were before the 1975 suspension (Heller, 1983).

Honda

The success of Honda marketing motorcycles in the U.S. has been identified as an example of how a set of strategic decisions result in a marketing strategy (Wensley, 1987).

In fact, Honda's success in creating demand for lightweight motorbikes was phenomenal (Pascale, 1984).

First, Honda developed a low cost advantage in 50cc motorcycles due to large-scale production of lightweight motorcycles in Japan. Honda then directed its marketing efforts towards selling these lightweight motorbikes to the young families product-market in the States using an advertising theme "You meet the nicest people on a Honda". When entering the U.S. market, Honda exploited the cost advantage it had developed by focusing on a leisure class (nicest people) segment. It expanded the size of the segment through aggressive pricing and advertising. After achieving significant sales, they introduced large motorbikes targeted towards more traditional market segments (Wensley, 1987).

Furthermore, Honda expanded beyond its original business of motorcycles and entered the car market. Honda's sales have grown rapidly to be the best selling Japanese car in the States (Business Week, 1988). Again government support by no means can help explain Honda's success. In fact, if the Japanese government had its way Honda would not be manufacturing cars at all. Japan's MITI tried to

discourage Honda from expanding beyond its original business and create new competition.

A Business Week (1988) article argues that Honda's striking U.S. growth has come from its design and marketing skills. Honda's cars offer reliability, high performance and quality and above all smart marketing. Honda, it is argued, has built its image through superior marketing efforts that reflects the understanding of consumer needs and wants. The result was loyalty among American consumers.

Shiseido

A recent Fortune (1988) article argues that Japan's next push in U.S. markets is focused on inexpensive consumer goods such as soda, packaged soup, laundry detergent, and cosmetics.

It has been noticed that Japanese manufacturers of these products rely on "an obsessive attention to customer service to give them their edge over locals".

The experience of Shiseido, a giant cosmetic company is remarkable. In the mid 1960s Shiseido made an unsuccessful attempt to break into the U.S. consumer business with the same products it sold in Japan. The cosmetics failed to achieve any significant sales and the company came to realise that Americans' taste in cosmetics are very different from Japans'.

Instead of labelling the attempt as a failure, Shiseido gathered information about the U.S. market, especially women's taste, and designed a new line that meets the needs of American women. These cosmetics are beautifully packaged, and are pushed by a kind of service described as the highest in the world. Saleswomen are trained to treat customers generously, offer several free services and call their customers to wish them happy birthday.

That has helped Shiseido's sales in the U.S. to grow at a rate of 25% annually. In fact, Shiseido now is among the largest cosmetics companies in the U.S.A.

4.5 Conclusion and Summary

The purpose of this chapter was to discuss to what extent Japanese companies are committed to, and actually applying, marketing principles and techniques in world markets. Reviewing the relevant literature enabled the researcher to draw the following conclusions :

Japanese companies exhibit a clear marketing orientation in their operations worldwide. Although Japanese marketing techniques cannot be labelled as distinctively Japanese, nevertheless they have some basic features in common. Among these are the emphasis Japanese companies place on achieving, increasing and maintaining a leading market share position. Another common feature is the simultaneous short-term/long-term emphasis in Japanese companies.

In other words, Japanese companies set long-term objectives with their strategies exhibiting flexibility towards changing conditions. It has already been concluded as well that it seems the Japanese have gone even beyond just simply an adherence to the conventional marketing concept. Enterprises appear to have a public mission and are willing to contribute to humanity's welfare.

In their entry to foreign markets, they cleverly identified specific market segments where their capabilities can be better exploited. They expanded the size of their segments through different techniques including product refinement and improvement, aggressive pricing and advertising.

The Japanese approach to the marketing mix has been to make a strong, substantial and often innovative offering in each of the four P's :

Reliable, good quality products with distinctive features that really meet the needs of consumers, continuous innovation that adds even more features and better functioning, prices that offer customers value for money, appropriate and often unconventional distribution network, and relatively heavy expenditure on advertising and promotion.

Overall, it seems that what distinguishes Japanese marketing is that it is regarded as an investment rather than an operating expense, and is executed very effectively and efficiently. In other

words, it is the quality of implementation and attention to detail which distinguishes it from less successful marketing efforts. A British plastic company supplying some Japanese corporations in Britain with components, gives an example on how Japanese companies give attention to detail. They say :

"If they (the Japanese company) want 2,000 on a specific day and we sent 1,999 they immediately ring and ask for one to be sent by express delivery" (Trevor, 1987).

It is this sort of experience that makes one think how giving attention to detail and offering a proper standard of service, really distinguishes successful operations from less successful ones.

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CHAPTER FIVE

DESIGN OF THE FIELD RESEARCH

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DESIGN OF THE FIELD RESEARCH

The objective of this chapter is to describe the steps and methods used to collect the data for the study.

The design of the field research passed through these stages

:

- 5.1 Formulating the Research Problem and Objectives. X
- 5.2 Developing the Research Hypotheses. X
- 5.3 Designing the Method of Data Collection. ✓
- 5.4 Identifying the Field of Inquiry. X
- 5.5 Selection of a Survey Method. ✓
- 5.6 Design of the Questionnaire. X
- 5.7 Pilot Testing. X
- 5.8 Implementing the Survey. X

The

- 5.1 Formulating the Research Problem and Objectives

In the previous chapters, the researcher reviewed a series of issues.

Firstly, the theoretical contribution which marketing can make to understanding competitive success was discussed.

Secondly, a critical review of Japan's success in world markets was undertaken.

Thirdly, the extent to which the Japanese are committed to, and actually applying, marketing principles and techniques in world markets was also investigated.

Having done that, some important observations and problems arise.

On one hand, as the experience of firms demonstrates, marketing, or the lack thereof, is often a key factor affecting business performance. Marketing strategy plays a significant role in a company's achieving corporate strategic goals.

Moreover, moving into international markets, with the ever sharpening competition, introduces new environments with which companies must cope. Marketing responsibility in analysing and locating market opportunities, developing strategies to serve the chosen markets, and monitoring the marketing effort is even more essential for success in international markets than in home country markets. The conclusion is that companies need to pay closer attention than ever before to the rapidly changing political, social, economic and technological trends.

On the other hand, to explain Japan's economic miracle, analysis have gone through a series of phases. Initially, some

years ago some argued that Japan's economic progress was due to 'cheap labour', 'copying' or 'dumping'. Other explanations have focused on Japan's government support and actions. In addition, Japan's unique management practices have attracted great attention.

Surprisingly, the crucial role marketing must have played in shaping and influencing Japan's competitiveness in world markets was either simply ignored or at best received secondary attention.

Finally, on examining to what extent Japanese companies adhere to marketing principles and techniques in the international arena, it is apparent that they exhibit a strong marketing orientation in their operations worldwide.

Consequently, the research problem can be identified as follows :

Accepting the positive contribution of marketing in affecting the position of competing firms in international markets and noticing that it has received secondary attention as compared to other aspects to explain Japan's success in world markets, an examination of Japanese marketing strategies in the U.K. has emerged as an important area of study.

Having stated the research area, the research objectives can be summarised as follows :

1. To explore the overall approach of Japanese companies to the marketplace. This includes top management attitudes towards marketing and business strategies, the nature of their marketing objectives, the actual marketing activities carried out by firms to meet competition, and to what extent marketing is important to the company.
2. To investigate innovation and NPD processes in the corporation. This includes the process by which new products are identified and brought to the marketplace; the origin of ideas for products which have proved successful; the speed of introducing products to the market; and whether the whole process is technology driven or market-led.
3. To look at the view of Japanese firms towards the 1992 single European market. This includes the measures taken - if any - to maintain their competitive position, and the ability of their strategies to exhibit flexibility and to make adjustments in response to the expected changing conditions.

5.2 Developing the Research Hypotheses

1. Japanese companies exhibit a clear marketing orientation in their operations in the U.K.
2. Japanese companies keep close links with their customers

resulting more often in market-led rather than technology-led innovation.

3. Japanese companies view the 1992 single European market as an intense competitive challenge, and will be more aggressive in their marketing efforts to hold onto their market share.

✓ 5.3 Designing the Method of Data Collection

There are several methods that can be used for collecting data for building or testing hypotheses or theories. The choice of the most appropriate method is a key function in the success and reliability of any research. Although it is beyond the direct concern of this study to present fully, and critically an evaluation of each of these methods, the following brief discussion might help to justify the choice of the method used for collecting data for the study.

The most common techniques which are used by researchers are: observation, experimentation and surveys.

Observation of relevant actors and settings is the simplest method of data collection. However, in many cases where the behaviour is private or impossible to observe, the method cannot be used at all. In other words, the data must be accessible to observation (Tull and Hawkins, 1987). Another problem is that observation can be very time consuming. Unless there is a fairly

constant level of activity, there is a danger that the researcher spends much time simply waiting for something to happen. Alternatively so much might be happening that the researcher is unable to see or more usually is unable to record (Moore, 1987). The attitude of Japanese companies towards marketing strategies and the nature of their marketing objectives for example cannot be readily observed. Generally speaking, observation is best suited for exploratory research where the researcher is involved in investigating an area in which he is not knowledgeable enough to have formulated detailed research questions or developed clear hypotheses about the problem under investigation (Green and Tull, 1978).

Experimentation on the other hand is the most scientific method of data collection, but for results to be valid it is essential to hold constant all other variables other than that which is under investigation (Baker, 1985). The elimination and control of extraneous factors affecting the performance of Japanese companies such as : competitors strategies and environmental trends are beyond the control of the researcher. Accordingly this method of data collection is not appropriate.

Surveys in their many forms are by far the most common method of collecting primary data. Survey research is probably the best known and most widely used research method in the social sciences today. For the purpose of this research study and to test the hypotheses developed, information is required about :

* The marketing effort of the corporation, and its overall approach to the marketplace. This includes top management attitude towards marketing and business strategies, the nature of their marketing objectives, and to what extent marketing is important to the company.

* Innovation and NPD process in the corporation. This includes the process by which new products are identified and brought to the marketplace; the origin of ideas of products which have proved successful; the speed of introducing products to the market; and whether the whole process is technology driven nor market-led.

* The view of Japanese companies of the 1992 Single European Market. This includes the measures taken - if any - to maintain their competitive position; and the ability of their strategies to exhibit flexibility and to make adjustments and movements in time in response to the expected changing conditions.

Returning to our discussion about surveys as a method of data collection, we find surveys widely used and a well known method of acquiring marketing information. In addition, surveys are relatively flexible, many questions can be asked on a particular topic, giving the researcher considerable flexibility in his analysis (Babbie, 1973). A survey is probably the best method available to the researcher who is interested in collecting original

data for the purpose of describing the population of Japanese companies.

5.4 Identifying the Field of Inquiry

A list of Japanese companies having manufacturing plants in the U.K. together with their addresses and telephone numbers has been provided by the Department of Trade and Industry : Invest in Britain Bureau. The researcher also obtained a similar list from the Japanese Information Centre in the Japanese Embassy in London. A third list was provided by the Scottish Development Agency : Locate in Scotland Bureau. Finally, a fourth list was obtained from a Trade Directory : Japanese Companies in the U.K. prepared by Jordan & Sons Limited, Bristol. Getting more than one list is desirable to generate an accurate and complete list of universe members and to check for information accuracy.

For example, the list made available by Locate in Scotland included names of persons to contact in the company for any inquiry or business reasons. Other lists provided the number of employees, length of operations in the U.K., sales turnover, and the type of business.

By the end of 1988 there were 90 Japanese companies manufacturing in Britain. The researcher found it appropriate to approach the entire population of companies primarily because the number is relatively small and was handled effectively by the

researcher.

It is also worth mentioning that about 60% of the companies produce industrial goods or what can be termed as semi finished materials or components for incorporation into finished products. In fact, these companies' products spread over a large spectrum like : zip fasteners, ball bearings, printing ink, plastic components, medical equipment, machine tools, electronic components, etc. While the rest of the companies producing consumer goods (40%) are concentrated in the consumer electronics sector and producing such products as : colour televisions, video tape recorders and microwave ovens.

5.5 Selection of a Survey Method

Having decided that a survey is best suited for collecting the required information to address the hypotheses, the survey method and the selection of a way of establishing contact with respondents will be explained in this section.

A key issue in doctoral research is the choice of the most appropriate survey method. The researcher has the choice of three methods - personal interviews, telephone and mail surveys. Each method has its own strengths and weaknesses which must be borne in mind when making the decision (Jobber, 1986). The main strength of personal interviews is their ability to cover complex issues. In exploratory studies, a researcher may find it useful to use personal

interviews. This gives him maximum flexibility, and enables him to add or explore new points in depth. Personal interviews allow the maximum use of probing that helps the researcher to understand exactly and fully what the respondent means. →

* cont

Some degree of flexibility and probing can be obtained with a telephone interview, however time pressure and the less personalised approach limit such practices. Telephone surveys are probably the least used method among doctoral researchers.

Mail questionnaires, on the other hand, should be to a large extent structured. The potential for using open-ended questions is more limited than with personal or telephone interviews since their presence reduces response rates. When open-ended questions are necessary, they must be kept to a minimum and appear towards the end of the questionnaire (Orenstein and Philips, 1978). The main drawback to personal interviews is that they require a higher level of resources per interview than telephone or mail surveys. Personal interviews are both time consuming and travelling cost can be very high. A researcher with limited funds may find it difficult to obtain a viable sample size within budget. Time can be a limiting factor as well. Time management is of crucial importance to a doctoral researcher, and again it may not be possible to cover enough companies because of time constraints. The major strength of mail surveys is the ability to reach a widely dispersed sample simultaneously at a relatively low cost without the possible distortion of time lag. With a given amount of money, it is usually

possible to cover a wider area and to obtain information from more respondents by means of mail-questionnaires than by personally visiting and interviewing each respondent.

When information from business people is needed, the mail survey is clearly viable because names and addresses of companies can be obtained quickly and easily from Trade Directories. If some questions call for consulting, then this can be done at the respondent's convenience. Mail questionnaires however used to be widely criticised because of the difficulty of securing an adequate response rate. Certainly, low responses have been recorded. These are typically associated with poorly designed questionnaires on topics of little or no interest to respondents. There is no reason however to presume that such low response rates are inevitable. Several studies have shown how respectable response rates can be achieved. On occasions when high response rates can be achieved, the gains from using a mail survey can be substantial. Even when a mail questionnaire may not be able to achieve a high response rate as personal interviewing, its merits can be strong enough to weigh the balance in its favour, particularly when an estimate can be made of the effect of the non response (see, for example, Kanuk and Berenson, 1982 and Moser and Kalton, 1971).

Non-response can be reduced if detailed attention is given to all parts of the survey process (a full evaluation of the mail survey approach including considerations of those techniques which ensure an adequate data base for analysis is discussed in section

5.8). If, however, the response rate is not high enough to eliminate the possibility of serious bias, the most commonly recommended protection is supplementing the mail survey with some personal interviews of a smaller number of companies.

This brief review has shown that it is impossible to say which method is superior in absolute terms. Each method has its own strengths and weaknesses and none is best in all situations.

The primary consideration of selecting one method is which technique is capable of generating the appropriate information from the appropriate sample at the lowest cost (Tull and Hawkins, 1987). Assessing each method in the light of the information required and the resources available, a mail survey is found to have the potential suitability to address the research problem.

Finally, it should be noted that this study is basically a cross-sectional study. This was imposed on the researcher by time and money constraints. Because of this limitation for using a longitudinal study, the researcher will have to rely on cross-sectional data to make inferences about the dynamics of any process involving change-over time.

X 5.6 Design of the Questionnaire X

Questionnaire design is one of the most critical stages in the survey research process. Relevance and accuracy are the two

basic criteria to be met if the questionnaire is to achieve the researcher's purposes (Warwick and Lininger, 1975). A question is relevant if no unnecessary information is collected and if only the information needed to solve the problem is obtained. Asking a wrong question or an irrelevant question is a pitfall to avoid. To ensure information relevance, there should be a rationale for each question and the researcher must be specific about data needs (Zikmund, 1989). Ensuring accuracy means that the information is reliable and valid. One should use simple, understandable, unbiased, unambiguous, and non-irritating words. Obtaining accurate answers from respondents depends heavily on the researcher's ability to design a questionnaire that motivates respondents to co-operate and facilitate recall. If questions are not lengthy, difficult to answer, or leading, they are more likely to obtain unbiased answers (Zikmund, 1989).

Question wording and question sequence substantially influence accuracy and are both potential sources of error. Question wording can greatly affect the answers received. Many possible answers could be given by respondents because the wording of the question was not clear. For example, words like rarely, occasionally in questions may produce non-comparable answers. The problem with these terms is that respondents have different standards in mind, so that two persons may report the same facts under different categories (from a discussion by Kornhauser which appeared in Selltiz et al. (1966)). In general, words that are subject to a wide variety of interpretation should either be avoided

or qualified by specifying their frame of reference (Nachmias and Nachmias, 1982). The primary concern with question wording is to ensure that the respondents and the researcher assign exactly the same meaning to the question (Tull and Hawkins, 1987).

Before choosing a word, one authority suggests that the researcher consult an up to date dictionary or thesaurus and ask the following six questions for each word used in the question :

1. Does it mean what he intended?
2. Does it have any other meaning?
3. If so, does the context make the intended meaning clear?
4. Does the word have more than one pronunciation?
5. Is there any word of similar pronunciation that might be confused?
6. Is a simpler word or phrase suggested? (Payne, 1979).

In addition to clarity, another key factor in writing questions is parsimony. A general rule for writing questionnaire items is that the shortest version that conveys what is intended is best (Bailey, 1987). Longer questions take up more of the respondent's time, make him or her less willing to co-operate and increase the probability that he or she will not understand the question. This is particularly important when using mailed questionnaires where the respondent must read the questions himself.

After resolving to avoid ambiguous wording and to keep

questions as short as possible, the researcher must decide what level of wording is appropriate. In choosing the level of wording for the questionnaire the population of Japanese companies should be kept in mind. The researcher must try not to talk down to respondents nor to talk over their heads by using technical words or abbreviations (Oppenheim, 1966). Generally, a mailed questionnaire requires simpler wording than a personal interview, because there is no recourse if words are not understood (Bailey, 1987).

The researcher should avoid putting ideas into the respondent's mind or suggesting what the answer should be. Questions should be carefully structured by the researcher to minimise the probability of biasing the respondent's answer by leading him or her and thus artificially increasing the probability of a particular answer (Oppenheim, 1966).

A most common error in writing questionnaire items is the use of double-barrelled questions which ask respondents to respond to more than one stimuli at a time. In other words, a double-barrelled question actually asks two questions at the same time. The problem is : which stimuli is being responded to? (Smith, 1975). A double-barrelled question that contains two questions when it should contain only one should be avoided at all costs (Sanders and Pinhey, 1983).

Question sequence, the specific order in which the questions appear in the questionnaire, is another potential source of

measurement error (see for example McFarland, 1982; Crespi and Moris, 1984). The order in which the questions are presented has been shown to affect the degree to which the respondent is willing to co-operate with the researcher. In addition, question order influences the reliability of response (Nachmias and Nachmias, 1982). If the opening items are interesting, simple to comprehend, and help put the respondent at ease, the respondent's co-operation and involvement can be maintained throughout the questionnaire (Zikmund, 1989).

In general, the overall questionnaire should move from topic to topic in a logical manner, with one question related to the next in a continuous and sensible order. New topics should be introduced with an introductory sentence or two telling the respondent the topic of the next series of questions (Weisberg and Bowen, 1977). Short introductions help make sense out of the questionnaire for the respondent and they help put the respondent in the proper frame of mind for answering the questions (Babbie, 1973).

Within a specific topic area, there is one general guideline which is related to question sequence. This is the 'funnel' principle : General questions should come first, followed by increasingly specific and detailed questions, with the sequence 'funnelling down' to the most detailed questions at the end (Kidder and Judd, 1986). This sequence has several points in its favour : the more general questions are most easily justified by respondents in terms of their relevance to the study purpose. They then serve

as a neutral lead-in to more specific questions.

The typical questionnaire addressed to companies contain two kinds of information. Basic information and classification information. Basic information refers to the subject of the study. Classification information refers to the other data the researcher collects to classify companies so as to extract more information or determine, for example, if the managerial attitudes towards the subject matter are in any way affected by the company's main business or length of operations for instance. Churchill (1987) suggests that the proper questionnaire sequence is to ask questions securing basic information first and those seeking classification last. The reason for this, as Churchill indicates, is that basic information is most critical. Without it, there is no study. Thus, the researcher should not risk alienating the respondent by asking a number of classification questions before getting to the heart of the study, since it is not unusual for classification questions to do positive harm if asked first, mainly because respondents find them either prying or dull (Warwick and Lininger, 1975).

Finally, data collection should never start without an adequate piloting of the questionnaire. Piloting of the questionnaire is better done by personal interviews, regardless of the actual mode of administration that will be used. The researcher can watch to see if some questions seem confusing, or produce resistance or hesitancy among respondents (Churchill, 1987). Pilot work is extremely useful in refining the wording, ordering, layout

and so on (Hoinville and Jowell, 1978).

From the foregoing it is clear that the efficiency, reliability and validity of the data collected by means of the questionnaire can be improved by thinking through the different issues and concepts involved well enough to have developed a series of measurable items and to do a careful job of incorporating them into a clear understandable set of questions which mean the same thing to each respondent.

In the following section four aspects related to questionnaire design are commented on : the source of ideas for questions, the type of questions, the type of scales and the rationale for each question.

Sources of ideas for questions are based on the extensive review undertaken by the researcher as to what are the main features of the marketing effort as adopted by successful companies in the marketplace, in addition to information obtained from previous research studies in relevant and related areas. Several studies have attempted to determine the role marketing plays in influencing competitive success. Among these research studies are Baker and Hart (1989), Saunders and Wong (1985), Hooley and Lynch (1985), and Lynch, Hooley and Shepherd (1988). The Department of Marketing, University of Strathclyde has developed a battery of statements which describe attitudes which may exist within an organisation. The statements attempt to examine managerial attitude towards

marketing and business strategies to ascertain how marketing oriented a company is. The statements have been used extensively and proved to be a good and valid indicator of top management attitudes towards marketing.

Kotler (1988) developed a marketing effectiveness rating instrument based on the degree to which a company exhibits five major attributes of marketing orientation : customer philosophy, integrated marketing organisation, adequate marketing information, strategic orientation and, operational efficiency. The instrument has been tested in a number of well established corporations including IBM and General Electric and is considered a good indicator of the effectiveness of the marketing effort undertaken by the organisation.

Other research studies (Hooley and Lynch, 1985) have used the results of their survey into marketing practices in the U.K. to determine those key marketing characteristics of any organisation which tends to outperform its competitors in the marketplace. Among these factors are : extensive marketing research and internal analysis, high sensitivity to outside factors and market trends, and making movements and adjustments quickly to stay ahead of rivals.

Among the key findings that emerged from the extensive literature review with regard to the remarkable success of Japanese companies were :

- * The emphasis placed on achieving, increasing, and maintaining a leading market share position.
- * The ability to identify and introduce new products with world market potential.
- * The ability to set long-term objectives with strategies exhibiting flexibility towards changing conditions.

Many of the questions and statements included in the questionnaire are drawn from previous research studies mentioned plus findings arrived at from the literature review. This is done with the aim of building upon and comparing with earlier research.

With regard to the type of questions, two alternatives are normally available, i.e. open-ended and closed-ended questions. As the nature of mail questionnaire requires, closed-ended questions are the main type used. Although open-ended questions are easy to ask, and may generate more information by allowing free expressions of ideas, they are difficult to answer and may produce vague and useless answers that are difficult to analyse.

Closed-ended questions, on the other hand, have an important strength with regard to measurement generally. They are easier to answer and easier to analyse. They are also helpful in securing adequate co-operation from the respondents.

As for the issue of scaling, it should be noted that the selection of an appropriate measurement scale is of extreme

importance because the value of results is tied to the quality and appropriateness of the scales selected themselves. An attitude scale can be defined as 'a device designed to quantitatively measure the intensity with which an attitude is held' (Theodorson and Theodorson, 1969). Selltitz and her co-authors (1966) indicate that the purpose of attitude scales is to assign individuals to numerical positions in order to make distinctions of degree possible. There are various types of attitude scales, each differing somewhat in form and method of construction. However, all attitude scales are designed to generate a numerical score for each respondent that indicates their position on some attitude continuum (Sanders and Pinhey, 1983).

Before discussing the various scaling techniques available, four points which are subject to argument will be commented on : verbal versus numerical scales, balanced versus unbalanced scales, odd versus even scales, and the number of points a scale should include.

First, some researchers indicate that clearly defined response categories increase the reliability of the measurements. It is argued that each category should have a verbal description and that these verbal descriptions should have a clear and precise wording such that each response category is differentiated (Selltitz et al., 1966). A combination of both verbal and numerical scale is used. It is argued that when a numerical value is attached to a scale category that has a verbal description a balanced or equal

interval scale may be obtained (Tull and Hawkins, 1987).

Secondly, a researcher must also decide whether to use a balanced or unbalanced scale. A balanced scale has the same number of favourable as unfavourable categories. The argument for using a balanced scale is that an unbalanced scale has the potential for biasing responses which can result from limiting the response categories on the favourable or unfavourable side of the scale (Kinnear and Taylor, 1987).

Thirdly, as far as the issue of an odd or even number of scale categories is concerned, both types are used. An even number of scale categories is used when the researcher assumes that the respondents have enough information about the issue being measured. (For example, the factors regarded as directly important to introduce new products). However, when the researcher asks the respondents for some specific indicators of how strategy might change after 1992, an odd number of scale categories is employed with the middle point designated as a neutral point.

Fourthly, in constructing a scale one must decide how many scale categories are to be used. While there is no established number of categories which is deemed optimal, dividing a scale too finely, the respondents will be unable to place themselves. On the other hand, if the scale is divided too broadly, it will not differentiate between them (Moser and Kalton, 1971). Accordingly, four and five point scales are used by the researcher.

To measure the attitude of Japanese firms towards business and marketing strategies there are several scaling techniques available. Each technique has its own strengths and weaknesses. The fundamental assumptions of the three best-known methods of attitude scaling are as follows (From a discussion by Smith which appeared in Kidder and Judd, 1986).

Thurstone scales are based on the assumption that respondents with a particular position on the attitude dimension will agree only with items that express positions near their own and will disagree with items that differ in either direction (both more favourable and less favourable). Guttman scales involve the assumption that respondents with a particular position will agree with items on one side of their position and will disagree with items that fall on the other side. Likert scales, the most commonly used, rely on the assumption that the probability of agreeing with each item either increases or decreases steadily depending on the individual's own position on the attitude dimension. The key features together with the advantages and disadvantages of each scale will be discussed next.

A Thurstone scale is constructed by a complex multiple procedure. A large number of statements are generated, and they are given to judges. Working independently, the judges are asked to classify the statements into categories (usually eleven) on the basis of the statement's favourability toward the attitude object. The first category includes the statements that the judge considers

most favourable to the object, the second the next most favourable statements, and so on. The scale value of each item, ranging from 1 to 11, is then calculated on the basis of its average category placement by the judges. Attitudes statements (hereafter referred to as items) on which judges fail to agree are considered ambiguous or irrelevant and are therefore eliminated. Finally, items representing a wide range of scale values are selected to form the scale. They are presented to respondents, in a random order (i.e. not ordered by scale value). Respondents are asked to agree or disagree with each statement. The respondent's attitude is calculated as the scale value of the items with which they agree.

The Thurstone scaling method offers a certain advantage and this is, the responses obtained offer a check on the scales' main assumption. If all goes according to the scale assumption, respondents are supposed to agree with a narrow range of items that best reflect the particular attitude.

However, there are several objections that can be made against the Thurstone scale. The amount of work and time required to construct the scale can be prohibitive, one of the reasons the technique is almost never used (see, for example, Lehmann, 1985; Babbie, 1973; Sanders and Pinhey, 1983). Though the use of judges' rating may allow the elimination of items that are ambiguous or irrelevant, other scaling techniques achieve similar results with less effort. There is also much evidence that the scale values assigned to the items are influenced by the attitudes of the judges

themselves (Moser and Kalton, 1971). Finally, and perhaps most important, the Thurstone scale has generally lower reliability than the Likert scale with the same number of items. Since reliability is a fundamental requirement of any scaling techniques, this disadvantage is crucial.

The special feature of Guttman scales is that items are related in such a way that a respondent with a particular attitude will agree with all items on one side of that position and disagree with other items. Guttman scales thus require each item to be clearly favourable or unfavourable to the object. Perhaps an analogy with a test of mathematical ability may make the basis of Guttman scales clear.

Consider a mathematical ability test composed of three problems - a simple addition problem, a long division problem, and a complex problem in calculus. We would expect anyone who obtains a correct answer to the long division problem to obtain a correct answer to the first problem as well, and anyone who passes the calculus problem to pass both others also. That is, a person's level of mathematical ability can be thought of as a point on a scale, and the person is expected to pass all items below his or her ability level but to fail all items above it. Substituting for 'pass' and 'fail' with 'agree' and 'disagree' this is exactly the case in a Guttman scale. With the Guttman scale, the perfect score indicates that a respondent who answers a given question favourably will have a higher total score than a person who answers it

unfavourably (Moser and Kalton, 1971). The scale score is simply defined as the total number of items agreed with.

The important advantage of the Guttman scale is that a single number (the respondent's scale score) carries complete information about the exact pattern of responses to every item - under the crucial assumption that there is no random error in responses. In practice, however, a perfect Guttman scale is rarely obtainable. In most cases, inconsistencies are present (Nachmias and Nachmias, 1982). In other words, the difficulty in attaining Guttman scales is caused by the strict deterministic nature of the technique, namely that a respondent who responds positively (negatively) to one item must respond positively (negatively) to a series of other items. As a result, the deviations or departures from the expected response pattern have to be treated as errors (Moser and Kalton, 1971). This drawback has made some writers to conclude that it is necessary to establish a criterion for evaluating the scale's fundamental assumption (Nachmias and Nachmias, 1982). In addition, Guttman scales procedures are laborious, and there is no certainty or guarantee that, in the end, a usable scale will result (Oppenheim, 1966).

For these reasons, Guttman scales are less frequently used today to measure complex social attitudes.

One specialised scaling method, which has been applied to the measurement of social attitudes, is the semantic differential

technique. The semantic differential technique is used if the researcher wishes to examine the meaning of a certain concept without biasing the respondent's answer by questioning him or her directly about it, or if the researcher wishes to measure the underlying, perhaps even subconscious feelings of a respondent about a particular concept or word (Bailey, 1987). The response categories for the semantic differential technique consist of seven categories ranging from one extreme to the other, with the middle category being neutral. This is similar to the Likert scaling categories (to be discussed next) ranging from strongly disagree to strongly agree, except that in the semantic differential only the two end categories have names. However, with Likert scaling there is a range of statements but typically one standard form of response (strongly disagree, disagree, etc.). While with the semantic differential there is a range of areas of response but only one issue to evaluate (Moser and Kalton, 1971).

Responses from several semantic differential studies have been analysed in order to determine whether any underlying identifiable dimensions can be found. It appears that three basic dimensions are being measured - evaluation, potency, and activity (Bailey, 1987). Osgood and his associates (1957) suggested that the semantic differential allows the measurement and comparison of diverse concepts by respondents. They implied that the measuring procedure is not greatly affected by the nature of the concept being measured or the type of the person using the scale. Though some of their results support this claim, other evidence indicates that the

measuring procedure is not completely comparable across concepts (Kidder and Judd, 1986). The meaning of scales and their relation to other scales vary depending on the concept being measured. 'Strong' may be good in judging athletes but bad in judging odours. It follows then, that the rating scales may not provide consistent measurements of the underlying dimensions.

Finally, the Likert scale consists of a set of items to which respondents indicate their level of agreement or disagreement. The essence of the Likert scale is to increase the variation in the possible scores by coding from 'strongly agree' to 'strongly disagree' instead of merely 'agree' or 'disagree' (Bailey, 1987). The set of response categories may or may not include a middle (neutral, undecided) point. The basic procedures to construct a Likert scale are as follows :

1. A large number of statements thought to be relevant to the attitude being measured are generated. These statements are either favourable or unfavourable.
2. A sample of respondents representative of the population on which the scale will be used is selected.
3. All responses are coded so that a higher score on a particular item indicates a stronger agreement with the attitude being measured (code 5 (assuming there is a neutral point) for either strong agreement with a positive statement

or strong disagreement with a negative statement, and code 1 for strong disagreement with a positive statement or strong agreement with a negative statement).

4. Responses are analysed and items that most clearly differentiated between the highest and lowest scores are selected to be included in the final scale.

For example, if person A had a score of 60, and person B had a score of 5, but both had identical answers on statement 7, then 7 would be dropped from the scale. The Likert scale offers a number of advantages.

First, the Likert scale is relatively easy to construct and administer. The instructions that accompany the scale are easily understood, which makes the technique useful particularly in mail surveys (Tull and Hawkins, 1987).

Second, the scale helps in eliminating questionable items to be included in the final scale (Bailey, 1987).

Third, a Likert scale is generally more reliable than a Thurstone scale of the same length (Selltitz et al., 1966).

Fourth, unlike other scales like Thurstone or Guttman which allow a choice between two alternatives only, a Likert scale permits the expression of several degrees of agreement or disagreement.

Within limits, the reliability of a scale increases with the increase of the number of possible alternative responses (Selltitz et al., 1966).

Fifth, the range of responses allowed in a Likert scale provides more accurate information about the respondent's opinion on the issue under investigation (Selltitz et al., 1966).

Sixth, respondents find it more comfortable to indicate their position than the simple 'agree' vs. 'disagree' choice forced by other scales (Kidder and Judd, 1986).

Seventh, unlike the Thurstone scale, the Likert scale has the advantage of not requiring the use of judges (Kidder and Judd, 1986).

Eighth, and perhaps most important, with the study's purpose being to examine patterns of managerial attitude and the nature of marketing objectives, then probably the Likert procedure is the most relevant.

Unlike Guttman scale scores however, those from a Likert scale do not carry information about the exact pattern of responses to all individual items. In other words, the same scale score obtained in a Likert scale might be based on quite different combinations. However, it is not clear that this should be seen as a disadvantage. In fact, the individual items in a Likert scale are

considered to be interchangeable and their individual identity is not as important as the fact that each reliably reflects the underlying attitude. It is for this reason that the pattern of response to individual items is more important than the total score (Oppenheim, 1966).

Another set of arguments against the Likert scale are that it produces only an ordinal scale. Many researchers however, believe that the Likert scale data closely resemble those of interval data, and so they use statistical techniques requiring interval data.

On balance, it is believed that the advantages of the Likert scale outweighs its disadvantages.

The extensive literature on scaling techniques draws attention to the advantages and defects of the various methods. However, since an attitude scale is not an absolute measure of attitude but a way of placing respondents in relative positions on a dimension, there is no particular way of presenting scales that are intrinsically better than others (Hoinville and Jowell, 1978). It follows then, it is impossible to say which scale is best. Each scaling technique has certain desirable features, but each of them is open to criticism. For the research inquiry, and judging by : (1) the specific information that is required to satisfy the research objectives, and (2) the adaptability of the scale to the data collection method, it is found that the Likert scale has the greatest potential suitability in addressing the research problem.

The questionnaire, which is reproduced in Appendix F encompasses three parts. Part I of the questionnaire is concerned with appraising the marketing effort of the corporation and its overall approach to the marketplace.

Marketing Orientation. Question 1 consists of 29 statements related to business and marketing principles and techniques, and aims at examining the extent to which marketing is important to the company.

Marketing objectives. Question 2 deals with the current marketing objectives of the company.

Customer philosophy and integrated marketing organisation. Questions 3 to 7 examine the degree to which the company exhibits marketing orientation and explore its basic view of customers. The assumption here is that to develop a sound strategy, a company needs a clear marketing orientation. Such a company would have the different marketing functions co-ordinated among themselves and with other departments as well.

Finally, this company would have a high regard for the customer and should undertake some effort to measure customer satisfaction.

Marketing research. Questions 8 to 11 deal with the marketing research and information system that the company has. The

assumption is that extensive and regular marketing research studies about customers, competitors, etc. are the basis of a genuine marketing orientation.

Strategic marketing planning. Questions 12 to 17 attempt to identify the extent of formal strategic marketing planning that the company undertakes. The extent to which marketing contributes to the strategic planning process is also investigated. Earlier studies plus the researcher's literature review tend to confirm that such strategic orientation is essential for successful operations.

Part II of the questionnaire aims to identify whether innovation and NPD processes in Japanese companies are market-led or technology driven.

One major finding that emerged from the literature review is the emphasis Japanese companies place on innovation to stay ahead of competitors. They appeared to be constantly aiming to please customers, whose ideas and aspirations are always changing. They also viewed innovation as a main aspect of their competitive strategy and essential factor for growth and survival.

The objective of introducing new products. Question 18 deals with the basic objective of the new product development process.

Sources of ideas for successful products. Question 19 lists 9 factors and the respondent is asked to indicate which of the

factors were directly important to introduce new products rated by the company as successful. A four-point scale is used to evaluate each factor ranging from 1 (not at all important) to 4 (very important). Question 20 asks the respondents to rank the three most important factors directly related to developing successful new products.

Co-ordinated effort to introduce new products. Question 21 attempts to identify how closely marketing works with other functional areas in the company to introduce new products to the market.

Pricing new products. Question 22 inquires about the objective on setting the price for new products.

Speed of introduction and test marketing. Questions 23 and 24 deal with the average time taken to introduce a product to the market, and the kind of test marketing used - if any - before launching it.

Part III of the questionnaire is an attempt to explore the view of Japanese companies of the 1992 single European market with the opportunities and challenges that it brings, and the ability of Japanese companies' strategies to make movements and adjustments in response to the expected changing conditions.

This part of the questionnaire asks the respondents for

specific indications of how strategy might change. A series of statements were generated which described various general dimensions of competitive strategy. Many of these descriptors were drawn from the writings of management author Michael Porter (1980). A five-point scale was utilised to evaluate each statement with 1 indicating strong disagreement and 5 indicating strong agreement.

Finally, the questionnaire asked the respondents to identify the company's business, to classify the firms according to the number of employees, to classify firms according to their length of operations in the U.K. and to indicate the job title of respondent. The analysis of the data derived from the field research were organised as follows :

- * The representation of the basic distributional characteristics of the variables.
- * Cross-tabulation to investigate the association between various sets of variables.

5.7 Pilot Testing

The questionnaire was pilot-tested with a convenience sample of 5 companies in the area of West Central Scotland. The aim of the pilot testing was to discover and correct any possible error from the beginning and to ascertain respondents' reaction to the questionnaire in terms of layout, form, type and length of the questionnaire. The pilot test helped establish the accuracy of the

terms used and ensured that the questions were not difficult to answer.

The appropriate decision maker within the organisation was identified as the managing director. Names of managing directors were obtained from the list provided by the Scottish Development Agency : Locate in Scotland (Japan and Far East Desk). To gain the managing director's co-operation, they were contacted by telephone setting out the purpose of the study. Heads of companies were asked if they could participate in the fieldwork by agreeing to a mutually convenient time when the researcher could go in person and interview them. All five companies approached agreed to participate in the study.

The interviews took place in the managers' offices or sometimes in a conference room. Respondents were told that the questionnaire was designed for self completion and were asked to fill it out. Upon completion of the questionnaire, respondents were asked if they faced any difficulties filling out the questionnaire, or if any item was considered by them confidential or objectionable. No major difficulties or objections were mentioned by the interviewees.

The first company director, after filling out his questionnaire, said that his first impression when he saw the questionnaire was that it was fairly bulky. However, when he started filling it out he mentioned that he found it easy to

complete and did not spend much time doing so. It was decided then to add a statement in the cover letter informing respondents that they won't need time to look up records and that they should be able to fill in the questionnaire in a short time.

The second company director said that although he expressed his company's attitudes towards business and marketing strategies as they are, he was tempted sometimes, maybe subconsciously, to express his attitude towards business and marketing strategies as they ought to be or should be. It was decided then to include a statement in the introductory sentence to the statements informing respondents that the researcher is very concerned with attitudes as they are not as they ought to be, or attitudes which the respondent hopes will prevail at some future date.

The third company did not report any difficulty answering the questions, neither did the fourth company.

Finally, the fifth company included in the pilot testing reported that there is no R & D facility in their operations in the U.K. However, it was decided to include a question in the questionnaire asking respondents about how close the relationship between the marketing people and R & D people. Proximity on the same plant was not judged to be a prerequisite to co-ordinate marketing and R & D efforts. As the pilot testing has revealed, no major difficulties were reported by companies that called for basic changes in the questionnaire design. It was decided then to include

the 5 completed questionnaires in the final analysis.

5.8 Implementing the Survey

The mail survey more than any other type of survey, requires careful construction and execution, for the questionnaire alone comes under the respondent's complete control. In this section, a detailed discussion of the implementation of the mail survey will take place highlighting the important issues that should be addressed.

In this study the desired respondent may be 'the marketing manager' whose name is unknown. A method frequently employed in mail studies to overcome this problem is to send the questionnaire to a high official (Head of Company) preferably in person and ask for it to be 'passed on' to the employee who best fits the description and the purpose of the study. In fact, this could have a certain advantage and this is if the head of the company was prepared to delegate the completion of the questionnaire to the marketing manager, the researcher could anticipate greater co-operation from him than if the researcher had approached such an executive directly. Accordingly, the mail-out package was addressed in person to the managing director.

As mentioned earlier, the refusals or non-responses have the most impact on the results of mail surveys. The reduction of non-responses in mail surveys revolves around motivating the

respondent to participate and in facilitating the response.

An advance letter was sent to all companies informing them that they will receive a questionnaire and requesting their co-operation which is thought to help increasing the response rate. The lead time for advance notification was approximately three days before the mail survey arrived.

It is generally believed that no matter how good a questionnaire is made to look, this in itself will not ensure the success of a mail survey. Poor responses have been found in several cases for reasons that have nothing to do with the questionnaire's appearance or content. For example, a frequent cause for non-response is that the questionnaire never reached its destination because a wrong address and a postage rate did not provide for its return to the sender (Dillman, 1978). The four lists the researcher obtained have helped to check for the accuracy of addresses and hence ensure that the questionnaire reaches the company.

A cover letter was prepared that served to introduce the survey and motivate the respondent to pick-up the questionnaire, fill it out, and return it (the cover letter is reproduced in the Appendix). The cover letter emphasised a reasonable explanation of the subject of the study, its benefits, and the importance of each company's reply for the study's success. At the end of the letter, the researcher expressed the willingness to answer any questions that arise. This was due to several reasons :

1. When potential respondents do ask questions, it provides the researcher more opportunity to convince some companies to respond.
2. Although it was expected that relatively few letters and telephone calls would be received, the main value of the message was to add credibility to the study.
3. Although it was expected that few would make the effort to call or write, merely knowing that the possibility existed suggests that the study is legitimate and that companies are important to it.

The effects of personalising cover letter and mailing envelopes have been explored by many researchers; the results, however are inconclusive. Dillman (1978), suggests that personalisation of cover letters and mailing envelopes affects response rates positively. Yu and Copper (1983), found a positive association between personalisation and response rate. Carpenter (1975), Waiseman (1976), and Paterson (1977) among others indicate that personalisation of the questionnaire material seems to increase the response rate. Given this evidence, all cover letters and mailing envelopes were addressed in person to the managing director. In addition, all the letters were signed individually by the researcher.

The effect on response rates of the class of postage at which

questionnaires are mailed continues to attract the attention of researchers. Although the class of postage that produces the best response rate has not been clearly established, it seems unwise to use second-class mail unless one is very confident that respondents will show great interest in the study (Sudman and Bradburn, 1984). First class postage which has been found by some researchers to produce a higher return rate than second class postage was affixed to the mail-out package.

The effect of length of a questionnaire on response rate has been the subject of much research, but no widely accepted explanation of its effect has emerged (Baumgartner and Heberlein, 1984). While common sense suggests that shorter questionnaires should result in higher response rates than longer ones because of the lesser demand they make on the respondent's time, evidence gives very little support to this view (Kanuk and Berenson, 1982). On the other hand, too long questionnaires can very substantially reduce co-operation. It is always considered good practice to eliminate all questions that are not essential no matter how the data are to be gathered. This is especially important in the case of mailed questionnaires (Sudman and Bradburn, 1984). Dillman (1978), found little difference in the response rates for questionnaires for fewer than twelve pages and for questionnaires that contain fewer than 125 items. Questionnaires of more than twelve pages were found to reduce response rates substantially. The evidence seems to indicate that the negative effect of length on response rate can be overcome if other procedures, such as follow-up contacts, are used.

The use of follow-ups seems to be a generally accepted practice in mail surveys. Scott (1961), called the use of follow-up 'the most potent technique yet discovered for increasing response rate'. The evidence to date seems to support this view.

A week after the mailing of the questionnaire, a follow-up letter was sent to non-respondents. It served as a friendly reminder for those who have not responded. The mail-out package also included a replacement questionnaire and a return envelope.

A second follow-up was mailed to non-respondents exactly 3 weeks after the original mailing. It consisted of a cover letter that informed companies that their questionnaire has not been received and included a re-statement of the subject of the study and the importance of everyone's reply for the study's success. It included also a replacement questionnaire and another return envelope.

Exactly 6 weeks after the original mailing, a third follow-up was sent to non-respondents. It consisted of yet another cover letter that emphasised the importance of everyone's reply and urged companies to complete the questionnaire and return it as quickly as possible. It included a third replacement questionnaire and another return envelope.

Each mail-out package has worked very well and generated more responses. In fact, the response rate reached 63% which was judged

to be very good and provides an adequate data base for analysis. Response to each mail-out package and the cumulative response rate are shown in Chapter Six. (The cover letters are reproduced in the Appendix).

A mailing date late in the week (Thursday or Friday) was thought to be appropriate and was thus used for all mailings.

The next chapter demonstrates the analysis and findings of the field research.

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CHAPTER SIX

ANALYSIS OF THE SURVEY DATA

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ANALYSIS OF THE SURVEY DATA

6.1 Introduction

The view of Japanese companies presented below is based on the survey of managing directors and senior marketing executives. The data were collected via a mailed survey in October/November 1989 following a series of five personal interviews with managing directors and senior marketing staff in August 1989 to pilot test the questionnaire. A list of Japanese companies with manufacturing plants in the U.K. was provided by the Department of Trade and Industry : Invest in Britain Bureau. Following the pilot of the questionnaire and minor revisions, a total of 85 questionnaires were dispatched addressed in person to the managing director. Two questionnaires were returned by the post office as undeliverable ('Not Found' or 'Ceased Operations'). The effective mail-out was thus 83. In total 52 completed questionnaires were returned after a three stage follow-up mail-out (a response rate of 63%). As mentioned in the preceding chapter, no major difficulties were reported by companies that participated in the pilot survey that called for basic changes in the design of the questionnaire. It was decided then to include the five completed questionnaires in the final analysis taking the number of the questionnaires to be analysed to 57.

Response to each mail-out package and the cumulative response rate to the four mailings are shown in Table 6/1.

TABLE 6/1

CUMULATIVE RESPONSE RATE TO FOUR MAILINGS

<u>MAILING</u>	<u>TIME</u>	<u>AVERAGE RESPONSE</u>
1. First mailing	Week 1	20 (24.0%)
2. First replacement questionnaire	Week 2	30 (36.1%)
3. Second replacement questionnaire	Week 4	45 (54.2%)
4. Third replacement questionnaire	Week 6	52 (62.7%)

The reasons given by some of those who replied negatively are classified and presented with some typical quotations from their replies.

1. The questionnaire involved some questions which were considered by some industrial product companies to be not applicable to their business. The following quotation, as stated by one managing director illustrates this fact.

"Please note that some of your questions do not apply as we are component supplier making dedicated products for specific customers and we do not become involved in marketing".

2. Workload was another reason for refusing to co-operate. One company stated for example that they receive a large number of surveys every month and over the past 10 years have done

their utmost to oblige. "However, due to the sheer quantity of work involved we feel, unfortunately, that we can no longer assist". Another company said :

"You will appreciate that because of the remarkable success of Japanese companies we are frequently asked to complete such questionnaires and although we have devoted time to this in the past, we have decided that too much time was being spent on items of this nature".

3. Some other companies justified their non-response on the ground of confidentiality. As one managing director put it :

"I regret that matters concerning the operations of this company are regarded as confidential and we shall be unable to complete your questionnaire".

Briefly the aim of this survey is to explore, firstly, the overall approach of Japanese companies to the marketplace. This includes top management attitudes towards marketing and business strategies, the nature of their marketing objectives, the actual marketing activities carried out by firms to face competition, and to what extent marketing is important to the company. Secondly, we wished to explore innovation and NPD processes in the corporation. This includes the process by which new products are identified and brought to the marketplace; the origin of ideas for products which have proved successful; the speed of introducing products to the market; and whether the whole process is technology driven or market-led. Third, we looked at the view of Japanese firms towards

the 1992 single European market. This includes the measures taken - if any - to maintain their competitive position, and the ability of their strategies to exhibit flexibility and to make adjustments in response to the expected changing conditions.

Although the question 'why have the Japanese succeeded?' will probably never be settled definitively, a better understanding of Japan's experience should contribute to a better, deeper and broader understanding of the main deficiencies in British companies.

Before the results are presented, an outline is given regarding the choice of certain statistical techniques for drawing inferences regarding the three hypotheses developed in the previous chapter.

Since the questionnaire method did not permit the luxury of allowing the respondents to state their rationale for their replies, the essential value of the information lies in examining the mean and the dispersion for each statement. Accordingly, the statistical methods used in analysing the data are organised and presented as follows :

1. The presentation of the basic distributional characteristics of the variables.
2. Cross-tabulation to investigate the association between various sets of variables.

6.2 The Historical Involvement of Japanese Companies in the U.K. and Sample Demographics

Before analysing the data to assess the nature of the business orientation of Japanese firms in Britain, it will be helpful to review the historical involvement of these companies in the British market.

Although by the end of 1988 there were fewer than 100 Japanese companies manufacturing in the U.K. with a combined workforce of little more than 20,000, the volume of Japanese direct investment in the U.K. began on a significant scale in the mid 1970s. The recent figures, however, show a sharp increase in their investments (Observer, 1989 : Morris, 1988).

The first Japanese plant in Britain, YKK's zip fastener factory started production in 1972. Among the early investors in the U.K. was Sony which set up a plant in Bridgend in 1974, costing £6 million and employing 1,000 workers. Matsushita followed two years later with a £3 million facility employing 1,000 workers. Since then, every major consumer electronics manufacturer has set up new plants or acquired existing ones (Young, Hood and Hamill, 1988; Dicken, 1988).

The other major sector in which Japanese manufacturers have become significant in the U.K. is motor vehicles. At present, all three major Japanese motor vehicle producers have full scale

operations in the U.K. Along with them came a diversity of other Japanese companies, covering a wide range of sectors from ball bearings to fishing rods.

For the year ended March 1988, Japanese cumulative direct investment in manufacturing facilities in the U.K. amounted to about £2 billion, more than double the previous year's figure (Observer, 1989).

Since then the Japanese manufacturing presence had increased significantly, and the announcement of Toyota's £700 million car plant could well take the cumulative figure to over £4 billion.

The U.K. is the recipient of almost a quarter of the total Japanese investment in the E.C. and continues to be a consistent front runner (Oliver and Wilkinson, 1989). It is predicted that Japanese companies in the U.K. will be employing more than 200,000 workers by the turn of the century (Observer, 1989).

In addition to the figures cited, there are at least two reasons to expect an increase in the significance of Japanese investment in the U.K. One is the expected inflow of suppliers to the major Japanese corporations. A second is that with the approach of 1992, many Japanese corporations are speeding their European investment plans lest, as Japan has some reasons to fear, the unified E.C. market proves to be a protectionist Fortress Europe (Observer, 1989).

The 1989 arrivals in the U.K. illustrate the trend. They include : car audio equipment, semi-conductors, office automation, dyeing and finishing of textiles fabrics, magnetrons, processing steel, and transformers.

The composition of the 57 companies included in the study broken down by company business, size, length of operations in the U.K., job title of the respondents and business sector is given below (Tables 6/2-6/6).

TABLE 6/2 : COMPANY BUSINESS

	FREQUENCY	PER CENT
Industrial	28	49.1
Consumer	24	42.1
Both	5	8.8
TOTAL	57	100%

TABLE 6/3 : No. OF EMPLOYEES (SIZE)

	FREQUENCY	PER CENT
1 - 100	15	26.3
101 - 500	26	45.6
501 - 1000	10	17.5
1001 - 5000	6	10.5
TOTAL	57	100%

TABLE 6/4 : LENGTH OF OPERATIONS IN THE U.K.

	FREQUENCY	PER CENT
Less than one year	2	3.5
1 - 3 years	20	35.1
3 - 6 years	10	17.5
6 - 9 years	3	5.3
9 - 12 years	7	12.3
12 - 15 years	8	14.0
More than 15 years	7	12.3
TOTAL	57	100%

TABLE 6/5 : JOB TITLE OF RESPONDENT

	FREQUENCY	PER CENT
General Manager	36	63.2
Marketing Manager	8	14.0
Personnel Manager	3	5.3
Financial Manager	3	5.3
Strategic Planning Manager	1	1.8
Production Manager	1	1.8
Director of Administration	1	1.8
Others	4	7
TOTAL	57	100%

TABLE 6/6 : BUSINESS SECTOR

SECTOR	FREQUENCY	PER CENT
Consumer Electronics	20	35.1
Motor Vehicles	1	1.8
Fishing Rods	1	1.8
Canned Food	1	1.8
Whisky Distillers	1	1.8
Machine Tools	5	8.8
Tyre and Motor Parts	4	7.0
Ball Bearings	1	1.8
Electrical Parts	11	19.3
Medical and Scientific Equipment	1	1.8
Printing Ink	1	1.8
Photocopiers and Office Automation	1	1.8
Automatic Fire Alarm Equipment	1	1.8
Others	8	14
TOTAL	57	100%

As shown in Table 6/6, consumer electronics manufacturers are dominant in the sample, as they are indeed in the total population of Japanese companies operating in Britain. The companies falling into the category 'Others' represent a diverse array of operations, from processing synthetic fibre raw material to refractories for

continuous steel making. Notable are the number of companies in Tyre and Motor Parts, and Electrical Parts. This is likely to increase as a number of Japanese sub-contractors are likely to follow their major motor vehicles and consumer electronics producers overseas.

6.3 Research Findings

The research findings will be discussed in three sections as follows :

6.3.1 Business Philosophy and Marketing Strategy

6.3.1.1 Marketing Orientation and Strategy.

6.3.1.2 Marketing Objectives.

6.3.1.3 Customer Philosophy and Integrated Marketing Organisation.

6.3.1.4 Marketing Research and Marketing Information System.

6.3.1.5 Strategic Marketing Planning.

6.3.1.6 Main Conclusion.

6.3.2 Innovation and New Product Development

6.3.2.1 NPD Objectives.

6.3.2.2 Sources of ideas for Successful Products.

6.3.2.3 Co-Ordinated Effort to Introduce New Products.

6.3.2.4 Pricing New Products.

6.3.2.5 Speed of Introduction and Test Marketing.

6.3.2.6 Main Conclusion.

6.3.3 The 1992 Single European Market

6.3.3.1 Business Strategy After 1992.

6.3.3.2 Main Conclusion.

6.3.1 Business Philosophy and Marketing Strategy

6.3.1.1 Marketing Orientation and Strategy

Marketing has been referred to as a total business philosophy where building the business around the philosophy and following its guidelines has led to impressive performance for many corporations. Thus, it seems appropriate to start with a look at business orientation at the top level. As a rule, top management of corporations should be busy developing strong marketing capabilities as a way of strengthening their competitive positions. Respondents were presented with 29 statements about business and marketing strategies that may or may not exist in their companies. A four-point scale was utilised to evaluate each statement with 1 indicating strong disagreement and 4 indicating strong agreement.

Overwhelmingly, the respondents indicated a strong marketing orientation at the top level. This was reflected in their agreement with the following statements :

- Our focus is on the marketplace identifying customer needs and meeting those needs - profitably (Mean = 3.4).
- The emphasis is on a balance between market share, market status and long-term profitability (Mean = 3.1).
- We work with a lot of information feedback systems from the marketplace, to measure and guide our activities (Mean = 3).

This orientation is reinforced by the respondent's disagreement with statements such as :

- Our marketing people are not usually involved in what products we should sell (Mean = 1.8).
- The product is the concern of our technical people, with little input from the marketing people (Mean = 1.8).
- If customers aren't happy with our products we tend to go looking after new customers rather than new products (Mean = 1.7).
- We don't pay a lot of attention to market research (Mean = 1.9).

The disagreement with the last statement is in contrast with what is reported in the literature about the notion that Japanese companies do not pay attention to market research. It has been

reported, for example, that occasionally, the Japanese do conduct customer attitude surveys, but they do not base their marketing decisions on them. Instead, they depend on and trust their instincts and feel about the market first (Johansson and Nonaka, 1987). In addition, an Economist survey (1989), indicates that Japanese companies rarely spend time doing detailed market research studies to determine what features might help a product to sell. Evidence from this survey does not support these views. 86% of the respondents indicate that they pay a lot of attention to market research.

However, there was strong confirmation of the view that Japanese companies are committed to long-term strategic planning and achieving a leading market share position. To the statement, 'the business is committed to a long term strategic point of view supported by thorough market planning', 96% were in agreement. On the contrary, they did not appear to be worried about short-term profits or concerned with return on investment on the short-term. To the statements, 'there is an emphasis on short-term profits at the expense of long-term success in the marketplace' and 'we tend to be more concerned with return on investment in the short-term, than with customer satisfaction in the long-term', 87% and 96% respectively expressed their disagreement.

At the same time, Japanese companies strategies appeared to exhibit flexibility towards changing conditions. 82% of the respondents believe in the principle of managing the marketplace by

expecting and managing change. One foundation of good marketing is the effective management of change. Better managed companies manage change instead of being 'shocked' by it.

Also affirmed was the notion that marketers have to work together with other functional areas in the firm in order to achieve total company objectives. When asked to indicate their level of agreement/disagreement with the statements "Our R & D people don't spend much time talking to the sales and marketing people" and "marketing guidance for the engineers and the production people is often weak or non-existent", 63% and 73% respectively indicated their disagreement.

Despite these clear indicators of a strong marketing orientation, 65% of the respondents also believed that the sales force is expected to sell what the factory can make. In addition, 73% of the respondents advocate the idea that subjective sales force forecasts largely determine the production process. While these two statements may appear to indicate a selling orientation, one clear and simple fact is that current operations and actions are the result of the outcome of previous decisions and plans. In other words, having previously identified corporate objectives and missions and clearly formalised business units strategies and priorities, there is no reason why the sales force should not be expected to sell what the factory has made.

Among the other features which characterise Japanese

companies is the importance they attach to research and engineering.

62% of the respondents hold the view that research and engineering are the heart of the business. With the ever increasing technological sophistication of products in recent years, it is not surprising to find Japanese companies placing emphasis on research and engineering. The pace of technology in recent years has been rapid and its impact on businesses in most cases has been dramatic. Technological advances have had a substantial effect on the variety of goods and services available to consumers. By placing emphasis on research and engineering, Japanese companies should be able to monitor those technologies most likely to affect their goals and efforts. Another reason why Japanese companies are investing in research and engineering is their relative weakness in basic research. Until recently, Japanese companies have been buying a good deal of their know-how from American and European sources. Increasingly, Western firms have become reluctant to license their latest developments to Japanese firms.

Interestingly, almost 25% of the companies surveyed claim to over-engineer their products way past the point of customer need and his ability to pay. In fact, during the pilot survey, one managing director of an industrial and marine circuit breakers company stated that, "Japanese companies are fond of over engineering even complicating their products, although some won't tell you that!". By contrast, a recent Economist survey (1989), reports that the quality of some Japanese products is slipping badly. In the watch industry, for example, Japanese new models are

half as thick and half the weight of old models, but last only as half as long. Although not particularly dominant in this survey, these companies making the wrong decisions may well lose out to their competitors. Poor decisions may also affect these firms' profits and survival in the long run by requiring expensive corrective actions.

Table 6/7 presents a full summary of respondent's attitudes towards business and marketing strategies.

TABLE 6/7

N = 57

Attitudes Towards Business and Marketing Strategies

Statement	Level of Agreement				Mean
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4	
1. The sales force is expected to sell what the factory can make	8.8%	24.6%	45.6%	19.3%	2.8
2. There is an emphasis on short-term profits at the expense of long-term success in the marketplace	42.1	45.6	8.8	3.5	1.7
3. We believe the customer must get what he wants, even if it is rather unprofitable for the company	1.8	36.8	49.1	8.8	2.7

TABLE 6/7 (Contd)

N = 57

Statement	Level of Agreement				Mean
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4	
4. The business is committed to a long-term strategic point of view supported by thorough market planning	-	3.5	50.9	45.6	3.4
5. Subjective sales force forecasts largely determine the production process	7.0	19.3	71.9	1.8	2.7
6. We base the price of our products on costs only, worked out by the accountants, who dictate pricing strategy almost regardless of the marketplace	43.9	49.1	5.3	1.8	1.7
7. We focus primarily on the bottom line and productivity, and only then on the customer and the marketplace	28.1	52.6	12.3	5.3	2
8. Research and engineering are the heart of the business	7	21.1	42.1	29.8	3
9. Our marketing people are not usually involved in determining what products we should sell	31.6	56.1	10.5	1.8	1.8
10. The factory floor (manufacturing) is the focal centre of the organisation	8.8	43.9	31.6	15.8	2.6

TABLE 6/7 (Cont d)

N = 57

Statement	Level of Agreement				Mean
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4	
11. Productivity improvements often result in changes to product specification which make the product difficult to sell to the customer	21.1	66.7	12.3	-	2
12. Capital investment decisions which involve new technology and the relocation of manufacturing plant rarely involve the marketing people	12.3	40.4	40.3	5.3	2.4
13. We believe that selling volume comes first. Profits then generally follow	7	33.3	54.4	5.3	2.6
14. We believe in the principle of managing the marketplace, by expecting - and managing - change	-	14.0	70.2	12.3	3
15. We tend to fit our forecasts to the profits that we know are expected of us; then we plan how to achieve the forecast	8.8	57.9	28.1	3.5	2.3
16. We don't pay a lot of attention to market research	22.8	63.2	14.0	-	1.9

TABLE 6/7 (Contd)

N = 57

Statement	Level of Agreement				Mean
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4	
17. Product planning takes place on the factory floor, not in the marketing department	21.1	61.4	15.8	-	2
18. Product costs, consumer prices and the whole panoply of customer-service expenditure tend to be based on profit needs, not market needs	12.3	75.4	12.3	-	2
19. We tend to see ourselves as manufacturers rather than as marketers	12.3	31.6	50.9	3.5	2.5
20. Our R & D people don't spend much time talking to the sales and marketing people	14	59.6	21.1	1.8	2.1
21. If customers aren't happy with our products we tend to go looking for new customers rather new products	42.1	47.4	10.5	-	1.7
22. We tend to be more concerned with return on investment in the short term, than with customer-satisfaction in the long term	54.4	42.1	3.5	-	1.5

TABLE 6/7 (Contd)

N = 57

Statement	Level of Agreement				Mean
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4	
23. Our focus is on the marketplace : identifying customer needs and meeting those needs - profitably	-	1.8	56.1	42.1	3.4
24. Our sales people are given great freedom in pricing, servicing and credit terms	8.8	63.2	26.3	1.8	2.2
25. The product is the concern of our technical people, with little input from the marketing people	25.1	61.4	10.5	-	1.8
26. The emphasis is on a balance between market share, market status and long-term profitability	-	8.8	68.4	22.8	3.1
27. Marketing guidance for the engineers and the production people is often weak or non-existent	10.5	63.2	22.8	3.5	2.2
28. We work with a lot of information feed-back systems from the marketplace, to measure and guide our activities	-	21.1	61.4	17.5	3

TABLE 6/7 (Contd)

N = 57

Statement	Level of Agreement				Mean
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4	
29. We tend to over-engineer our products way past the point of customer need - and his ability to pay	14	59.6	24.6	-	2.2

6.3.1.2 Marketing Objectives

Setting marketing objectives is very important to the company. They reflect its commitment and ambition. They also provide a basis for tracking actual performance.

About 85% of the respondents were interested in increasing their sales. Of the remaining 15%, 7% were happy to maintain their current position and 8% were aiming at market domination (Table 6/8).

It is worth noting that out of the 85% who were trying to increase their sales, only 30% cited 'aggressive sales growth' as their goal. 'Steady sales growth' was more typical of the objectives cited by Japanese companies.

As can be seen from Table 6/9, marketing objectives did not seem to vary according to the nature of the company business. Again no

significant difference was detected among different company sizes (Table 6/10).

TABLE 6/8 :

WHICH OF THE FOLLOWING, DESCRIBES THE CURRENT MARKETING
OBJECTIVE OF YOUR COMPANY?

Maintain current position	7%
Steady sales growth	54.4
Aggressive sales growth	29.8
Market domination	8.8

TABLE 6/9 :

WHICH OF THE FOLLOWING DESCRIBES THE CURRENT
MARKETING OBJECTIVE OF YOUR COMPANY?

Objective Company Business	Maintain Current Position	Steady Sales Growth	Aggressive Sales Growth	Market Domination
Industrial	1	17	8	2
Consumer	3	12	6	3
Both	-	2	3	-
Total	4	31	17	5
Number/Percentage	7%	54.4%	29.8%	8.8%

TABLE 6/10 :

WHICH OF THE FOLLOWING DESCRIBES THE CURRENT
MARKETING OBJECTIVE OF YOUR COMPANY?

Objective Size	Maintain Current Position	Steady Sales Growth	Aggressive Sales Growth	Market Domination
1 - 100	1	10	3	1
101 - 500	2	15	7	2
501 - 1000	1	3	6	-
1001 - 5000	-	3	1	2
Total	4	31	17	5
Number/Percentage	7%	54.4%	29.8%	8.8%

6.3.1.3 Customer Philosophy and Integrated Marketing Organisation

To develop a sound strategy, a company needs to have the different marketing functions co-ordinated among themselves and with other functional areas as well. 58% of the respondents indicate that there are regular formal meetings between the major marketing functions within the company. In addition, the marketing function appeared to be closely integrated with other functional departments in the firm where 72% of the companies have regular formal meetings between marketing and other departments (Table 6/11).

TABLE 6/11 :

ARE THERE ANY FORMAL MEETINGS BETWEEN THE MAJOR
MARKETING FUNCTIONS WITHIN THE COMPANY?

No	5.3%
To some extent	35.1
Yes	57.9
<u>Are there any formal meetings between the marketing function and other functional departments?</u>	
No	5.3%
To some extent	22.8
Yes	71.9

In the heart of strategic marketing lies market segmentation and target marketing. Table 6/12 illustrates the willingness of Japanese companies to modify their products to meet the U.K. needs. 56% of the respondents were ready to develop a variety of different versions of the same product to meet the requirements of different market segments. In addition, about 80% were prepared to adjust their marketing efforts to suit specific market segments (Table 6/12).

TABLE 6/12 :

DO YOU DEVELOP A VARIETY OF DIFFERENT VERSIONS
OF THE SAME PRODUCT TO MEET REQUIREMENTS OF
DIFFERENT MARKET SEGMENTS?

Yes	56.1%
To some extent	33.3
No	8.8
<u>Do you develop a different tailored marketing programme for different market segments?</u>	
No	19.3%
To some extent	52.6
To a good extent	28.1

A marketing oriented company would also have a high regard for the customer and should undertake some effort to measure customer satisfaction. A total of 90% of the respondents in the sample were concerned with tracking and improving customer satisfaction. Half of them performed this activity through complaint forms and customer surveys, with the other half providing opportunities for customers to complain (Table 6/13).

TABLE 6/13 :

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR
APPROACH TO MEASURING CUSTOMER SATISFACTION?

Complaint forms and customer surveys	45.6%
Opportunities for customers to complain	45.6
We do not measure customer satisfaction	8.8

6.3.1.4 Market Research and Marketing Information Systems

The term marketing oriented is far more than the cliché 'getting close to the customer'. A genuine marketing orientation is reflected in extensive and regular market research studies about customers, competitors and environmental trends. A company can only be regarded as really market oriented if it fully understands its markets and the people who decide whether to buy its products or not. 75% of the respondents reported that their companies undertake market research studies more than once a year (Table 6/14).

TABLE 6/14 :

HOW OFTEN ARE MARKETING RESEARCH STUDIES OF CUSTOMERS,
COMPETITORS, ENVIRONMENTAL TRENDS, AND MARKET
CHARACTERISTICS CONDUCTED?

Seldom (once a year)	24.6%
Occasionally (once every 6 months)	38.6
Regularly (more often than that)	36.8

As can be seen from Table 6/15, both industrial and consumer product companies were actively involved in undertaking marketing research studies - an essence of a genuine marketing orientation.

TABLE 6/15 :

HOW OFTEN ARE MARKETING RESEARCH STUDIES OF CUSTOMERS,
COMPETITORS, ENVIRONMENTAL TRENDS AND MARKET
CHARACTERISTICS CONDUCTED?

Company Business	Frequency		
	Seldom	Occasionally	Regularly
Industrial	7	11	10
Consumer	6	8	10
Both	1	3	1
Total	14	22	21
Number/Percentage	24.6%	38.6%	36.8%

One of the major elements in strategic business management is deciding upon what priorities to place on a firm's business areas, including in some cases deleting weak products and not serving certain markets. There are few, if any, firms that are capable of meeting everyone's needs. This calls for knowing well the profitability of different market segments and taking a realistic view as to selecting those of most interest to the firm.

58% of the companies in the sample know the profitability of their market segments very well. Additionally, 44% of them have a system to spot and eliminate weak products (Table 6/16).

TABLE 6/16 :
HOW WELL DO YOU KNOW THE PROFITABILITY
OF DIFFERENT MARKET SEGMENTS?

Very well	57.9%
Somewhat	38.6
Not at all	3.5
<u>IS THERE A SYSTEM IN YOUR COMPANY</u> <u>TO SPOT AND DELETE WEAK PRODUCTS?</u>	
Yes	43.9
To some extent	49.1
No	7

Surprisingly, 61% of the respondents admitted that they seldom (almost never) use the services of an outside management

consulting firm (Table 6/17). This reflects a high degree of self confidence on the part of Japanese companies. It is worth noting, however, that consumer products companies used the services of outside management consulting firms to a greater extent than industrial products companies.

TABLE 6/17 :
DO YOU USE THE SERVICES OF AN OUTSIDE
MANAGEMENT CONSULTING FIRM?

Company Business	Frequency Seldom	Sometimes	Frequently
Industrial	18	9	1
Consumer	13	4	7
Both	4	1	-
Total	35	14	8
Number/Percentage	61.4%	24.6%	14%

6.3.1.5 Strategic Marketing Planning

Faced with a highly uncertain future environment which includes inflationary pressures, resource shortages, intense competition, worldwide instability and technological change, businesses are rapidly adopting formal long range plans as a way of positioning their firms to cope with these trends. Such strategic

orientation is essential for successful operations. Considerable evidence exists to support the above view. A majority of the Fortune 1000 firms in America, for example, have senior executives responsible for developing strategic plans (Kiechell III, 1982). Studies by Baker and Hart (1989), Hooley and Lynch (1985), and Lynch, Hooley and Shepherd (1988) serve to emphasise the association between success and long-term approach to business planning.

61% of the companies in the survey report having an annual marketing plan and longer range plans irrespective of company business or size (Tables 6/18 and 6/19).

TABLE 6/18 :

WHAT IS THE EXTENT OF FORMAL MARKETING PLANNING?

Company Business	Type of Plan	No Marketing Plan	Annual Marketing Plan	Annual plus longer range Plans
Industrial		-	10	18
Consumer		2	7	15
Both		1	2	2
Total		3	19	35
Number/Percentage		5.3%	33.3%	61.4%

TABLE 6/19 :

WHAT IS THE EXTENT OF FORMAL MARKETING PLANNING?

Size	Type of Plan	No Marketing Plan	Annual Marketing Plan	Annual plus Longer Range Plans
1 - 100		1	7	7
101 - 500		1	8	17
501 - 1000		1	3	6
1001 - 5000		-	1	5
Total		3	19	35
Number/Percentage		5.3%	33.3%	61.4%

Although the time span covered by the long range plans were expected to increase with company size, no such association was found (Table 6/20).

Marketing appeared to contribute equally with other functional areas to the overall corporate strategic planning process in 58% of the companies surveyed. In one third of the companies marketing emerged as the most significant contributor to the strategic planning process (Table 6/21). As can be seen from Table 6/21 marketing's role in the strategic planning process did not seem to vary according to the nature of the company business.

TABLE 6/20 :

WHAT IS THE TIME SPAN COVERED BY LONG RANGE PLANS?

Size	Time Span	Less than 1 year	1 - Less than 3 years	3 - 5 years
1 - 100		-	10	5
101 - 500		2	9	14
501 - 1000		-	3	7
1001 - 5000		-	2	4
Total		2	24	30
Number/Percentage		3.5%	42.1%	52.6%

TABLE 6/21 :

TO WHAT EXTENT DOES MARKETING CONTRIBUTE

TO THE STRATEGIC PLANNING PROCESS?

Marketing Company Contribution Business	Little or no Contribution	Equal Contribution	Most Significant
Industrial	1	19	8
Consumer	3	13	8
Both	-	1	4
Total	4	33	20
Number/Percentage	7%	57.9%	35.1%

Apart from the time span covered by the long range plans and marketing's role in the overall strategic plan, the style of developing a marketing strategy was investigated. The approach used by 61% of the companies was that of prediction and adaption according to their capabilities. Only a quarter of the companies reported building different scenarios, then designing flexible strategies to accommodate whatever future occurs (Table 6/22). This seems to confirm Kono's findings about the difference between long-range planning of U.K. and Japanese corporations (1984). In U.K. corporations, sophisticated methods, such as multiple scenarios and contingency plans were used more frequently whereas in Japanese corporations more information, long range forecasts and sequential decisions were considered important.

TABLE 6/22 :

WHICH OF THE FOLLOWING BEST DESCRIBES YOUR APPROACH
TOWARDS DEVELOPING A MARKETING STRATEGY?

Approach	Reactive	Predictive	Scenarios
Company Business			
Industrial	3	19	5
Consumer	2	15	6
Both	1	1	3
Total	6	35	14
Number/Percentage	10.5%	61.4%	24.6%

Finally, it is equally important to make allowances for unexpected short term developments or less probable future trends which may seriously jeopardise the strategy. 44% and 56% respectively show great flexibility when developing their long-range plans, and are able to make adjustments and movements in time to react to short-term developments (Table 6/23).

TABLE 6/23 :

WHAT IS THE FLEXIBILITY FACTOR

INCORPORATED IN YOUR LONG RANGE PLANNING?

Great flexibility	43.9%
Moderate flexibility	49.1%
Little flexibility	5.3%
<u>Does management show a good ability to reach quickly to short-term developments?</u>	
Yes	56.1%
To some extent	42.1%
No	1.8%

6.3.1.6 Main Conclusion

The attitudes and approaches of Japanese companies described in this survey reflect a clear marketing orientation. Although Japanese companies in the study cover a wide array of business sectors, nevertheless, they have some basic features in common. Among these are the emphasis Japanese companies place on better

knowing and serving the market. Executives in this survey hold a view that there is no substitute for customer concern in achieving success. Japanese companies are very adaptable. They are ready to listen very carefully to what customers have to say, even if they don't always like what they hear. They are ready to adapt themselves to meet market demand in the U.K. Perhaps they are less pre-occupied with fixed ideas about how products should look like, what customers will accept, or how businesses should work. Japanese companies are more concerned with steadily increasing sales and long-term growth rather than maximising profits and return on investment in the short-term.

One important aspect that appeared to characterise Japanese corporations is the close link and liaison between marketing, R & D, production and engineering. The balance between marketing and R & D is particularly impressive. Somehow there has to be integration between marketing and R & D into the mainstream of the business for companies to achieve a sustainable competitive advantage. In other words, to beat the competition, it is not an either or choice - R & D or marketing. To meet the real needs of your customers you have to utilise all your efforts and resources to their fullest potential. Japanese companies seem to be very much aware of the link and the balance needed between R & D, production, engineering and marketing and use it to their advantage.

It would appear that Japanese companies do not rely heavily on the services of outside management consultancy. In fact, almost

two thirds of the respondents report almost never using the services of outside management consultancy.

Although not particularly dominant in this survey, a quarter of the Japanese companies studied claim to over-engineer their products way past the point of customer need - and his ability to pay. This requires special attention. The message to these Japanese companies is to avoid being technology-driven. It might be tempting to have highly sophisticated products, but does the market need them? Levitt, in his classic article 'Marketing Myopia', wrote what in effect meant, "We've forgotten about the needs of our customers. We need to get back in touch with them". In the author's opinion, Japanese companies should not become complacent. Just because they think that they are in the leading edge - and they may well be - it does not necessarily mean that they will be there in five or ten years time. Industries rise and fall, so do nations. Japanese companies need to carry on tracking customer needs and respond to their demands, if they are to sustain their competitive advantage.

Overall, it seems that what distinguishes Japanese marketing is that it is regarded as an investment rather than an operating expense, and is executed very effectively and efficiently. In other words, it is the quality of implementation and attention to detail which distinguishes Japanese marketing from less successful marketing effort.

6.3.2 Innovation and New Product Development

Considerable evidence exists on the contribution of innovation and new products to the survival and prosperity of corporations (Baker, 1988; Pearson, 1988; Foster, 1986).

New products, when matched to customer needs, enable the company to strengthen its competitive power in existing product-markets and can be a means of moving into new product-markets.

6.3.2.1 Objectives of NPD

The objectives of NPD may be quite diverse ranging from improving existing technology, upgrading a product's functioning or entering new market segments. It is not surprising then that no single objective has emerged as particularly dominant in Japanese companies (Table 6/24).

It is clear, however, how expansion of existing markets and winning share by beating competition have both appeared to be more popular which reflects a strong commitment and aggressiveness. As can be seen from Table 6/24, no meaningful difference was detected between company businesses.

TABLE 6/24 :

WHAT IS YOUR BASIC OBJECTIVE OF NEW PRODUCT DEVELOPMENT?

Objective Company Business	Improving Existing Technology	Upgrading Products' Functioning	Expansion of Existing Markets	Entering New Market Segments	Winning Share by Beating Competition
Industrial	3	3	9	6	6
Consumer	5	3	5	4	7
Both	1	1	-	1	2
Total	9	6	15	11	15
Number/Percentage	16.1%	10.7%	26.8%	19.6%	26.8%

6.3.2.2 Sources of Ideas for Successful Products

Respondents were presented with 9 factors that may or may not have been directly important to the introduction of new products rated by their company as successful. A four-point scale was utilised to evaluate each factor with 1 = not at all important and 4 = very important.

Rather than taking the attitude that the manufacturer knows better than the consumer, which is sometimes taken by Western manufacturers, most respondents stressed user needs as the important source of ideas for new products.

This is reflected in their agreement with the following

statements as direct sources of successful new products introduced by the company :

- * Customer's claims and problems with existing products (Mean = 3.3).
- * Information from sales representatives about market trends (Mean = 3.2).
- * Aggressive marketing research to find out customers' uncovered needs (Mean = 3).

The results show that Japanese corporations regard customers as the first and logical source for new-product ideas. These findings confirm Von-Hippel's results that the highest percentage of ideas for successful new industrial products originate from customers (1978).

Another valuable source of new-product ideas in Japanese firms was information from sales representatives about market trends. Sales representatives are particularly good source of new-product ideas. They are often exposed first to customers' needs and complaints. They are often the first to learn of competitive developments. In fact, one can argue that sales representatives are the only customers a company has. It makes sense then to gather information from sales representatives and listen carefully to what they have to say.

In addition to customers' problems with existing products and

information gathered from sales representatives about market trends, marketing research proved to be another valuable source of new ideas. This survey makes clear that successful products are the result of a thorough collection of information.

This attention to the marketplace as a source of ideas in Japanese companies is coupled with tracking and monitoring competitors' moves and actions.

The competition as a source of new-products ideas is mirrored in the agreement with the following statements :

- Finding what customers like and dislike in competitive products (Mean = 3.3).
- New product development trends of competitors (Mean = 3.1).
- Successful new products of competitors (Mean = 3).

Less popular yet still of some importance, some respondents declared that their inspiration came from ideas conceived during the production process (Mean = 2.9), Experts' opinion on new technology (Mean = 2.7) and information on patents (Mean = 2.6).

When asked to rank the three most important factors when developing a new product, marketing research to find out customers' uncovered needs came first. This was followed by information from sales' representatives about market trends in second place. Tied in third place were customers' claims and problems with existing

products and finding what customers like and dislike in competitors' products (Tables 6/25, 6/26 and 6/27). This indeed is interesting when compared with Baker and Hart's findings (1989) whose sample showed only limited use of market research, by successful British companies as a trigger of new product development.

While the overall ranking did not differ in the case of consumer products companies, it slightly changed in industrial products ones. As can be seen from Tables 25, 26 and 27, industrial products companies chose customers' claims and problems with existing products as their most important factor. This was followed by new product development trends in second position. In third position was information from sales representatives about market trends.

Clearly, factors cited for success by Japanese companies are market-driven. First strong and aggressive marketing research is required for success. Second, information about market trends from sales representatives is stressed. Third, by looking hard at the existing offerings, Japanese companies often come up with better designs, adding some innovative features of their own.

TABLE 6/25 :

MOST IMPORTANT FACTOR

CENT	FACTOR	FREQUENCY			PER	
		Industrial	Consumer	Both	Total	
1.	Marketing research to find out customers' uncovered needs	6	8	3	17	29.8%
2.	Customers' claims and problems with existing products	9	1	1	11	19.3
3.	What customers like and dislike in competitors' products	6	4	-	10	17.5
4.	Information from sales representatives about market trends	4	5	1	10	17.5
5.	New product development trends	2	4	-	6	10.5
6.	Successful new products of competitors	-	2	-	2	3.5
7.	Opinion on new technology	1	-	-	1	1.8
Total		28	24	5	57	100%

TABLE 6/26 :

SECOND MOST IMPORTANT

FACTOR	FREQUENCY				PER CENT
	Industrial	Consumer	Both	Total	
1. Information from sales representatives about market trends	4	4	3	11	19.3%
2. New product development trends	6	3	1	10	17.5
3. Customers' problems and claims with existing products	6	3	-	9	15.8
4. Ideas conceived during the production process	5	2	1	8	14.0
5. Successful new products of competitors	1	4	5	8	8.8
6. Marketing research to find out customers' unconcerned needs	2	3	-	5	8.8
7. Experts' opinion on new technology	1	3	-	4	7.0
8. What customers like and dislike in competitors' products	3	1	-	4	7.0
9. Information on patents	-	1	-	1	1.8
Total	28	24	5	57	100%

TABLE 6/27 :

THIRD MOST IMPORTANT

FACTOR	FREQUENCY				PER CENT
	Industrial	Consumer	Both	Total	
1. Customers' claims and problems with existing products	3	5	1	9	15.8%
2. What customers like and dislike in competitors' products	3	5	1	9	15.8
3. Information from sales representatives about market trends	7	2	-	9	15.8
4. New product development trends	4	4	-	8	14.0
5. Ideas conceived during the production process	4	2	1	7	12.3
6. Successful new products of competitors	4	1	1	6	10.5
7. Marketing research to find out customers' uncovered needs	1	3	1	5	8.8
8. Experts' opinion on new technology	2	2	-	4	7.0
Total	28	24	5	57	100%

6.3.2.3 Co-ordinated Effort to Introduce New Products

Table 6/28 as well as figure 6/1 illustrate that in the first stage of developing a new product (from idea to technical

development), 42% of the respondents reported that marketing works very closely with production while 19% and 25% did so with finance and purchasing respectively.

In the second stage (from technical development to merchandising), the percentage increased to 44% working very closely with production, and 37% with both finance and purchasing respectively.

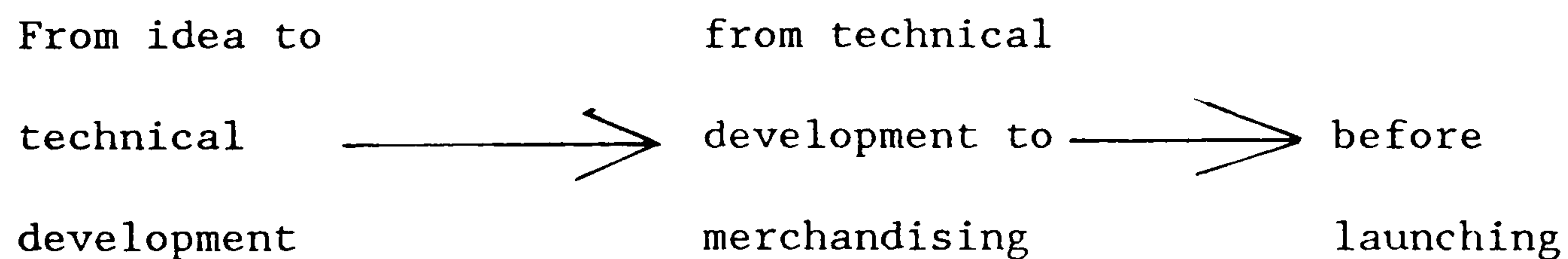
In the third stage (before launching), the percentage of respondents reporting that marketing works very closely with production and purchasing increased further to 53% with production and 42% with purchasing, while it dropped to 30% working very closely with finance.

TABLE 6/28 :

THE NPD PROCESS IS OFTEN PORTRAYED AS A SERIES OF STAGES,

ALTHOUGH THEY MAY NOT ALWAYS FOLLOW CONSECUTIVELY.

ONE PORTRAYAL IS :



IN THE DIFFERENT DEVELOPMENT STAGES SHOWN,
HOW CLOSELY DOES MARKETING WORK WITH OTHER FUNCTIONAL
AREAS IN YOUR COMPANY?*

Function	Stage	1st Stage	2nd Stage	3rd Stage
Production				
-	Very closely	42.1%	43.9%	52.6%
-	Quite closely	35.1	35.1	22.8
-	Not at all	8.8	5.3	7.0
Finance				
-	Very closely	19.3%	36.8%	29.8%
-	Quite closely	45.6	40.4	42.1
-	Not at all	21.1	7.0	10.5
Purchasing				
-	Very closely	24.6%	36.8%	42.1%
-	Quite closely	40.4	35.1	28.1
-	Not at all	21.1	12.3	2.3

* Note that percentages may not add up to 100% because some respondents skipped that question.

Production  Purchasing  Finance 

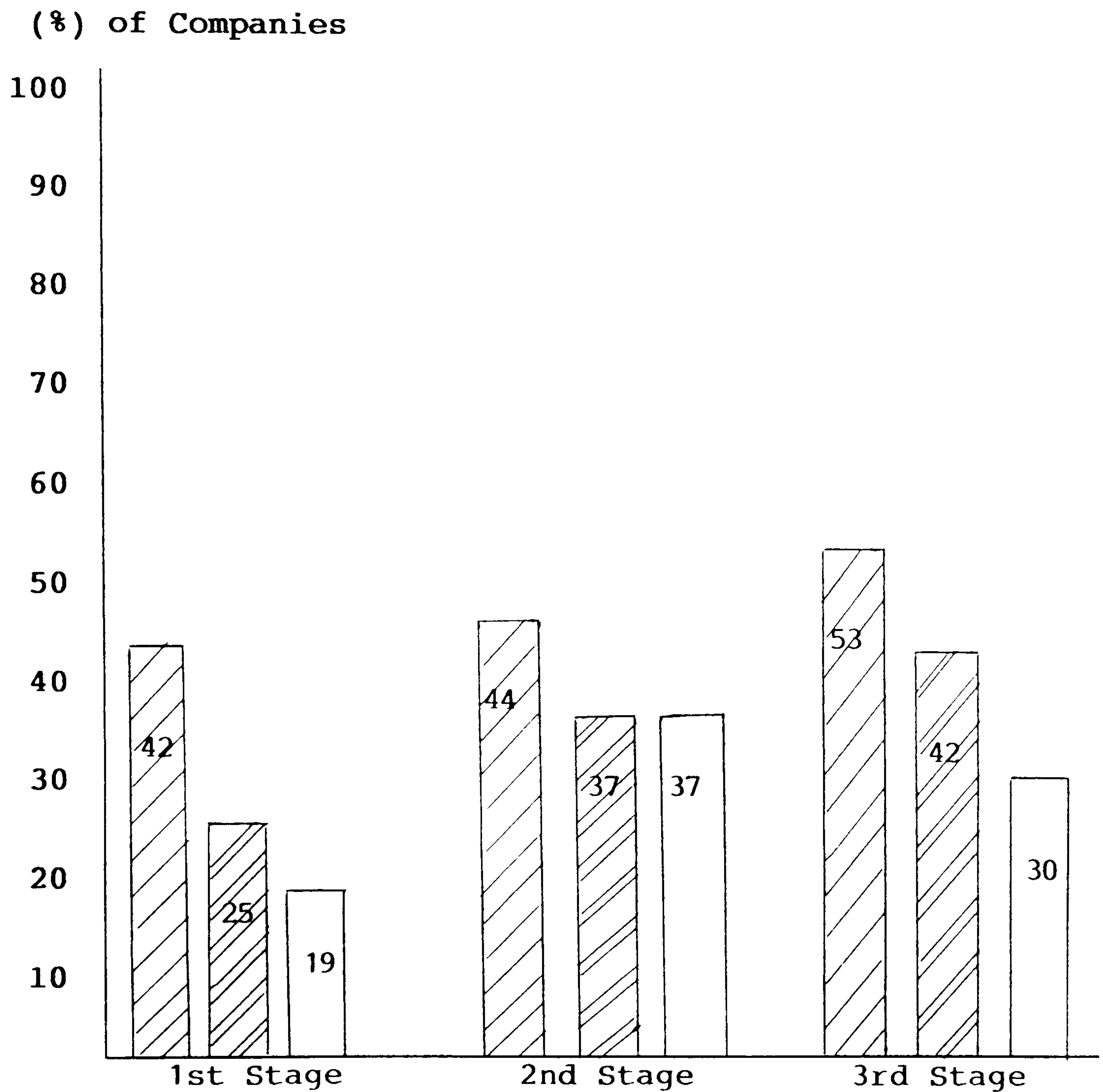


FIGURE 6/1 PERCENTAGES OF COMPANIES WHERE MARKETING IS WORKING VERY CLOSELY WITH OTHER FUNCTIONAL AREAS DURING DIFFERENT DEVELOPMENT STAGES OF A NEW PRODUCT

6.3.2.4 Pricing New Products

Japanese companies use the buyer's perception of the value, not their own cost, as the key to pricing new products. Companies employing this strategy use the non-price variables in the marketing mix to build perceived value in the buyers' minds. Price is then set to capture the perceived value. As Table 6/29 shows, 40% of the respondents used perceived-value pricing when setting price for new products. 25% of the companies based their price according to prevailing competitive levels. Of the remaining 35%, half priced at a certain level below or above competitors and the others have used cost plus desired profit or standard cost pricing.

TABLE 6/29 :

ON SETTING THE PRICE FOR A NEW PRODUCT,

WHICH OF THE FOLLOWING METHODS DO YOU USUALLY EMPLOY?

Company Business	Method	Estimated Value	Below or Above Competitors	Prevailing Competitive Price	Standard Cost Pricing
Industrial		8	5	7	8
Consumer		14	2	6	2
Both		1	3	1	-
Total		23	10	14	10
Number/Percentage		40.4%	17.5%	24.6%	17.5%

As can be seen from Table 6/29, the pricing method employed varied according to the nature of the company business. Consumer products companies used estimated value of the product to the customer more often than standard cost pricing. While on the other hand, industrial products companies were more inclined to use standard cost pricing than consumer products companies were.

6.3.2.5 Speed of Introduction and Test Marketing

A company introducing a new product wants to be sure of introducing it at the right time. Timing seems to be a decisive factor. A company does not want to be too late and consequently out of date because the market has moved on. Equally important, a company does not want to accelerate development, increasing costs, and rush half-baked ideas to the market. Moreover, the speed of introduction depends largely on the degree of sophistication of the product and whether the product is completely new or using similar technology to the existing products that can utilise the existing development and production capabilities. The speed of introduction can be increased if the new product is marketed in the same way as existing products, using the existing marketing facilities or expanding on them.

Increasingly scholars are urging companies to use 'time-based competition' (The Economist, 1988; Fortune, 1989; Peters, 1989; Foster, 1986; Stalk 1988). Instead of asking 'How cheaply can I make this product at this quality?' companies should ask 'How

quickly can I make it at this price and quality?'

As Table 6/30 indicates, about 50% of the companies in this survey bring their products to the market in 12 months or less from the time technical development starts. Quite fast if we consider that the sample included companies producing electrical machine tools, computer equipment like printers and monitors, and motor vehicles.

As for test marketing, Table 6/31 shows that about 55% of the companies did no test marketing or only in house sampling prior to launch. This finding is consistent with the finding from the previous question.

Having developed the product in less than 12 months in some cases, 55% of the companies are ready to rush their products to the market and listen to the real customers. The remainder indicated some sort of limited in house sampling or said that they know their products are going to sell because they are very familiar with the market.

TABLE 6/30 :

GENERALLY HOW LONG DOES A PRODUCT TAKE TO ARRIVE
IN THE MARKET FROM THE TIME TECHNICAL DEVELOPMENT STARTS?

Business Sector	Time Less than 6 months	6-12 months	12-24 months	Longer
1. Consumer electronics	1	6	11	1
2. Motor vehicles				1
3. Fishing rods		1		
4. Canned food		1		
5. Whisky distillers	1			
6. Machine tools	1	2	2	
7. Tyre and motor parts			3	1
8. Ball bearings		1		
9. Electrical parts	3	3	4	1
10. Medical equipment			1	
11. Printing ink	1			
12. Photocopiers		1		
13. Automatic fire alarms		1		
14. Others	4	2	1	1
Total	11	18	22	5
Number/Percentage	19.3%	31.6%	38.6%	8.8%

TABLE 6/31 :

WHAT SORT OF TEST MARKETING OF THE PRODUCTDO YOU DO BEFORE YOU FINALLY LAUNCH IT?

Test Marketing Company Business	None	In house Sampling	Limited Test Mktg. in Local Areas	Others
1. Consumer electronics	6	8	4	2
2. Motor vehicles		1		
3. Fishing rods				1
4. Canned food			1	
5. Whisky distillers		1		
6. Machine tools	2	3		
7. Tyre and motor parts		1	1	2
8. Ball bearings				1
9. Electrical parts	2	2	2	5
10. Medical equipment	1			
11. Printing ink			1	
12. Photocopiers			1	
13. Automatic fire alarms		1		
14. Others		3	3	1
Total	11	20	13	12
Number/Percentage	19.3%	35.1%	22.8%	21%

6.3.2.6 Main Conclusion

New product development is an important means of improving the company's competitive position by introducing an improved product that can solve the customer's problem in a superior way.

Japanese companies in particular have been successful in developing new products with world market potential. There is a common thread between the companies surveyed, and the key strengths of the Japanese approach to introducing new products can be clearly seen.

First, successful companies are market oriented. Most Japanese companies emphasised the marketplace, either through studies, feedback or evaluation of competitive products. The competition particularly has emerged as a valuable source of new ideas. Undoubtedly, knowing one's competitors is critical not only to launch new products but also essential for the overall success of the company. Instead of responding only to customer needs, the clear message of the marketing concept is know your competitor as well as your customer. Second, once ideas are found feasible, Japanese companies emphasise rapid development of the idea. From the time technical development starts, products arrive in the market fairly rapidly and reflects market pressures to force a response with new products and being first in the market. It seems the Japanese development process is driven by bringing products to the market quickly, decisively and effectively.

Third, test marketing is not very popular with Japanese companies. Instead they rely more on in house sampling or indeed no test marketing at all. However, having been actively involved in marketing research prior to launch they know that their products are going to sell.

6.3.3 The 1992 Single European Market

6.3.3.1 Business Strategy After 1992

This part of the questionnaire asked the respondents for some specific indications of how strategy might change. A series of statements were generated which described various general dimensions of competitive strategy. A five point scale was utilised to evaluate each statement with 1 indicating strong disagreement and 5 indicating strong agreement.

Clearly, the respondents characterised competition after 1992 as more intense (Mean = 3.7). They indicated that competition within the European market will have increased significantly (Mean = 3.7). This expected intensity is stressed with their agreement with these statements :

- * We will be aggressively fighting to hold onto our market share (Mean = 3.8).
- * We will be spending more of sales revenues on marketing because of increased competition (Mean = 3.4).

Despite these projections, Japanese companies were not quite sure if they will be competing with a larger number of firms than today (Mean = 2.9) or whether there will be fewer firms in their respective industries (Mean = 2.7).

Nevertheless, Japanese companies emphasised the necessity to be more consumer oriented (Mean = 3.6), and the need to shorten their channel of distribution to become nearer to the customer (Mean = 3.5).

As for different strategy options available for Japanese companies 'adding new products that appeal to the new united market' emerged as particularly popular (Mean = 4). From this response it would appear that for a number of Japanese companies, there is a common held conviction that innovation is a matter of corporate life or death.

One strategy that does not appeal to the Japanese is seeking mergers in non-related areas. This strategy option had the lowest score among the strategies available (Mean = 2.2).

Also not very popular is seeking mergers in related areas (Mean = 2.7) and participating in strategic alliances and collaborative agreements to withstand competition (Mean = 2.9). Although James (1989) has argued that Japanese companies almost always benefit from participating in strategic alliances and collaborative agreements by improving their access to technology,

markets and customers in the West, Japanese companies in this survey prefer to play it on their own.

Table 6/32 represents a summary of companies reactions to the different strategies and the expected change in the way of competition.

TABLE 6/32 :
THE 1992 SINGLE EUROPEAN MARKET

N = 57

Statement	Level of Agreement					Mean
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree	
	1	2	3	4	5	
1. We will be competing with a larger number of firms than today	7%	38.6%	22.8%	22.8%	8.8%	2.9
2. Competition within the European market will have increased significantly	1.8	14	2.3	56.1	15.8	3.7
3. There will be fewer firms in our industry	5.3	45.6	24.6	24.6	-	2.7
4. We will have to be more consumer oriented to withstand competition	3.5	15.8	10.5	54.4	15.8	3.6
5. We will be spending more of sales revenues on marketing because of increased competition	-	26.3	17.5	47.4	8.8	3.4

Statement	Level of Agreement					Mean
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree	
	1	2	3	4	5	
6. We will be aggressively fighting to hold onto our market share	1.8	10.5	14	56.1	15.8	3.8
7. Competition will be more intense	-	14	14	56.1	15.8	3.7
8. We will have to participate in strategic alliances and collaborative agreements to withstand competition	5.3	31.6	36.8	19.3	7	2.9
9. We will seek mergers in related areas	12.3	36.8	24.6	24.6	1.8	2.7
10. We will seek mergers in non-related areas	12.3	52.6	31.6	-	-	2.2
11. We will try to shorten our channel of distribution to become nearer to the customer	1.8	21.1	14	49.1	14	3.5
12. We will seek to add new products that appeal to the new united market	-	8.8	14	50.9	26.3	4.0
13. We will seek to increase penetration of the new market with existing products	-	10.5	10.5	56.1	17.5	3.9

6.3.3.2 Main Conclusion

Generally, Japanese companies in this survey hold a view of increased competition coupled with a necessity to better know and serve the market. One thing they are sure of is that they will be fighting to hold onto their market share after 1992. Although some Japanese companies think that they won't be competing with a larger number of firms than today, this will do little to weaken the spirit and intensity of competition. No Japanese firm believes it can hope to survive, much less grow, without placing a lot of emphasis on innovation.

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CHAPTER SEVEN

SUMMARY AND RECOMMENDATIONS OF THE STUDY

CHAPTER SEVEN

SUMMARY AND RECOMMENDATIONS OF THE STUDY

7.1 Introduction

Briefly the aim of this survey was to explore, firstly, the overall approach of Japanese companies to the marketplace. This includes top management attitudes towards marketing and business strategies, the nature of their marketing objectives, the actual marketing activities carried out by firms to meet competition, and the extent to which marketing is important to the company. Secondly, we wished to explore innovation and NPD processes in the firm. This includes the process by which new products are identified and brought to the marketplace; the origin of ideas for products which have proved successful; the speed of introducing products to the market; and whether the whole process is technology driven or market-led. Thirdly, we looked at the view of Japanese firms towards the 1992 single European market. This included the measures taken - if any - to maintain their competitive position, and the ability of their strategies to exhibit flexibility and to make adjustments in response to the expected changing conditions.

7.2 Main Conclusions

The broad conclusions emerging from this research present few surprises. These main conclusions are discussed below :

1. Overall, it is clear that the Japanese do not seem to suffer from a 'sales orientation' 'finance orientation' or 'production orientation' as opposed to a 'marketing orientation'. The marketing concept defined as the total integration of business activities aimed at providing customer satisfaction at a profit is wholly adapted and implemented by the Japanese companies under investigation. This strong commitment to a 'marketing orientation' may well be a key factor behind their impressive performance.
2. Despite this strong commitment to marketing, Japanese companies do not appear to ignore the potential benefits other functional areas could offer to enhance the competitive position of the firm. Japanese companies mobilise all their resources not just one department's to satisfy customers - a key element of "real" marketing. It is not a matter of either or decisions - marketing, R & D, or production. Instead, in Japanese companies there is a close link and balance between different functional areas which are integrated into the mainstream of the business and used to their fullest potential.
3. Apparently Japanese companies in our sample do not rely heavily on the services of outside management consulting firms. While in part this reflects a high degree of self confidence on the part of Japanese companies, another reason why Japanese companies are not dependent on outside

management services is their tendency to run what can be termed as a 'closed system' (Prestowitz, 1988). A key difference between Western and Japanese investments, as reported by Prestowitz (1988) and James (1989), is the tendency of Japanese companies to internalise their knowledge to retain their competitive advantage. For example, the Japanese prefer forming alliances among companies belonging to the same group. This leads to the development of large conglomerates of interrelated industrial, financial, and commercial enterprises, that are affiliated with say, the Toyota group. These interrelated organisations are capable of undertaking full research activities, the company would have otherwise relied on external agencies to perform. This pattern of integration is being used to reinforce an already strong position by internalising information within the boundaries of the organisation.

4. It would appear, contrary to popular opinion, that Japanese companies pay a lot of attention to market research. In fact 86% of the companies in our sample appeared to conduct in-house marketing research which compares with only 52% of successful British companies in Baker and Hart's study (1989). Particularly in NPD, marketing research was ranked high by Japanese subsidiaries as a trigger to introduce new products rated by the company as successful. Perhaps, the active involvement in marketing research prior to launch is the reason why Japanese subsidiaries do not spend a lot of

time test marketing their products before they finally launch them.

5. Japanese companies are more concerned with steadily increasing sales and long-term growth rather than maximising profits and return on investment in the short-term. This research finding supports the general theme reported in the literature and confirms Wong, Saunders and Doyle's survey (1987). They found that most of the Japanese subsidiaries were more oriented to long-term market share than short-term profits. By contrast, British companies in their sample emphasised short-term profitability much more than the Japanese. Our research findings are also in line with a study conducted by Japan's economic planning agency in 1982. The study showed a marked difference in the emphasis Japanese and Western managers put on growth. On a scale of 0 to 10 American managers ranked return on investment as their primary corporate goal, with a score of 8.1. Market share got 2.4. For the Japanese, the scores were 4.8 for market share, and 4.1 for return on investment (Abegglen and Stalk, 1985).

6. Our research findings indicate that the new product development process in Japanese companies is driven by bringing the product to the market quickly to be first in the market. This research finding confirms the results of a survey published by the Royal Institute for International

Affairs. The report, based on a survey carried out by the British Chamber of Commerce in Japan, shows that most industrial sectors take less than two years from the beginning of a product development to bringing the product to the market.

7. As far as the 1992 single European market is concerned, Japanese subsidiaries hold a vision of increased competition after 1992 coupled with a necessity to better know and serve the market. They were seen increasing investment on marketing and busy adding new products to appeal to the new united market. It is not surprising to find a study by the Henley Centre (1988) indicating that Japanese companies may make the biggest gains from the single market. According to the study, even if Japanese manufacturers' competitiveness against European industry were weakened by a further rise in the yen, they have enough scope to compete by cutting profit margins, as they have already done in America.

8. Our study findings also have shown that Japanese companies place great importance on research and technology as key factors for maintaining and enhancing their competitive advantage. Again this was in line with the study conducted by the British Chamber of Commerce in Japan (1988) which showed that large companies typically have hundreds of development projects under way at once, with some computer companies reporting up to 700 on the go at any one time.

Companies reported also to spend between 5 and 15 per cent of sales on R & D. The ability of British and European industry to fight back, according to the Henley Centre study (1988), will depend critically on the reactions of individual companies and, most important, on heavier spending on R & D.

7.3 Limitations of the Study

In appraising the study findings, it is important to note that, first, this study is basically a cross-sectional study. This was imposed on the researcher by time and money constraints. In addition, to assume that Japanese companies would be willing to provide information at time intervals is clearly no mean task. It is one thing to ask respondents for information on one occasion; it is quite another to ask them to supply information at set intervals over an extended period.

Second, this study was applied to Japanese companies manufacturing or assembling in the U.K. The study did not include companies in other sectors like banking and insurance or companies represented by sales offices with no production facilities. As such the application of the results to these sectors cannot be claimed.

Third, the study examined Japanese marketing from the producers' point of view. Studying the buyers' perception of Japanese marketing may add other dimensions and produce further insights to the picture.

7.4 Study Recommendations

Several implications and recommendations emerge from this study :

1. At a micro level, it would seem that a very broad view of a firm's technology is called for. Technological change in recent years has demonstrated its power to influence industry structure and competitive advantage. These features are thought to provide compelling reasons for British firms to place R & D, and technology in general, in a strategic context, and to include technology strategy as an essential ingredient of the firm's overall competitive strategy. Moreover, the relevance of technology to British firms ought not be confined to 'high technology' industries. In fact, Porter (1985) argues that there is no such thing as 'low' technology industry if one takes the broad view of technology.
2. Having said that technology should become a principal factor driving British firms, this is not to propose that British firms have to become technologically led rather than market driven. Indeed, what British firms need most is a merger of technology and marketing under a customer value perspective. British firms should strive for synergy at the technology/marketing interface. Perhaps Utterback's definition (1979) of technological innovation as 'a new

combination of a user need and a technological means to meet that need' makes clear that NPD, for example, is as much a technological as a marketing exercise; it is the result of an interdepartmental integration linking technology to market. British firms need to treat technology as a strategic asset and a competitive weapon. In the meantime, they must implant more of a marketing orientation in each and every business function. In achieving the balance, the orientation of top management clearly has an essential role to play in the integration of marketing, R & D, and indeed other functional areas into the mainstream of the business.

3. At a macro level, it is unwise to rely on protection-seeking policies to enhance the competitive position of British manufacturers against Japanese firms. Protection seeking measures penalise consumers, but rarely require actions on the part of British manufacturers to strengthen their competitive positions in world markets. Instead, one might consider what strategic actions British firms ought to take to meet the competitive strength of their Japanese counterparts. The British response would then be based on a careful analysis of Japanese industry strengths and weaknesses, and would include emulation where appropriate.

By the same token, interventionist governments have long been the biggest obstacle to economic development in the third world. Developing countries governments have to release the

full potential of their entrepreneurs and change their approach in dealing with the private sector. This does not mean however, that there is no role for an overall industrial policy in aiding economic development. Far from it, Japan's government has pursued an active industrial policy aiming to identify and promote successful sectors and abandoning weak ones. It has channelled credit to preferred users and maintained close links with the management of big companies. Similarly, governments in developing countries need to close loss-making state-owned enterprises and sell potentially profitable ones. They also have to allow private business to compete on equal terms with state-monopoly corporations.

4. Finally, Japanese investments create a sense of what must be done to improve competitiveness in the West and help demonstrate that this can be done. Japanese companies that have risen to global leadership over the past 30 years invariably started with ambitions that were out of all proportions to their resources and capabilities. For British firms, revitalising corporate performance to regain competitiveness means a whole new model of strategy. British firms have to develop an obsession with winning at all levels and sustain that obsession over a long period in search for global leadership, what Hamel and Prahalad (1989) call a 'strategic intent'. British firms have to create a strong and urgent competitive drive in the organisation that envisions a desired leadership position. Today it is not

sufficient for British firms to be good, they have to be better than their Japanese rivals. An urgent drive to beat Japanese competitors encompasses focusing the organisation's attention on the essence of winning, creating a climate that leaves room for individual and team contributions and communicating the value of the target to the people in the organisation.

7.5 Suggestions for Further Research

Having discussed the study implications, the researcher suggests these areas for further research :

1. It would be of great interest if a study would be made to examine Japanese companies that encounter problems and face failure to determine what factors have contributed to their weak position. Certainly lessons can be learned by examining the factors that have contributed to the failure of some Japanese businesses. For researchers, however, these failures tend to be less interesting, since they concern probably small companies about which little is known.
2. Another area of research would be the extent to which technology and marketing are merged under a customer value perspective in both British and Japanese firms. The aim would be to enhance our understanding of how organisations can combine marketing orientation with integration of

technology into their strategy formulation process.

3. To improve their access to technology, markets and customers in the West, the Japanese may start entering into strategic alliances and collaborative agreements which have the potential to maximise their efficiency on a global scale. An area of research which may prove to be valuable and worthwhile is to examine the effect of these agreements on the competitive position of both partners, say British and Japanese.

In fact, British companies considering expansion overseas may find out that the Japanese partner knowledge of his Japanese customers' needs and operating practices are valuable assets that could facilitate and aid this expansion.

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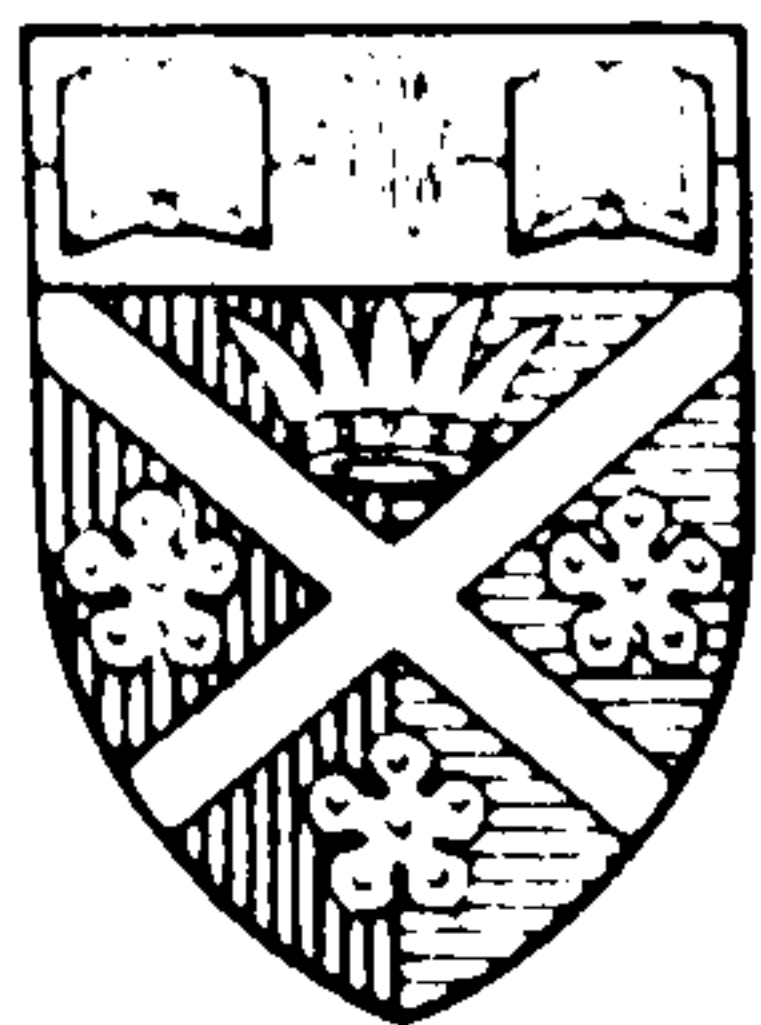
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APPENDICES

APPENDIX A	:	Advance Note
APPENDIX B	:	Covering Letter
APPENDIX C	:	First Follow-up Letter
APPENDIX D	:	Second Follow-up Letter
APPENDIX E	:	Third Follow-up Letter
APPENDIX F	:	Questionnaire

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University
of Strathclyde

Head of Department
Professor Michael J Thomas, BSc MBA FRSA FInstM

STUDENT RESEARCH PROJECTS* APPENDIX A
Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ
Tel: 041-552 4400

29th September, 1989.

Dear Sir,

The remarkable success of Japanese companies in the U.K. has always attracted attention.

We are seeking to determine the role marketing plays in this success; we are also interested in the extent to which Japanese companies are ready for the 1992 single European market with the opportunities and challenges that it brings.

In a few days you will receive our questionnaire. It will take but a short time to fill out - and your answers will be of the greatest importance to the success of our study.

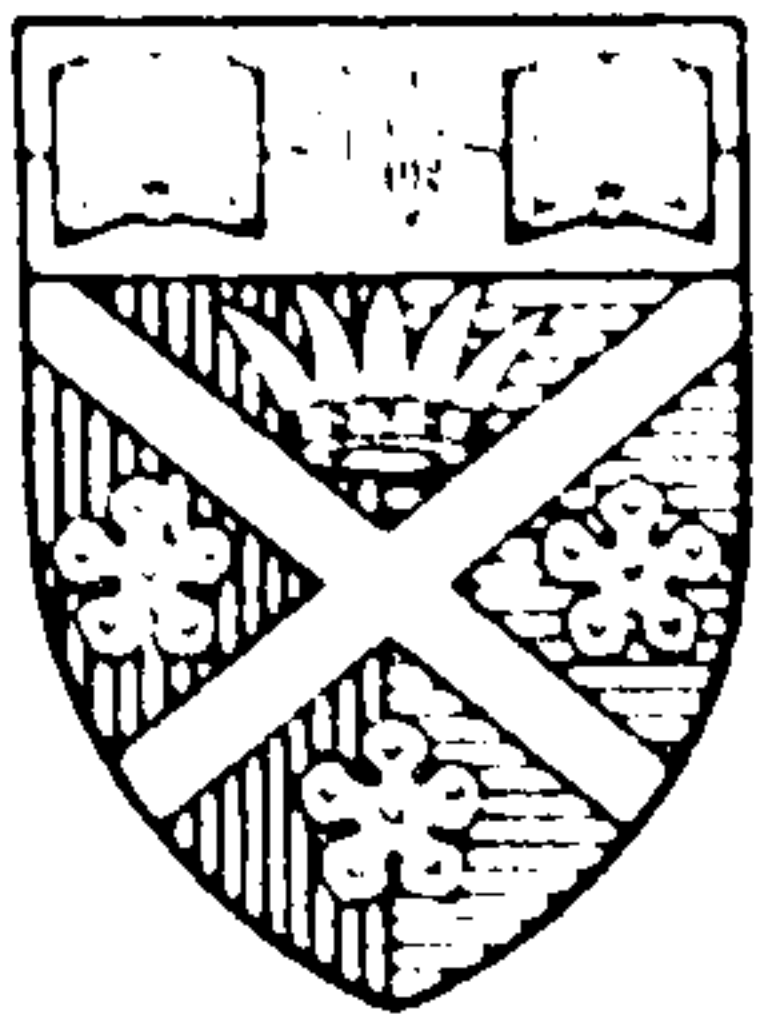
We thank you very much for your co-operation.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. H. Kheireldin'.

Amr H. Kheireldin

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University
of Strathclyde

Head of Department
Professor Michael J Thomas, BSc MBA FRSA FInstM

STUDENT RESEARCH PROJECTS* APPENDIX B
Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RO
Tel: 041-552 4400

2nd October, 1989.

Dear Sir,

The remarkable success of Japanese companies in the U.K. has always attracted attention.

We are seeking to determine the role marketing plays in this success; we are also interested in the extent to which Japanese companies are ready for the 1992 single European market with the opportunities and challenges that it brings.

Your own company has been picked as part of a carefully chosen sample and a reply from you is critical to the success of our research. The questionnaire is designed for self completion, generally 'ticking' boxes. You won't need time to look up records and will be able to fill in the questionnaire quite quickly. Let us assure you that neither the company's name nor those of your products will be mentioned directly in our final report. The questionnaire has an identification number for mailing purposes only. This is so that we may check your name off our mailing list when your questionnaire is returned. Your name will never be placed on the questionnaire.

The results of this research will be made available and you may receive a summary of results on request. We are enclosing a stamped self addressed envelope to speed your completed questionnaire to us.

We would be most happy to answer any questions you might have. Please write or call. The telephone number is 041 332 6415.

We thank you very much in anticipation.

Yours sincerely,

Amr H. Kheireldin



Head of Department

Professor Michael J Thomas, BSc MBA FRSA FCIM

Professor Michael J Baker, TD BA BSc(Econ) DBA FCIM FCAM FRSA FScotvec

Professor Thomas F Carbery, OBE MSc(Econ) PhD DPA

Professor Gordon R Foxall, BSc MSc PhD AFBPsS CPsychol

Professor Neil Hood, MA MLitt

Professor Stephen Young, BCom MSc

Visiting Professor Nicholas C D Kuenssberg, BA FCIS FBIM

APPENDIX C

Strathclyde Business School

13th October, 1989.

Dear Sir,

Last week my doctoral student, Mr. Amr Kheir El-Din, wrote to you asking if you could help us with some research we are undertaking into Japanese marketing strategies in the U.K. and Europe. We have already received a most encouraging response but are anxious, given the comparatively small number of Japanese companies in the U.K. to secure as complete a response as possible. If you have already completed and returned the questionnaire to us please accept our sincere thanks for your valuable help. If you have not had the chance to do so as yet, please do so as soon as possible. We really would appreciate it if you could spare the time to complete our questionnaire. If, by some chance, you did not receive the questionnaire or it got misplaced, a replacement one is enclosed.

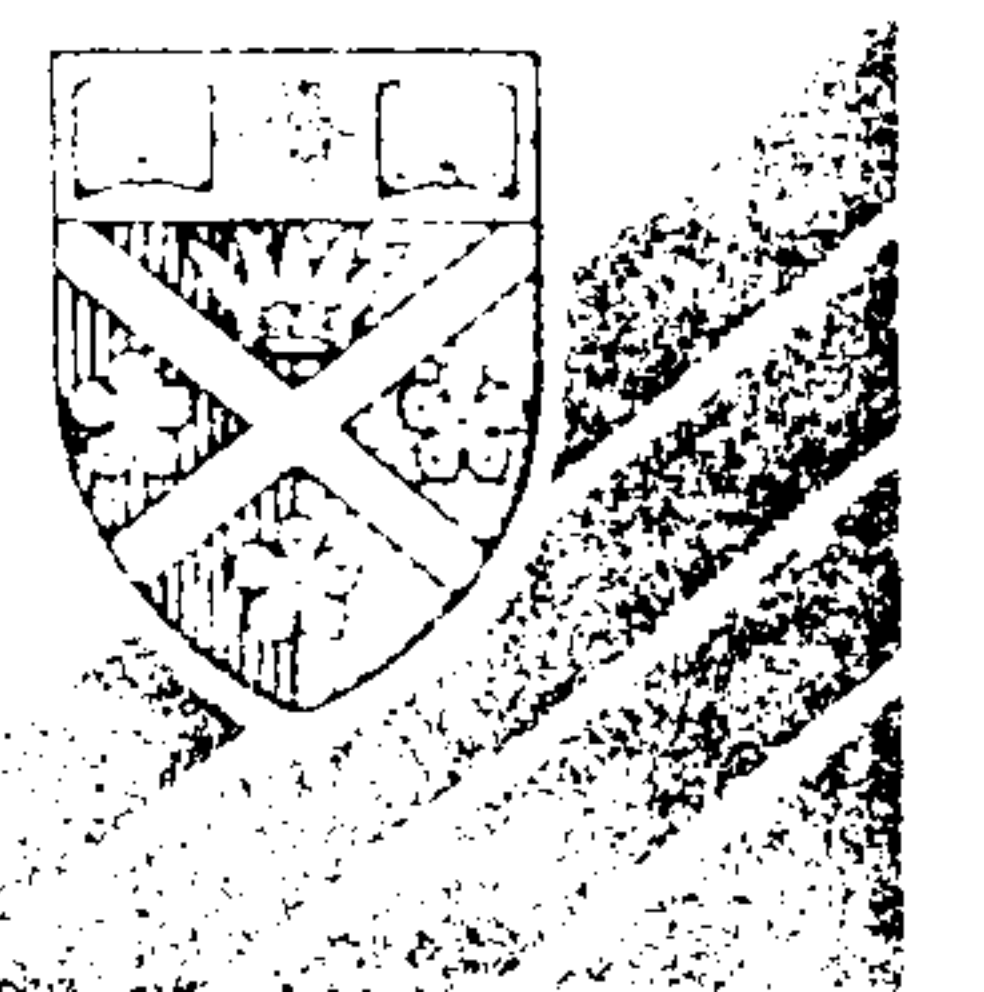
We look forward to hearing from you.

Yours sincerely,

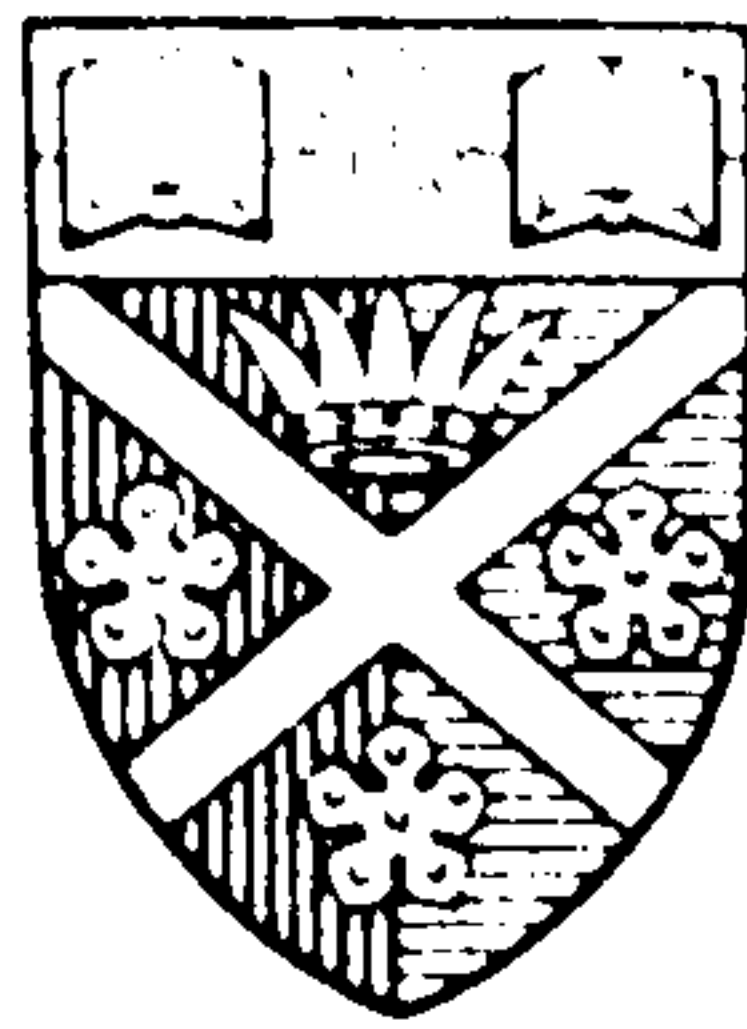
M. J. Baker

M.J. Baker

Encl.



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University
of Strathclyde

Head of Department
Professor Michael J Thomas. BSc MBA FRSA FInstM

STUDENT RESEARCH PROJECTS* APPENDIX D
Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ
Tel: 041-552 4400

27th October, 1989.

Dear Sir,

About three weeks ago we wrote to you asking for your participation in a study to determine the role marketing plays in the success of Japanese companies in the U.K. We have not yet received your completed questionnaire.

The large number of questionnaires returned is very encouraging, but our ability to describe accurately Japanese companies' attitude towards marketing strategies and their view of the 1992 single European market depends upon our securing as full a response as possible.

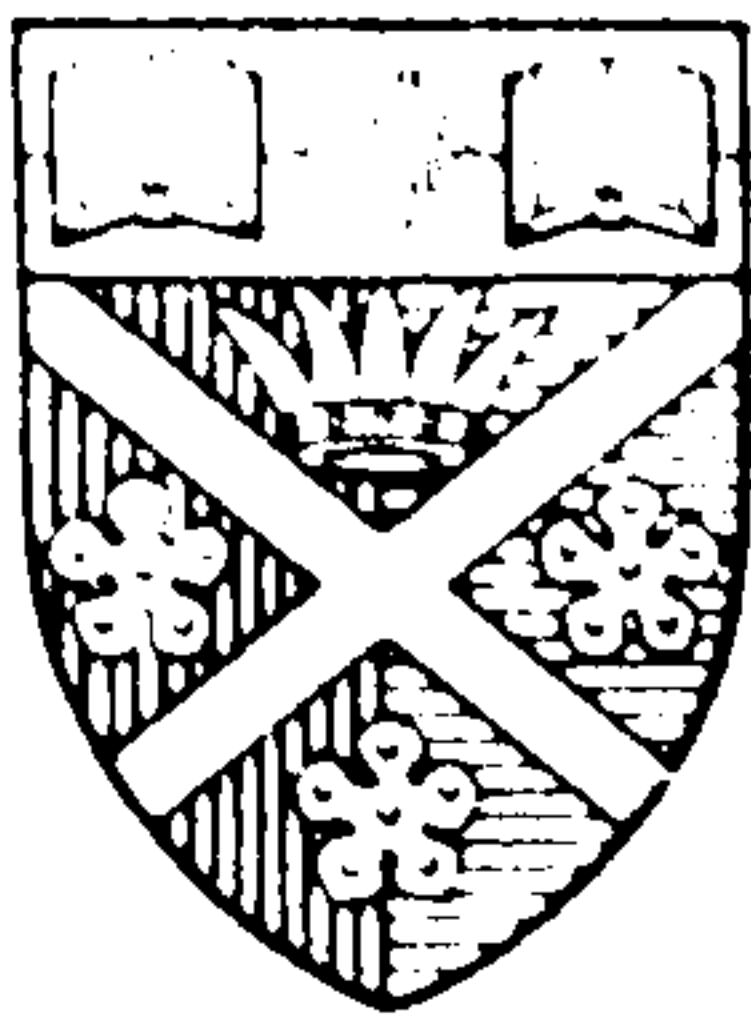
We realise the limited time you have to deal with requests such as this but the success of our research is dependent on your co-operation. The questionnaire takes only a few minutes to answer, and complete confidentiality and anonymity is guaranteed. In case our other correspondence did not reach you, a replacement questionnaire is enclosed.

May we urge you to complete and return it as quickly as possible. Your participation is vital to the success of our study.

Yours sincerely,

Amr H. Kheireldin

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University
of Strathclyde

Head of Department
Professor Michael J Thomas, BSc MBA FRSA FInstM

STUDENT RESEARCH PROJECTS* APPENDIX E
Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ
Tel: 041-552 4400

10th November, 1989.

Dear Sir,

As part of my doctoral degree, I have to complete a thesis into Japanese marketing strategies in the U.K. I wrote to you several times, but unfortunately, I have not had any reply.

Because the questionnaire attached has been sent to only a small, but representative, sample of Japanese companies, it is extremely important that yours also be included in the study if the results are to accurately represent the opinions and views of Japanese companies. I realise the limited time you have to deal with my request, but the success of my study is dependent on your co-operation.

May I remind you that the questionnaire is designed for self completion, generally "ticking" boxes. You won't need to look up records, and will take but a short time to fill the questionnaire out. Complete confidentiality and anonymity will be observed, with the information provided being used for academic purposes only.

May I urge you to complete the questionnaire and return it as quickly as possible. I thank you very much in advance.

Yours sincerely,

Amr H. Kheireldin

PART I

Listed below are statements about business and marketing strategies that may or may not exist in your company. We are very concerned with attitudes as they are, not as you feel they ought to be, or attitudes which you hope will prevail in some future date. Please circle the most appropriate number on the scale that best describes your company's attitude towards the statement.

Statement	Level of Agreement			
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
1. The sales force is expected to sell what the factory can make.	1	2	3	4
2. There is an emphasis on short-term profits at the expense of long-term success in the marketplace.	1	2	3	4
3. We believe the customer must get what he wants, even if it is rather unprofitable for the company.	1	2	3	4
4. The business is committed to a long term strategic point of view supported by thorough market planning.	1	2	3	4
5. Subjective sales force forecasts largely determine the production process.	1	2	3	4
6. We base the price of our products on costs only, worked out by the accountants, who dictate pricing strategy almost regardless of the marketplace.	1	2	3	4
7. We focus primarily on the bottom line and productivity, and only then on the customer and the marketplace.	1	2	3	4

Statement	Level of Agreement			
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
8. Research and engineering are the heart of the business.	1	2	3	4
9. Our marketing people are not usually involved in determining what products we should sell.	1	2	3	4
10. The factory floor (manufacturing) is the focal centre of the organisation.	1	2	3	4
11. Productivity improvements often result in changes to product specification which make the product difficult to sell to the customer.	1	2	3	4
12. Capital investment decisions which involve new technology and the relocation of manufacturing plant rarely involve the marketing people.	1	2	3	4
13. We believe that selling volume comes first. Profits then generally follow.	1	2	3	4
14. We believe in the principle of managing the marketplace, by expecting - and managing - change.	1	2	3	4
15. We tend to fit our forecasts to the profits that we know are expected of us; then we plan how to achieve the forecast.	1	2	3	4

Statement	Level of Agreement			
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
16. We don't pay a lot of attention to market research.	1	2	3	4
17. Product planning takes place on the factory floor, not in the marketing department.	1	2	3	4
18. Product costs, consumer prices and the whole panoply of customer-service expenditure tends to be based on profit needs, not market needs.	1	2	3	4
19. We tend to see ourselves as manufacturers rather than as marketers.	1	2	3	4
20. Our R & D people don't spend much time talking to the sales and marketing people.	1	2	3	4
21. If customers aren't happy with our products we tend to go looking for new customers rather than new products.	1	2	3	4
22. We tend to be more concerned with return on investment in the short term, than with customer-satisfaction in the long term.	1	2	3	4
23. Our focus is on the marketplace : identifying customer needs and meeting those needs - profitably.	1	2	3	4
24. Our sales people are given great freedom in pricing, servicing and credit terms.	1	2	3	4

Statement	Level of Agreement			
	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
25. The product is the concern of our technical people, with little input from the marketing people.	1	2	3	4
26. The emphasis is on a balance between market share, market status and long-term profitability.	1	2	3	4
27. Marketing guidance for the engineers and the production people is often weak or non-existent.	1	2	3	4
28. We work with a lot of information feed-back systems from the market-place, to measure and guide our activities.	1	2	3	4
29. We tend to over-engineer our products way past the point of customer need - and his ability to pay.	1	2	3	4

In the following section, please choose the statement which is closest to your company's position by ticking the appropriate box. Accuracy is the prime requirement, there are no "right" or "wrong" answers. Please check ONE answer to each question.

Q2. Which of the following best describes the current marketing objective of your company?

- Maintain current position
- Steady sales growth
- Aggressive sales growth
- Market domination

Q3. Are there any formal meetings between the major marketing functions within the company (i.e. sales, advertising, etc.) on a regular basis?

- No, there are no regular formal meetings
- To some extent
- Yes, there are regular formal meetings

Q4. Are there any formal meetings between the marketing function and other functional departments in the firm (e.g. manufacturing, finance, etc.) on a regular basis?

- No, there are no regular formal meetings
 - To some extent
 - Yes, there are regular formal meetings
- | |
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Q5. Do you develop a different tailored marketing programme for different market segments?

- No
 - To some extent
 - To a great extent
- | |
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Q6. Do you develop a variety of different versions of the same product to meet requirements of different market segments?

- Yes, to a good extent
 - To some extent
 - No, our products are more or less standardised for all customers
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Q7. Which of the following statements best describes your approach to measuring customer satisfaction?

- The company measures customer satisfaction through complaint forms and customer surveys
 - The company provides opportunities for customers to complain
 - The company does not measure customer satisfaction
- | |
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Q8. How often are marketing research studies of customers competitors, environmental trends, and market characteristics conducted?

- Seldom (ONCE a year)
 - Occasionally (ONCE every SIX months)
 - Regularly (More often than that)
- | |
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Q9. How well do you know the profitability of different market segments?

- Very well
 - Somewhat
 - Not at all
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Q10. Is there a system in your company to spot and delete weak products?

- Yes, there is a system to provide the information
 - To some extent, the system exists but lacks sophistication
 - No
- | |
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Q11. Does your company use the services of an outside management consulting firm?

- Seldom (almost never)
- Sometimes (the latest study was conducted a few years ago)
- Frequently (the latest study was conducted recently)

Q12. What is the extent of formal marketing planning in the company?

- Little or no formal marketing planning
- Annual marketing plan
- Annual marketing plan and longer range plans

Q13. What is the time span covered by the long range plan?

- Less than one year
- 1 - less than 3 years
- 3 - 5 years

Q14. To what extent does marketing contribute to the strategic planning process in your company?

- Little or no contribution
- Equal contribution with other functional areas
- The most significant contributor to the strategic planning process

Q15. Which of the following best describes your company's approach towards developing a marketing strategy?

- Reactive in most cases
- Predictive and adaptive according to our capabilities in most cases
- Build different scenarios, then design flexible strategies to accommodate whatever future occurs

Q16. What is the flexibility factor incorporated in your long range planning?

- Great flexibility
- Moderate flexibility
- Little flexibility

Q17. Does management show a good ability to react quickly to short-term developments?

- Yes, we are able to make adjustments and movements quickly
- To some extent
- No, we stick to our long range plan

Part II

INNOVATION AND NEW PRODUCT DEVELOPMENT

In this section we will deal with innovation and new product development. Please tick one box only.

Q18. What is your basic objective of new product development?

- Improving existing technology
- Upgrading products' functioning
- Maintenance and expansion of existing markets
- Entering new market segments
- Winning share by beating competition

Q19. Which of the following factors were directly important to the introduction of new products rated by your company as successful; please circle the most appropriate number on the scale.

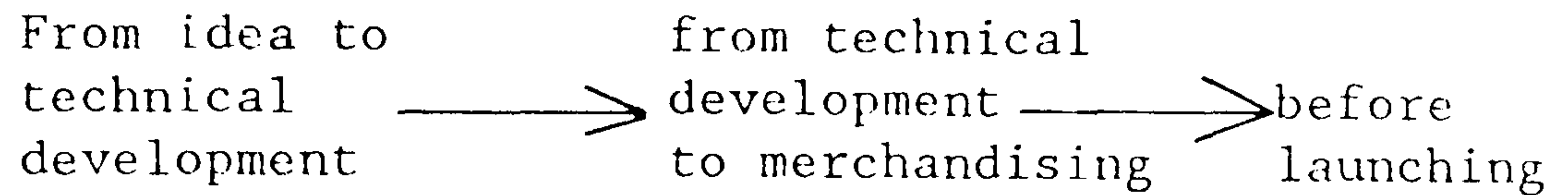
Factor	Level of Importance			
	Not at all	Not	Important	Very
	Important	Important	3	Important
	1	2	3	4
1. Aggressive marketing research to find out customers' uncovered needs.	1	2	3	4
2. Customers' claims and problems with existing products.	1	2	3	4
3. Information from sales representatives about market trends.	1	2	3	4
4. Ideas conceived during the production process.	1	2	3	4
5. Experts' opinion on new technology.	1	2	3	4
6. Information on patents.	1	2	3	4
7. Successful new products of competitors	1	2	3	4
8. New product development trends of competitors	1	2	3	4
9. Finding what customers like and dislike in competitors products.	1	2	3	4

Q20. Which of the above factors would be important to you if you are developing a new product?

(Please rank the 3 most important factors by putting the number of item in appropriate box).

- Most important
- Second most important
- Third most important

Q21. The new product development process is often portrayed as a series of stages, although they may not always follow consecutively. One portrayal is :



In the different development stages shown, how closely does marketing work with other functional areas in your company?

Stage	In the 1st Stage	In the 2nd Stage	In the 3rd Stage
Function			
PRODUCTION			
- Very closely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Quite closely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Not at all	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FINANCE			
- Very closely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Quite closely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Not at all	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PURCHASING			
- Very closely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Quite closely	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Not at all	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q22. On setting the price for a new product, which of the following methods do you usually employ? (Please tick one box only).

- Pricing according to what the market will bear - pricing based on estimated value of the product to the customer
- Pricing at a certain level below or above competitors prices
- Pricing according to competitive levels - pricing at the prevailing competitive price
- Cost plus desired profit or standard cost pricing

Q23. Generally how long does a product take to arrive in the market from the time technical development starts? (Please tick ONE box only)

- Less than 6 months
- 6 - 12 months
- 12 - 24 months
- longer (please write in)

.....

Q24. What sort of test marketing of the product do you do before you finally launch it? (Please tick ONE box only)

- None
- In-house sampling
- Limited test marketing in local areas
- Other techniques (please write in)

.....

Part III

Q25. Listed below are a number of statements about the expected change in the level of competition among companies after the 1992 single European market. Please indicate the level of agreement/disagreement with each statement as viewed by your company by circling the appropriate number on the scale.

Statement	Level of Agreement				
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	1	2	3	4	5
1. We will be competing with a larger number of firms than today.	1	2	3	4	5
2. Competition within the European market will have increased significantly.	1	2	3	4	5
3. There will be fewer firms in our industry.	1	2	3	4	5

Statement	Level of Agreement				
	Strongly Disagree 1	Disagree 2	Uncertain 3	Agree 4	Strongly Agree 5
4. We will have to be more consumer oriented to withstand competition.	1	2	3	4	5
5. We will be spending more of sales revenues on marketing because of increased competition.	1	2	3	4	5
6. We will be aggressively fighting to hold onto our market share.	1	2	3	4	5
7. Competition will be more intense.	1	2	3	4	5
8. We will have to participate in strategic alliances and collaborative agreements to withstand competition.	1	2	3	4	5
9. We will seek mergers in related areas.	1	2	3	4	5
10. We will seek mergers in non-related areas.	1	2	3	4	5
11. We will try to shorten our channel of distribution to become nearer to the customer.	1	2	3	4	5
12. We will seek to add new products that appeal to the new united market.	1	2	3	4	5
13. We will seek to increase penetration of the new market with existing products.	1	2	3	4	5

Classification

For statistical purposes only, would you please fill in this section.

Company's business

Industrial products	<input type="checkbox"/>
Consumer products	<input type="checkbox"/>

No. of employees

1 - 100	<input type="checkbox"/>
101 - 500	<input type="checkbox"/>
501 - 1000	<input type="checkbox"/>
1001 - 5000	<input type="checkbox"/>

Length of operations in the U.K.

less than one year	<input type="checkbox"/>
1 - 3 years	<input type="checkbox"/>
3 - 6 years	<input type="checkbox"/>
6 - 9 years	<input type="checkbox"/>
9 - 12 years	<input type="checkbox"/>
12 - 15 years	<input type="checkbox"/>
more than 15 years	<input type="checkbox"/>

Job title of respondent

.....

Thank you very much for your co-operation

Please return the questionnaire in the 'stamped self-addressed' envelope.

Please note that this coding is included to check your company's name off the mailing list when your completed questionnaire is returned to us. Anonymity is guaranteed.

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