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Grounded Theory of Marketing Strategy Based on Partnership and
Underpinned by Culture: Japanese and Korean Electronics Companies
in the UK

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Dedication

This thesis is dedicated to my mother, Youn-Bun Kim and my father, Jong-Bom Lee.

Abstract

An extensive literature review was undertaken that brought out the salient points relating to strategic marketing; marketing strategy; customer service; relationship marketing; retailing strategy; the link between organizational culture and national culture; leadership; long-term partnership arrangements; and the similarities and differences between Japanese and Korean culture.

The research strategy incorporated exploratory research and in particular the in-depth personal interview method; the small group interview method; the critical friendship group method; and the postal survey method. This allowed the researcher to understand the mindset of Japanese and Korean people; provided a basis for the researcher to better understand and address culturally sensitive issues that would arise during the main data collection process; make a link between national cultural values and organizational values. The grounded theory approach was used to analyse and interpret the data collected from the in-depth personal interview method involving five staff in two companies: a Japanese electronics company based on the UK and a Korean electronics company based on the UK.

The research established that national cultural value systems do have an influence on management style and organizational behaviour. Both Japan and Korea embraced Buddhism and Confucianism in a different way (emphasis, purpose and sequence). This is why the national cultural characteristics and values of the people from these two cultures are different. The strategic marketing approach is valid and is deployed by both Japanese and Korean electronics companies based in the UK, however, the approach of the Japanese managers to strategic marketing is more advanced than the strategic marketing approach deployed by Korean managers. Both Japanese and Korean electronics companies based in the UK have a clearly defined marketing strategy that is focused on customer service that is underpinned by a clear commitment to partnership arrangements. Partnership arrangements are based on trust and are considered to be long-term in orientation. Although Japanese and Korean electronics companies based in the UK have a customer service policy that is incorporated within a strategic marketing framework, customer service policy is deployed differently. In order for Japanese and Korean electronics companies based in the UK to achieve financial success (defined as financial gain in the long-term), marketing is perceived as an integrated process that is strategic in nature. Japanese and Korean managers feel comfortable working in terms of a strategic marketing framework and are sensitive to the feelings of local people. Hence a hybrid organizational culture exists. However, the organizational culture that exists in Japanese electronics companies based in the UK is different from that that exists in Korean electronics companies based in the UK. This is due to a distinct organizational learning policy. Although organizational learning is viewed as important with respect to improving an organization's performance, how it is practised in Japanese electronics companies based in the UK is different from that adopted and deployed by Korean electronics companies based in the UK. This can be attributed to such factors as the style of management; the degree of management control; and the way in which relationships are built and managed. As regards the development of partnership arrangements, although managers in Japanese and Korean electronics companies based in the UK consider that business relationships are to have a long-term orientation, it should be noted that in the case of Japanese electronics companies based in the UK, there are clear power based relationships in being that influence how individuals interact and make and implement decisions. In the case of Korean electronics companies based in the UK, the concept of mutuality is dominant and this influences how individuals interact, make and implement decisions.

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Chapter One: Introduction to the Research and the Thesis

1.1 Introduction

This Chapter is composed of the general subject area (section 1.2); the rationale for the research (section 1.3); the motivation for the research (section 1.4); the research objective and overview of the approach (section 1.5) and the organization of the thesis (section 1.6).

1.2 The general subject area

Current thought in marketing and retailing are focused on customer driven marketing oriented strategy formulation and implementation (Doyle, 1994)(Baker, 1996)(Porter, 1996)(Hooley et al., 1998)(Tunks in McElee and Warren, 2000). Long-term mutually oriented partnership arrangements can provide an organization with a sustainable competitive advantage, and Aaker's (1992) strategic marketing framework can be used by marketing management to devise and implement various marketing strategies.

In order that a retail organization can establish strong partnerships with its channel partners, a common culture needs to be established that is acceptable to each partner. A clear structure needs to be established to facilitate communication and enhance coordination between retailer and supplier (Lamming, 1993: 252)(Buzzell and Ortmeier, 1995: 93)(Hines, 1996: 4,636)(McIvor and McHugh, 2000b: 12-13). Joshi and Stump (1999: 291), and Christopher and Juttner (2000: 120) have pointed out that if a retail organization can develop a strong partnership culture, it will be able to respond pro-actively to rapidly changing environmental situations. This being the case, a learning organization (Lincoln et al., 1998)(Morgan et al., 1998) can be developed which identifies with the norms and business goals of the partner organization.

Long-term positive channel partnership arrangements with key partners, which are based on mutual trust, will allow the organization to meet customer expectations, provide customer satisfaction, and should result in customer loyalty being achieved. For these reasons, marketing strategy and retailing strategy cannot be separated (McGoldrick, 1990:1) (Davies and Brooks cited in Omar, 1999: 6)(Corstjens and Corstjens, 2000: 17). Relationship building involves all the members of the marketing channel and because of this, it is necessary to place retailing strategy within a strategic marketing context, and to understand that an organization's culture is responsible for ensuring that staff at all levels are aware of the organization's value system. Hence, the link between marketing and human resource management is evident.

Strong positive partnerships need to be supported by good management/leadership skills; a strong organizational culture; a shared value system; strongly held beliefs; all of which are underpinned by staff/employee commitment and loyalty. This is all related to the concept of organizational learning (Germain and Droge, 1997). A strong organizational culture makes explicit the shared value system and beliefs with which all the organizational members are expected to identify. An appropriate organizational structure will allow staff/employees to identify clear communication channels; identify with and relate to task responsibility; link marketing issues to organizational capability; and develop and implement a coherent corporate strategy.

With respect to the importance of organizational culture and leadership, although arguments exist as to what organizational culture is and how organizational culture is formed, a number of academics such as Young (1989), Schein (1992), Hofstede (1996 and 1997), Rosenfeld and Wilson (1999), and Lewis (2000), have argued that organizational culture is an important element that needs to be understood

by senior managers. The reason for this is that a strongly shared organizational culture can provide staff within an organization with an identifiable behaviour pattern; it allows staff to interpret matters in a certain way; and employees can identify with the image of the organization. It is clear, therefore, that organizational culture and leadership can be placed within a relationship marketing context.

Managers operating in different international business settings are required to use multiple leadership styles as and when necessary in order to relate to people from different cultural backgrounds, and need to be aware of cultural differences and sensitivities (Tayeb, 2000). For example, although Japan and Korea have adopted Confucianism and Buddhism, the influence of Confucianism and Buddhism is different in each country due to the fact that Confucianism and Buddhism were adopted at different stages in each country's history. This reinforces the point that marketing staff need to be aware of how customers are influenced by a cultural value system and how subordinate staff from a different country are influenced by a cultural value system.

In order for managers to build long-term relationships with their customers, based on mutual trust, managers need to be able to manage the internal relationship with their staff (George, 1990)(Lings and Brooks, 1995: 325)(Piercy, 1995: 26-27)(Singh, 1998: 19). It is clear therefore, that the concept of relationship marketing is linked to how a customer-oriented culture is established (Lewis and Gabrielsen, 1998: 66). Hence, top management need to be committed to establishing a customer oriented culture and motivate staff/employees by providing training programmes for example (Piercy, 1995: 26-29)(Rubin, 1995)(Lewis and Gabrielsen, 1998)(Sturdy, 2000).

1.3 Rationale for the research

Aaker's (1992) strategic marketing approach is useful but does not explain how marketing managers can implement an information planning process and how

senior managers should apply a specific corporate strategy in different markets at the same time in order to achieve the organizational objectives set. Furthermore, relevant issues such as how a partnership arrangement can be managed through time are not dealt with adequately.

Marketing managers are required to develop their knowledge and understanding of different cultural traits and cultural preferences, and this has not been adequately researched. Issues such as the level of complexity and uncertainty are important considerations which have not been fully addressed in the marketing literature, but are key factors in international business and this is why senior managers direct staff to identify synergistic activities (Aaker, 1992)(Day, 1994: 41-43)(Doyle, 1994)(Baker, 1996) which can create fitness (Porter, 1996).

These criticisms are justified because a customer driven marketing oriented strategy takes into account the organization's competitive situation and builds on the need to implement a differentiation strategy (Porter, 1996: 62-75) or a low cost strategy for example (Porter, 1985: 12-14)(Aaker, 1992)(Bhuiyan, 1998)(Han et al., 1998)(Sheth and Sisoda, 1999). The marketing and strategy literature are deficient therefore because although issues such as national culture are referred to, the emphasis placed on the relevance, role and importance of national culture vis-à-vis shaping an organizational cultural value system has not been addressed adequately from the perspective of how marketing management devise and implement a customer service strategy in relation to customer demands.

A customer service policy needs to be customer focused. However, organizational learning is a key factor and is linked to how an organization can produce customer satisfaction from the point of value added (Morgan et al., 1998: 354)(Harvey and Denton, 1999). Again, this aspect has not been addressed adequately in the literature.

In order for managers in an organization to establish a strongly shared organizational culture, especially in the case of managing an international partnership arrangement or strategic alliance, it is important for senior managers to have knowledge about national culture. This is because managers need to fully understand how organizational dynamics are determined. This has not been adequately addressed by marketing academics. Fincham and Rhodes (1999: 411-412) have pointed out, that culture contains common meanings and ideas within a society, and provide guidance with respect to how people exhibit behaviour within a society; therefore, local staff, who possess a shared view with other members of the society, are important assets of an organization. From a marketing point of view, this is complex and under-researched, and the links between organizational dynamics, marketing and retailing, have not been made clear.

Ritter (2000: 318) has highlighted the importance of a relationship based on commitment, openness, honesty, the sharing of information and sharing of risks and rewards. Hence, relationship marketing, underpinned by a commitment to customer service, is to be placed within a strategic marketing context. This has not been done to date. In-depth research is required to place the various bodies of knowledge within an integrated context as this will help to explain how marketing oriented decisions are made.

If managers are aware of national cultural differences and similarities, they are able to identify which management models are to be used within a specific cultural setting. This point is related to the issue of organizational learning, in the sense that senior management can develop and/or implement a strategy by understanding the significance of organizational culture vis-à-vis the implementation of decisions. This is a crucial point as marketers and strategists are involved in various forms of decision-making, but there is insufficient research into this important area. In the case

of Japanese and Korean organizations, there is insufficient detail as to how marketing decisions are made and implemented, and this is an important point to note when one takes into account the diversity of Japanese and Korean organizations.

Linking marketing issues with organizational capability brings to attention a number of complex and multi-faceted issues, which are not always addressed by a single author; members of a school of thought, or cross-subject researchers. Relationship marketing encapsulates customer service that is underpinned by a customer oriented culture. This is something that has been acknowledged by a limited number of marketing academics, and can be considered an under-researched area of enquiry.

Siguaw et al., (1998) have not explained how managers in a supplier organization can implement the market oriented approach in order to develop a long-term relationship with certain distributors so that the supplier's strategy can be distinguished/differentiated from the competitors (Slater and Narver, 1998). Therefore, the role of organizational culture needs to be defined and the shared values in each organization need to be made explicit. Attention also needs to be paid as to how a trustworthy relationship can be built with internal staff, which is important with respect to facilitating the relationship between the supplier and its distributors.

Reliability and dependability are important elements of the relational-trust concept and are seen as important. Various researchers, such as Morgan and Hunt (1994: 22-23), Berry (1995: 242) and Tax et al., (1998: 60-62), have pointed out that 'confidence' and 'reality' are the key elements of trust. However, researchers need to be aware of the fact that the development of trust is placed within the context of a national culture value system (Doney et al., 1998)(Wicks et al., 1999:100). These are complex, interrelated issues which need to be researched so that culture can be more

fully understood and appreciated, and linked with other bodies of knowledge such as marketing for example.

1.4 Motivation for the research

The author of this thesis had a strong personal motivation for undertaking the research: an interest and appreciation of culture; marketing and retailing; and a commitment to contributing to the various bodies of knowledge that existed. As regards intellectual commitment and understanding, it was essential to research subject matter that had been well researched but allowed the author of this thesis to produce unique insights into complex subject matter. Hence the research was based on various aspects of knowledge such as: organizational culture and national culture; Japanese and Korean culture; marketing strategy and customer service; and retailing strategy. Various other areas of study such as leadership and partnership arrangements were also studied and this allowed an in-depth appreciation to be made. The complexity of the subject matter and its interconnectivity also allowed the author of this thesis to produce two grounded theories according to the specifications set out by Strauss and Corbin (1990 and 1998).

1.5 The research objective and overview of the approach

The objective of the research was:

“to establish how a Japanese electronics company operating in the United Kingdom establishes a customer service policy and strategy in the context of relationships with key suppliers, wholesalers, retailers and strategic alliance partners”.

And:

“to establish how a Korean electronics company operating in the United Kingdom establishes a customer service policy and strategy in the context of relationships with key suppliers, wholesalers, retailers and strategic alliance partners”.

Six research questions were formulated:

- (1) How are the organization's suppliers integrated into the strategic process of the manufacturer?
- (2) How influential is the retail organization with respect to strategy formulation?
- (3) With respect to shaping the strategic marketing process, how influential is the retail organization vis-à-vis marketing channel development?
- (4) How can marketers ensure that the organization develops a sustainable competitive advantage?
- (5) How can management establish a strong organizational culture so that an adequate customer service policy is formulated and implemented?
- (6) How can a strong and long-term partnership arrangement, based on mutuality, be developed?

The author of this thesis approached all the Japanese and Korean electronics companies based in the United Kingdom, and one Japanese electronics company and one Korean electronics company agreed to participate in the research. Two senior managers were interviewed in the case of the Japanese company and three in the case of the Korean company. The following qualitative based research strategy was deployed: (1) exploratory research involving in-depth personal interviews; small group interviews; a critical friendship group and a postal survey; and (2) the actual data collection process involving five in-depth personal interviews with senior managers in Japanese and Korean electronics companies. The grounded theory approach was used to analyse and interpret the data from the in-depth personal interviews involving senior managers within two electronics companies. The main steps in the research process are featured in Exhibit 1.1 below.

1.6 Organization of the thesis

The thesis is divided into a number of chapters.

Chapter Two makes explicit the link between organizational culture and national culture. Various issues such as leadership, communication and recruitment and selection of staff are also covered.

Chapter Three highlights the similarities and differences of Japanese and Korean culture. Buddhism and Confucianism are covered in some detail and the education system in both Japan and Korea is cited.

Chapter Four focuses on marketing strategy and customer service. Many issues are covered such as the strategic marketing concept; organizational learning; relationship marketing; trust; the marketing strategy of Japanese and Korean companies; and the influence of the Japanese and Korean government on business.

Chapter Five is about retailing strategy. The link between marketing and retailing is made explicit; channel partnerships are made reference to; the link between partnership and a high quality customer service is made explicit; trust is covered; and various retailing strategies are covered. Attention is paid to Japanese companies' retailing strategy and Korean companies' retailing strategy; and there is direct reference to Japanese electronics companies and Korean electronics companies.

Chapter Six features the methodological approach used by the author of this thesis. The data collection process is made explicit and so too is the data analysis process, and the data interpretation process. Reference is also made to ethical issues; validity, reliability and generalizability.

Chapter Seven relates to the exploratory research that was undertaken in the United Kingdom, the United States of America, and the international postal survey (Japan). Direct reference is made to Japanese and Korean cultural characteristics. The similarities and differences of Japanese and Korean culture are made clear.

Chapter Eight features the two grounded theories relating to Japanese and Korean electronics companies based in the UK. The data collection process, the analysis and the interpretation are made explicit.

Chapter Nine forms the Conclusion and contains the contribution to knowledge and an outline for further work.

The reader will note, that throughout the thesis, the term Korea(n) refers to South Korea(n), and this is normal practice.

Exhibit 1.1: The steps in the research process



