Is relationship marketing for everyone?

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Abstract *Marketing academics and practitioners have been examining the relationship between relationship marketing orientation (RMO) and business performance and yet, to date, there has been no systematic analysis of its effect on a business's performance across various industries. This paper compares RMO with market orientation (MO) in terms of their impact on firms' business performance, with particular interest in three industries. It first reviews the concept of relationship marketing and its relationship with business performance, leading to the development of two hypotheses. Next, a measurement scale was used to capture the dimensions of RMO. The reliability and validity of the scale were briefly described to provide readers the background for data analysis. Then several stepwise regression analyses were performed to test the hypotheses. Results indicated that the hypotheses received support, suggesting that RMO is for every industry with particular importance in the manufacturing industry.*

Introduction

"The old school tie", "active in the community", "*guanxi*", "it's who you know": these and other expressions have been traditionally used in most parts of the world to express the required relationships that have existed for entry, and constancy, in business relationships. These anecdotal concepts have evolved, and to some extent become formalized into two contemporary terms "networking" and "relationship marketing".

Relationships between customers and business firms have been consistently encouraged as successful business practices worldwide. The connection with marketing has seldom been established formally in the development of marketing theory. According to Grönroos (1989) and Gruen (1997) business philosophy has shifted from the purely economic production orientation to a selling orientation, to a customer (or "marketing" orientation, the most fundamental "marketing concept" and the idea upon which the field of marketing is based), and then to a societal orientation. Now, business philosophy is changing again, towards relationship marketing. It is this move towards a relationship orientation that we seek to study. We call it relationship

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marketing orientation (RMO) (Callaghan, 1993; Callaghan *et al.*, 1994, 1995; Yau *et al.*, 1998a).

Although marketing academics and practitioners have been examining relationship marketing for more than a decade (e.g. Berry, 1995; Grönroos, 1990; Levitt, 1983), most of the studies on relationship marketing were criticized as overly simplistic because of their use of a uni-dimensional perspective (Yau, 1995). A common operational practice, susceptible to strong criticism, is researchers' use of only a single dimension, such as trust, reciprocity, bonding, or empathy, to capture the RMO (Grönroos, 1989; Houston *et al.,* 1992; Callaghan *et al.,* 1995; Morgan and Hunt, 1994). The exact nature of RMO and its constituent components have never been studied, not to mention studies that look into the psychometric properties of scales attempting to measure it. To fill this gap in the literature, the objectives of this study are to verify empirically the impact of RMO, and to compare RMO with MO in terms of their impacts on firms' business performance across three industries, namely manufacturing, retail and wholesale, and other industries. Moreover, most of the past discussions on relationship marketing were mainly in the context of western culture. Seldom has this concept been discussed in Asian culture, a context where a relationship is always considered to be an essential factor in business operations. Therefore, this study will be conducted in Hong Kong, a place where East meets West. We believe that this study will shed additional insight into existing literature on relationship marketing.

In a sequel, the four dimensions of the RMO scale are reviewed and are then followed by a discussion of the MO scale used in this study. The results of the analysis are then reported, followed by a discussion on the relative importance of RMO and MO on business performance.

The multiple dimensions of relationship marketing orientation

"Exchange theory has provided a substantive basis upon which the core concept of marketing can and does operate" (Callaghan *et al.*, 1995, pp. 10-60). However, the application of exchange theory to marketing could lead to transient business relationships with customers that may jeopardize the long-term interest of the company. Houston *et al.* (1992) acknowledged this problem of exchange theory and related it to the importance of developing a study of exchange relationships that provides the critical link between exchange theory and marketing, that is, of relationship marketing. The primary impetus behind the concept of relationship marketing is to foster a long-term relationship and thereby create repeat purchases. However, it is still not clear whether exchange theory can sufficiently explain the existence of relationships.

The numerous accounts (in comparison to the literature as a whole) of relationship marketing (RM) in practice suggest that the time for empirical analysis of the basis of a RMO is overdue. It is necessary to understand the dimensions of RMO so as to gain insight into the possible dimensions upon which to formulate a test instrument for RMO. Further, it may be necessary to look beyond the literature of RM towards marketing in general and to literature

from other disciplines that focus on the area of relationships. Based on past literature, in this study we adopt the RMO construct as originally proposed by Callaghan *et al.* (1995). The items used to measure the RMO construct were further enhanced by Yau *et al.* (1998a) to operationalize the concept fully. The four common components are bonding, empathy, reciprocity and trust, which will now be briefly addressed before methodology and findings are outlined as follows.

Bonding

Bonding is defined as the dimension of a business relationship that results in two parties (customer and supplier) acting in a unified manner toward a desired goal (Callaghan *et al.*, 1995). Various bonds exist between parties and indicate different levels of relationships. They have served effectively to control social and business behavior in society (Chiao, 1982), and contribute to remove doubt, create trust and form close relationships (Hinde, 1997). The dimension of bonding as it applies to RMO consists of the developing and enhancement of consumer and brand loyalty, and as Levitt (1983) described, a long-term relationship (a "bonded relationship") with the seller. Thus a long-term relationship requires a bonding to exist.

Empathy

Empathy is the dimension of a business relationship that enables the two parties to see the situation from the other's perspective. It is defined as seeking to understand somebody else's desires and goals. It involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive sense (Hwang, 1987). The empathy dimension plays a major role in Chinese business relationships (Hwang, 1987; Brunner *et al.,* 1989) and is also apparent in western business relationships (Ferguson, 1990; Houston *et al.,* 1992). These indicate that empathy is a necessary condition to foster a positive relationship between two parties. Thus, the inclusion of empathy as a dimension of RMO must follow.

Reciprocity

Reciprocity is the dimension of a business relationship that causes either party to provide favours or make allowances for the other in return for similar favours or allowances to be received at a later date (Callaghan *et al.,* 1995). It covers the bilateral contingency, interdependence for mutual benefit and equality of exchanged values aspects of social action between two individuals (Lebra, 1976) and can be regarded as "sociological dualism" and "mutual legal obligations of repaying" (Malinowski, 1959). Houston *et al.* (1992), reinforced by Ellis *et al.* (1993) and acknowledged by Smith and Johnson (1993) has indicated links of reciprocity and empathy to relationship marketing and exchange. Reciprocity and bonding are linked in that a reciprocal arrangement is indicative of cooperation. Reciprocity is thus an appropriate dimension of RMO.

Trust

Trust is defined as a belief or conviction about the other party's intentions within the relationship. In the context of relationship marketing, trust is defined as the dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by the other (Callaghan *et al.*, 1995, pp. 10-60). It is a widely accepted basis for relationships (Sullivan and Peterson, 1982; Crosby *et al.,* 1990; Grönroos, 1990; Andaleeb, 1992; Houston *et al.,* 1992; Moorman *et al.,* 1992). It has been documented in the form of an exchange relationship (Grönroos, 1990), considered by some (Moorman *et al.,* 1992; Martin and Sohi, 1993) as a critical component of business relationships, and identified as a key construct in modeling relationship marketing (Morgan and Hunt, 1994). Trust has also been linked to components of the other three dimensions (bonding, reciprocity and empathy) leading to cooperation (Anderson and Narus, 1990; Morgan and Hunt, 1994), communication (Bialaszewski and Giallourakis, 1985; Anderson and Narus, 1990; Mohr and Nevin, 1990) and bargaining (Schurr and Ozanne, 1985). Generally it appears that the higher the level of trust between customer and supplier, the greater the probability of continuance or long-term existence of the relationship (Martin and Sohi, 1993). Since relationships require strong element of interpersonal obligation, and are undertaken between individuals or networks of individuals rather than between organized corporate groups (Eisenstadt and Roniger, 1984), the construct of trust can be postulated as coming primarily from personal trust rather than system trust. In the context of this study, trust refers to personal trust that is the basis for person-to-person as well as customer-supplier relationships.

RMO and MO scales

Based on these four dimensions, a definition of RMO was developed (Callaghan *et al.,* 1995, pp. 10-60) and is outlined as follows:

> The RMO centres on the creation and maintenance of relationship between two parties of exchange, the supplier as an individual and the consumer as an individual through the possession of the desire to be mutually empathic, reciprocal, trusting and to form bonds.

The identification of the key dimensions of a RMO is important. It is no longer sufficient to advise marketing practitioners that the key to successful marketing is through relationship marketing without providing the knowledge of what dimensions successfully constitute relationships upon which a RMO can be considered to exist.

RMO is hypothesized as a one-dimensional construct consisting of four behavioral components – bonding, empathy, reciprocity, and trust – and each of the four components can be measured reliably with a multi-item scale. Alongside this study, a measurement scale was developed to capture these four dimensions of RMO (Yau *et al.,* 1998a) based on the findings from a mail survey. The scale successfully met standards for internal reliability, content validity, construct validity and criterion-related validity. At the same time, Yau

et al. (1998b), based on the MO scale developed by Narver and Slater (1990), generated a one-dimensional MO construct that consists of three components – customer orientation, interfunctional coordination, and competitive orientation. This MO scale also successfully met standards for reliability and validity. Both of these RMO and MO scales were being used in this current study to access their affects on firms' business performance.

Impacts of MO and RMO on business performance

Literature on market orientation (MO) has provided sufficient evidence of the positive relationship between MO and firms' business performance (e.g. Verhage and Waarts, 1988; Deshpande *et al.*, 1993; Jaworski and Kohli, 1993; Cooper, 1994; Fritz, 1996; Pelham and Wilson, 1996; Appiah, 1997; Avlonitis and Gounaris, 1997; Kumar *et al.,* 1997; Pelham, 1997). As the business environment changes and customers become more demanding, firms must practice relationship marketing to compete effectively (Paul, 1988; Perrien *et al.*, 1992). Changes in the business environment will not only affect wholesale and retail businesses, their impacts will eventually be seen in the manufacturing sector through the entire supply chain. Likewise, as competition intensifies, direct consumers as well as institutional buyers will become more demanding. Therefore, it can be visualized that MO is a necessary but no longer sufficient condition for firms to remain successful. This applies to firms in all industries, big or small.

Limited empirical research has been done on examining the relationship between RM and business performance. A few studies in the past decade indicate that relationship marketing has had a positive impact on firms' business performance. For example, Smith (1991) studied direct marketing in the insurance sector and found that relationship marketing will help to maximize long-term profitability. Robicheaux and Coleman (1994) incorporated relationship marketing into a new conceptualization of the structure of marketing channel relationships and commented that the level of interaction among the channel members determines the relationship structure and, in turn, influences the degree of various economic and polity performance. Abramson and Ai (1997) studied the business-to-business sector in China and concluded that *guanxi*-style buyer-seller relationships (similar to relationship marketing) were strongly related to reduced levels of perceived uncertainty about the business environment and a variety of improved performance outcomes. Wong (1998) performed a study on *guanxi* and relationship performance on industrial buying in China and suggested that firms should adapt relationship marketing plans to the changing environment of the Chinese market. The findings of these studies indicate that RM has a significant impact on the firms' business performance in both service and industrial marketing. Therefore, the following hypothesis has emerged:

H1: RMO yields a significant impact on the determination of the firms' business performance across all industries.

While it is apparent that both MO and RMO have direct impact on performance, it appears that RMO should be more dominant in the determination of firms' business performance for the manufacturing industry. Except for direct marketing, firms in the manufacturing industry have to deal with various players in the entire distribution channel, in addition to their contacts with the consumers through advertising and promotional activities. For the general consumers, the purchase decision is normally made on a transaction basis, where MO would be more instrumental. In business-to-business dealings, the emphases are on a long-term interactive relationship between the supplier and customers for long-term profitability.

Different from consumer marketing, buyer-seller interdependence may be defined as a unique aspect of industrial marketing, as industrial marketing and selling strategies are usually directed toward individual customer organizations. Hence, efforts of industrial marketing should be focused on buyer-seller relationship rather than on products or on markets (Webster, 1984, p. 52). In this context, RMO helps link the parties to higher levels of cooperation and interdependence, and thus leads to higher levels of satisfaction and performance. Some studies in industrial marketing management echo such phenomena. For example, Sharma and Sheth (1997) studied the industrial buyer-suppliers relationship in the USA and concluded that industrial buying is shifting from a buying (transaction oriented) process to a supplier relationship process. Likewise, a study on industrial networks in the USA (Low, 1997) also revealed that business transactions are conducted within the framework of an enduring business relationship, characterized by mutual cooperation and adaptation. All these suggest that RMO is more dominant than MO in its impact on the determination of the firms' business performance for the manufacturing industry. Thus, the following hypothesis is proposed:

H2: Relative to other industries, RMO is more dominant than MO in its impact on the determination of the firms' business performance for the manufacturing industry.

This hypothesis is delineated as referring to manufacturing, as this is the industry that is predominated by a few large transactions, i.e., business-to-business (e.g. between suppliers, or down the channel). In this situation the fewer transactions exacerbate the importance of each transaction, hence its dependence on those attributes that are seen in relationship marketing.

In the following section, the data collection method will be explained, followed by data analysis and discussion.

Methodology

The sample

A sample of 4,000 companies having more than 50 employees, located in Hong Kong and with operations in both Hong Kong and China, were randomly drawn from a database developed by the Hong Kong Trade Development Council (TDC). The Hong Kong TDC is a highly respectable statutory

organization set up to promote Hong Kong's trade. With a global network of 50 branch offices, TDC serves as a resource center for business information. The reason for choosing Hong Kong as the basis for this study is because Hong Kong is considered as the "gateway to China". Many international corporations use Hong Kong as a stepping stone to enter the Chinese market. This makes it an ideal location for academics and practitioners to test marketing theories and practices. In addition, the findings of this research would be beneficial for international marketers, especially those looking for the opportunity to establish or strengthen their presence in Asia and Greater China.

A questionnaire titled "Business practice survey" with a cover letter explaining the purpose of the survey was mailed to the marketing director/manager of the selected organizations. The questionnaire contained questions on the following areas:

- relationship marketing orientation (16 items);
- market orientation (15 items);
- present business performance (12 items);
- forecast of future business performance (12 items);
- company background (nine items); and
- respondent background (six items).

Respondents were assured of their anonymity. Heneman (1974) has shown that subjects are more likely to give unbiased responses when anonymity is assured. Five weeks after the initial mailing, a follow-up letter with a questionnaire was mailed. Another week later, telephone follow-ups were used to ensure that the second mailing had reached the target respondents. Up to three phone calls were made. If the target respondents could not be reached (not at home or out of town), the questionnaire would then be considered as non-delivered. A total of 287 replies were received in the first round and 286 in the second round, summing up to a total of 573 replies. Since 1,812 mailing questionnaires failed to reach the sample organizations (due to the dead mails, non-Chinese hence not eligible, etc.) the 573 replies represented a successful response rate of 17.9 per cent (Churchill, 1995, p. 662). Taking those non-deliveries due to respondents "not at home", the adjusted response rate was 26.1 per cent.

Non-response bias may be found in this study. Two methods have been suggested to test for non-response bias in mail surveys (Armstrong and Overton, 1977). The first approach consists of interviewing a sample of non-respondents to determine the presence and/or effect of non-response bias. Such a sample was not taken due to difficulties in maintaining the confidentiality that was promised respondents and the impracticality of such an endeavor. The second approach is based on the "interest hypothesis" that assumes the non-respondents are like the average respondents in the second wave. With this method, the respondents of the second wave were compared with the first wave along all the response items. A chi-square test was employed for statistical

analysis. No significant differences were found between the early and later respondents on demographic characteristics, so it can be concluded that non-response bias may not be a serious problem in this study.

Measurement scales

The validated RMO and MO constructs developed by Yau *et al.* (1998a, 1998b) are used in this study as independent variables. For the purpose of this paper, reliability and validity testing of these constructs are briefly discussed[1].

RMO

Four sets of analyses were conducted to assess the RMO score reliability and validity. First, classical item and reliability analyses were used, with item to total correlation coefficients for all items ranging from 0.546 to 0.839 (subscale) and 0.512 to 0.842 (whole scale), and the Cronbach alpha for each of the four components ranged from 0.764 to 0.908, which are regarded as acceptable for basic research (Nunnally, 1978) (Table I).

Item	Total sample Cronbach alpha (α)	Item-to-total correlation
Bonding	0.852	
My enterprise achievement builds on our reliance on each other		0.617
We keep in touch constantly		0.728
We work in close co-operation		0.717
We both try very hard to establish a long-term relationship		0.731
Percentage of variance explained = 21.6		
Empathy	0.764	
We know how each other feels		0.546
We always see things from each other's view		0.599
We care about each other's feelings		0.649
Percentage of variance explained = 16.6		
Reciprocity	0.779	
If anyone helps my company to solve difficulties, I am responsible to repay his/her kindness		0.650
We always regard "never forget a good turn" as our business motto		0.748
We keep our promise		0.649
Percentage of variance explained = 14.6		
Trust	0.908	
He/she is trustworthy on important things		0.818
I trust him/her		0.839
We trust each other		0.769
According to our past business relationship, I think he/she is a trustworthy person		0.748
Percentage of variance explained = 22.5		
Alpha coefficient of the whole scale	0.903	

Table I.
Scale descriptions for the RMO scale

Second, interscale correlation coefficients were computed using summed RMO scale scores, with mean item-total R^2 discriminant coefficients across the four RMO subscales ranging from 0.692 (SD = 0.054) to 0.787 (SD = 0.050), showing that all the items were highly correlated with scores on the subscale to which the items belonged. Third, these scale scores were correlated with scores from the Narver-Slater MO scale. The four concurrent validity coefficients ranged from 0.368 (R^2 = 14.8 per cent) to 0.484 (R^2 = 23.4 per cent) appeared to be very acceptable, as they tend to be much larger than 0, but significantly smaller than convergent coefficients among RMO scales. This indicates that RMO has concurrent validity with, but is good enough to be distinctive as independent from, the MO scale. Finally, the scores on all the items were subjected to a structural analysis, using varimax-rotated principal component analysis. The structure coefficients ranged from 0.439 to 0.844 (bonding, four items, 21.6 per cent of variance explained), 0.480 to 0.780 (empathy, three items, 16.6 per cent of variance explained), 0.403 to 0.911 (reciprocity, three items, 14.6 per cent of variance explained), and 0.642 to 0.902 (trust, four items, 22.5 per cent of variance explained). The results also supported a conclusion that the RMO scores have reasonable validity. All the items clearly delineate the expected four-factor structure. Each item was most correlated with the expected component.

MO

The 15-item MO scale developed by Narver and Slater (1990) and adopted by Yau *et al.* (1998b) was used. With reliability analysis, one item was dropped due to its low item-to-total correlation ($r < 0.3$). The reliability of the remaining 14-item scale is 0.890 (Table II).

Performance

Subjective measures of performance are commonly used in research of similar topics. However, many of these studies used only a few measures to operationalize this construct. For example, Slater and Narver (1994) used only ROA, sales growth, and new product success to proxy market performance. In this study, current business performance was operationalized by 12 items. In addition to the usual financial indicators, variables related to the ability to secure information and resources that would enhance the firm's performance are included. Access to many of these resources cannot be taken for granted for firms operating in China, and may require efforts on relationship building. Each respondent was asked to evaluate his/her company's current business performance relative to its major competitors with respect to the following 12 items:

(1) sales growth;

(2) customer retention;

(3) ROI;

(4) market share;

Item	Total sample Cronbach alpha (α)	Item-to-total correlation
Consumer orientation	0.857	
Measure customer satisfaction		0.610
Create customer value		0.647
Understanding customer needs		0.666
Customer satisfaction objectives		0.588
After-sales service		0.663
Customer commitment		0.712
Competitor orientation	0.788	
Respond rapidly to competitors' actions		0.583
Salespeople share competitor information		0.605
Target opportunities for competitive advantage		0.574
Top managers discuss competitors' strategy		0.638
Interfunctional coordination	0.880	
Functional integration in strategy		0.694
Share resources with other business units		0.753
Information shared among functions		0.775
All functions contribute to customer value		0.743
Alpha coefficient of the whole scale	0.890	

Table II. Scale descriptions for the MO scale

(5) getting important and valuable information;

(6) ability to obtain loan;

(7) ability to obtain better terms in loan;

(8) ability to obtain governmental approval;

(9) shorten the time for governmental approval;

(10) contact with important persons;

(11) ability to secure local resources, like electricity and/or human resources;

(12) motivating employee.

Responses were made on a seven-point scale ranging from "better than" to "worse than" major competitors. The reliability of the 12-item current business performance scale is 0.9117 (Table III), an acceptable level as suggested by Nunnally (1978).

Results

There are three constructs, market orientation (MO), relationship marketing orientation (RMO) and business performance. To test the two hypotheses, a stepwise regression analysis with business performance as the dependent variables and MO and RMO as predictors was run. However, since MO and RMO are closely related, multicollinearity may exist. To remove it, a two-stage principle component analysis was conducted. Both the MO and RMO items

Item	Total sample Cronbach alpha (α)	Item-to-total correlation
(1) Sales growth		0.617
(2) Customer retention		0.594
(3) Return on investment		0.629
(4) Market share		0.685
(5) Getting important and valuable information		0.588
(6) Ability to obtain loan		0.668
(7) Ability to obtain better terms in loan		0.695
(8) Ability to obtain government approval		0.710
(9) Shorten the time for government approval		0.719
(10) Contact with important persons		0.647
(11) Ability to secure local resources		0.686
(12) Motivating employee		0.527
Alpha coefficient of the whole scale	0.912	

Table III.
Scale descriptions for current business performance

were first factor analyzed into seven factors, three for MO and four for RMO, without error. Then a second principle component analysis was performed to obtain two factors, one being labeled as MO variable[2] and the other labeled RMO variable (Table IV).

The sample was divided into three sub-samples: manufacturing industry, retail and wholesale industries and other industries with 156, 252, 150 as their respective sizes. Regressions were performed on these sub-samples separately. A stepwise regression procedure of the SPSS version 8.0 was used to allow the variables to enter or leave the regression equations, as they were significant[3]. As suggested by Frees (1996), by grouping the data set into subsets by industry, the stepwise procedure can isolate how the different independent variables effect the dependant variable in a controlled manner.

	Factor 1 MO	Factor 2 RMO
MO		
Customer orientation	0.888	
Interfunctional coordination	0.886	
Competitive orientation	0.876	
RMO		
Bonding		0.836
Empathy		0.867
Reciprocity		0.851
Trust		0.853

Notes: KMO measure of sampling adequacy = 0.854; total variance explained = 77.0 per cent

Table IV.
Principle component analysis for MO and RMO – factor scores

The first regression analysis was performed on the manufacturing industry data, where the expectation was that the relationship orientation variable would be shown to be important. Results in Table V show that both variables are significant in the final regression with an adjusted R^2 of 0.219.

The explanatory power of this analysis (measured by the adjusted R^2) is compatible with those reported in other studies in the similar field. For example, Jawoski and Kohli (1993) tested the relationship between MO and business performance, and reported R^2 ranged from 0.18 to 0.25. Along the same line, Slater and Narver (1994) reported R^2 of between 0.22 and 0.34. Greenley (1995), in a study on UK companies, reported R^2s of 0.10 and 0.12, while the study performed by Pitt *et al.* (1996) on European firms reported R^2s of 0.10 and 0.09.

Not surprisingly, the RMO variable is the dominant variable, entering the stepwise regression first and yielding a higher beta value (0.335) than the MO variable (0.295). This suggests that in this industry those characteristics of relationship marketing (bonding, empathy, reciprocity and trust), are significantly more important than the traditional marketing functions.

The second set of regressions was performed on the retail and wholesale industries. The results are shown in Table VI.

While the dominance of the RMO variable was interesting in the previous regression, the retail and wholesale industries' results were not surprising.

Table V.
Results of stepwise regression analysis for the manufacturing industry with performance as the criterion variable

Model	Unstandardized coefficients B	Standardized coefficients Beta	*t*-values	F ratio for the equation	Adjusted R^2
1. Constant	53.457		64.953*	22.726*	0.139
RMO	4.360	0.381	4.767*		
2. Constant	54.090		67.528*	19.891*	0.219
RMO	3.840	0.335	4.356*		
MO	3.209	0.295	3.838*		

Notes: * Significant at 0.001

Table VI.
Results of stepwise regression analysis for the retail/wholesale industries with performance as the criterion variable

Model	Unstandardized coefficients B	Standardized coefficients Beta	*t*-values	F ratio for the equation	Adjusted R^2
3. Constant	54.020		80.835*	38.331*	0.148
MO	3.890	0.391	6.191*		
4. Constant	54.237		82.792*	26.024*	0.189
MO	4.106	0.411	6.662*		
RMO	2.133	0.212	3.433*		

Notes: * Significant at 0.001

With an adjusted R^2 of 0.189, both the MO and RMO variables were entered into the regression. The RMO variable serves only as a secondary variable with about 50 per cent the weighting of the MO variable. This implies that the MO variable is still more important than RMO in the service industry.

The third set of regressions was performed on the other industries. While in the first two cases, we found that the RMO and MO variables were dominant alternatively, Table VII indicates a result that is different from the previous two.

The RMO and MO variables enter into the regression with almost equal beta weighting. The final regression is significant at 0.001 with an adjusted R^2 of 0.244. This suggests that RMO also plays a major role in the determination of the firms' current output.

Discussion and conclusion

Given the validity of the measures of MO, RMO and business performance, the regressions on the sub-samples provide robust results. RMO is prevalent among the three sub-samples, acting simultaneously as both a primary and secondary role in the determination of firms' performance. Therefore, the first hypothesis that RMO yields a significant impact on the determination of firms' output across all industries cannot be rejected. Second, RMO emerges as a more dominant variable than MO in the manufacturing industry. This result is consistent with the literature and thus the second hypothesis, again, cannot be rejected.

Not surprisingly, traditional MO is important in all industries, but the particular influence of the RMO variable is revealing, as can be seen in Figure 1. In most industries it plays a significant role in the output of performance of the firm, highlighted in the manufacturing industry, where golf course deals, networking and related techniques have been anecdotal as being crucial to the firm. However the role of the RMO variable and its particular personal requirements is dramatically shown in the service industry results, where it was shown to have a significant but secondary effect on the firm's output. The mass marketing characteristics of the retail and wholesale sector, with the use of traditional MO, are clearly indicated as the appropriate technique. However,

Model	Unstandardized coefficients B	Standardized coefficients Beta	*t*-values	F ratio for the equation	Adjusted R^2
5. Constant	55.504		80.835*	19.426*	0.131
MO	3.570	0.372	6.191*		
6. Constant	55.641		78.676*	20.649*	0.244
MO	3.469	0.361	4.587*		
RMO	3.249	0.343	4.357*		

Notes: * Significant at 0.001

Table VII. Results of stepwise regression analysis for other industries with performance as the criterion variable

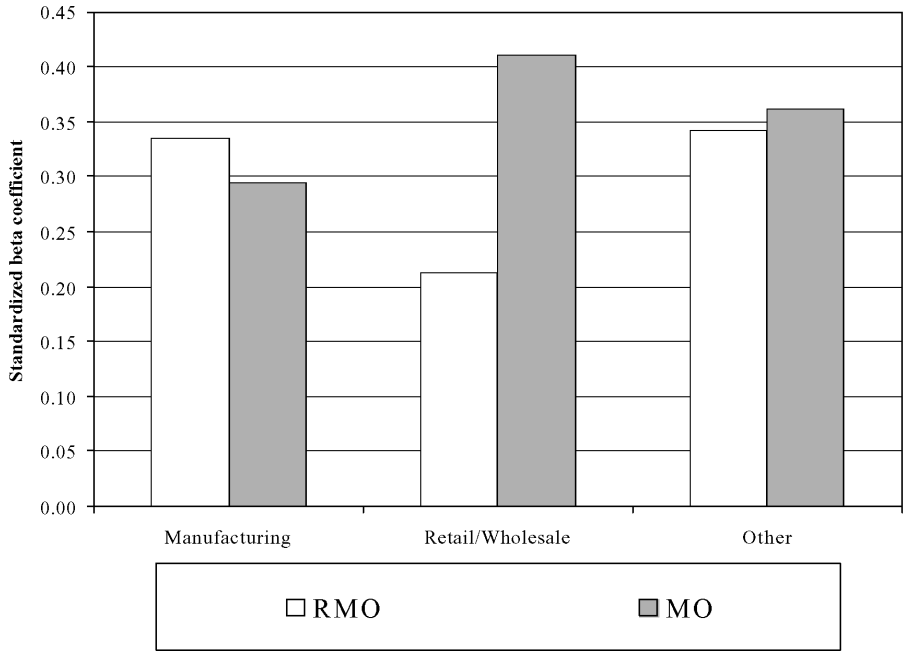

Figure 1.
Comparison of the effects of RMO and MO on performance of firms in different industries

the study's result should awaken marketing practitioners and academics to the fact that RMO is also significant and that its utilization will enhance the performance of firms.

Although this study has provided relevant and interesting insights to the understanding of the impacts of RMO and MO on business performance, it is important to recognize limitations associated with this study. First, data in this study were obtained from Chinese managers in Hong Kong, China. Although it can be said that the sample represents a cross-section of a large number of businesses, it would be useful to obtain a broader and wider sampling frame from other countries. Since respondents' perceptions, attitudes, and behaviors are influenced by their own inherent cultures, it is useful to test whether the existing observations can be generalized to situations in other countries. Further research on more delineated sub-samples would be useful to replicate and clarify the results found here.

Second, cross-sectional data were used in this study, consequently, the time sequence of the relationships between RMO and MO and future business performance cannot be determined unambiguously. The results, therefore, might not be interpreted as proof of causal relationships, but rather as lending support for a prior causal scheme. The development of a time-series database and testing of the RMO and MO relationships with business performance in a longitudinal framework would provide more insight into probable causation.

Third, it is surmised that a dichotomy in the manufacturing industry might be found between those firms who operate in the industrial markets versus those firms who produce consumer products, RMO being much more important

in the former than the latter. Similarly in the service sector delineation should be made between the wholesale and retail portions where one might expect the same result. The available database did not have this distinction.

Notes

1. A complete set of analysis can be made available to interested readers upon request.
2. For convenience, we hereafter use the term variable instead of construct for both MO and RMO.
3. Multiple regressions with predictor variables (MP and RMO) entered all at one time were also performed. The results are identical to Models 2, 4, and 6 (Tables V-VII).

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