Fostering Chinese Firms through Entrepreneurship, Globalisation and international finance

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Abstract

The success of ventures that have pursued non traditional marketing approaches may be attributed to a range of forward thinking practices which it is argued here, should be the starting and finishing points for Chinese companies. Chinese multinationals need to develop entrepreneurial ability more compatible with their growth in the international markets. China's educational framework is still largely based on rote learning, which is a method typically seen as ill suited to modern needs. Many Chinese high tech sectors are still dominated by overseas know-how and the ongoing strength of wholly foreign-owned enterprises.

Keywords: FDI, Europe, China, Entrepreneurship, Markets, Competition, Services

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Introduction

This article sets out to compare the strategic role and development of European multinationals with the potential capabilities and drawbacks of Chinese multinationals.

Examples are drawn from capabilities notably in the software sector. The article goes on to explore the limitations of Chinese multinationals in terms of entrepreneurial ability and suggests a framework that needs to be followed to encourage change and further development from the Chinese perspective.

In developing its Foreign Direct Investment (FDI) strategies for the 21st Century Europe is gradually moving away from low cost labour plans of the past and is redirecting its resources to non-European multinational corporations that have a clear focus towards leading edge technology products and services. Although European multinationals have financially benefited from FDI, changes in regulation have led to conflicting opinions on FDI. Research would suggest there to be conflicting opinions as to which models really represent value for money [Meta Group, 1995, Harding, 1997 & World Bank Group, 2004, and McManus 2010].

Originally, FDI was used primarily to contract and facilitate management economies of scale (or transaction cost savings). In the 1980s, FDI expanded to include the goal of using only external resources and services to develop and manage business and transaction costs. As suggested above the primary motivations were cost savings, the desire to avoid or defer high risk capital investments in new technologies, and the need to focus on the core business processes of the organization. Now, FDI can refer to any of the above options, as well as to highly defined contracts that outsource relatively small chunks of service, and to manage services contracts in which an organization monitors service provisions and alters their characteristics in real time. FDI of individual business functions is now a more common activity. FDI literature now places less importance on hard Euro or dollar cost savings and more importance on the business benefits, the soft Euro or dollar (or qualitative) savings, and the strategic purposes of FDI selective pieces of the business environment such as research and development, application development and call-centre services.

Competition and Market Threats

In formulating their FDI policy and strategy Europe has gone to great lengths to protect its own self-interests for example, employment law and investment decisions are predicated on the basis of governance and European law and whilst Europe earns billions of Euro dollars from its exporting activities there is strong opposition by labour groups and their political supporters to offshore high tech goods and services. Most jobs taken offshore by Europe firms have gone to India, China and Russia. For example opposition within the Europe software industry has been fierce given that the Europe could loose up to 3.3 million jobs in the next 15 years, causing a loss of 200 billion Euros in wages.

Global Insight has estimated that the number of European displaced software and services jobs due to offshore IT outsourcing as of 2009 was around 300,000 (McManus, 2010) This includes not only jobs that were eliminated by some Europe companies that substituted offshore resources for domestic resources, but it also includes jobs that were never created as other Europe companies expanded their activities using offshore resources without reducing their domestic resources. However, it is important to note that although the total number of software and services jobs that have been lost since 2000 when the dot-com bubble burst is
around 372,000, only 2.8 per cent of the total software and services jobs were lost because of offshore FDI.

In Europe trends towards increased use of software services have been accelerating as cost controls bite and the drive for greater efficiencies becomes a strategic imperative [Saran, 2009]. The UK has been a leading user of offshore software development outsourcing, traditionally focusing on India as the preferred location, but China is now starting to make inroads into the sub-continent’s pre-eminence [Irwin Crookes, 2009, Research In China, 2010]. However, other EU member states, such as Germany, France and Sweden, are now rapidly increasing their own use of such services, and this continental demand is helping to promote the rise of new competitors to both India and China from Eastern European countries, such as Czech Republic, Poland and Hungary, who have been emerging as offshore software outsourcing suppliers as EU-based customers seek to balance the opportunities of cost-saving in offshore contracts with near-shore advantages of legal system familiarity, the increased language competences of the remote servicing staff and maturing capabilities across these countries in high-end technology system development [Irwin Crookes, 2009; Wilcocks, Griffiths and Kotlarsky 2009]. It is therefore clear that the international software outsourcing market is now a highly complex mosaic, with the emergence of global sourcing by multinationals introducing the opportunity to segment strategic projects and locate work in the precise location that best suits specific needs. All of this emphasises the importance for India and China for them to be able to consolidate and reinforce their competitive advantages over other locations, in order that they can continue to maintain their clearly acknowledged global leadership in outsource services supply [Peng, 2009].

The Rise of China

China is now emerging as one of major markets offering software outsourcing services, where market growth has been in excess of 40% over the last three years, with key services offered to international clients by Chinese services firms including both those to be expected, such as application software development, system testing and tailoring of embedded software, and also those that presage the potential for a distinctive Chinese service character, such as software localisation in readiness for domestic market entry of globally produced software systems [Irwin Crookes, 2009; Peng, 2009].

Precise calculations of the size and scale of China’s software industry can be challenging to determine, and rather depends on the exact sub-sectors that are included in official assessments, and the extent to which embedded software and hardware design elements are factored into revenue totals. This may explain why the OECD has in the past counselled “care” in using official figures, and why assessments in this paper have sought to combine government indicators with private sector reports to coalesce meaningful trends across recent years (OECD, 2006:157). Using this approach, China’s software industry as a whole posted revenues of just over RMB951 billion in 2009 (around Europe$146 billion), with exports representing a relatively small amount of this, accounting for less than 20% of the total [ResearchInChina, 2010]. Sales of software products, system integration services, and software technology services all did particularly well during 2009 and represented the lion share of industry totals, indicating the country’s ability to weather a difficult period for the global economy, with each sub-sector showing double-digit year-on-year growth, with embedded software coding and integrated circuit design areas also showing improvement [China Daily, 2009].
To an extent, the domestic market focus of China’s software industry may have shielded sector growth from the worst ravages of the turbulence as Europe and European economies suffered downturns, and marks a clear distinction from the Indian business model, which has traditionally instead emphasised export led expansion [ResearchIn China, 2010]. Within the software industry, figures published by the Ministry of Industry and Information Technology’s Software and Integrated Circuit Promotion Centre (CSIP) put the market for the country’s software and information services technology (ITO) and business processing (BPO) outsourcing sub-sector at just over Europe$15 billion at the end of 2007, with the majority apportioned to ITO services [CSIP, 2008].

Operating as part of the global ITO industry, it is important to understand that China does not enter the market for Europe and European customers as an outsourcing novice, but instead derives considerable experience from longstanding capabilities in serving the Japanese (and Korean) software development and IT enabled services markets, based on key competences in language and culture, consolidated by regional proximity and time zone convenience. One recent estimate puts the percentage of China’s outsourcing business derived from near-shore clients at around 50% of the sector’s total, although this high proportion of regional demand is expected to diminish as new customers emerge from the Europe and Europe as these economies recover from recession and accelerate the development of software projects requiring use of outsourced services from offshore locations across China Solidiance, 2009; ResearchInChina, 2010;

If this trend continues, China will become a major competitor in the global outsourcing market. Besides this, China is also a software consuming market with a population of 1.3 billion and more than 15,000 middle-size and small-size domestic firms, which are adapting to the world market particularly since China became a member of World Trade Organisation (WTO).

Investigations of Chinese capabilities within the international software and IT services market have consistently highlighted the potential of China’s competitive dimensions as a software services supplier. Key factors driving this trend can be seen as a mix of political commitment coupled with human endeavour and singular individual energy.

The role of the Chinese government continues to be very important, in both supply and demand terms. On the supply-side, the software and IT services sector has been officially encouraged as “pillar industry” for some years, with explicit support for its expansion and success in China’s latest “12th Five-Year Plan” [CCID, 2011]. Major funding projects at national, provincial and local government levels continue to offer support, ensuring that the necessary infrastructure, required skills base, and appropriate fiscal incentives can combine to drive forward the reach of firms basing themselves in the mushrooming number of software development and high technology parks expanding across the provinces of China’s Eastern and central areas [Solidiance, 2009]. Beijing’s landmark Zhongguancun Software Development Park in the Haidian district of the city is perhaps one of the most visible manifestations of this commitment, operating as home to around 20,000 high-tech firms, with many of them domestically owned and staffed [Z-Park, 2011]. Beyond this, numerous sub-provincial level initiatives mimic such institutional support. One the demand side, central government procurement policies and directed encouragement for state-owned enterprises (SOEs) to look at domestic software and services providers in the first instance have all been cited as ways that support the sector’s progress (Matechak and Gerson, 2010; McGregor, 2010).
In terms of human energy, a review of the Chinese enterprise landscape in software and IT outsourcing reveals an emerging cohort of firms with global ambitions, each of which are rapidly growing in terms of both headcount and customers, and who are typically led by overseas educated visionaries with international experience, offering a commitment to service excellence and technological leadership. Companies such as Neusoft, BeyondSoft, UFIDA, VancelInfo and iSoftStone are at the forefront of a sea-change in upgrading China’s abilities to battle head-on with industry majors, not only in their own domestic market, which is itself rapidly expanding as the Chinese economy grows its IT demands and matures its approach to services outsourcing, but also in valuable overseas territories, where these firms see genuine potential in competing with Indian, European and American majors [CCID, 2011; Research In China, 2010; Peng, 2009]. The competitive dynamics and opportunity can be summarised as follows in table 1.

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<tr>
<th>Emerging Sector</th>
<th>Characteristics of the China’s Potential</th>
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<tr>
<td>Chinese IT Outsourcing Industry</td>
<td>i) Near-term competitive threat to Indian, European and Europe outsourcing firms in the Chinese domestic and regional Asian markets, with particular skills offered in the localisation of international software products for China.</td>
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<td></td>
<td>ii) Medium-term competitive threat to Eastern European IT outsourcing suppliers based on cost and skills arbitraging.</td>
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<td></td>
<td>ii) Long-term competitive challenge to Indian software majors in Europe and Europe outsourcing markets as Chinese firms expand their reach across North America and Europe.</td>
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<tr>
<td>Chinese Software Product Development</td>
<td>i) Near-term direct competition with overseas product majors in China’s domestic markets for software sales revenues.</td>
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<td></td>
<td>ii) Medium-term competitive potential to expand across East Asia and outwards to other regional markets that have growing integration with China, such as Africa and Latin America.</td>
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<td></td>
<td>iii) Long-term competitive potential to enter European and Europe markets with niche market embedded software / hardware product combinations to directly challenge majors on their home turf, especially in telecommunications and integrated circuit chip design.</td>
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Source: Adapted from Irwin Crookes (2009), page 39.

Nevertheless, significant weaknesses do still remain as a constraint on achieving the potential of China’s software industry and the ITO sub-sector in internationally competitive markets. Research by McManus and Floyd [2005] highlights the challenges that China faces in serving the global market. China has been increasingly focusing on expanding and diversifying their presence into Western markets, such as Europe and the United States and if China is to take advantage of its emerging position and move up the value chain it will need to consider its position in a number of vertical markets such as telecommunications and microelectronics. It will also have to rethink its strategy in respect to the technical barriers it faces.

With respect China’s policy on intellectual property it is argued that China should strengthen its laws and regulations to protect itself and its partners against piracy and illegal transfer of software on the internet [Simon, 2003].

Despite legitimate criticisms, China’s IPR regime has seen some useful progress in terms of legal system reforms, but ongoing issues continue to persist in the area of enforcement, especially for copyright industries such as software design and development [Gregory, Nollen and Tenev, 2009]. In this sense, much of the progress
in taking regulatory action across China to combat intellectual property infringement appears to have been in sectors best characterised as more easily “tangible”, such as those connected with foreign company trademarks, trademarks of well-known brands (foreign and domestic), and in the pursuit of patent infringement – in all of these areas there is much evidence to show real progress [Irwin Crookes, 2010]. However, unless and until the National Copyright Administration of China (NCAC) is given the staff and capacity for national reach that is enjoyed by, for example, the State Administration of Industry and Commerce (SAIC), it is likely that copyright enforcement will remain both patchy and uncertain when compared to available recourse in trademark and patent infringement, especially outside major software parks such as those located in the cities of Beijing, Shanghai, Hangzhou and Wuxi, even despite attempts led by central government initiatives and campaigns to address some of the most obvious forms of product piracy Irwin Crookes, 2010.

Nevertheless, China’s market size and increasingly capable technical community give it unique advantages for challenging the established technological markets found in the international economy. At the same time, however, our analysis indicates that China cannot do this alone, that there is substantial foreign participation in the technological development underlying the strategy, and that there are multiple interests at stake. There is also evidence to suggest that China would benefit enormously from instigating preferential policies for technical business. Removing operational tax for technical development, technical consultation and services would make Chinese firms highly competitive [McManus and Floyd, 2005].

There are three particularly salient characteristics that illustrate these ongoing challenges faced by China’s software and IT services sector. First, there is limited depth in soft skills essential to successfully manage complex and transnational IT projects, as China’s educational framework is still largely based on rote-learning which is a method typically seen as ill-suited to modern needs, and especially to the problem-solving character of advanced software design and development. Second, many Chinese high-tech sectors are still dominated by overseas know-how and the ongoing strength of wholly foreign-owned enterprises (WFOEs), with many assessments putting the percentage of high technology outputs originating from wholly or partially foreign-owned enterprises at well over 50%, which may help to explain the considerable investment now being made by Chinese authorities in promoting home-grown innovation [Irwin Crookes, 2010]. Third, weaknesses persist in project management and related English language skills required to coordinate and deliver complex software development assignments, with only the very largest of China’s outsourcing firms having the depth of abilities required. Indeed, a recent study found that despite its considerable pool of IT software engineers, only about 10% of Chinese technical talents were suitably equipped to work for globally competitive multinational firms [Gregory, et al 2009; Irwin Crookes, 2009].

Market Potential

Further constraints are introduced by the organisational structure of firms within the Chinese software industry. The sector is perceived by many observers, including the national government, to consist of too many (undesirably) small companies. In part, the smaller size of Chinese software firms is due to their early stage of growth and the fact that they have not yet mastered the art of managing growth in technical capability, process, project size and numbers of projects. The conventional belief suggests that many smaller firms are not growing. In part, this small size may be due to the recentness of the industry’s development.
There is also evidence to suggest that China’s markets for software in different provinces are quite fragmented and difficult to break into, given the different standards across provinces (and even across industrial sectors) [Tan and Wu, 2002]. Existing relationships between firms local to those provinces and their customers or institutions may also form barriers to entry for other firms. In order to market and expand nationally, software firms have had to adopt different techniques in these conditions. There appear to be at least two ways to market products in China: through product branding, and through relationship sales (sales through affiliates, agents or even systems integrators). Some Chinese product firms have managed to establish themselves with strong domestic brands in specific sectors. Those that have not rely mainly on the latter marketing method.

The implications of the key characteristics for countries like India can range quite widely. At one level, India can see China as a competitor, and at another, as a partner. This is made more complicated when it is realised that the relative competitive advantages of the two countries’ industries may change over time. Thus, co-operative or competitive situations may remain as such, or a co-operative situation can turn competitive. Whatever the case, the chances are that India will have to partner with Chinese firms in order to get access to the Chinese market.

There is indeed growing evidence that Indian firms such as Wipro, Tata and InfoSys are taking China’s competitive dimension more seriously as the Chinese expand their technological and service capabilities, with an increasing number of India’s leading outsourcing enterprises entering China to take advantage of local workforce talent by establishing either subsidiary firms or technology research centres. However, right now, the actual numbers of those employed by Indian firms across China remains relatively low – for example, Wipro’s total headcount for both its service centres in Shanghai and Chengdu is not expected to exceed 1,000 staff until the end of 2011 [Outsource Portfolio, 2010; Peng, 2009]. Nevertheless, Indian confidence in their continuing market dominance remains high [NASSCOM, 2007]. Using the same dimensions as Table 1 above, the strengths of the Chinese Software Industry are summarised in Table 2 below.

Table 2 China’s Capability

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<tr>
<th>P.E.S.T</th>
<th>Overview of strengths</th>
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<tr>
<td>Political Climate</td>
<td>Strong government focus for the software industry</td>
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<td>Strong political support for domestic firms</td>
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<td>Strong financial incentives for start up firms</td>
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<td>Commitment to an adaptable tax regime</td>
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<td>Economic Climate</td>
<td>Strong and expanding industrial sector</td>
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<td>Strong export focus</td>
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<td>Quality of infrastructure</td>
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<td>Adaptable labour force</td>
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<td></td>
<td>Adapting technical skills</td>
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<td>Societal Climate</td>
<td>Strong social identity</td>
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<td>Strong education sector</td>
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<td>Strong local brand loyalty</td>
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<td>Commitment to training in scientific disciplines</td>
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<tr>
<td>Technological Climate</td>
<td>Strong linkages between universities and firms</td>
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<td></td>
<td>Strong support for incubation units</td>
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<td></td>
<td>Commitment to protecting intellectual property</td>
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<td></td>
<td>Long term commitment to research and development</td>
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The entrepreneurial marketing imperative and Chinese firms

It could be argued that Chinese companies are facing some serious challenges in terms of competing globally. This raises the question of what particular types of strategic thinking should inform the market facing activities of these companies, in an era of hypercompetition, increased consumer power and the remorseless rise of internet enabled technologies (Gummesson 2008). The following sections here deal with this issue. As a corollary, the argument is made that the adoption of an entrepreneurial marketing perspective should be a necessary strategic response by Chinese firms, to this turbulence in the environment. An issue then for Chinese companies intending to globalise is one of addressing the degree of entrepreneurial marketing activity they infuse their strategic and tactical operations with. Entrepreneurial marketing has only recently gained some popularity (Morrish and Deacon 2011), being an area that incorporates the elements of two distinct disciplines. Importantly, a degree of empirical evidence exists which suggests that a significant relationship exists between an enterprise’s marketing and entrepreneurial orientations, both of which directly impact on an organisational success (Miles and Darroch 2006; Schindenhutte et al 2008). Many entrepreneurial activities, such as the identification of new opportunities, the application of innovative techniques, the commercialisation of products, and the satisfaction of customer needs in the chosen target market, are also intrinsic aspects of marketing. As a result, there exists an undeniable interface between the two areas of business. This means it is possible to see the two disciplines coming together to form a useful framework from which to view the strategic activity of Chinese firms. This section of the paper examines how such a conceptual framework can be constructed and applied. For a number of authors, there are seven dimensions of entrepreneurial marketing (Morris, et al 2002; Simmons, Thomas & Packham 2009; Schindenhutte et al 2009). The seven areas are risk management, innovation, value creation, proactiveness, customer intensity, resource leveraging and opportunity driving (Morrish and Deacon 2011; Miles and Darroch 2006). By examining their general operations in relation to each of these areas, it is argued that Chinese companies would put themselves on a sound footing, facilitating the pursuit of ambitious globally oriented business goals.

It is important that organisations understand how to use entrepreneurial marketing processes strategically, in order to build competitive advantage. At the present time, this could be considered as a key priority for Chinese firms in world markets where customers are seeking novelty, innovation and difference in the offerings of companies. Entrepreneurial marketing has as its very focus innovation, (Morris, et al 2002; Schindenhutte et al 2009), and it is argued that an insufficient number of firms prioritise this, preferring instead, to follow established procedures based around serving existing markets, rather than seeking newness. This strategic emphasis on the expressed needs of customers can mean that innovation is viewed in a restricted, reactive way where only incremental product innovation takes place. Entrepreneurial marketing exhibits some differences to the established marketing discourse and it is significant that a number of studies suggest that entrepreneurial marketers construct successful strategies that fly in the face of these traditional precepts. One key driving idea is that markets should be created and not just served (Berthon et al 2002).

An entrepreneurial marketing approach has been developed by academics and practitioners, in order to ameliorate what might be seen as an obsessive grip that the present served market orientation holds over strategists. In this case, a focus on ground breaking innovation gets obscured or even worst, is lost completely (Hamel and Prahalad 1994). Importantly, the market driving perspective suggests that it is necessary to leverage the firm’s processes in order to discover, create, evaluate and exploit new market opportunities, which are based on the latent and unexpressed
needs of customers. The fact is that customers do not always recognise or know what they want. This area of innovation is one of importance to Chinese companies, and represents a major challenge for newly emerging companies, of whatever size, that wish to operate, or are operating, in the global marketplace. In terms of a contribution this framework has not been used in the study of Chinese firms to date.

**Strategy and Chinese firms: the seven component framework of entrepreneurial marketing**

The key variable within the framework and the first outlined here is value creation (Morris, et al 2002). This represents the ability of the organisation in question to provide customers with something of perceived value that effectively displaces that which is provided by competitors. Importantly, the value should be new (Schindenhutte et al 2009). Value propositions can be enhanced by either increasing the offering’s set of benefits such as products services and experiences, or alternatively, decreasing the total cost which includes such things as monetary, time, energy, and psychic factors. For example the Haier brand has been able to combine low cost with adaptive innovation through establishing global R&D facilities. One or more of these must be related to the customer’s acquisition, use and disposition of the offering. Closely linked to this notion of value creation is a focus on innovation, where the firm strives to offer something distinctly new to the customer market. By challenging the existing business dynamic and pushing existing boundaries, firms can embrace innovation as both a cultural driver within the firm and as a market facing strategy. Significantly, innovation in itself is about the creation of value, so organisations can think in one of two ways about this. Innovation can be market serving, where existing customers are used to push through product experience and service changes, and/or the approach to innovation can be market driving, where the organisation is instrumental in shaping customer needs. For Chinese firms new value creation is important in the competitive spaces of the global market. If they cannot do it, others will.

Next, firms regarded as entrepreneurial marketers are opportunity driven. This can be considered in two ways. Organisations that adopt an entrepreneurial marketing perspective are not only opportunistic when examining their external environments, but are also opportunistic when examining their internal environments. Opportunities should be scrutinised on all fronts that are relevant to current strategic imperatives. Additionally, opportunities should be actively evaluated in another way, in terms of any ‘off-strategy’ openings. In this case, thinking is influenced by the argument that such opportunities might well represent product-market combinations that can define and re-define the future. Here, there is a constant search for opportunities that enable the firm to exploit whatever its distinctive capabilities might be and then to leverage some form of innovation in order to create a meaningful presence in global markets. A constant process of appraisal needs to take place in the firm, driven by a culture that seeks opportunity wherever they may be found.

The fourth component of the framework is concerned with the firm’s ability to be proactive. To embody a proactive orientation means to be fully supportive of innovation initiatives which expand the organisations capacity in terms of behaviour which influences the market positively. Here, we are talking about those Chinese organisations which attempt to be first movers in both a strategic sense, where the environment itself gets influenced, not the other way round. Furthermore, proactivity applies to internal management processes which seek to encourage an appropriately responsive ‘hands on’ mindset. For example Lenovo has acquired foreign technologies in order to improve its brand. Chinese organisations need to be constantly examining and re-examining the myriad opportunities that arise from
internal activities, be it routine decisions or more strategic activity. Regarding the analysis of the external environment, it is important to think creatively, in order to see where innovation can be leveraged. Organisations that seek to exhibit proactively must recognise that there needs to be an ever-present and obsessive focus aimed at evaluating both its customers’ and its own value chain.

In terms of customer intensity, which is the fifth part of the framework, organisations operating from an entrepreneurial marketing perspective need to acknowledge the fact that they are in business largely due to the purchasing behaviour of current customers. A central element of entrepreneurial marketing is the intense relationship that should develop between customers and the firm, where opportunities for collaboration and co-creation of products, experiences, and services can be positively exploited (Schindenhutte et al. 2009). Firms need to demonstrate an understanding of the fact that the product-market-technology spaces in which they operate are dynamic, and, as a consequence, customers can become uninterested in current product offerings and may well switch to the emergent and superior product offerings of competitors. Entrepreneurial marketers should therefore work closely with existing customers to ensure products offered remain competitive. For entrepreneurial marketers, the product development quadrant on the Ansoff matrix becomes the ‘relationship building box’ (Payne & Ballantyne, 1993). Firms that adopt high levels of customer intensity possess what can be termed as a deep visceral understanding of their clients. This knowledge and working relationship can facilitate the positive exploitation of explicit and latent needs of the customer group that is served (Miles and Darroch 2006). Successful Korean firms have developed their capacity by linking in with Japanese technology and designed products that appeal to the customer in terms of appearance. There may be opportunities for Chinese firms to learn from this example.

Moving on, the sixth area of entrepreneurial marketing involves the leveraging of resources. Firms that exhibit an entrepreneurial marketing approach are also opportunistic when examining their internal environments, in this case the resource bases that they operate with. Therefore, entrepreneurial marketers should exhibit a capability in reassigning and leveraging value from resources. These can be either owned, or shared, in order to exploit external opportunities. Again, the cultural elements of strategy cannot be ignored as this represents the marshalling of organisations resources in order to assist in the leveraging of external opportunities. Employees must be willing to embrace this form of thinking. There is a need here then, to identify and act upon where possible, new combinations of resources (Simmons Thomas & Packham 2009).

The financial environment is changing greatly in China according to Rugman 2007. Chinese firms in the world’s largest 500 now include Bank of China, Agricultural Bank of China, China Construction Bank, and China Life Insurance. In addition, funds are becoming increasingly available from Western Banks operating in China, including HSBC, which is opening offices at an increasing rate. However, opportunities to use these channels require government approval particularly for state-owned industries and this is often only granted to firms that have been domestically successful first. A reduction in government intervention could therefore help encourage entrepreneurship by widening the opportunities of raising finance. At the same time, the government wants to be careful to avoid loan shark activity as well as manage the economy through the recent global financial turbulence.

The seventh and final aspect of entrepreneurial marketing to consider is risk management. Here firms should be prepared to take calculated and rationally measured risks. In this sense, employees or owners are not gamblers, but risk
accepters, who understand that innovation in the current social, technological, and economic environments is inherently uncertain, requiring logical betting on the ‘long shot’ (Schindenhutte 2009). One method for managing risk is to work in alliance with partners. In this situation, organisations should attempt to provide complimentary capabilities to achieve synergy also and help shift the risks to other parties. In this instance, many Chinese companies have some experience of this (Kirby, and Kaiser, 2005). This approach can be manifested through strategic partnerships as formal alliances and can include various types of corporate venture with other firms. In terms of strategic analysis, there has to has to be a detailed examination of the ‘sinking of the boat risk’, weighed up against a ‘missing the boat risk’ (Dickson and Giglierano 1986). In the former, there exists the likelihood that a new venture will fail to reach a satisfactory sales, profit or ROI target, but this has to be considered in the light of the other option, which is potentially much more devastating. In the latter case, there is likelihood that a key strategic window of opportunity is missed because the firm failed to see the market potential. Chinese firms have often used acquisition of Western firms to compensate for lack of internationalisation and managerial skills, companies have recently included a Chinese stake in Thames Water UK, Thomson of France and Geely taking over Volvo cars.

**Chinese firms, global competition and the contribution of entrepreneurial marketing**

What has to be pointed out here is that the organisation need not become one dimensional in its approach by simply focussing on radical improvements. Entrepreneurial marketing, in this sense, can then be seen to have somewhat of a nuanced approach to change. So, novelty can also come from a market serving perspective, meaning that firms can look to more incremental forms of innovation management. Here, the impact of what competitors do, or what customers say they would like to see, can coexist with more radical approaches to innovation. In this respect, Day and Wensley (1988) propose that the pursuit of competitive advantage is most effectively achieved by a strategic balance between innovations that react to changes in competitive strategy and more radical innovation that seeks to exploit future customer needs. Thus, a firm that engages in entrepreneurial marketing not only strengthens its relationships with existing customers, but also constantly looks for ways to identify and exploit new opportunities. It has also been shown that the changing Chinese business environment is generating its own characteristics which need to be taken into account in establishing an effective framework.

**Conclusion**

Reflecting more generally, there are other schools of thought and business models that assist in explaining differences in orientation, such as branding (Keller, 2001), relationships, and service-dominant logic (Vargo and Lusch, 2004) This illustrates the fact that scholars and practitioners are looking to explain marketing phenomenon beyond the long-held traditional science based models of the discipline. Supporting this more general trend for more innovative thinking is a growing number of researchers working in and around the entrepreneurship and marketing interface. There is now a maturing body of work dedicated to this interface, hence the development of the idea that entrepreneurial marketing is viewed as a complement or indeed alternative to, traditional marketing management approaches. For Chinese businesses, what is important is that these firms enjoy sustainable competitive advantages in terms of international performance. (Kocak and Abimbola 2009) Entrepreneurial marketing can help to deliver this, probably far more effectively than any traditional marketing perspectives, based as they are on principles first
established in the 19th century (Skålén, et al (2008). The success of ventures that have pursued non-traditional marketing approaches may be attributed to a range of forward thinking practices which it is argued here, should be the starting and finishing point for Chinese companies. In conclusion, the entrepreneurial marketing structure examined here is not prescriptive in the traditional sense. Companies need firstly to review the context of their own activities. Then, they should decide how synergy and strategy can best be achieved by using the various elements of the framework in order to help deliver that thing which is highly prized; competitive advantage in the global market place.
References


