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**MASSEY UNIVERSITY**

**Department of Commerce**

**Using Stakeholder Relationship Marketing  
To Enhance Entrepreneurship**

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## CHAPTER 1 INTRODUCTION

Relationship marketing has received extensive attention from marketing scholars in the last two decades. It evolved in the 1980s from the transactional marketing of the 1960s and 1970s. Due to the high cost of competition, a lot of organizations have to reexamine the business environment and their long term strategies. A simple transaction was no longer sufficient to ensure corporate sustainability and there was a growing awareness of the importance of building longer term customer relationships (Maguiness, 2004).

The relationship marketing, as a new marketing paradigm has been supported and reinforced by a considerable body of theoretical and empirical work over the last two decades. More and more business people realized that the success of their business should establish good customer relationships from short term to long term (Berry, 1983; Gronroos, 1997; Gummesson, 1999; Kotler & Armstrong, 1999).

However, many marketing commentators (Freeman, 1984; Arrow, 1988; Murphy, 1988; Verbeke, 1992; Polonsky, 1995; Murphy et al., 1997, 1999; Payne et al., 2001; Polonsky et al., 2002; Christopher et al., 2003; Murphy et al., 2004) have expressed the view that a business is a coalition of stakeholders including employees, suppliers, shareholders, the community, as well as customers. Hence, business should shift their focus from relationship marketing to stakeholder relationships.

Some empirical studies suggested that a firm's success depends on the firm's capability to create consistent value and satisfaction for a variety of stakeholders (Berman et al., 1999; Ogden & Watson, 1999; Ruf et al., 2001; Voss et al., 2005).

Murphy et al. (2005) have encapsulated the modern consideration of an holistic, sustainable business as a coalition of stakeholders with strategic objectives of achieving sustainable economic, social, and environmental value for all stakeholders

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by augmenting the prevailing customer relationship marketing paradigm to an holistic stakeholder relationship marketing paradigm. Murphy et al. (2005) define stakeholder relationship marketing as:

“Stakeholder relationship marketing involves creating, maintaining, and enhancing strong relationships with customer, employee, supplier, community, and shareholder. Stakeholders of a business with the goal of delivering long-term economic, social, and environmental value to all its stakeholders in order to enhance sustainable business financial performance.”

Entrepreneurship and small businesses have been considered as the power of growth because they create employment opportunities, not only in the developed countries and also in developing economies across the world (Liao, 2004). Many entrepreneurs have thrived in this environment, taken advantage of the increasingly favorable tax climate, and made millions (Taplin, 2004).

Entrepreneurship has become the buzzword of a knowledge-based global economy, and for a good reason. It is the only economic resource that cannot be easily transferred across corporate boundaries, and, therefore, the ultimate source of competitive advantage in global industries where imitation, market saturation, lower entry barriers quickly eliminate market rents. In its many different forms, entrepreneurship is the part of human nature that spins the world around its axis, shifting it into a new orbit. When freed from theocracy, monarchy, and oppression, people sailed the vast seas, ventured to distant lands, reach for new ways to better their lives. (Mourdoukoutas & Papadimitriou, 2002).

Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks—in terms of time, equity, or career; the ability to formulate an

effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion (Kuratko & Hodgetts, 2003).

The relationships between a firm and its core stakeholders will determine the future of the business. To ensure the long term interests, it is vital for a business to establish close relationship with its core stakeholders. “A board should aim to produce evidence of the strength of these relationships as a routine in their internal and eventually, external reporting on performance (MacMillan et al., 2004)”. Strong relationships provide entry barriers; preferential access, to scarce resources and markets, and customer loyalty-base cost and profit advantages.

The research on entrepreneurship in general and stakeholder relationship marketing has received much scrutiny over the last few decades. And also the concept of a wider stakeholder involvement in marketing has been discussed in many publications and articles. However, there is no direct conceptual and empirical development on how stakeholder relationship marketing can enhance entrepreneurship.

Murphy et al. (1997, 2004) conducted the research on stakeholder relationship marketing. The first time, that research supports the hypothesis that a statistically significant, positive, impact on an organisation’s return on investment (ROI) is causally linked to a stakeholder relationship marketing approach (Maguiness, 2004).

There have been a very limited number of studies link the stakeholder relationship marketing and entrepreneurship. Case studies across goods providers and service providers. We will focus on examine the different stakeholders from different companies.

Through 6 case studies, whether the expected ROI in the next 12 months rated by the CEO of different business can indicate the relationship between the stakeholder relationship marketing and entrepreneurship. Whether there is any relationship between stakeholder relationship marketing and entrepreneurship orientation, start-up entrepreneurship capital, ongoing entrepreneurship resources, and to generate business opportunities. These questions will be investigated in this study.

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## CHAPTER 2 PURPOSE

### *2.1 Research Aims*

Murphy et al. (1997, 2004) conducted a New Zealand based pilot study on the stakeholder relationship marketing concept. They have developed an index measuring stakeholder relationships called the Stakeholder Performance Index (SPI). In the averaging, the SPI incorporates triple bottom line business philosophy by equally weighting Social, Environmental, and Economic Performance, and incorporates the commonsense indispensability of each stakeholder group in the functioning of a sustainable business by equally weighting each stakeholder group. The SPI can be considered to be a perceptual measure of present holistic sustainable business performance reflecting the outcome of present stakeholder relationship marketing strategies. The SPI is benchmarkable over time and against other business.

Following the pilot study, a number of studies were conducted by both undergraduate and graduate students at Massey University, Albany that provided the base for a meta-analysis of stakeholder relationships for 60 businesses (Future Research Group, 2004). This indicates that there is a significant correlation and causal relationship between strong stakeholder relationships and an organisation's future return on investment (ROI).

The relationship between entrepreneurship and its core stakeholders will determine the future of the business. Researchers suggest that developing long-term relationships with key stakeholders is an important strategy in today's intensely competitive business environment. Business should encourage stakeholders to participate in planning .

This thesis will examine the relationship between stakeholder relationship marketing and entrepreneurship. It is expected that my research could add value to business.

Firms by using stakeholder relationship marketing can enhance their entrepreneurship journey..

### ***2.2 Research Objective/Questions***

The objective and related research question of this study is to determine whether Stakeholder Relationship Marketing (SRM) can enhance entrepreneurship.