

# **Nexus Marketing Culture, Values of Owners/Managers and Ethical Position in Business and Survival of Small and Medium Enterprises (SMES) in Tanzania: A case of Southern Highlands**

Hilgath Mwinuka<sup>1</sup> and Sosthenes Ruheza<sup>2</sup>

<sup>1</sup>Department of Cultural Anthropology and Tourism, University of Iringa

<sup>2</sup>Department of Community Development, University of Iringa

**DOI Link:** <http://dx.doi.org/10.6007/IJARBSS/v6-i1/1968>

**Published Date:** 01 January 2016

## **Abstract**

This study was intended to examine the relationship between Marketing culture, Values of SMEs owners/ managers, Moral reasoning and the Survival of SMEs in the Southern Highlands of Tanzania. A self-administered questionnaire was used for data collection. Results in this study revealed that marketing culture and values of owners/ managers were significant predictors of survival of SMEs explaining almost 29% of the variance. The study recommends that owners/managers of SMEs should place much emphasis on service quality, organization and internal communication commitment to ensure survival of their SMEs. Other factors included creativity; honesty and integrity need more attention for the survival of the SMEs.

**Keywords:** Marketing culture, Values of owners/managers, ethical position in business, survival of SMEs, small and medium enterprises, Tanzania.

## **Background**

The significance of Small and Medium Enterprises (SMEs) to a global economic development cannot be overstated. The SMEs sector is the backbone of the economy in high-income countries, but is less developed in low-income countries. The Organisation for Economic Co-operation and Development (OECD) reports that more than 95% of enterprises in the OECD areas are SMEs (Dalberg Global Development Advisors, 2011). More than 95% of businesses in Tanzania are small enterprises. Together, they contribute about 35% of the country's Gross Domestic Product (GDP). There are currently in excess of a million entrepreneurs in Tanzania, running SME's res

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**Corresponding author:** [mwinukah@yahoo.co.uk](mailto:mwinukah@yahoo.co.uk)

possible for generating up to 40% of total employment (Mwakaje, 2011). These enterprises account for almost 60% of private sector employment, make a large contribution to innovation, and support regional development and social cohesion. Also in low-income countries, the SME sector makes a critical contribution to GDP and employment. In Tanzania, SMEs are recognized as the most promising economic agent within the private sector (URT, 2003). Despite their significance, the short existence of SMEs is the most disappointing fact in most developing countries. For example, a study by Kaufman and Parlmeyer, (2008) observed that in Tanzania only 30% of established SMEs survived after their inception. Marketing culture is defined differently, as the company's unwritten behavior and rules wherein the behavioral norms of employees are presented; or as the significance of the expression of the marketing functions in all company's operation areas; or as a particular method whereby marketing activity is implemented in the company (Webster 1995 cited by Daiva and Laura, 2010). Marketing culture has also been described as a culture full of illustrations and symbols, carefully developed and used to define, support and strengthen products and symbols (Seabrook, 2002 cited by Daiva and Laura 2010). Webster (1995) adds that marketing culture is that component of an organization's overall culture that includes the pattern of shared values and beliefs and norms that help employees understand and "feel" the marketing. In this study, a definition by Webster is adopted. Similarly, Ahmed (2005) emphasizes that compatibility of ethical values held by the exchange partners is a central prerequisite for trusting and persistent relationships. It is generally agreed that values provide a powerful explanation of human behaviour (Sagiv and Schwartz 2007). Along a similar view, Nonis (2004) put it that personal values influence management decisions and behaviour. Values are what an actor or group of actors' desire—and believe they should desire. Business ethics can briefly be defined as moral rules, regulations, standards, codes, concepts, and principles governing behaviour, what is good and evil or right and wrong, and involve an inquiry into what ought and ought not to be done in the business practices and operations (Aurifeille and Quester, 2003). Heisler (2007) considers business ethics as the ability of firms to pay attention to moral judgements, practises and commitments in the business. A definition by Aurifeille and Quester (2003) is adopted in this study. Survival of SMEs is the state of continuing to live or exist in spite of difficult conditions. ([www.merriam-webster.com/dictionary/survival](http://www.merriam-webster.com/dictionary/survival)). It is against this background, using Southern Highlands of Tanzania as a case study, this study was carried to examine the extent to which marketing culture, values of owners/managers and ethical position influenced survival of SMEs in Tanzania.

### **Conceptual Framework**

This conceptual model adopted concepts from scholars; Webster (1995), Ntayi (2010) and Okpara (2011). Concepts of marketing culture, ethical position in business and values of owners/managers predict survival of SMEs. This model describes the variables under study by examining the relationship between marketing culture and values of owners/managers, (as independent variables), ethical position as (mediating variable) and the survival of SMEs (as dependent variable). Marketing culture and values of owner/managers are hypothesised to influence the survival of SMEs. Ethical position in business is thought to be mediate variable.

This study therefore intended to investigate and understand the nature of the relationships between these variables.

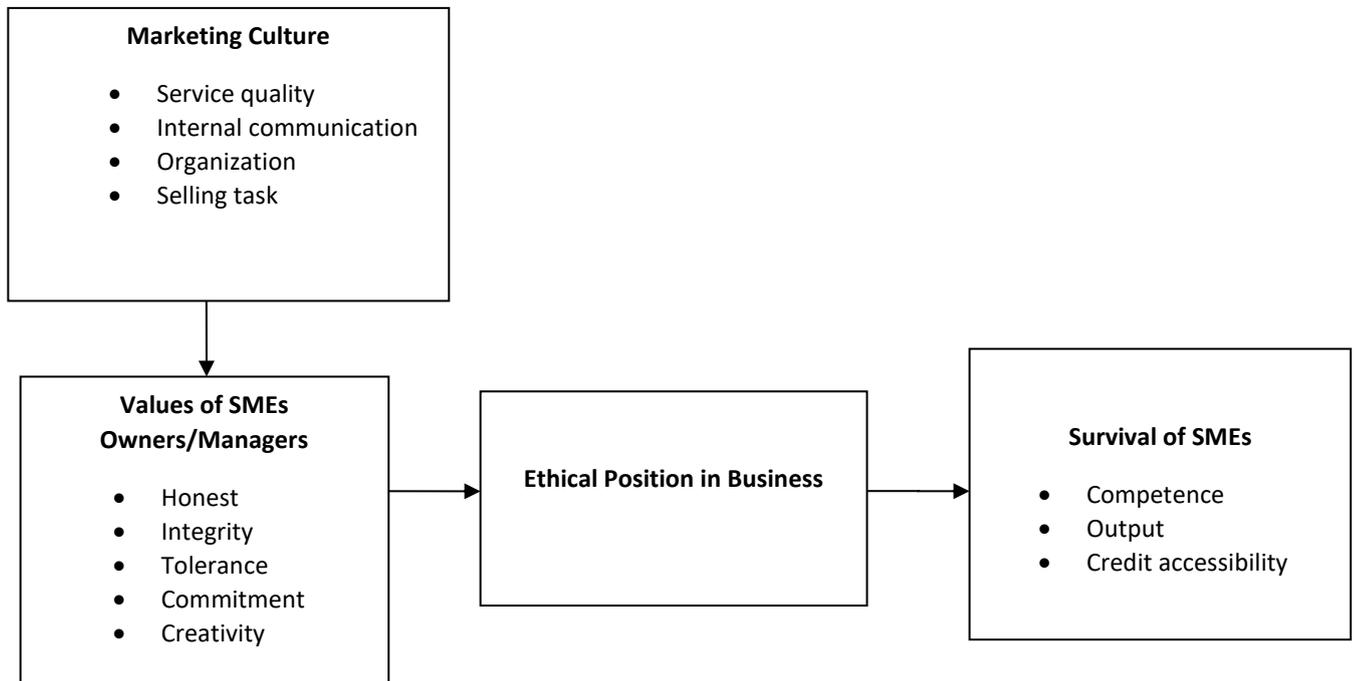


Figure 1: Conceptual Framework showing relationship between variables.

## Research Methods

### Research Design

A cross-sectional survey design was used to capture the relationship of the study variables. A descriptive research approach was used in this study since it is very useful in describing an accurate profile of person (s), events or situation (Kombo and Tromp, 2006).

### Population study

The study population was 110 SMEs in the Southern Highlands of Tanzania. Specifically the population involved SMEs from Iringa, Mbeya and Ruvuma regions.

### Sample Size and Sampling Techniques

The sample size of 69 SMEs was determined based on Krejcie and Morgan (1970) Table for determining sample size. A simple random sampling procedure was used to obtain the selected Small and Medium Enterprises (SMEs) so as to ensure fair representation and minimize bias.

### Source of Data and Instruments of Data Collection

The Primary data were collected by the use of self-administered questionnaires and interviews to owners/managers of the selected SMEs. The questionnaires contained mainly closed-ended questions, all in line with the study objectives. Secondary data were collected from research articles and books.

### Measurement of Variables

The study variables were measured using the already developed scales and items from literature, with some vital modifications to suit the study. Marketing culture was measured using service quality, interpersonal relationship, selling task; organisation using an instrument developed by Webster (1995). Values of business owners/managers and their ethical positions in business were measured by an instrument developed by Ntayi, (2010), whereas, survival of SMEs was measured in view of credit accessibility, output and competence using an instrument developed by (Okpara, 2011). A 5-point likert scale was used to measure variables.

### Validity and Reliability of the instrument

To ensure validity and reliability of the study questionnaire items were tested using the Content Validity Index (CVI), while reliability was measured using the Cronbach Alpha Coefficient (Cronbach, 1951 and Kline, 2008).

Results (Table 1) indicate that all variables had acceptable value of the Cronbach Alpha and the Content Validity Index, indicating the instrument employed was valid and reliable with the coefficients for reliability and validity being above 0.600.

Table 1:  
Validity and Reliability Coefficients

<i>Variable</i>	<i>No of Items</i>	<i>Cronbach Alpha Value</i>	<i>Content Validity Index</i>
Marketing Culture	33	.877	.818
Ethical Position in Business	12	.633	.833
Values of SME owners/managers	15	.878	.800
Survival of SMEs	12	.753	.750

### Data Processing and Analysis

Primary data were compiled, sorted, and edited, classified, coded and analysed using Statistical Packages for Social Sciences (SPSS). Frequencies were used to present the characteristics of the samples. The Pearson's correlation coefficient was used to establish the relationship between variables, and multiple regression analysis was used to show the predictive effects of marketing culture, values of SMEs owners/managers and ethical positions on the Survival of SMEs

### Results And Discussions

#### The Level of Marketing Culture

Results (Table 2) indicate that the SMEs are strong on the concept of Service Quality (Mean = 4.19), organisation (Mean = 4.21) and weak on the selling task (Mean = 3.62) and internal communication (Mean = 3.70).

Table 2:  
The level of Marketing Culture

<b>Attributes of marketing culture</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std. Deviation</b>
	N=69			

Service Quality	1.00	5.00	4.19	.84
Organization	1.75	5.00	4.21	.55
Internal communication	2.25	5.00	3.70	.71
Selling Task	1.00	5.00	3.62	.85
Marketing Culture	2.25	5.00	3.67	.71

The factor analysis results revealed that the components of marketing culture; service quality, organization, internal communication, and selling task accounted for 61% of the marketing culture of Tanzanian SMEs. Of the total percentage, service quality accounts to almost 35% (3.184) of the marketing culture; organization accounts to almost 10% (2.705); internal communication accounts almost to 8% (2.611), whereas selling task contributed only 7% (1.895) of the marketing culture.

Table 3:  
Factor Analysis Results for Marketing Culture in Tanzania

	<i>Service Quality</i>	<i>Organisation</i>	<i>Internal Communication</i>	<i>Selling Task</i>
There is systematic, regular measurement and monitoring of sales performance	.501			
We are firmly aware that our behaviour reflects SME's image	.648			
We often meet the customer's expectations when they come to the SME	.650			
The business has always placed emphasis on employees' communication skills	.726			
We ensure that we take care of every detail while at the SME tasks	.659			
The SME ensures that all employees are well organised and prepared for their respective tasks		.714		
I consider this business activities to be most important among all my other activities		.613		
The SME management has made it possible for me to have a well planned daily schedule		.767		
Often we are on time whenever there are key appointments to be kept with customers and other business parties.		.611		
The business has an approved set of marketing policies and procedures which is made available to every employee.			.610	
Management's shares financial information with employees about how well the business is fairing			.792	

Management of the business considers employee opinions when setting standards for the various departments			.539	
The business priorities training and motivating employees			.670	
The SME offers special awards to persons that achieve highly at the selling job				.606
It is not burdensome for employees to pursue a new customer				.548
Compared to other SMEs, this business rewards employees well for a well done selling job				.741
Eigen Value	5.716	1.715	1.449	1.206
Variance %	34.639	10.389	8.780	7.304
Cumulative %	34.639	45.028	53.808	61.112

### Relationships between Marketing Culture and the Survival of SMEs

Results (Table 4) indicates significantly positive correlation between marketing culture and the survival of SMEs ( $r = .523^{**}$ ,  $P. < .01$ ). This implies that managers have to work on their marketing culture to improve the survival of their SMEs. Specifically, they need to prioritise service quality and organization to attain higher profit margins and continue to operate efficiently in their respective areas. Results further reveal that there is a significantly positive correlation between values of SMEs owner(s)/manager(s) and marketing culture ( $r = .599^{**}$ ,  $P. < .01$ ). Similarly, the components of marketing culture, which were internal communication, ( $r = .615^{**}$ ,  $P. < .01$ ), selling task ( $r = .496^{**}$ ,  $P. < .01$ ) and organization ( $r = .294^{**}$ ,  $P. < .01$ ) were positively correlated to values of owners/managers. This is in agreement with Bolton and Drew. (2007) who put it that SMEs can be increased through ensuring service quality, a component of marketing culture. Similarly, Zeithaml, Roland and Lemon (2004) also added that quality of service was a critical component for continued growth and increased customer loyalty of SMEs.

This suggests that businesses that prioritise the elements of marketing culture, internal communication and service quality, increase the survival of the SMEs. It is from these findings that this study argues that values of SMEs owners/managers of the SMEs and their experiences enhance the cognitive structures influenced by the salesperson and are able to scale what is right and wrong in their selling job. This may influence employees in the respective organization to truly understand the administration's fundamental values.

Results (Table 4) further reveal that there was a significantly positive correlation between the marketing culture and ethical position in business ( $r = .430^{**}$ ,  $P. < .01$ ) and survival of SMEs ( $r = .523^{**}$ ,  $P. < .01$ ). The components of marketing culture such as service quality ( $r = .223^{**}$ ,  $P. < .01$ ), organization ( $r = .229^{**}$ ,  $P. < .01$ ), internal communication ( $r = .512^{**}$ ,  $P. < .01$ ) and selling task ( $r = .443^{**}$ ,  $P. < .01$ ) were positively correlated to the survival of the SMEs. Results also show a significantly positive correlation between values of owner(s)/manager(s) and ethical position in business ( $r = .342^{**}$ ,  $P. < .01$ ). and survival of the SMEs ( $r = .436^{**}$ ,  $P. < .01$ ) and between ethical position in business and the survival of the SMEs ( $r = .275^{**}$ ,  $P. < .01$ ).

The results reveal that marketing culture is positively correlated to the values of SMEs managers. This indicates that marketing culture has received a significant amount of attention to both SMEs managers and employees in the study SMEs. The researcher observed that high

level of marketing culture leads to increased levels of SMEs survival. This is inconsistent with the findings by Wong and Merrilees (2005) that the role of staff and the internal organizational culture is to improve the operating effectiveness and efficiency and survival of SMEs. There is considerable evidence that marketing culture functions as an antecedent of SMEs survival. According to Smith (2000) a successful growth and survival of SMEs significantly depend on strong marketing culture of a company. Similarly, Colbert (2002) added that marketing culture is a useful tool for anyone seeking to understand how marketing works within the SMEs and the choice of marketing strategies. Results in this study have revealed that marketing culture is positively correlated to the values of owners/managers. The individual values of the owners/managers are decisive for the value definition and all entrepreneurial decision within a small or medium size company. Within established ways of life, owners/managers values work in regulation of action in the form of "fine tuning", which is particularly important in normative dilemma situations.

**Pearson’s correlation Analysis**

Table 4:

Correlation used to quantify association and assess strength and directions of the relationship between pairs of the variables in the study.

	1	2	3	4	5	6	7	8	9	10
Service Quality-1	1.000									
Organisation-2	.322**	1.000								
Internal communication-3	.210**	.310**	1.000							
Selling Task-4	.156*	.284**	.632**	1.000						
<b>Marketing Culture-5</b>	.199**	.326**	.887**	.922**	1.000					
Prescriptive Values-6	.083	.135	.522**	.388**	.485**	1.000				
Principled Values-7	.067	.064	.284**	.269**	.287**	.344**	1.000			
<b>Ethical Position In Business-8</b>	.039	.139*	.495**	.295**	.430**	.395**	.137*	1.000		
<b>Values of SME Owners-9</b>	.151*	.294**	.615**	.496**	.599**	.371**	.159*	.342**	1.000	
<b>Survival of SMEs-10</b>	.223**	.294**	.512**	.443**	.523**	.376**	.078	.275**	.436**	1.000

\*\* Correlation is significant at the 0.01 level (2-tailed.)

\* Correlation is significant at the 0.05 level (2-tailed).

The Multiple regression model was used to establish the relationship between the dependent and a set of independent variables. It explained the proportion of the variance in a dependent variable at a significance level and predicted the influence of each of the independent variables to the dependent variable through comparing Beta weight of the independent variables.

*The general multiple regression model used is in the form of:-*

$$y_n = a + b_1x_1 + b_2x_2 \dots b_nx_n + e_i$$

*The dependent variable was:*

$Y_n =$  survival of Small and Medium Enterprises

$a =$  intercept

$b =$  coefficient of the independent variables

$e =$  Random error

*Whereas independent variables considered (x) were marketing culture, values of SMEs owners/managers and ethical position in business.*

A two-tailed t-test at 5% level of significance was used to accept or reject the tested hypothesis, in this case, it was rejected only when  $P < 0.05$ . To assess the goodness of fit of the regression model, a coefficient of determination ( $R^2$ ) was applied, whereas, the higher

the  $R^2$  the more powerful the model is. Results of multiple regression analysis are shown in Table 5.

Results (Table 5) indicates that marketing culture and ethical position in business can predict almost 29% of the variance in the survival of the SMEs ( $R^2 = .29\%$ ). Among the variables, marketing culture was noted to be the best predictor of SMEs survival as indicated by (Beta = .375,  $P < .05$ ) and values of owners/managers indicated by (Beta = .183,  $P < .05$ ). This suggests that prioritising marketing culture and values of owners/managers of SMEs will ensure their survival in the country. Results further suggest that there is a strong and significant relationship between most of independent variables on the survival of SMEs ( $F = 21\%$ ) with a strong model on the relationship between the independent and dependent variables ( $R = 29\%$ ). Thus the regression was also significant ( $P < .01$ ).

Table 5:

Regression Analysis for the Marketing culture, Values of owners/managers and Ethical position in business and of Survival SMEs

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.779	.258		6.905	.000
Marketing Culture	.340	.075	.375	4.552	.000
Ethical Position In Business	.031	.057	.037	.546	.585
Values of SME Owners	.184	.076	.183	2.409	.017
<b>Dependent Variable: Survival of SMEs</b>					
$R^2$	.301				
Adjusted $R^2$	.287				
F Change	20.605				
Sig.	.000				

### Conclusions

This study focused on ascertaining the relationship between marketing culture, values of owner managers, moral reasoning, and ethical position in business to survival of SMEs. From the findings and the discussion, the following conclusions are made; marketing culture is positively correlated to survival of SME. This implies that the SMEs have to ensure components of marketing culture, such as, service quality, organization, interpersonal relationship and internal communication are of utmost importance to the SMEs and they are to be tailored with the individual's marketing qualities so as to build an ethical mind in the salespersons. Moreover, values of owners/managers are positively related to marketing culture with commitment, creativity, competence, integrity, honesty and justice being vital determinants for the survival of the SMEs in the country. Results further show that there is a strong and significant relationship between most of independent variables on the survival of SMEs ( $F = 21\%$ ) with a strong model on the relationship between the independent and dependent variables ( $R^2 = 29\%$ ).

### **Recommendations**

The following recommendations are put forward:

- Owners/Managers of SMEs should put more emphasis on service quality, organization, and internal communication by ensuring sociable relationships among salespersons and their managers. This may enhance salespersons' adaption of an ethical marketing culture for the survival of their SMEs.
- Creation of an ethical culture within SMEs is inevitable to mitigate the gap between individuals' and SMEs ethical decision.

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