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Strategies for New Zealand Manufacturing Small and Medium Sized Enterprises Going Global

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Abstract

The strategies to employ when a small to medium sized enterprise (SME) enters the international market are important issues for a business to consider.

This research study addresses the question “**What strategies will position New Zealand manufacturing small and medium sized enterprises for international markets?**” It is intended to compare various strategies for going global, discovering these through a literature review and personal interviews with New Zealand businesses who have successfully globalised. The research studies globalisation within manufacturing small and medium sized enterprises (SMEs) in New Zealand. It explores strategies available in order to discover their advantages and disadvantages, and suggests key strategic directions for New Zealand manufacturing SME’s to use when entering into international markets. The research is intended to benefit New Zealand SME’s considering entering the international market place, which in turn will contribute towards benefiting New Zealand as a whole as it endeavours to position itself in the international competitive arena. Specific strategies for New Zealand manufacturing SME’s wishing to establish global markets are explored with implications for theory, research, and business practices.

A case study approach was adopted, with multiple research methods used to gather information for the study. An experience survey in the form of personal interviews was used to gather a range of views from people with knowledge and experience in exporting to international markets. Documents were analysed, together with information gained through the interviews to compile case histories of the businesses that participated in this research. Strategies relevant to going global were identified in a literature review and these strategies were compared with actions and directions taken by the businesses interviewed.

The analysis of the findings reveals congruence with theoretical strategies for globalisation of SMEs identified in previous studies; however it was found that decisions made when going global were highly dependent on the individual circumstances that a business finds itself in, rather than committing to strategies based on assumptions from academic studies. The businesses involved in this study went global through opportunities more so than strategic purpose. They had not set out to be a global enterprise, however when the opportunities arose their globalisation effort needed total commitment. Their experiences are discussed in this study and have relevance for other firms looking to go global.

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1 Introduction

Academic interest in SME internationalisation is a relatively recent phenomenon (Coviello and McAuley, 1999). The growing frequency of small and medium enterprises (SMEs) internationalizing has been argued to stem from recent changes in technological, economic, and social conditions (Knuckey and Johnston, 2002).

There is no single right strategy that exists for firms entering into, or those already involved in, the world of globalization. There is indeed a wide variety of strategic choices, but three points are key to the development of strategies for going global. These are stipulated by Peng (2006) and consist of;

1. An understanding of the world economy is necessary.
2. A basic overview of three fundamental events at the dawn of the twenty-first century that define the global landscape is in order.
3. Knowing yourself and your opponent is important.

It is important to understand the scale of the world economy and the potential market that products could demand. "At the beginning of the twenty-first century the Economist estimated the total world output to be approximately \$30 trillion" (Peng, 2006, p. 21). The gross domestic product (GDP) of the world is listed for 2007 as \$USD 54,300,000 million and New Zealand is ranked as 51 on that listing with their GDP being \$USD 128,000 million ([http://en.wikipedia.org/wiki - List of Countries by GDP \(nominal\)](http://en.wikipedia.org/wiki/List_of_Countries_by_GDP_(nominal))).

This puts some perspective on the scale of the global market compared to New Zealand.

There were three events that occurred early in the twenty-first century that have shaped the world we live in today and affected global interaction. These are;

1. The anti-globalization protests that began in Seattle in 1999 when 50,000 protestors attempted to derail a World Trade Organisation (WTO) meeting and other similar protests at major WTO meetings since, including the largest protest at the G8 Summit at Genoa, Italy in 2001.
2. The terrorist attacks in New York and Washington on 11 September 2001 and the subsequent "war on terror" since that date.
3. The corporate governance crisis triggered by the corporate fraud cases resulting from the bankruptcy of Enron Corporation, and subsequent corporate fraud cases in Europe and Asia since
(Peng, 2006)

These major events resulted in a world of uncertainty, mistrust, tightened security and a slowed world economy and financial markets.

"SME's are important around the world. They account for more than 95 percent of the number of firms, create approximately 50 percent of total value added and generate 60 to 90 percent of employment (depending on the country) worldwide" (Peng, 2006, p. 181). It is therefore prudent to study strategies for manufacturing SME's going global.

This research compares strategies for New Zealand manufacturing SME's wishing to market into global markets and is intended to benefit New Zealand SME's considering entering into the international market place.

An SME is categorised as a business with less than 500 employees by reference to previous research on these enterprises and the definitions provided from these research papers.

Strategy making for globalization involves a completely different set of paradigms for SME's that have been involved in domestic markets, and involve new and often more complex considerations and issues. Broadly, global markets are quite different to domestic markets and SME's are quite different business models to corporate businesses and so SME's going global need to be studied separately to establish their own strategies. Therefore this report will establish specific strategies for manufacturing SME's looking to enter the global marketplace.

A literature review to establish current thoughts and opinions on strategy making and globalization strategies has been carried out. As well, research has been made into test case studies that have had success going global. Specific strategies for New Zealand manufacturing SMEs wanting to establish global markets are explored with implications for theory, research, and business practices.

This thesis is presented in eight sections. Section one is the introduction to the study, section two states the problem statement for this study, section three sets out the research objectives; what is intended by the study. Section four is the literature review, which is divided into two subsections relating to strategies for going global. These subsections are high-level strategies and operational strategies. Section five consists of the research design and methods, and shows the selection of the businesses interviewed. Section six shows the findings from the interviews with a sample of New Zealand manufacturing SME's that have gone global, their successful strategies, and the reasons for these. Section seven is a summary of the findings and discussion and section eight is the conclusions from the study, as well as indicating the strengths and limitations of the study together with suggestions for further research.

2 Problem Statement

The problem that is being addressed in this research is that New Zealand is a small country in the global market, having very little influence on the global economy. Furthermore, New Zealand is a long distance from global markets such as American, Asian and European markets. Therefore, it is a challenge for New Zealand firms to trade globally. Free trade agreements and market access become very important to a New Zealand firm's ability to trade in the international arena.

Coupled with these constraints, Small and Medium sized Enterprises (SME's) have the added disadvantage of having a low level of financial capability and resources, so to invest time and money into globalization and gaining overseas markets is a substantial risk and burden for them. It may take years of concerted effort to gain the markets they are targeting overseas.

Therefore, New Zealand SME's wishing to go global need specific strategies to gain entry to international markets, and each sector will have its own specific issues to deal with. It is vital for New Zealand SME's to know how to develop these strategies and know what direction they need to be taking for a successful entry into global markets.

It is important for New Zealand's economy as a whole for its businesses to be able to trade internationally, and for New Zealand's international trade to grow. New Zealand simply can not be insular about this issue, because its domestic economy is too small and not robust enough to remain isolated from the world. If New Zealand does not venture more into the international arena, its economy will regress into entrenchment, becoming more difficult to sustain in the long-term. The New Zealand Government has recognized this and emphasis is being placed by the government on this important issue by its agency New Zealand Trade and Enterprise (NZTE).

This thesis is a link to the success of New Zealand SME's going global; in particular manufacturing SME's looking to establish global markets. Manufacturing SME's will benefit directly because they will be guided by an overarching strategic direction. This study is intended to give new businesses intending to go global from the outset some direction and strategies needed to help them in international markets. Also, this research provides guidance to those businesses choosing to move into the international arena after being successful in the domestic setting. Taking this direction means quite a different business model compared to a business trading on the domestic market only. There are different issues, different pressures, and greater competition.

The Government will benefit from more exports providing more foreign exchange into the country. Some businesses are suffering because of the New Zealand dollar eroding margins as it increases toward post-float highs. This is forcing these businesses to relocate their manufacturing offshore (eg. Asia), and downsize their staff levels.

In order to investigate this problem, a research question needs to be posed. This research question and the objectives of this study are clarified in the next section.

3 Research Objectives

The purpose of this research is to discover specific strategies for New Zealand manufacturing SME's to develop international markets. Accordingly, the research question being posed is **"What strategies will position New Zealand manufacturing small and medium sized enterprises for international markets?"**

In order to answer this question, it is intended to gain different perspectives and compare various strategies, discovering these through a literature review, document discovery and personal interviews. This research reviews and examines recent or historically significant research studies, company data, or industry reports in relation to the research objectives. Comprehensive perspectives through to specific studies associated with the problem are covered.

The research objectives will be:

1. To find successful strategies for New Zealand manufacturing firms to use to capture global markets.
2. To compare strategies available in order to discover when they could be applied.
3. To find key strategic directions for New Zealand manufacturing SME's to use when entering into international markets.

To achieve these objectives, the following investigative questions will be answered;

- a. What is the definition of an SME in New Zealand?
- b. What are the different types of strategies being utilized for globalization?
- c. In what situations should various strategies be employed?
- d. What are the various issues facing firms going global, both in terms of high-level strategies and operational strategies?

It is intended to provide comparisons of various strategies and when it is best to apply these, to give guidance for New Zealand manufacturing SME's entering into international markets, thus to open up paths for entry into these markets.

4 Literature Review

This literature review was carried out with the research question in mind. The research question asks what strategies will position New Zealand manufacturing SMEs for international markets and is intended to find strategies for New Zealand manufacturing firms to use to capture global markets, comparing strategies in order to discover strategic directions to take when entering international markets.

There has been a number of research papers and books written on the subject of strategy making, international business enterprises, international SME's, and internationalization from a New Zealand perspective, but relatively little research has been carried out on strategy making for internationalization of New Zealand manufacturing SME's.

This literature review therefore investigates the various aspects of internationalization that New Zealand manufacturing SME's need to consider and contributes to the knowledge base required for the investigation into the strategy making for New Zealand SME's going global. The literature research was carried out of university libraries, journals, and the world-wide-web internet to find relevant subject matter on globalisation strategies. This literature review section has been divided into high-level strategies and operational strategies in the same manner as the interview structure and the findings section below.

The wealth of knowledge provided in the literature on SMEs gives commonality of thought with regard to topics, however it is apparent from the findings of research carried out in New Zealand, that there are some strategies that New Zealand SMEs have found more effective which differ from SMEs in other countries that have a larger economic base or are closer to their international markets. New Zealand SMEs have needed to adapt due to their remoteness from their international markets and create innovative ways to gain competitive advantage. Furthermore, different strategies may be preferable for different businesses, because the determination of strategies is not a matter of adoption of a model that has been successful for some other business, but rather it is the individualisation of strategies to suit a businesses purpose and direction that matters. There is no 'blanket strategy fits all' solution. Accordingly, this literature review is intended to discover strategies available, then explore these strategies so that businesses may determine if they might utilise these.

The following sections relate to aspects of high-level and operational strategies, as provided in the literature that has been researched on the subject of strategies for New Zealand manufacturing SMEs going global.

4.1 High-Level Strategies

High-level strategies cover decisions made regarding where a firm would market their product, over what time period, dealing with cultural differences, the marketing strategies to employ, where to locate operations, what strategic alliances may be necessary, and what range of products will be offered abroad.

Globalization Decision

Before making decisions on strategies for going global, the decision to globalise needs to be made. There are various objectives for internationalisation, for instance

growth, improved profitability, or strengthening and sustaining competitive position, even in some cases the motive of the owner. These objectives are discussed by Hyvärinen, cited in Veciana (1994).

The literature research carried out in this study has revealed that the profile of the exporter is changing. Not so long ago, exporting into other countries was only done by some large companies, and only these large companies would ever think of having a permanent representation abroad. Doing business in other countries was not appropriate for SME's then because it was a costly and complex process. Aerts (1994) mentions this and goes on to explain that this idea is no longer widely held as we become citizens of the global village, and that everyone, SMEs included, will sooner or later become a part of the international network of goods, services, labour capital and know-how.

Garratt (2003) explains that global competition might be complex but at least the critical variables could still be identified: the size of markets, the number and size of competitors, the rules of the game in a given industry, etc.

And in small economies such as New Zealand's the only way for SMEs to expand is by expanding into new foreign markets or "by boosting their international sales in established foreign markets or expanding into new foreign markets" (Agndal and Chetty, 2005, p. 2). Of course, the decision of which market to enter is amongst the most crucial for a firm's future success (Agndal and Chetty, 2005; Ellis, 2000; Reid and Rossen, 1987).

Campbell-Hunt et al. (2001) noted that because New Zealand is a small country and some firms in their study feel they are insignificant in the face of a huge global economy, then the fact that they had regional or world-leading technology was not immediately obvious. A few feel that their products, designed to be the best in New Zealand, might also be successful overseas, but others need to be persuaded by international experts that their products were indeed highly valuable.

With our economy now more open to the forces of globalisation, on the one hand, the opportunities for global advantage are more apparent in an economy where domestic prices approximate global values. On the other, global homogenization of New Zealand's commercial, cultural, social and governmental practice would erode the distinctive attributes on which competitive advantage can be built. To the extent that government plays a role in influencing the development of the country as a whole, the Campbell-Hunt et al., (2001) study suggests that there may be economic value in finding distinctive New Zealand solutions to distinctively New Zealand problems. "The search for global advantage may best be served, at all levels, by avoiding the uncritical adoption of all things foreign, and by celebrating what is distinctively New Zealand" (Campbell-Hunt et al., 2001, p. 159)

There are a number of high-level strategic decisions that need to be made after it is resolved that a business is going to have an international presence. These decisions are basically how a firm is going to proceed, by a gradual approach or by a wholehearted approach, also where to enter the global market, by marketing to neighbouring countries or by marketing globally. These strategies are discussed and the literature relating to these strategic directions are referenced in the following sections.

Staged Entry into Global Markets

The strategy using a gradual approach to globalisation is often termed staged entry. In past studies (post 1990) internationalisation was thought to be a gradual, sequential process which could be described in stages, whereby a firm increasingly committed to international operations as it evolved through each stage, and as a result was often referred to as the stages model.

The literature research revealed that internationalisation was first considered as investment behaviour of enterprises. Later it has most often been thought of as a time-related, gradual process of increasing involvement in international operations. So the more traditional method of global entry is the staged approach. There were two stages models found in the literature research;

1. The 'Uppsala process model' (Johanson and Vahlne 1977; 1990, Johanson and Wiedersheim-Paul, 1975; Welch and Luostarinen, 1988).
2. The innovation-adoption internationalisation model (Anderson, 1993; Bilkey and Tesar, 1977).

The most frequently used internationalisation model is the Uppsala model. This model emphasizes learning by focusing on market knowledge and commitment. It states that firms internationalize in a step-by-step process and by doing so the risk and uncertainty that a firm faces is minimized. So, as firms gain market knowledge they commit more resources to the market. This increased commitment occurs in the following four stages;

- a. Non regular export activities
- b. Export via independent agents
- c. Creation of an offshore sales subsidiary
- d. Overseas production facilities
(Johanson and Wiedersheim-Paul, 1975)

Reiterating this line of reasoning, Agndal and Chetty (2005) describe the stages a firm goes through for internationalisation as follows; Firstly, when the firm starts to export, as it gains market knowledge, it commits more resources to the market. Secondly, the firm starts using an agent or distributor, followed by joint venture or licensing agreements. Thirdly, a foreign market sales subsidiary may be established, followed by foreign direct manufacturing.

The reasons for the incremental approach to internationalisation suggested by the stages model is that the firm lacks experience and knowledge in the global markets and the decision to internationalize is risky (Johanson and Vahlne, 1977). Johanson and Vahlne's (1977) central argument is that as a firm gains more knowledge about a market, it will commit more resources to that market. A classical statement for internationalisation is that of Johanson and Vahlne (1977), who described internationalisation as a gradual and successively increasing commitment to foreign markets.

Aerts (1994) states that SMEs most often begin by testing the waters and exporting on an occasional basis. As their foreign clientele increases and they gain more experience, they adopt a more systematic approach to exporting, which involves deciding which markets they are going to deal with and how. Often they will then start using importers and eventually agents.

Thus, the stages model predicts that company's progress from selling through agents, to using their own offshore manufacturing plants, to ultimately globalizing even core functions such as research and development. Yet Chetty and Campbell-Hunt (2002) found that the New Zealand firms they studied preferred to keep using independent dealers and distributors to service offshore markets and keep production concentrated in New Zealand engaging the local knowledge of local partners and achieving global reach quickly despite its limited resources.

"Born Global" Entry into Global Markets

Even if the stages theory is consistent, not all firms follow this pattern. The stages model has come under criticism for being too deterministic, oversimplifying a complex process, ignoring acquisitions, and not accounting for firms entering international markets soon after inception (Dicht et al., 1984; Forsgren, 1990). Furthermore, other studies have found that firms progress into internationalisation much faster than the stages model suggests (Millington and Bayliss, 1990). Rather than the gradual incremental approach which may take decades, these studies have found that firms in fact leapfrog into internationalisation in a matter of years. This approach to globalisation differs from firms using the staged approach because the firm's very inception is with the express intention of going global, whether that is at initiation or a short time after initiation.

These firms are called "Born Global" firms and are defined by Oviatt and McDougall (1994) as "a business organisation that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries" (p. 49). Other literature defines "Born Global" firms also, such as Knight and Cavusgil (1996) who define them as "small, technology-oriented companies that operate in international markets from the earliest days of their establishment" (p. 11). Knight and Cavusgil (1996) characterize a Born Global firm as small in size with less than 500 employees, with an annual turnover of \$USD 100M, and with innovative leading edge technology, manufacturing high-tech products for a particular niche in international markets.

Other researchers reiterate that the internationalisation process is found to have become more rapid today and that the firms are not becoming passively internationalized but are actively internationalizing their business (Hurmerinta-Peltomäki, 1994). Internationalisation is no longer regarded as an alternative but rather an essential pre-requisite for growth, also for small businesses. Along with the growing interest and involvement of SMEs in exports the differences between domestic and export firms are suggested to be disappearing (Hurmerinta-Peltomäki, cited in Veciana J.M., 1994, (eds)).

Born Global firms are entrepreneurial and from their inception they regard the world as a borderless market, not confining themselves to a single market, because they see international markets as opportunities rather than obstacles (Madsen and Servais, 1997). These firms opt for an internationalisation strategy soon after inception in order to grow. So they internationalise fast and may have a small or even no domestic market. They produce highly specialized customized goods for niche international markets; they have access to international networks and international financial markets (Marsden and Servais, 1997; Knight and Cavusgil, 1996; McKinsey and Co., 1993). Even though they do not have a strong domestic base to support their international activities, they tend to succeed in international

markets because this was their strategic intent. Often their founders are influenced by their education, or having lived abroad and had international work experience, which reduces the psychic distance to specific markets. They are people who are entrepreneurial with extensive international personal and business networks (McKinsey and Co., 1993; Marsden and Servais, 1997).

Peng (2006) reiterates how “some start-ups attempt to do business abroad from their inception, and that these firms are often called ‘born global’ firms” (p. 195). He sites a number of born global businesses, as “counterexamples that rapidly internationalizing entrepreneurial firms exist to challenge stage models” (p. 197). He asks, “Given that most SME’s still fit the stereotype of slow (or no) internationalisation and that some very entrepreneurial SME’s seem to be “born global”, a key question is: What leads to rapid internationalisation?” He goes on to explain the key differentiator between rapidly and slowly internationalizing SME’s appears to be the entrepreneurs’ international experience. If founders, owners, and managers have solid previous experience abroad, such as working and studying overseas and immigrating from certain countries, then doing business internationally is not so intimidating (Peng, 2006).

So it would seem that some, but not all, SMEs can internationalize faster than traditional stage models suggest, however a key strategic issue is whether it is better for entrepreneurs to start the internationalisation process soon after founding (“born global”) or to postpone internationalisation until the firm has accumulated significant resources, entering culturally and institutionally close markets first, spend enough time there to accumulate overseas experience, and then gradually move from more primitive modes such as exports to more sophisticated strategies such as Foreign Direct Investments (FDIs) in distant markets (Peng 2006).

Related to the born global concept is the strategy of being a First Mover and related to the stages model concept is the strategy of being a Late Mover.

First Mover Advantages are the advantages that first entrants entering a country enjoy and late entrants do not. These first mover advantages include;

- Proprietary, technological leadership.
- Pre-emption of scarce resources.
- Establishment of entry barriers for late entrants.
- Avoidance of clash with dominant firms at home.
- Relationships and connections with key stakeholders, such as customers and governments, can be established.

Late Mover Advantages are the advantages that late entrants entering a country enjoy that are disadvantages for the first mover. These late mover advantages include;

- The opportunity for free ride on first mover investments.
 - Resolution of technological and market uncertainty has been made by first movers.
 - The difficulty to adapt to market changes as the market becomes refined is experienced by first movers and paves the way for late movers.
- (Peng, 2006)

Firms following the prescription of stages models must overcome substantial inertia because of their domestic orientation. In contrast, firms that internationalize earlier

need to overcome fewer of these barriers. Therefore, SME's without an established domestic orientation may out perform their rivals who wait longer to internationalize.

Chetty and Campbell-Hunt (2002) also found that New Zealand firms have internationalized in ways quite different from the 'stages' model of internationalisation. They state that "rather than progressing from selling through agents to using their own offshore manufacturing plants, and eventually to globalizing even core functions such as research and development, as depicted by the 'stages' model, even firms they studied, which have internationalized for decades choose to keep manufacturing in New Zealand and several New Zealand global firms prefer to continue using independent dealers and distributors to service offshore markets" (p. 9). They provide mixed support for the Born Global approach to internationalization, demonstrating that these firms did not follow the traditional incremental approach to internationalization as proposed by the Uppsala model, but rather they simply leapt into it. Yet, they found that market knowledge is important, and firms need to realize the significance of prior knowledge. They note that "Born Global firms continue with the traditional approach to internationalisation by selecting countries with a close psychic distance to New Zealand such as Australia, Canada, United Kingdom and United States as their first market" (Chetty and Campbell-Hunt, 2002, p. 10).

Global Vs Regional Strategy

There are two distinct geographic categories of globalisation; Global and Regional. Global firms have established markets in many countries worldwide, whereas regional firms establish markets in countries close to themselves geographically. For New Zealand firms, regional markets are Australia and the Pacific Islands. However, Australia has a far larger market and therefore regional firms in New Zealand primarily concentrate on the Australian market.

Regional firms follow a different path to internationalisation from global firms. Campbell-Hunt et al. (2001) distinguishes these two geographic categories in the following way;

"Typically, the origin of global firms can be traced to a world-leading proprietary innovation. Typically the global competitor trades in 50 to 60 countries worldwide. They have a strong market share in key markets and a significant or leading share of the global market, all grown from the tiny New Zealand home market" (p. 36-37).

"The other distinct geographic category is the regional company, that focuses on just one offshore market Australia and they prefer direct involvement in marketing and manufacturing offshore. Although regional leaders are active in innovating products and processes, they have not typically come up with a world-beating innovation, or constrained themselves to regional bounds despite having a world-leading status of product" (p. 38).

These two distinct categories exhibit different preferences for marketing, manufacturing location, and product breadth.

Campbell-Hunt et al. (2001) goes on to describe the features that distinguishes both global leaders and regional leaders. He notes that global leaders have achieved an extensive global reach, invariably as the result of a local innovation with world-

market potential. The speed and scale of these transitions have forced companies in this group to focus the scope of their operations. Often indirect methods of market development are used, through networks of long-term co-operative relationships. These more globalised firms concentrate their global manufacturing at home.

Innovation has been an absolute prerequisite to global leadership in these global leaders. Home-grown innovation is the essential role played in transforming these companies into global leaders. Furthermore, as Campbell-Hunt (2001) puts it "a vital part of this transition has been a transformation from 'broad dabblers' into 'focused technology specialists'" (p. 186).

Global growth strategy includes a multi-regional phase, during which the company convinces potential global strategic partners of the innovation and quality of their products.

It is apparent from the literature that global firms have products in a wide number of countries world-wide. Most of their sales are outside NZ and Australia and they have a strong market share in key markets, and a significant or leading share of the global market. Common features of Global firms are:

1. They have a world-leading proprietary innovation.
2. Global potential of their innovative products causes an intense period of growth for 3-4 years when sales doubled and redoubled each year ("The gusher").
3. They limit international growth to what they could handle, aware that international success could culminate in failure if they grow too fast.

Regional firms follow a quite different path to internationalisation from that of global firms. Regional leaders are distinctive in the way they have created competitive advantage from the breadth of their product line. Regional leaders achieve leading positions in both New Zealand and Australia with product lines that are broader than those of more focused global firms. And they prefer direct representation in these markets, and the establishment of production or assembly operations on both sides of the Tasman Sea. "Instead, there is a distinct logic to the regional leadership strategy. They believe it important to represent the benefits of their product directly to the marketplace" (Campbell-Hunt et al., 2001, p. 38).

What Campbell-Hunt (2001) found is that the pattern of internationalisation displayed in the New Zealand firms they studied is opposite to the theory that has emerged from the northern hemisphere. In the northern hemisphere, it was found that more globalised firms will establish their own sales and manufacturing operations offshore, but for the New Zealand firms in the Campbell-Hunt et al. (2001) study, it is the regional leaders who use these strategies.

However, scaling up to global markets from a base as small as the New Zealand market is particularly challenging. Both the global and regional development paths are strongly shaped by the distinctive context in which they occur, namely the small isolated economy that is New Zealand. The scale of expansion from a tiny home base, and the rate of growth it requires, makes the whole process distinctively risky. This rate of growth when internationalising a firm has large ramifications for the operations of the firm. This is discussed further under the Operational Strategies section of this literature review.

In their study on Global Vs Regional approaches, Chetty and Campbell-Hunt (2000) also found the regional firms in New Zealand focused on just one offshore market (Australia) and, unlike global firms, showed a preference for direct involvement in marketing and manufacturing offshore.

Chetty and Campbell-Hunt (2000) found that there is a radical difference in strategies between regional firms and global firms. A global firm is not an extension of a regional firm, nor is it automatic. Four of the firms Chetty and Campbell-Hunt studied had chosen to not go global, but rather to constrain their reach to a regional focus. With these regional firms, they preferred to have direct involvement in marketing and manufacturing offshore, which is consistent with the Campbell-Hunt (2001) study yet is at variance to the stages model, which depicts the less globalized firms to choose less direct methods. The regional firms in their study were focused on the Australian market, which has a close psychic distance to New Zealand, whereas the global firms used a "sow and reap" strategy for identifying their markets world-wide. The global firms entered markets by seizing opportunities that surface when they scattered seeds that showed signs of taking root. Global firms entered markets because of consumer demand for the product rather than psychic distance or geographic proximity.

A comparison between global and regional leadership is indicated in tabular form below. This illustration is taken from Campbell-Hunt (2001).

Configurations of Global and Regional Leadership		
	Global Leadership	Regional Leadership
<i>Innovation</i>	World-leading, strong differentiator	Regional-leading or global constraint
<i>Product Market or Value Scope</i>	Focus	Broader
<i>Reputation</i>	Global	Regional
<i>External Relationship</i>	Mixed direct + dealers	Direct representation
<i>Product Capability</i>	In NZ only	In NZ & Australia, strong differentiation
<i>Internal Relationships</i>	High-quality	High-quality

(From Table 2.1, Campbell-Hunt et al., (2001), p39)

Cultural Differences

There are two aspects of cultural differences that is being investigated in this research study;

1. The phenomenon which is called "Psychic distance".
2. National culture.

The concept of psychic distance is defined by Johanson & Vahlne (1977) as;

"The concept of psychic distance relates to the difference from the home country in terms of language, culture, political systems, business practices, industrial development and educational systems." (p. 26).

Current thinking with respect to psychic distance and born global firms is that they simply leap into markets with vast psychic distance from their domestic market. However, the finding of Chetty and Campbell-Hunt, 2002, is that the New Zealand

firms refuted this thinking. Instead, they found that born global firms internationalized by selecting countries with a close psychic distance to New Zealand such as Australia, Canada, United Kingdom, and United States of America. Then, although the first market had a close psychic distance to New Zealand, once these firms started to internationalize, psychic distance did not seem to matter.

Peng (2006) agrees with this reasoning and cites two schools of thought that have emerged. The first is associated with the stages model, arguing that firms will enter culturally similar countries during their first stage of internationalisation, and that they may gain more confidence to enter culturally distant countries in later stages. This idea is intuitively appealing because it makes sense for firms to enter countries by taking advantage of common cultural and language traditions. Peng (2006) states that on average, business activity between countries that share a language is three times greater than business activity between countries without a common language. Firms with common-law countries, for instance English-speaking countries and former colonies, are more likely to be interested in other common-law countries. Some evidence shows that certain performance benefits come from competing in countries that are culturally and institutionally adjacent to one another. However, citing numerous counter examples, the second school of thought argues that strategic goals such as market and efficiency are more important than cultural and institutional considerations. Examples of natural resource-seeking firms that have compelling reasons to enter culturally and institutionally distant countries are firms that enter Papua New Guinea for bauxite, Zambia for copper, and Nigeria for oil. Market-seeking firms tend to go after the largest markets regardless of cultural/institutional distances. For instance, Norwegian fishery exporters enter Japan because of their appetite for fish.

National culture is a perspective that links deeply felt personal identity, organisational strategy, and national economic and social policies. For some companies national identity also has a particular link with international branding (Campbell-Hunt et al., 2001). Nationhood and sovereignty are much bigger concepts than the idea of the brand or even of economic success (Campbell-Hunt et al., 2001). National identity is not separate from organisations or from the individuals who manage and staff them: they are both products and producers of national culture (Knights and Morgan, 1991). "Cultural understandings and skills form part of the tacit knowledge of New Zealand managers, and their staff. Processes that will help articulate and develop that tacit knowledge could contribute to both national and organisational capabilities" (Campbell-Hunt et al., 2001, p. 147).

The CEOs in Campbell-Hunt et al. (2001) have demonstrated cultural knowledge and skills that are evident in their views of the relationship between organisational success and national culture, and are reflected in their own commitments to New Zealand (Campbell-Hunt et al., 2001). A distinctive Kiwi approach to achieving international advantage is also a product of our distinctive national culture. Aspects of the national culture include:

- Ingenuity, a trait born of isolation.
- A positive, confident outlook and being prepared to 'have a go'.
- 'All-roundedness'. With a breadth of experience unusual in larger and more specialized economies.
- An openness to communication across all strata of society, which enhances rich networks of relationships and the learning that flows through them.

Expressions such as “No. 8 wire” and “Kiwi ingenuity” link individual and organisational experiences with national culture (Campbell-Hunt et al., 2001).

Strategic Alliances

Strategic alliances are formed with the intention of gaining synergy from the combined resources and capabilities offered by two or more firms. In this study, it is the trend of strategic alliances that we are interested in; do small or large firms tend to form strategic alliances, and what motivates firms to form international teams.

The choice of which capabilities are in the group is one critical decision; the second is how the control system is structured, because that determines whether the potential synergies among the capabilities are realized (Gomes-Casseres (1997), cited in Audretsch, 2003).

Gomes-Casseres (1997) concludes that firms follow one of two alliance strategies. When the firms are small relative to their rivals and to their market, they tend to use strategic alliances with large partners to gain economies of scale and scope, which are often required for success abroad. Conversely, when they are large in relative terms, they avoid alliances (Gomes-Casseres (1997), cited in Audretsch, 2003). Gomes-Casseres (1997) goes on to state “The pervasiveness of scale of economies in modern industry is probably the chief reason. Very few modern industries can be said to have no scale economies in any part of their value chain. And deregulation and globalisation in the 1980s and early 1990s has only served to reduce the number of markets in which sub-scale firms can survive” (Gomes-Casseres (1997), cited in Audretsch, 2003, p. 69).

In industry after industry, dominant firms, which are large for their market, tend to shun alliances, whereas weaker or smaller firms use alliances to shore up their capabilities. Where a small firm competes in niche markets that are of minor interest to large firms, they tend to have a narrow base of expertise and find it easier to expand their business into new markets abroad rather than into new products markets at home. These niche players could rely on their in-house capabilities to battle their relatively smaller rivals, because relative to their niche market, these firms are large. Small firms facing large rivals in a market with increasing returns to scale, on the other hand, cannot expect to succeed on their own, and so alliances are critical in expanding their reach. As they gather allies, these firms are transformed and become part of a larger whole, or constellation. “Small firms will seek scale through alliances if that is required for competitive success in their market, but they are less likely to do so if they occupy a niche in which they themselves are large relative to competitors” (Gomes-Casseres (1997), cited in Audretsch, 2003, p. 68).

Not all businesses opt for strategic alliances however. The type of firms represented in Gomes-Casseres (1997) relied on in-house capabilities to compete in a narrow market segment. Not only did they not need alliances, but they preferred not to share control over key resources and technologies with partners.

International teams are now crucial to the success of international strategy formulation and implementation. These teams become creative sources of both emergent and deliberate international strategy and competent strategic thinking (Davidson S. C., cited in Garratt, 2003). It is also clear that individuals from different countries will have very different approaches to both the types of, and sequential

stages of, strategic formulation. International teams can be a source of innovation and creative international strategies have a cross-cultural approach that contributes to the development of these international strategies. A high-performing international team will have consciously worked as hard on their cross-cultural interaction as they did on their task. Doing so can create the difference between an international team being a block to, or a source of, creative international strategy (Davidson S. C., cited in Garratt, 2003). Organizations in cultures that prefer flatter power structures may be happier to let their managers act pragmatically according to circumstance and allow strategy to emerge. Organizations in cultures which foster strong top-down hierarchies are likely to prefer deliberate strategic formulation and implementation.

To create the optimal strategy and learning, the whole team needs to actively negotiate and craft the best working process for that particular team and task. It demands investment, training and practice and an awareness of the value of process. The investment starts by creating an effective structure within the team. Once the members of the team have been thoughtfully selected, the team needs to actively craft their working process to suit their task and create meaningful participation from all the team members (Davidson S. C., cited in Garratt, 2003).

Marketing Strategy

To overcome the limitations of market scale and distance from international markets this study has identified methods of internationalisation that are quite distinctive in New Zealand. They include the sow and reap strategy and the focus and grow strategy.

These distinctive approaches to internationalisation have overcome limitations of size, time and knowledge. Size refers to going from the small New Zealand market to the huge global market, time refers to the issues surrounding the "gusher", whereby a flood of sales puts pressure on the operations of a firm, and knowledge refers to use of networks and partners to bring knowledge of overseas markets and technology (Campbell-Hunt et al., 2001).

"International market entry and expansion is challenging for firms with a small domestic market and limited resources. To meet this challenge firms have adopted the strategy of trying several markets and products simultaneously, waiting to see which provide opportunities and then focusing their efforts on the most promising. They do not follow the textbook strategy of first entering a single market, usually culturally and/or geographically close, and then moving on to more distant marketing. The terms we use to describe their preferred strategy are sow and reap, and focus and grow" (Campbell-Hunt et al., 2001, p. 35).

Chetty and Campbell-Hunt (2000) determined that different approaches to internationalization resulted in different strategies. Firms using the global approach used a sow and reap marketing strategy and entered markets because of consumer demand for product rather than psychic distance or geographic proximity, whereas regional firms were focused on the Australian market because of the close psychic distance to New Zealand, choosing a diversified product strategy.

Chetty and Campbell-Hunt (2002) confirm this trend with global firms in New Zealand; "Global firms try several products and markets simultaneously and wait to see which one is promising and then focus on that. This sow and reap approach emerges when firms are exploring the potential of their products and markets

thereby exploiting opportunities as they emerge. Consequently, there is no structural approach to market development” (p. 9). Chetty and Campbell-Hunt (2000) had previously discovered how New Zealand’s global leaders adopt this ‘sow and reap’ search process, sowing low-cost seeds (e.g. brochures and articles in trade magazines) in many markets, and putting greater sales resource only when market response is promising. They had found that the sow and reap process used to search for markets on a global scale were quite different from the elaborate market research followed by large overseas firms.

Sow and reap patterns appear when a firm is exploring how far its capabilities can be stretched. Focus and grow is the converse of sow and reap. When a promising product or market is identified, the firm narrows its focus and devotes increasing resources to the new venture. This strategy is effectively imposed on the firm when it hits a gusher. Market segments that were the foundation of the business are left behind as a firm discovers new segments to which its emerging capabilities are strongly suited. To meet the very rapid growth in demand, global leaders had little option but to focus the company’s energies, abandoning a broader range of businesses that characterized their New Zealand operations (Campbell-Hunt et al., 2001).

The importance of market knowledge is confirmed by Chetty and Campbell-Hunt (2002). They found that the choice of markets occurs in stages with firms starting to export to a market with a close psychic distance and then expand their export sales into markets with increasingly greater psychic distance. They found that regional firms show a preference for direct involvement in marketing and manufacturing offshore as three out of four firms that they studied have manufacturing and assembly facilities in Australia. Contrary to the ‘stages model’ they found that it is the less globalised firms who chose direct marketing methods. In their previous working paper, Chetty and Campbell-Hunt (2000) had explained how the New Zealand firms in their study believed it important for them to represent the benefits of their product directly in the marketplace. Some have tried indirect involvement by using distributor agents but have been dissatisfied with the results. It seems that the broad nature of the product portfolio requires the more direct marketing strategy.

Born global firms on the other hand embody a clear marketing strategy, which includes branding, attending trade shows, protecting their intellectual property, and monitoring customer feedback. “They devote considerable attention to the quality of their product, which is important in building their competitive advantage. They maintain good customer relations by visiting them often and by having regular feedback on the product and related services” (Chetty and Campbell, 2002, p. 10).

Product Range Strategy

The product range chosen has a direct relationship with the marketing strategy adopted. A sow and reap marketing strategy requires a wide range of products to provide for the wide range of customers being targeted, whereas a focus and grow strategy requires the adoption of a narrow product range, as the firm discovers customers preferences in given countries and so specialises in that product range.

Chetty and Campbell-Hunt (2000, 2002) found that to meet the very rapid growth in demand, global firms have had little option but to adopt a focus and grow marketing strategy, in the process abandoning a broader range of products, or focusing on the globalizing product, abandoning other product lines, or focusing on the needs of

particular market segments and served their needs wherever they can be found in the world, or focusing on a particular stage in the value chain where the firm has developed distinct advantage. This meant that they became one of few global players in a highly specialized product.

Chetty and Campbell-Hunt (2002) state that “typically the origin of globalisation can be traced to a world-leading proprietary innovation” (p. 8). However, the global potential of the innovative product means that the firm is faced with a period of growth referred to as “the gusher”. They reported that some of the firms they studied dealt with the challenges by limiting their international growth to what they could handle, aware that their international success could culminate in failure if they grew too fast.

Regional firms on the other hand were found by Chetty and Campbell-Hunt (2000) to be active in a broader more diverse range of products than the focused global firms, choosing instead a diversified product strategy. Although the regional firms they studied were “all active in innovating products and processes, they had not typically come up with a world-beating innovation, or if they had, they have been barred from taking it global for other reasons, or deliberately constrained growth to within regional bounds despite the world-beating status of their firm’s innovative product, because of the dangers of a ‘gusher’ transition” (p. 9). Chetty and Campbell-Hunt (2000) found that “these regional firms have also created competitive advantage out of the breadth of their product lines” (p. 10).

Chetty and Campbell-Hunt (2002) also found that the Born Global firms in their study tend to “focus on a narrow product range, and are market leaders in their products, which are of a high quality and have a good reputation. They identified a gap in the market ignored by transnationals. When these products are first introduced into the market they are revolutionary, leading edge and have a high quality. The products are technology intensive and highly specialized with a small number of customers in each country, thus having a niche market” (p 10).

To contend with the higher burden of overheads, regional leaders in New Zealand are more active in a broader range of products than the focused global leaders and typically profit margins are somewhat less in order to increase turnover. Although regional leaders are all active in innovating products and processes, they have not typically come up with a world-beating innovation like the global leaders have (Campbell-Hunt et al., 2001).

Campbell-Hunt et al. (2001) found with some leading New Zealand firms that have gone global, that they customize their products to differentiate themselves from the global players who manufacture standardized products. They found that these firms work closely with customers in product development, as well as having direct involvement in setting international product standards. Thus, these firms were able to seize the opportunity of first mover advantage to expand internationally before its competitors ‘woke up and improved their product’ (Campbell-Hunt et al., 2001).

In some cases, “a government department or large firm played the role of a demanding lead customer by commissioning the first generation product on a scale that far outstripped the firm’s production capacity” (Campbell-Hunt et al., 2001, p. 47). Satisfying this order stretched the capacity of the organisation but enabled it to learn and grow to a stage where it could consider developing the next vintage of

products. High demand for the first products generated the cash flow that allowed the firms to experiment with new ideas and technologies. In developing their second vintage of products the firms displayed several different strategies. In some cases Campbell-Hunt et al. (2001) found that they “recognized that the modifications made to a licensed product for the New Zealand environment had generated sufficient added value to warrant separation into a new product or the development of new proprietary products” (p. 48).

Another approach to product development involves gaining experience with the new technologies by choosing an application that is seen as relatively low risk. The learning acquired from the trial technology application often leads to a radically new product. In early product vintages, being first to market allows firms to rely solely on good technology, particularly if it was available to the customer at lower cost. However, good technology is often not enough. Low product cost does not sit well with the desired image of high-quality technology and performance, nor is product quality assessed on the basis of performance alone, but also on good product design and packaging. The product needs to look at least as good as rival products to indicate that its functionality is also of the highest standard. For the customer, exceptional product design probably counter-balances the perceived risk of buying from a small producer in a far-off country (Campbell-Hunt et al., 2001).

Another core part of the firms' product development strategies can be to educate the customer about the product and, in some cases, educate the customer's customer (Campbell-Hunt et al., 2001). This knowledge sharing has the added benefits of contributing to the development of strong, trusting relationships with distributors, and encouraging customer loyalty to the product and company. Thus products can be customised for many different situations, which gave the companies a very wide product range. “Close and frequent contact with a few customers enabled a firm to develop expertise in a wide range of products and in multiple technologies” (Campbell-Hunt et al., 2001, p. 54).

Campbell-Hunt et al. (2001) found that what has made the firms in their study distinctive in their chosen international markets was their ability to differentiate their products from their global competitors. Where the large players provided a standard product, the New Zealand firms carefully assessed what would distinguish their product and make it particularly valuable to their target customers. The great scope of their product and technology knowledge allowed these firms to recognise and then develop connections in technology and markets, and these insights were hidden from their more specialist competitors.

Therefore, a key part of the process of going global for New Zealand firms is the focusing of product scope onto the innovative product that is propelling the firm into global export markets. One of the toughest markets in the world in which to sell your product is right here in New Zealand because the customers are more technologically aware than many other customers in the world. New Zealanders know what technology should be able to deliver, and they absolutely demand that you deliver it. “So if you can meet a customer's needs in New Zealand and Australia ... you'll have a world-class product bar none” (Campbell-Hunt et al., 2001, p. 141).

Manufacturing Location

The Uppsala model predicts that it will be the more internationalized firms that choose to manufacture offshore. However, research into the manufacturing location of international firms in New Zealand reveals that this may not necessarily be so.

Chetty and Campbell-Hunt (2000) found that as global firms spread their reach into increasing numbers of world markets, they had to develop manufacturing strategies that were capable of capturing as many economies of scale as they could, but manufacturing location offshore was not necessary to achieve this. Core components and sub-assemblies were consolidated into one global manufacturing facility, and advanced systems of process planning and control were used to manage the complexity of multiple variants. Alternatively, high levels of automation were invested in heavily. World class manufacturing facilities of this type are effectively location-neutral.

In the Chetty and Campbell-Hunt (2002) study it was the least internationalized, namely the regional firms rather than the global firms who chose to manufacture offshore, thus contradicting the Uppsala model. They point out that, unlike global firms, regional firms show a preference for direct involvement in manufacturing offshore as three out of four firms they studied have manufacturing and assembly facilities in Australia.

Overseas Office

An important consideration when going global is whether or not to set up an overseas office. The advantages of setting up an overseas office are being close to the customer, being seen to having a local presence and the handling of finances and currency fluctuations. Having an overseas office means having a local presence and banking facilities set up in their customers' country and therefore better credit management and the ability to retain finances within that country so that transfers of funds to New Zealand can be carried out at a time of optimum currency exchange rate advantage dependent on the different currency exchange rates between the two countries. This advantage alone can easily compensate for the expense of setting up the overseas office.

Aerts (1994) found that SMEs engaged in exporting found that the biggest problems were obtaining receipt of payments and the handling of currency. The main currency for invoicing is the exporter's one, but smaller firms are often in a weak bargaining position with their customers and will therefore need to invoice in their customer's currency. As a result, small companies run a greater currency risk than large ones. It follows that if an overseas office were to be set up, currency risk is less because funds can be transferred when the exchange rate favours the home country exchange, and not necessarily at the time of invoicing.

4.2 Operational Strategies

Operational strategies cover issues about the operational changes required when going global, the capacity needed, resources, capabilities, competencies, commitment, and the coherence that provides a competitive advantage for a business going global, the networking activity required, and the research and development required to continually being successful in international markets.

Operational Changes Required

Often, the origin of globalisation can be traced to a world-leading proprietary innovation, and the global potential of the innovative product means the firm is faced with an intense period of growth called "the gusher". These are relatively short periods when sales double and re-double every year and this demand creates great stress and challenge to the firm. The scale of this internationalisation is exceptionally challenging, especially when done from a New Zealand base. This challenge can be very unsettling to the configuration of capabilities of firms, because they have to make production interventions to rebalance or renew their operating systems, and in particular to focus on a niche market.

Internal relationships and culture are also destabilized, when one capability suddenly shifts gear to a higher level, and so the organisation's other capabilities are put under tremendous pressure. If they fail, the organisation's configuration of capabilities may become unbalanced and the company's competitive advantage destroyed. So "gushers" catapult businesses to success, providing the firms can keep their configuration of capabilities intact. Furthermore, very rapid growth typically involves very rapid expansion of the workforce, and so over a very few years, the "gusher" transforms the firm from a small company with local focus and a broad range of businesses or products, into an international competitor (Campbell-Hunt et al., 2001).

In some of the firms Campbell-Hunt et al. (2001) studied, "the experience of large and often sudden international success (the gusher) had several consequences for their technology and innovation strategy" (p. 56). So the gusher leads to a concentration on the successful product in order to focus and grow, thus narrowing the firm's range of products. The decision to go global will drive a company to make the transition from a broad technology and product dabbler to a focused technology specialist themselves and these firms will generally operate in a high-mix, low-volume manufacturing environment with high levels of product line complexity. A large number of product variants are responsible for this situation, which follows from their narrow but deep market strategy (Campbell-Hunt et al., 2001).

Campbell-Hunt et al. (2001) found that some firms curtailed their innovation process in response to the sense of chaos caused by the "gusher". Putting a hold on innovation helped them to maintain a sense of control over their destiny. These firms had to go with the flow of the gusher and concentrate on satisfying the demands it put on their resources and capabilities, often at the temporary expense of other core processes. They found that firms were not averse to reorganizing the physical layout to improve the flow of materials. This management of material flows was achieved through attention to lot sizes, changing transfer batch sizes, changes in plant layouts, reducing work-in-process inventories and improving control of planning and scheduling.

The following operational and process changes are necessary in order to successfully compete internationally.

In order to make a significant improvement in overall factory material flow, and hence reduce manufacturing lead times, managers and operators must make hundreds of focused interventions and problem-solving investigations. The use of Pareto-type analysis to separate the 'vital few from the trivial many' is an excellent

tool to clarify and prioritize choices, but most striking though is their sustained commitment to learning about their processes and continuous improvement. This was found also by Campbell-Hunt et al. (2001). One of the major benefits of reducing manufacturing throughput time has been the ability to detect quality problems in real time.

Those firms with more stable demand patterns and repetitive operations tend to favour internal and external kanban systems for some product lines and a requirement philosophy for others. Firms with distributors or offices in over 50 countries worldwide must ensure that orders placed at various stages in their supply chain do not create excessive variability in factory demand. If a firm aims to increase the ability to forecast sales by improving feedback systems from offshore distributors and warehouses, then this leads to decreased variability in factory demand and therefore greater ability to cope with remaining fluctuations. An issue for many companies is the lead times for the supply of some raw materials and components from overseas (Campbell-Hunt et al., 2001).

In order to achieve better customer responsiveness and to control costs, one of the most important interventions has been the reduction of manufacturing lead times. This has meant improving operational and labour flexibility and the physical flow system (Campbell-Hunt et al., 2001).

The use of design to make manufacture and assembly techniques easier receive far greater attention in successful global companies than in the typical New Zealand domestic manufacturer (Corbett, 1996, 1998). An important aim of the design process has been to maximize the commonality of parts and assemblies so that market customization occurs at the latest possible stage of the process. There is high importance given to manufacturing throughput time reduction, and the associated process redesign, selective automation and set-up time reduction (Campbell-Hunt et al., 2001).

Networking

An effective knowledge gathering strategy that any business can participate in is networking. Not only is this an excellent means of gaining up to date industry related knowledge, it also is an effective way of getting known and obtaining leads for business opportunities, even forming groups to gain collective strength. The advantages of networking are just as relevant for global firms as it is for domestic firms.

In order to succeed in international markets firms have to learn about their markets, cultures and institutions. SMEs, in particular, tend not to have adequate internal resources to gain relevant knowledge and so are dependent on external sources. Several studies have found that firms acquire resources, in particular market knowledge, through business and social relationships (Johanson and Vahlne, 1990; Chetty and Campbell-Hunt, 2002; Hadjickani, 1997; Agndal and Chetty, 2005). Holm et al. (1999) highlights how mutual commitment in these networks leads to value creation. Furthermore, a firm's relationships with their customers, distributors and suppliers can instigate its entry into new markets (Agndal and Chetty, 2005).

Participation in networks helps to show how many opportunities really exist, reminding the CEOs to concentrate on the opportunities rather than the obstacles,

inspiring managers, making them more optimistic about their opportunities (Chetty and Patterson, 2000).

Madhok (1997) even goes as far as to say that companies can no longer be competitive in a global market without, to some extent at least, collaborating with other business. This is particularly true in a small, open, isolated economy such as New Zealand. Also, firms with a small domestic market have less chance of achieving economies of scale in research and development, manufacturing or marketing, unless they network with other businesses.

There is growing interest in localized networks, where many firms within a sector are clustered in distinct geographic regions. Firms within these clusters derive support and competitive advantage through highly localized inter-firm relationships, place-specific history, economic factors, values and culture. Brown and McNaughton (2002), make mention of clusters in the following way;

Clusters are increasingly seen as the driving force of international trade. They are credited with providing the environment for developing leading-edge technology, the acquisition and use of information, and innovation through co-operation and competition between firms within the cluster (p. 3).

They are interconnected companies, within geographic concentrations, comprising specialized suppliers, service providers, and firms in related industries and associated institutions in particular fields that compete but also co-operate, and are referred to by Porter (1998) as follows;

They form a network that occurs within a geographic location, in which the proximity of firms and institutions ensures certain forms of commonality and increases the frequency and impact of interactions (p. 226).

And McDonald and Vertova (2002) indicate that firms within clusters may obtain economic advantages by geographical proximity that could otherwise not be achieved.

Networking can be categorised into informal or soft networking, and formal or hard networking.

Chetty and Patterson's (2000) study results show that a soft business network usually precedes a hard business network, as businesses begin their dealings with an interpersonal relationship in order to build trust and knowledge of one another. Furthermore they found that the quality of the soft network impacts greatly on the quality of the hard network. The evidence from their study showed that companies continue to be aware of developments in each other's capabilities and repeat business is likely. They found that the soft network is the essential foundation of the hard network and even within a soft network, companies are looking for ways to get tangible value.

"Soft networks enable companies to build an awareness of important players in the industry and to get to know them so that they can get access to this experience" (Chetty and Patterson, 2000, p. 13).

The crucial role that soft networks play in developing internationalisation capability should be recognized, as they yield benefits that seldom occur within hard networks. Such outcomes as friendships, inspiration, confidence, and changes in focus, are important and contribute to business confidence. And so consequently, Chetty and Patterson (2000) have concluded that although companies may view their main reason for participation in soft networks is to facilitate the formation of hard networks, they should not consider that the network has failed should these not eventuate. Other opportunities for hard networks may eventuate from the same soft network relationships. Even to the point that since networks are ever extending and unpredictable, they should recognize the importance of retaining soft relationships as they act as ties by opening up business opportunities in other networks.

Another form of networking activity is referred to as Joint Action Groups (JAGs). These are network schemes formed within an industry with the aim of encouraging and co-operating in export markets. The advantage of JAGS is that, with long-term collaboration, members will gain competitive advantage through benefits of size and through working on common projects such as joint export marketing, manufacturing, and research and development.

In their study of Telecommunications Exporters of New Zealand (TENZ), Chetty and Patterson (2000) refer to this co-operation within JAGs;

By co-operating, they create opportunities that would be unavailable to them as individuals and allows them to learn from each other's export experiences. In a JAG, members have to develop trust and establish a line between co-operation and competition. This informal exchange of information and resources is called a soft network (p. 6).

After a while JAGs evolve into hard business networks. JAGS act as incubators for hard business networks, which require companies to be more committed than in a JAG. Nonetheless, in a hard business network, companies retain their individual identity (Chetty and Patterson, 2000).

Small firms will benefit from the total value created in their network, but their share of these benefits will depend on their bargaining power within the network. Small companies tend to act as subcontractors to larger companies, thus allowing them the opportunity for ongoing work and the opportunity to build up their capability in working on large projects, and to make up for the larger companies lack of capability in certain areas. In this way, hard networks act as an added value component because the companies are unlikely to be successful if they bid for certain contracts alone. In addition to the tangible benefits that inevitably come from participation in hard networks, learning also occurs.

Firms need to select their business partners carefully to gain access to worldwide distribution networks. They should chose those dealers carefully to build a long-term relationship and insist that these distributors be fully committed to their products (Campbell-Hunt et al., 2001).

Campbell-Hunt et al. (2001) found that "when the firms in their study expand their markets within a region, they use the business network knowledge and experience acquired within one country to expand into neighbouring countries" (p. 43). By

developing a range of these types of alliances, the firms find themselves part of a large knowledge-sharing network, usually global in scope.

Commitment to Globalisation

All firms, domestic and international, require commitment in order to succeed in business. When going global however, commitment can be considered a strategy that demonstrates the fortitude to pursue global markets despite adversity and overburdened resources. It is the element that sets the tone for the whole of a business' drive when going global, because once the commitment to go global has been made, then the whole of the business needs to be committed to the operational changes that this entails.

For instance, most of the firms in the Campbell-Hunt et al. (2001) study displayed a strong commitment to cross-functional multiskilled teams that operate with considerable autonomy and decision-making discretion. There was commitment to training programmes that combined the development of appropriate technical and personal competencies with the organisation's core values. Furthermore, strong personal commitment to New Zealand made a difference to strategic direction. This commitment springs from the personal values of CEOs and senior managers, and affected decisions in manufacturing location, supplier choice, and marketing strategies.

Commitment to the globalisation direction also affects a firm's agility, and the agility of a firm often makes the difference between a successful global venture or being overtaken by overseas competitors closer to the markets being pursued. An agile organisation has employees who can rapidly assess the need for change, and quickly alter resource deployment. Spontaneous collaboration, initiative and rapid learning are also key characteristics. Key features that promote agility are;

- A strong commitment to cross-functional multiskilled teams, operating with considerable autonomy and decision-making discretion.
- A commitment to training programmes that combine the continuous development of a broad range of skills with the articulation of the organisation's core values.
- The development of cultures of mutual benefit and long-term commitment, supported by reward systems that linked remuneration to the performance of the team or enterprise.

(Campbell-Hunt et al., 2001)

Furthermore, the need for commitment is highlighted because transaction costs internationally are qualitatively higher than transaction costs domestically. In addition, international factors add to the complexity and uncertainty of doing business abroad to such an extent that many firms, especially SME's, choose not to pursue international opportunities (Peng, 2006).

Resources, Capabilities, Coherence and Competencies

An operations strategy is concerned with setting broad policies and plans for using the resources of the firm to support the firm's long-term competitive strategy. In order to understand operational strategy, it is important to understand what an organisation's resources and capabilities are; to assess the competencies that make up its competitive advantage. An organisation's resources are quite different from its capabilities, although both can be either tangible or intangible in nature.

Resources are assets, which are relatively long-lived attributes that an organisation can draw on repeatedly to create distinctive market value. Firms can invest in these assets and nurture them over time to improve their competitive potential. However, potential is not the same thing as demonstrated capability. A capability is the application of assets to some use to create a competitive advantage. Capabilities refer to abilities, skills, knowledge, routines and relationships that a firm has built. So, there are benefits to analyzing a firm's competitive advantage at the level of demonstrated market capabilities, rather than of resource potentials.

Tangible assets such as machines can usually be brought on open markets, but it is much harder to obtain the assets of trust and goodwill, that can accumulate in networks of relationships, between the firm and its external business partners, or internally with the firm's employees, or with firms customers.

In contrast to resources, competitive capabilities can be expected to be valid only for the specific market conditions, and the time in which they are applied. As conditions change, a firm will need to re-establish a capability to compete in the new environment. Capabilities demonstrated will not necessarily succeed at other times or in other market places (Campbell-Hunt et al., 2001). For clarity, a table of resources and capabilities with examples is provided below;

		<i>Tangible</i>	<i>Intangible</i>
Resources (Assets)	Physical	<ul style="list-style-type: none"> Plants, offices, equipment, furniture 	<ul style="list-style-type: none"> Access to raw materials Access to distribution channels
	Technology	<ul style="list-style-type: none"> Patents, trademarks, copy rights 	<ul style="list-style-type: none"> Goodwill
	Organizational	<ul style="list-style-type: none"> Control mechanisms Computer networks & software Integrated management information system 	
Capabilities (Abilities & Skills)	Financial	<ul style="list-style-type: none"> Ability to generate internal funds 	<ul style="list-style-type: none"> Ability to raise external capital
	Technology	<ul style="list-style-type: none"> Skills that generate leading-edge products & services Trade secrets 	
	Organizational	<ul style="list-style-type: none"> Formal plans Control Systems 	<ul style="list-style-type: none"> Organizational structure Routines Firms vision
	Human	<ul style="list-style-type: none"> Education Qualifications 	<ul style="list-style-type: none"> Knowledge Experience Trust Relationships Talents Organizational culture
	Innovation	<ul style="list-style-type: none"> Research & development 	<ul style="list-style-type: none"> Generation of new ideas Supportive atmosphere
	Reputation	<ul style="list-style-type: none"> Physical quality product 	<ul style="list-style-type: none"> Leverage of reputation as provider of good service Attractive employer Perception of quality Social responsibility

(Adapted from Table 3.1, Peng, 2006, p. 78)

Capabilities that are based on intangible resources such as experience, knowledge, routines, and relationships are an important source of competitive advantage and are developed over time. The more difficult a capability is to buy, sell or imitate, the greater is its value (Amit and Shoemaker, 1993; Collis, 1991; Chetty and Patterson, 2000).

Researchers in the field of operations management describe six broad categories of competitive capabilities: cost, quality, flexibility, delivery, service and innovativeness. These are manufacturing-based capabilities and the most common order winner claimed by the firm's studied by Campbell-Hunt et al., (2001) is their innovativeness. This encompasses their product design capabilities, the harnessing of leading edge technologies and being first to market.

There are three attributes of the overall portfolios of competitive capabilities that become clear through the studies of Campbell-Hunt et al (2001):

1. Scope – the sheer number of competitive capabilities evident in each enterprise;
2. Balance – each capability is strong enough to meet the demands made on it by others, and by the organisation as a whole;
3. Coherence – all capabilities come together in a mutually supportive whole, which several firms see as the ultimate differentiator of the organisation's competitive appeal.

(p. 27)

Campbell-Hunt et al., (2001) provide insight from the managers of the firms they studied. These managers told Campbell-Hunt and his team very clearly that a simple list of apparently distinct capabilities does not get to the heart of the competitive advantage of their enterprise. Rather, it is the firm's ability to bring together all its diverse activities and capabilities together into a coherent whole, delivering an integrated bundle of value to the ultimate consumer that is the most powerful competitive differentiator.

It is the organization as a whole that is the competitive weapon, and so focusing on individual resources takes attention away from the more important property of organizational coherence. Coherence is the firm's ability to weave all of its resources and strategies into a mutually-supportive competitive entity. Within a configuration, the power of an individual capability is really the product of the power of the whole system, and it is dangerous to think of each making its own independent contribution. Central to the process of continuous adaptation to a changing environment is the property of coherence, an attribute highly valued for its competitive power- constantly pursued, yet shifting and elusive (Campbell-Hunt et al., 2001).

Having a highly skilled workforce provides a firm's competencies. The firms in the Campbell-Hunt et al. (2001) study are strong believers in having a highly skilled workforce. They go out of their way to recruit highly qualified people and invest in their continuing education. In all cases there is a consistent use of teams to focus on problem-solving, quality responsibility and process improvement initiatives. All claim they have achieved increased labour force flexibility by being able to cross-train, multiskill and deploy workers widely throughout the factory.

In another study of New Zealand business practices and performance, Knuckey and Johnston, et al (2002) found that “with the exception of customer focus, all aspects of business practice become more prevalent as export intensity rises. Aspects of good business practice appear to grow in importance as firms become more active offshore, especially the practices of innovation, quality, and leadership and planning” (p. 130).

Flexibility is seen as increasingly important in operations. New Zealand managers have often cited the achievement of greater flexibility as something that has improved their firm's performance in response to the heightened competition of recent years (Corbett, 1996). Internally, flexibility speeds up responsiveness, saves time and improves dependability. Externally, customers see that the firm can respond quickly to an order, alter the delivery time to suit and offer a broad product range. Labour flexibility is an important contributor to firm's flexibility. By this is meant multiskilling and the ability of the operators to rotate jobs through cross-training (Campbell-Hunt et al., 2001). This increased flexibility is therefore achieved through the increased competency of a firm's personnel, which in turn reflects a firm's competitive advantage.

Competitive Advantage

It is important when considering and formulating strategies, that these strategies realise the competitive advantage a firm has. This is particularly so for SME's going global. The high-level and operational strategies above should all be put in place, bearing in mind the firm's competitive advantage. For this reason, this literature review also researched competitive advantage.

All firms, large and small, engaging in group-based competition can draw on two sources of competitive advantage. The first is group-based advantage, which is derived from who is in the group and how the group is managed. Competing groups are usually driven by the same underlying economic factor, such as economies of scale and scope. But, precisely how the groups respond to these factors differentiates one from the other. The second source of advantage available to firms is firm-based advantage, which is derived from the distinctive capabilities of each firm (Gomes-Casseres (1997), cited in Audretsch, 2003).

Campbell-Hunt et al., (2001) state that the resource-based view of the firm would predict that a New Zealand-based enterprise must differentiate itself in some way from its offshore competitors. It would also predict that the most likely source of that differentiation would be whatever attributes from its home environment a firm can turn into global advantage. New Zealand business is likely to make a rather poor copy of American, European or Asian models. But instead they need to find their own paths to create global advantage from their distinctive New Zealand context.

Jay Barney (1997) suggested four criteria that must be met to support a sustainable competitive advantage. Collectively, these criteria are known by the acronym VRIO:

Value, a resource or capability contributes to creation of market value.

Rarity, a resource or capability must be rare or somehow distinctive to the firm.

Imitatability, a resource or capability is hard to imitate.

Organisation, the value created by a resource or capability must be uniquely appropriable to the organization. Resources or capabilities must be useable

by the firm to a distinctive degree (eg. network of supplies or a reputation for honest trading).

(adapted from Table 1.1, Campbell-Hunt et al., 2001)

All of these resources or capabilities are intangible in character; this is what makes them distinctive to the firm and hard for competitors to copy. In contrast, tangible assets, such as machines, can usually be bought on open markets. A good test is to ask whether the resource can be traded without selling the firm itself. If it can, it is not a basis for uniquely appropriable value. Any resource the firm can buy on the open market is also available to its competitors and therefore cannot be the basis for a distinctive advantage. Each type of resource can be expected to create distinctive value for the firm in terms of competitive advantage (Campbell-Hunt et al., 2001).

Campbell-Hunt et al. (2001) makes an important observation regarding the competitive advantage retained through technological knowledge a firm possesses. "For high-technology products, the key to market success often lies in sharing some of the firm's knowledge with customers. Technology strategy therefore is not just about the tangible aspects of product, process or service hardware, but about the knowledge that is embodied in the firm's output, together with the processes of learning and implementation associated with that knowledge. For a firm to acquire and use knowledge, it must contain prepared ground, which is built up through prior experience and having related knowledge. In other words, a firm must have a certain level of existing technological knowledge in order to recognize the potential of new information or technology" (p. 46).

Firms need to not only be prepared to listen, but also prepared to cut across conventional professional boundaries. For instance, to create knowledge-generating relationships with customers, it is not only service or marketing staff that go out and meet with customers, but also engineers and designers (Campbell-Hunt et al., 2001).

An observation the Campbell-Hunt et al. (2001) also made relating to competitive advantage of New Zealand firms is that the New Zealand market is especially smart and demanding, and so is an excellent ground for learning and innovation. New Zealand has a reputation as an early new technology adopter, and the excellence of our more traditional industries is a platform for innovation.

Companies have leveraged off the learning associated with each vintage of product and with each generation of customer. This learning is vital to subsequent innovation. Leverage is the use of one successful experience or attribute to achieve a new level of success, often in a different area. As with a physical lever, the effort associated with the first experience or attribute has a magnified effect in facilitating the next. Leverage is associated with learning where lessons learnt from one experience to the next development phase apply (Campbell-Hunt et al., 2001).

Research and Development

To become successful and remain successful as an international manufacturer, a firm needs to invest in research and development. New and upgraded products are being developed at an ever increasing rate globally, and consequently the life span of products is becoming less and less as products become redundant or superseded.

This product trend is referred to by Duijnhouwer, cited in Veciana (1994). As he puts it, new products are being developed at an increasing pace, thus the life cycle

of products is diminishing. As a result, the period of time a product remains profitable is becoming shorter and shorter. So together with the creation of a world market, this has intensified international competition. This intensified competition forces companies to incorporate the latest gimmicks and the newest technology into their product and to work with the newest machines. The life span of new techniques therefore decreases, while at the same time the cost and complexity of technology rise, particularly due to the use of micro-electronics. This makes it increasingly difficult to recoup investments in research and development, while the risk of these investments becomes greater.

There is no doubt that, for many firms, substantial investment in research and development is their major source of new knowledge and innovations. Over several decades, firms have built substantial research and development capabilities in a range of disciplines that represent a priceless reservoir of historical learning and tacit knowledge. The firms are very aware that to carry out effective research and development they must recruit and retain technically skilled people. This become even more important as the complexity of product technology increases and as production methods are streamlined (Campbell-Hunt et al., 2001).

Another common pattern is to use the financial success of one phase of development to fund the next phase. Profits from one phase are then fed into the development systems (Campbell-Hunt et al., 2001).

Firms strive for engineering control and more efficient processes. Campbell-Hunt et al. (2001) talk about the firms in their study striving for engineering control through work on set-up times, changeovers and regular investment in more sophisticated technology.

Successful firms spend considerable amounts on research and development, and consider this vital for their ongoing success. Substantial investments have been made in AutoCAD-type software and three-dimensional solid modelling, as well as extensive in-house capability in precision tooling work and product and process engineering. This enables tighter control on output quality (Campbell-Hunt et al., 2001).

"Information technology has become an important part of the manufacturing strategy for some of these firms, especially with investments in CAD and the recent development of appropriate tools and packages that fit into ERP systems. These help to deal with complexity and variety issues" (Campbell-Hunt et al., 2001, p. 81).

Manufacturing automation is also being invested in, in order to make savings in labour costs. Campbell-Hunt et al. (2001) refer to the steady investment in higher levels of factory automation. He mentions robotic systems that tend to be of a simple design and aimed at improved material handling and labour savings, because the cost of suitable robotic systems is falling quickly.

5 Research Design and Methods

5.1 Research Design

Research design is the plan and structure of investigation in order to answer the research question, which for this study is “What strategies will position New Zealand manufacturing SMEs for international markets?”

The design is a plan for selecting the sources and type of information relevant to the research question. Furthermore, it is a framework for specifying the relationships among the study's variables, as well as the blueprint for outlining all of the procedures from the hypothesis to the analysis of data.

Research design may be viewed from a number of perspectives, as described by Emory and Cooper (1991).

1. The degree to which the research problem has been crystallized.
2. The method of data collection.
3. The power of the researcher to affect the study
4. Whether the study is experimental or ex post facto (retrospective).
5. The purpose of the study, is it causal or descriptive?
6. The time dimension
 - Cross-sectional or longitudinal
7. Whether the study uses a case study or statistical study method.
8. The research environment
 - In a field setting or laboratory

The degree of research problem crystallization is the distinction between the degree of structure and the immediate objective of the study. The objectives of this study are to find the most successful strategies for New Zealand manufacturing SMEs to use to capture global markets, and then compare these strategies in order to discover their advantages and disadvantages, and thereby to find key strategic directions for New Zealand manufacturing SMEs to use when entering into specific international markets.

The method of data collection distinguishes between monitoring and interrogation processes. Monitoring includes observational studies and the inspection of the activities of a subject. Interrogation is where the researcher questions the subjects and collects responses by;

1. Personal interview face-to-face or telephone
2. Self-administered or self-reported instruments sent through the mail or email, or obtained electronically eg. webpage entry,
3. Instruments presented before and/or after a treatment or stimulus condition in an experiment.

Only what has happened or what is happening can be reported and it is important that the researcher does not influence the variables; else bias would be introduced. Therefore the researcher is limited to holding factors constant by judicious selection of subjects according to strict sampling procedures.

Experimental designs are where the researcher attempts to control or manipulate the study, causing variables to be changed or held constant as necessary to achieve the research objectives. With ex post facto or retrospective design, the researcher does

not have control over manipulation of the variables in the way experimental designs do. Emory and Cooper (1991) make the point that “ex post facto design is widely used in business research and often is the only approach feasible. In particular, one seeks causal explanations between variables that are impossible to manipulate. Not only can the variables not be manipulated, but the subjects usually cannot be assigned to treatment and control groups on an a priori basis” (p. 160).

The difference between descriptive and causal studies lies in their objectives. If the research is concerned with finding out who, what, where, when or how much, then the study is descriptive. If on the other hand the research is concerned with why, or how one variable affects another, then it is causal.

The research is described as cross-sectional if it is a snapshot of one-point in time, but longitudinal studies are repeated over an extended period of time appropriate to the research.

The statistical study differs from the case study in that statistical studies are designed for breadth rather than depth, attempting to capture the characteristics of a population by making inferences from a sample of items. Hypotheses are tested quantitatively rather than qualitatively. Generalizations about findings are presented based on the representativeness of the sample and the validity of the design. Case studies place more emphasis on a full contextual analysis of a limited number of events or conditions and their interrelationships. The reliance on qualitative data makes support or rejection more difficult. Case studies do have a significant scientific role. A single, well-designed case study can provide a major challenge to theory and provide a source of new hypotheses and constructs at the same time (Emory and Cooper, 1991).

The research environment may be set in a laboratory in a controlled environment, or in the field where observations and descriptive studies take precedence.

5.2 Research Strategy

An ex post facto, descriptive and exploratory case study approach was selected as an appropriate research strategy adopted for this study to examine the research question. The case study is used by Chetty and Campbell-Hunt (2000, 2002), as well as Eisenhardt's (1989) and Yin (1994), whereby the unit of analysis is the firm and multi-cases are used rather than a single case. Yin (1994) considers a case study approach effective in investigating contemporary phenomena and contextual conditions in real life situations. His definition of a case study is;

1. A case study is an empirical inquiry that;
 - Investigates a contemporary phenomenon within its real-life context, especially when
 - The boundaries between phenomenon and context are not clearly evident.

2. The case study inquiry;
 - Copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
 - relies on multiple sources of evidence, with data needing to converge in a triangulative fashion, and as another result
 - benefits from the prior development of theoretical propositions to guide data collection and analysis

(p. 13).

This latter part of his definition identifies technical characteristics and specific aspects of data collection and data analysis relevant to case study investigations. Yin explains the relevance of the case study method to cover contextual conditions where these are considered pertinent to the area of study.

There has been debate on the limitations of case studies. The limitations most often cited are

1. Limited scope for making valid comparisons (Cooper and Swindler, 1998, p. 13),
2. Limitations inherent in drawing conclusions from a single study and in generalizing concepts and theories to other settings (Easterby-Smith, Thorpe, and Lowe, 1991, p. 41; Yin, 1994, p. 10).

However, the case study method is more appropriate to discover insights and perspectives regarding the strategies for SMEs going global, because the different experiences of each and every business provides insights that may not necessarily be generalisable. Accordingly, a retrospective exploratory approach for studying each case was used to compare the literature review with the findings

5.3 Research Approach

The nature of this particular exploratory case study approach emphasizes qualitative techniques. "A qualitative research approach is consistent with the need to draw data from a variety of sources and methods to enable triangulation of evidence to gain a wider perspective on the phenomenon being studied, and to ensure validity and reliability of results" (Mathison, 1988, p. 15).

Van Maanen (1983, p. 9 cited in Easterby-Smith, Thorpe, and Lowe, 1991, p. 71) defines qualitative methods as an "array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomenon in the social world." An understanding of the meaning of events and issues is important in the context of this research study. This research is designed to investigate the strategies New Zealand manufacturing SMEs have used when venturing into global markets and to understand what worked and why it worked. In deciding to use a qualitative approach Easterby-Smith, et al. (1991) consider "the key question is whether the quality of experience is more important than the frequency of opinions and events" (p. 115).

The advantages of qualitative analysis are explained by Denscombe (1998);

The data and the analysis are 'grounded'. A particular strength associated with qualitative research is that the descriptions and theories such research generates are 'grounded in reality'. This is not to suggest that they depict reality in some simplistic sense, as though social reality were 'out there' waiting to be 'discovered'. But it does suggest that the data and the analysis have their roots in the conditions of social existence. ...

There is a richness and detail to the data. The in-depth study of relatively focused areas, the tendency towards small-scale research and the generation of 'thick descriptions' means that qualitative research scores well in terms of the way it deals with complex social situations. ...

There is a tolerance of ambiguity and contradictions. To the extent that social existence involves uncertainty, account of that existence ought to be able to tolerate ambiguities and contradictions, and qualitative research is better able to do this than quantitative research (Maykut and Morehouse 1994:34). This is not a reflection of a weak analysis. It is a reflection of the social reality being investigated. ...

There is the prospect of alternative explanations. Qualitative analysis, because it draws on the interpretive skills of the researcher, opens up the possibility of more than one explanation being valid (p. 220).

However qualitative analysis has disadvantages as also explained by Denscombe (1998);

The data may be less representative. The flip-side of qualitative research's attention to thick description and the grounded approach is that it becomes more difficult to establish how far the findings from the detailed in-depth study of a small number of instances may be generalized to other similar instances. ...

Interpretation is bound up with the 'self' of the researcher. Qualitative research recognizes more openly than does quantitative research that the researcher's own identity, background and beliefs have a role in the creation of data and the analysis of data. ...

There is a possibility of decontextualising the meaning. In the process of coding and categorizing the field notes, texts or transcripts there is a possibility that the words (or images for that matter) get taken literally *out of context*. The context is an integral part of the qualitative data. ...

There is a danger of oversimplifying the explanation. In the quest to identify themes in the data and to develop generalizations the researcher can feel pressure to underplay, possibly disregard, data that 'doesn't fit' (p. 221).

These advantages and disadvantages were considered in the design and selection of data collection and analysis methods.

An exploratory approach was used to gain an appreciation of the complexities experienced by each case investigated. Exploratory studies are particularly useful when the researcher lacks a clear idea of the problems that they will meet in the course of the study. It was exploratory study that was used to learn something about the problems encountered by the interviewees. The literature review was used also as a means of exploration and has been given a section of its own because of its importance. This means of exploration provides an excellent background on the areas of interest and supplies a number of strategies to ask participants about in interviews.

5.4 Research Methods

Yin (1994) explains that there are advantages and disadvantages associated with major sources of evidence, and that using multiple sources increases the validity of the data and information base. Table 5.1 identifies what Yin regards as strengths and weaknesses of particular sources of evidence.

Table 5.1: Six Sources of Evidence: Strengths and Weaknesses

Sources of Evidence	Strengths	Weaknesses
Documentation	Stable – can be reviewed repeatedly. Unobtrusive – not created as a result of the case study. Exact – contains exact names, references, and details of an event. Broad coverage – long span of time, many events, and many settings.	Retrievability – can be low. Biased selectivity – if collection is incomplete. Reporting bias – reflects bias of authors. Access – may be deliberately blocked.
Archival Records	<i>(same as above for documentation).</i> Precise and quantitative.	<i>(same as above for documentation).</i> Accessibility due to privacy reasons.
Interviews	Targeted – focus directly on case study topic. Insightful – provides perceived causal inferences.	Bias due to poorly constructed questions. Response bias. Inaccuracies due to poor recall. Reflexivity – interviewee gives what interviewer wants to hear.
Direct Observations	Reality – covers events in real time. Contextual – covers contextual event.	Time-consuming. Selectivity – unless broad coverage. Reflexivity – event may proceed differently because it is being observed. Cost – hours needed by human observers.
Participation – Observation	<i>(same as above for direct observations)</i> Insightful into interpersonal behaviour and motives.	<i>(same as above for direct observations)</i> Bias due to investigators manipulation of events
Physical Artifacts	Insightful into cultural features. Insightful into technical operations.	Selectivity. Availability.

(Source: Yin, 1994, p. 80)

The comparison above indicates that interviews do have advantages of being targeted and insightful. Both of these are important for this study. However, it also shows that there are potential weaknesses if the interviews are not carefully constructed and bias or inaccuracies of recording the interview are not prevented. Due attention to prevent bias and inaccuracy of recording interviews was therefore given.

In the New Zealand economy many firms are unlisted companies, so this project was guided in its selection of research firms by internet search findings and NZ Trade and Enterprise (NZTE) representatives who are familiar with a wide range of firms trading internationally.

Six firms were selected on the basis of their history and represent manufacturing firms that fit into the definition of SME's in this study, having less than 500 employees. Selection of these six firms was made for personal interviews, with the businesses interviewed having experience in global markets and willing to be interviewed. Unfortunately, one interviewee was not able to be interviewed because of his commitments abroad.

The sources of information used to gather data from each firm, included obtaining documentation, annual reports and archival records, interviews, website retrieval, and observations. The main form of data gathering was the personal face-to-face

interview. To get the historical coverage and authorized information the chosen sources in each organisation was the Managing Director or Chief Executive Officer. The primary research question centered on the strategies used by the firms when going global; what was successful and what was unsuccessful. The interviews lasted a period of 60-90 minutes, introducing the project to the Managing Director or Chief Executive Officer and gathering information about the firm's strategic history and evolution of its competitive advantage. It focused on important issues requiring further clarification that was not clear in the information gathered from their website.

The personal interviews carried out were two-way conversations initiated by the interviewer to obtain information from the respondent. It was important that the interviewer asked the questions properly, record responses accurately, and probe meaningfully. Personal interviews normally have a good cooperation from respondents, providing an opportunity for the interviewer to answer questions about the survey as well as probe for answers, ask follow up questions and gather information by observation. This was certainly the case in all the interviews carried out. However, they did have a relatively high cost because of the time needed collecting the data, the wide geographic dispersion of interviews carried out and therefore high travel costs.

Drafts of the case studies were provided to the interviewees for comment and they provided feedback and comments on the interpretation of the interviews. These case studies were then categorized by the topics under study in this research paper and compared to other research findings in the literature review.

Comparisons of information between interviewees and documentation provided common tendencies, which were then compared with the findings from the literature review.

5.5 Data Collection

Data collection and analysis for this project were concerned with sourcing information to understand the key issues identified in the research question and objectives. These topics include high level strategies and decisions in conjunction with operational factors to be addressed when going global.

Documentation, annual reports and archival records relating to each subjects globalisation and strategies were access, as well as information about the business and their history were downloaded from their websites. These formed the basis of their case histories. Promotional material was obtained during the site visits and information was obtained from NZTE if they had any information on the subjects selected, where this information was in the public domain.

It was not possible to obtain specific strategic plans from these businesses, or any other commercially sensitive material because each business is in a competitive environment and regarded this information as confidential.

Survey methods considered for this project were personal face-to-face interviews, telephone interviews and mailed questionnaires. Czaja and Blair (1996) have compiled a comparison of major survey methods that addresses a range of aspects of survey research and compares various features of mailed questionnaires, telephone interviews, and face-to-face interviews.

Table 5.2: Comparison of Major Survey Methods

Aspect of Survey	Mailed Questionnaires	Telephone Interviews	Face-to-face Interviews
Administrative, Resource Factors: Cost Length of data collection period Geographic distribution of sample	Low Long (10 weeks) May be wide	Low/medium Short (2-4 weeks) May be wide	High Medium/Long (4-12 weeks) Must be clustered
Questionnaire Issues: Length of questionnaire Complexity of questionnaire Complexity of questions Control of question order Use of open-ended questions Use of visual aids Use of personal records Rapport Sensitive topics Nonthreatening questions	Short/medium (4-12 pages) Must be simple Simple to moderate Poor Good Very good Rapport Good Good	Medium/long (1/4-3/4 hour) May be complex Must be short and simple Very good Fair Usually not possible Fair Good Fair/good Good	Long (1/2-1 hour) May be complex May be complex Very good Good Very good Good Very good Fair Good
Data Quality Issues: Sampling frame bias Response rate Response bias Knowledge about refusals and noncontacts Control of response situation Quality of recorded response	Usually low 45-75% Med/high (favour more educated people) Fair Poor Fair/good	Low (with RDD) 60-90% Low Poor Fair Very good	Low 65-95% Low Fair Good Very good

(Source: Adapted from Czaja and Blair, 1996, p. 32)

Consideration of these comparisons, in particular the ability to ask complex questions, the ability to use open-ended questions to find out more about the reasoning behind certain strategies, the ability to control the question order, the ability to gain rapport with the participant, as well as record the answers in their own words, the scope of the project, and the need to gain insights from people with an understanding of particular issues associated with going global, all led to the selection of face-to-face interviews as the primary survey method. The comparisons confirmed that personal interviews were suitable for complex, relatively long interviews where the interviewer could maintain control over the question sequence, and response. The use of open-ended questions was appropriate for this method and helped delve into the reasons why certain strategies were undertaken. The quality of the recorded responses was considered to be very good.

The disadvantages of using face-to-face interviews includes the cost of the method, which included a 6 hour trip to Auckland, the length required for the interview period, the issue of commercially sensitive topics not getting a response, and the potential for sampling frame bias and response bias. These factors were taken into consideration in the design of the interview questionnaire, the selection of the respondents and the recording of their responses.

To prevent inaccuracies of recording, the interviews were taped and transcribed. The interview results were then combined with their documentary evidence, where provided by the company, to produce a detailed case history of each firm and findings from the interview questions (refer Appendix 2).

The transcripts of the interviews and documentary evidence, including information from their websites was combined to produce their history and categorised findings. The interviewees were provided these case histories and findings specific to their business and asked to comment on these. The findings from the interviews were then systematically searched for global market strategies, and the information was compared and analysed for common trends, and comparisons with the literature review.

5.5.1 Experience Surveys

The experience survey method was used to gain insight from the experiences and knowledge relevant to the research topic. Cooper and Schindler (1998) make the point that the use of the communications approach to survey or question people to gather primary data is appropriate where respondents have experience and knowledge that qualifies them to provide the desired information. Cooper and Schindler (1998) suggest that “we will profit by seeking information from persons experienced in the area of study, tapping into their collective memories and experiences” (p. 136). Furthermore, they say that “when we interview persons in an experience survey, we should seek their ideas about important issues or aspects of the study and discover what is important across the subjects range. The investigation format we use should be flexible enough so that we can explore various avenues that emerge during the interview” (p. 137).

This was taken into consideration when establishing the template of topics and sequences to be explored during the interviews. By seeking information from persons experienced in the area of study, this helps to get an accurate picture of the current situation by obtaining the views of those believed to know what is going on. “If the last interviews taken turn up some new information of value, then we have not gone far enough. We should keep going until our findings duplicate what we know” (Emory and Cooper, 1991, p. 146).

“When we interview people, we should seek their ideas about which are the important issues or aspects of the subject. The investigative format we use should be flexible enough so that we can explore various avenues that emerge during the interview. We seek to learn what is being done, what has been unsuccessful, what has been successful, what problems and barriers occurred, and what the interviewee’s priorities were” (Emory and Cooper, 1991, p. 146).

Emory and Cooper (1991) suggest that typically in exploration, we are less interested in getting a representative cross-section view than in getting information from those sources that might provide insights.

5.5.2 Survey Participants

The need to access “collective memories and experiences” for insight, guided the selection of interviewees. A key issue was to include people from a range of backgrounds with different experiences from which to draw from. Each interviewee

needed to be a CEO or a manager with overall responsibility within the business, having sufficient knowledge of the history of the global experiences that relate to the strategies and decisions made at the time of initial globalisation and subsequent international experiences.

The intention was to gather information from “insightful sources” (Cooper and Schindler, 1998, p. 136). The selection of businesses was intentionally made from a wide variety of manufacturing disciplines, located in a variety of places in New Zealand. Selection could not be confined to a single location nor manufacturing sector in order that the findings of this research might apply to a wide range of New Zealand businesses intending to go global.

It was felt that 5-6 interviews would provide sufficient cross section of experience, yet this would not be too many given the limitation of time for the study. Participants were approached individually. Six people were contacted for interviews; one person was not able to be interviewed because of his commitments to business trips abroad. Five people were therefore interviewed, as listed in Appendix 4.

5.5.3 Interviews

Interviews are widely used for case study research. These interviews may take several forms. As Yin (1994) explains, case study interviews are of an open-ended nature, in which the interviewer can ask respondents for the facts of a matter, as well as for the respondents’ opinions about events. In some situations, the interviewer may even ask the respondent to propose his or her own insights into certain occurrences and may use such propositions as the basis for further inquiry. The more that a respondent assists in this manner, the more that the role may be considered one of an “informant” rather than a respondent. Key informants are often critical to the success of a case study.

Of course, you need to be cautious about becoming overly dependent on a key informant, especially because of the interpersonal influence – frequently indefinable – that the informant may have over you. A reasonable way of dealing with this pitfall again is to rely on other insight by other such informants and to search for contrary evidence as carefully as possible (Yin, 1994, p. 84).

The research design for this study endeavoured to use the features of interviews of key informants with reference back to findings from the literature review to verify insights and findings, comparing these findings for the New Zealand business setting.

Consideration was given to whether to conduct interviews on an individual, personal basis, or to form focus groups. One of the goals of the research project was to gain different perspectives on the theories expressed in various literature on the strategies to be implemented by New Zealand manufacturing SME’s when going global, and this was a significant factor in deciding to conduct personal interviews using an interview questionnaire template. It was decided that focus groups would be too difficult to arrange because of the distance apart of the various businesses and reluctance of the participants to attend because of their commitments. Face-to-face interviews were preferred for this experience survey to enable the range of background experiences of the participants to be explored.

Semi-structured interviews were selected to conduct the experience survey and gain insights on the participants' wide range of experiences. Strategies for going global had been identified in the literature review and it was considered preferable for these to be introduced in a natural sequence, according to the range of experience of the participant, and the development of the interview.

An interview questionnaire template was used, but the interviews were conducted in a way that allowed the flexibility to allow participants to develop issues and expand upon their initial responses. Denscombe (1998) explains this technique:

Semi-structured and unstructured interviews are really on a continuum and, in practice, it is likely that any interview will slide back and forth along the scale. What they have in common, and what separates them from structured interviews, is their willingness to allow interviewees to use their own words and develop their own thoughts. They lend themselves to in-depth investigations, particularly those which explore personal accounts of experiences and feelings (p. 113).

The interview sequence was developed to provide a sense of trust and to relax the participant, allowing them to answer further questions more openly. The interviews were divided into sections;

- A. Introduction (History, ownership structure, general globalisation experience)
- B. High-Level Strategies
- C. Operational Strategies and Resources
- D. Personal Experiences and Lessons
- E. Future Globalisation

The questions progressed from the business history, to overall strategic questions to more specific operational issues, then on to their personal globalisation experiences and any lessons learnt that others could take heed of, finally to what future globalisation is expected.

This interview template was followed quite regimentally, yet allowing flexibility for each participant to expand on their experiences and lessons learnt.

5.5.4 Interview Procedures

Potential interview participants were contacted by telephone and letter to arrange the interview. It was arranged to meet the participants at their convenience because it was realised that they were very busy people with tight timeframes. For their convenience interviews were held at their business premises, so they would feel comfortable. A copy of a letter template is shown in Appendix 3.

At the start of the interview meeting, the interviewer introduced himself and gave some background information on the area of study, the aims of the research, and the nature, purpose and duration of the interview. It was explained that participants did not have to respond to questions they were not comfortable with answering and that they could ask questions at any stage of the interview.

At the commencement of each interview, the participants were asked if they minded having the interview tape recorded. It was explained that this was for accuracy of

recording the information and to allow the interviews to progress smoothly and naturally without pauses being necessary for writing answers and comments. The tape recording of the interviews did not bother any of the participants and the interviews and information was given freely. The interviews were conducted following the interview questionnaire template setting out the sections described above and questions within each section. A copy of the interview questionnaire template is provided in Appendix 2.

Each interview concluded with the participants being asked to raise any issues that they felt were important to the research. Where participants did not wish to discuss topics, their rights were respected. Each participant was thanked for participating at the conclusion of the interview and was asked if the researcher could contact them again if there was a need to clarify information. The taped interviews were transcribed promptly and case histories compiled. The information from each transcription was forwarded to each participant to ensure they were happy about the content, accuracy, and confidentiality being provided.

5.5.5 Interview Bias and Interviewer Effect

All the interviews were carried out in a consistent manner with the same form and procedures, and the participants were treated the same way. The researcher followed the same format for interview preliminaries and conducted each interview using the same interview questionnaire template throughout. A neutral stance on research topics was taken and a role of observant and active listener was adopted. Yin (1994) suggests that:

Being a good listener means being able to assimilate large amounts of new information without bias. As an interviewee recounts an incident, a good listener hears the exact words used by the interviewee (sometimes, the terminology reflects an important orientation), captures the mood and affective components, and understands the context from which the interviewee is perceiving the world (p. 57).

Denscombe (1998) explains that “age, sex, ethnicity, social and occupational status of the participant may influence responses” (p. 316). The interviewer presented himself in a similar way at each interview, in a “manner consistent with the interview setting, and the work role of the respondent” (Babbie, 2007, p. 265).

Most of the interviews were conducted on the businesses premises in the participants’ office. One participant could not be available and so forwarded his responses to the interview questionnaire on the template document and attached this to a return email.

The interviewer asked the questions in a neutral manner, providing clarifications where necessary, being careful not to influence the participant or give leading questions. The interviewer was careful not to antagonise the participant or adopt a judgemental stance. Interviews ranged in length from 60 minutes to 90 minutes, depending upon the range and depth of experience of the participants.

5.6 Data Analysis

Research notes, observations, documents, and transcripts were organised and stored for easy retrieval. Yin (1994) refers to the “desirability of having procedures for data

collection and storage to enhance quality control and maintain reliability of information" (p. 96). From this information, together with the literature reviews, research issues and strategies were identified and structured.

The experience survey approach was consistent with the need to analyse information with reference to a business analysis framework for researching businesses that have gone global. There are fundamental issues that are factors affecting strategic decisions when going global – background conditions; industry environment; market factors including suppliers, customers, and demand; competitive factors; political and regulatory factors; economic factors; socio-community factors; and technological factors (Pickford and Bollard, 1998; Poulin et al. 1998; Lewis et al. 1996; Porter, 2004).

5.6.1 Analysis of Interviews

The information gathered through the literature review was used to develop an interview questionnaire template for the experience survey that was conducted, refer to Appendix 2. The template sections were used as topic guides. Interview responses were recorded individually by tape recorder, and then transcribed notes taken from these recordings. Content analysis methods were used to categorise information by collating all transcribed responses and grouping them under relevant sections and strategies identified in the literature review. The businesses and participants within these businesses had been selected to enable a range of perspectives and viewpoints on topics and issues related to global strategies.

A variety of research methods had been used to gain information; face-to-face interviews, documentation provided by participants; observation of business and manufacturing processes, internet searches, and the literature review. This information was coded and linked together, which allowed validation and interpretation of the information gathered. "The use of multiple research methods and sources of information enables triangulation of data and contributed to achieving reliability and validity" (Mathison, 1988, p. 13; Yin, 1994, p. 33).

Easterby-Smith et al. (1991) consider:

Grounded theory provides a more open approach to data analysis which is particularly good for dealing with transcript ... With qualitative data, however, the structure used has first to be derived from the data. This means systematically analysing it so as to tease out themes, patterns and categories (p. 108).

They identify seven main stages to grounded theory analysis:

1. Familiarisation
2. Reflection
3. Conceptualisation
4. Cataloguing concepts
5. Recoding
6. Linking
7. Re-evaluation (p. 108).

These principles guided the approach to analysing the interview transcripts.

5.7 Ethical Issues

Ethical issues were considered in all aspects of the research project. The research had no direct link with any of the businesses interviewed. This was an independent research study carried out as partial fulfilment of the requirements of the degree of Master of Business Studies in Management at Massey University, Turitea, Palmerston North, New Zealand.

Preliminary phone calls were made to the Chief Executive or General Manager of each company to explain the nature and purpose of the research and to seek permission to interview the person most appropriate, with the relevant knowledge and experience. That permission was given and the most appropriate person was the Chief Executive or General Manager himself, apart from Yarrows Family Bakers Limited, which was the Group Operating Officer.

It was important to ensure that company policies relating to privacy and codes of conduct were observed. The companies provided access to information and other resources, which in some instances were commercially sensitive. Where access to information was denied because of its commercial sensitivity, the researcher respected that decision.

The researcher had obligations to ensure truthfulness, accurate representation, and maintenance of confidentiality agreements. There were responsibilities to ensure the research report reflected the information gathered. The researcher has responsibility for providing feedback to the participants, and this was done as soon as the interviews were transcribed. The participants gave permission for the researcher to contact them for additional information or clarification if needed.

The initial telephone contact was followed up with a letter/email making preliminary arrangements for an interview. This letter identified the researcher as a Master of Business Studies student and contact information was provided. This letter template is provided in Appendix 3. The potential participants were telephoned again to confirm their willingness to be interviewed and to make interview arrangements.

All the participants were provided with information about the purpose of the research and an undertaking was given to participants regarding the use of information gathered during the course of the study. Issues of confidentiality were discussed with each interview participant. Participants were asked if they consent to having their name included in a list of people interviewed for the project. The five participants consented to be listed. Refer to Appendix 4.

Appendix 6 sets out ethical considerations adhered to during this research project which meets the ethical standards at Massey University as provided within the Massey University Code of Ethical Conduct for Research, Teaching and Evaluations involving Human Participants.

6 Findings

The findings of this research are to answer the research question being posed, which is “what strategies will position New Zealand manufacturing small and medium sized enterprises for international markets?” The findings of this research are set out in the same layout as the interview questionnaire template (refer Appendix 2). The initial section of the interview questionnaire template was designed to investigate the participant business’s history and global experience.

There were five businesses interviewed:

1. Prepared Foods Limited (Prepared Foods), interview held with Dean Moana, CEO.
2. Pacific Helmets (NZ) Limited, interview questionnaire answers provided by David Bennet, CEO.
3. Olex NZ Limited, interview held with Tony Dunstan, General Manager.
4. Glidepath Group Limited, interview held with Ken Stevens, CEO.
5. Yarrows Limited, interview held with Russell Guckert, Group Chief Operating Officer.

The findings are based on the questions within the High-Level Strategies, Operational Strategies, the Personal Experiences and Lessons, and the Future Globalisation sections of the interview questionnaire template. Furthermore, this Findings section has been subdivided into sections that reflect the questions asked during the interviews, based on the relevant strategies found during the literature research. This makes it easier to compare the findings of the interviews with both the international and New Zealand based literature.

6.1 High-Level Strategies

Before a business can determine strategies for going global, it is necessary to make a fundamental decision whether or not to globalise in the first place. The interview questionnaire therefore asks each participant why they decided to go global.

Globalisation Decision

The reason for Prepared Foods Limited (Prepared Foods) going global was, and still is, that the main market for them for abalone is in Asia, primarily the Chinese people. Currently Prepared Foods export 99% of their product and 1% is sold domestically. Whereas, the reason for Pacific Helmets going global was that the NZ market was too small to support the size of business they desired. So they needed to look globally for a larger market.

The reason for Olex going global was an investment decision. The decision initially was by Olex in Australia to invest in New Zealand by purchasing Canzac Limited. The benefit for Olex NZ Limited was a base load over to Australian companies and their market. Then, for the same reason, expansion into the worldwide markets was made possible through an acquisition by an international French company named Nexans. Nexans is Olex NZ Ltd’s parent company and has divided up their worldwide footprint into geographic regions. Olex is part of the Asia-Pacific region group. Although Olex New Zealand could see a benefit from the buy-out, it was Nexans that initiated the purchase. Nexans could see that by purchasing Olex they would gain access to markets in the Australasian region through Olex.

Nexans is the largest cable manufacturer in the world and have huge number of different manufacturing plants worldwide having different capabilities in

manufacturing specialist cables. So now Olex now has access to those capabilities for supply to their markets. In effect, Olex could be a “one-stop shop” because of the wider complementary product range, rather than customers having different cable suppliers. It was a complementary deal because Olex had the customer relations in Australasia that Nexans wanted access to, and Nexans had the wider and more specialist product range available for Olex’s established customer base. The positives for Olex merging with Nexans were;

1. Nexans is the largest cable manufacturer in the world and so Olex is recognised internationally as part of this company.
2. Nexans has greater depth of understanding of global economies.
3. Olex is now better able to withstand economic downturns in New Zealand.
4. There are greater opportunities for individual career paths, particularly for engineers and managers.
5. There is access to a greater pool of research and development and more sharing of ideas.
6. Olex now has the ability to benchmark yourself against 80 manufactures around the world for free.

The reason for Glidepath’s globalization was more opportunistic than Prepared Foods’, Pacific Helmet’s, or Olex NZ’s globalisation. They simply come upon a product and industry that lead them into the global market of baggage handling systems (BHS). They were simply doing an engineering job at the Auckland Airport, when they were asked if they were able to extend a conveyor used for baggage handling at a terminal. Because they performed that task well they were asked to look at another baggage handling job, and then another larger project, and since then have continued to develop baggage handling systems to the point of being one of the world’s specialist suppliers of BHS systems.

The reason for Yarrows Limited venturing into global markets was as a result of opportunities being presented to them also. They were approached by a business named Vandenberg’s in Australia to supply them with Danish products. This was so successful, it gave them confidence to look to supply other companies, for instance Coles. Then an Australian company named Croissant Gourmet came up for sale, and because they were now exporting product to Australia anyway, it made sense to purchase them. Not only was Croissant Gourmet a competitor that they could acquire but they thought it made sense to set up a manufacturing site in Australia, which would support their New Zealand base in Manaia. Following on from this, an international Subway contract to supply bread and dough based products came along, so it all fell into place. It was also a matter of taking opportunities when they arose.

Staged Entry or Born Global

As described in the literature review, the staged model entry into globalisation was considered the traditional approach, however this tendency has been questioned recently and another approach termed ‘Born Global’ has become more prevalent. Consequently, this high-level strategic issue is a very relevant question for this study and for answering the research question.

Prepared Foods purposely produced a new product that would be marketed overseas and this very quickly became the core part of the business. Prepared Foods was not “Born Global” because in the beginning there was a domestic market for their products in local supermarkets. However, once the decision to go global was made,

the processing for the overseas markets was a major undertaking and they went from no exports of abalone to almost the levels they are exporting now, all in their first year of globalisation. Their entry into global markets was not staged, yet not born global from initiation.

Pacific Helmets had a staged entry to the international market as opportunities opened up. For them, in the early days the level of sales to the USA was very important, but very small in relationship to today's sales. This is an indication of their success in global markets, and demonstrates their progression from their early beginnings in the global market place.

For Olex, it was not a matter of being small and expanding, it was a matter of becoming large through an overseas business acquiring this small New Zealand business to gain access to their portfolio. As a result, the business in New Zealand has grown. Olex NZ Ltd increased their turnover by 40%, going from a 5-day operation to a 7-day operation as a result of the latest acquisition by Nexans Group three years ago. Prior to that, their operation had not altered when Olex Australia acquired them.

Glidepath had a staged entry into international airports throughout the world, and have now completed more than 500 projects in over 60 different countries. Glidepath's globalization was more gradual than Prepared Foods', Pacific Helmet's, or Olex NZ's, up until they realised that they needed to specialise. They had come from an engineering background which involved charging for hours and materials only. They decided they needed to control and invest, and they needed a product; moreover, they needed an industry. However, getting into airport baggage handling systems (BHS) was not premeditated at all, they just happened to come upon it. But it was during the time at the dawning of the era of the travel for the masses and this was a perfect time to be developing and installing airport baggage handling systems. There were two critical dates in the history of air travel for the masses. These were 1959 when the Boeing 707 was manufactured, followed by the DC10 and Lockheed L1011, and then in 1969 the Boeing 747 was developed. These planes brought changes to airports and travel within the bounds of the masses, so Glidepath were right at the cusp of a new industry in the early 1970's. They initially started with small jobs on demand, but in 1975 completed and commissioned new Auckland Airport. However, in order to do that they had to develop product to do that. It was then that they realized that they needed to specialise in baggage handling systems (BHS) and that this was the product they needed and the air travel industry was the industry to focus on. So their manager/owner Ken Stevens travelled throughout Australia to discover what the Australians were doing with their BHS systems and found that in fact Australians lagged behind Glidepath in BHS development. In 1978-79 Ken went over to the USA to see what they were doing. They were more advanced in terms of size of airports and the BHS systems. They had a few good ideas which Glidepath took on board in their designs.

When Yarrows started to trade offshore their level of sales increased by 50%. They started quietly and had a staged, traditional entry firstly into Australia, then when they won a Subway Foods contract they have expanded into Japan and Asia, including Taiwan, Korea, Hong Kong and Singapore.

Global Vs Regional Strategy

Whether to market globally or regionally is also an important strategic question to answer when making high-level decisions on your globalisation. Of all of the businesses participating in this research study, all of them market further afield than Australasia, which is considered global markets.

Prepared Foods had a global entry into overseas markets, commencing in Asian. This entry was because of the niche market of abalone as a luxury food for the Asians, particularly the Chinese.

Pacific Helmets also had a global entry into overseas markets, because of the helmets that Pacific Helmets made in the initial stages, they started selling globally into California first.

Olex started their global experience regionally through Olex Australia Limited acquiring the CANZAC Cables company, then more recently went global with the acquisition of Olex by Nexans Group, France. Although it is now a global organisation, they achieved this through acquisition by other businesses.

Glidpath's entry into global markets was also regional, entering into Australia and American Samoa. However, they were adventurous, realising that there were larger airports in USA and whatsmore there were more of them. So they simply went over there to investigate and soon learnt from their more advanced designs, picking out their good points and incorporating these points into their own designs.

Yarrow's entry into their global markets was at first regional, but then quickly turned global into the Asian markets with the winning of the Subway supply contract.

Cultural Differences

The recognition of a nation's culture and identity is a vital step in successfully entering a countries market. There is great pride in a countries culture both at a national level and a personal level, therefore it is important to recognise differences in culture and the way people in other countries do things.

Prepared Foods maintain that different countries require different strategies. They have different cultures and distinct ways of doing things. They also maintain some countries have different cultures within their own country as well eg. China is a collection of different regions and cultures. Whatsmore, the people in different countries have their distinct ways of doing business and you have to learn them.

However, Prepared Foods found that the Asians they dealt with were reasonably forgiving of cultural blunders. They know that you didn't know their cultural intricacies, and as long as you are not arrogant, you would get along well. They can be more forgiving if you realize and acknowledge a mistake you may have made in their culture. The secret is "Do as they do!". The way the Asian countries work, they consider the relationships vital, so you have to establish those and retain them, else no orders will come from them.

Pacific Helmets has found that there is not a large psychic distance between New Zealand and the countries they trade in, but you do need to respect local customs and personalities.

Glidepath have found that New Zealanders have more affinity with the Canadians than the USA, because of the Commonwealth connection. In fact the CEO, Ken Stevens believes we have more similarities with some of the European countries than the USA, e.g. Germany, Italy and Britain.

They maintain that different countries require different strategies, e.g. India is a very complex market. The Indian bartering has so much fat built into their merging you simply don't know real prices. You have to give the Asians and Indians something in negotiation.

Yarrows believe that you have got to accede to the way they operate. "Go with the flow" and respect that they are different. They realise that you can't handle Asians the same way you handle the Australians. For instance, you need to be aware of what colours are culturally acceptable.

Yarrows add that different countries have different tastes e.g. Americans like sweet things. Also there are a couple of ingredients not allowed in some countries e.g. Korea, Japan. So some raw materials, improvers or emulsifiers they had to change for those countries. You have to do it or else you won't even get it in the country through customs control.

Strategic Alliances

Prepared Foods, Pacific Helmets NZ, Olex NZ, and Glidepath all have strategic alliances.

Prepared Foods got involved in a joint venture which was a cluster built on using the strengths from three different organisations. Te Ohu Kaimoana (TOKM) had the quota which was set from a crown settlement through the Waitangi Tribunal, Ocean Ranch had expertise in fishing, and Prepared Foods Limited had expertise in marketing.

Pacific Helmets have strategic alliances with many distributors although many of these are informal. However they have no joint ventures.

Strategic alliances with firms and clusters of firms are how Olex has grown, through being acquired and adding to the acquiring company. Each company in the cluster of firms that make up the overall Nexans's conglomerate adds value to the other firms with a product range or specialist product that the other firms do not make. The acquisition of Olex by Nexans created a win-win strategic alliance that allowed Nexans access to inaccessible markets, and also allowed Olex further penetration into these markets with specialised industrial cables that previously were not available to them.

Glidepath had a strategic alliance with another company named Vaculex.

Yarrows have no direct strategy alliance, although they obviously have a good relationship with their customers. Subway and Coles have their own strategy going forward, which Yarrows can "piggyback" on because they are supplying them, but Yarrows isn't privy to this strategy, just increased orders as a result of strategic decision by their customers. However, they are invited to their conventions, where they learn about their directions over the next 12 months.

Marketing Strategy

The literature review had revealed that New Zealand firms had undertaken a sow and reap strategy to find their markets globally, then focussed on those markets, narrowing their product range accordingly, in order to meet international demand. So none of the businesses interviewed in this study carried out a sow and reap strategy or a focus and grow.

Prepared Foods supply to a niche market within the fish delicacy market in Asia. They have two major relationships in Asia, within Singapore and Hong Kong. Prepared Foods have no agents. They sell their products direct to a wholesaler in Hong Kong and Singapore. Therefore, this wholesaler is their direct customer. Their Hong Kong customer was the main business relationship, but over time this customer's structure has changed and as a result the food side of their business declined. Prepared Foods does not export directly into China, but exports into Hong Kong. Although a lot of their product gets to China from Hong Kong.

For Pacific Helmets, what was different about marketing internationally compared with domestically was that a much wider range of helmet models required. In addition, there was a different pricing strategy required, whereby they needed to price to their competition. Marketing was undertaken via distributors in most cases, but in some instances they sold directly to end users to start with.

For Olex NZ, the largest exports are medium voltage cable to Australia, this helps support the period contracts that their Australian parent has with the network businesses in Australia. So their marketing international is linked with their sales of their counterparts overseas, and they supply to the counterpart in support of their demand.

Glidepath use an agent or distributor sometimes, but in countries where they have their own operation e.g. USA, they are close enough to the customer themselves so they don't need an agent, but with other countries e.g. Malaysia, they do have an agent. Glidepath feel that they can create a niche market in USA, however it will be tougher in Europe because they are not known there. They are not geared to go into Europe, because it would be too much of a scattergun for them. They couldn't cope with the market at this stage.

The niche for Yarrows has been Subway, and this is how they have been able to get into for their exporting. Yarrows have no agent, but they do have their own distributors now in each country they expect to export to.

Product Range Strategy

Previous literature made a connection between a firm's product range and if it was a regional or global firm. Chetty and Campbell-Hunt (2002) found that the regional firms in their study have a broader more diverse range of products, whereas the more focussed global firms had a narrow specialised product range. This is an important strategy to realize, because it is integrated so much with the marketing strategy. We are therefore interested in the approach to product range for businesses interviewed in this study.

Prepared Food's product range is broad in terms of brand, yet actually quite specific in terms of product type. They process shelf-stable foods for industrial markets, and

abalone for a luxury item for the Asian market. Prepared Food's core product is the processed abalone in a can. There are more than 20 different brands, and a range of packaged counts and packaged weights. These have been determined by the wholesaler, who knows the market. The wholesaler owns and promotes their brands, and Prepared Foods supply to these brands. The other product line of Prepared Foods is the pouched meals. There are over 40 different menus within the pouched meal product range.

With Pacific Helmets, the product range developed gradually, but was always focused on helmets. Pacific Helmets have always tried to be product specialists and build new products based on existing experience. They started as motorcycle helmets manufacturers, then added fire helmets, cycle helmets, then expanded their fire helmet range to all emergency services helmets. Their range of helmets is now extensive, with new designs being developed to meet customer's needs and specifications.

The product range broadened for Olex NZ as it went international. Olex NZ is very much a broad product range company that went broader with the Nexan's acquisition. There is real value with the wholesaler that Olex deals with, in being a full range provider. Olex is servicing their existing customers better as a result of the international acquisition. They need the broad product range to get effective utilisation of their factory plant in New Zealand. They need to deal with utilisation issues at a pricing level. So if they haven't got a lot of volume for a certain product, they are still supplying it but they are pricing at a point commensurate with the volume they are supplying.

Olex New Zealand is unique in an Australasian and global sense, as it makes a full range of copper and aluminium cables from low voltage through to 33kV cables. They have a broader range and manufacture smaller batches than most other cable manufacturers in the world. Most other cable companies throughout the world specialise in either copper or aluminium, or specialise in cable types. Whatsoever, a lot of countries have their own product specification and the cable market globally is very domestic based with a lot of plants per capita. Size and scale of cable makes it very uncompetitive to cross boundaries. The metal cost and physical cost of freighting outweighs any value-added from lower labour costs from say China. This means that Olex can compete with a Chinese cable manufacturer at the high end voltage of the cable specifications. At the smaller end, such as building wiring, etc, it is less competitive because whilst there is not as much value-added in that cable, the physical size of the packages means they can containerize more of it, indent it, then move it for a wholesaler or agent distributor to sell. Therefore, the physical size of the product contributes to the competitiveness of the product, because of the bulk shipping possible with smaller products.

Olex New Zealand makes cable up to 33kV and Australia makes cable up to 275kV. This ability to manufacture cable up to 275kV was attractive for the Nexans Group to buy Olex Australia and therefore Olex New Zealand as a result because Olex New Zealand was owned by Olex Australia. There is a shortage of technical ability globally to manufacture up to that size cable because the specifications for that level of voltage are very stringent.

Glidepath have a vertically integrated product rather than a broad product range. They specialise in baggage handling systems and have designed all components that make up those systems.

Yarrow's have a broad product range and their breadth of product range is structured to suit their customer mix. What's more, their product range changes as needed to suit customer tastes. Cost and quality is both necessary, both are paramount, particularly in the food market industry. Therefore, they have had to find the best mix between cost and quality.

Manufacturing Location

The literature review shows that there is conflicting opinion regarding the location of manufacturing sites. The Uppsala stages model predicts that more international firms would choose to eventually manufacture in countries they are selling to, whereas studies made in New Zealand indicate that as global firms spread their reach into world markets, they invest into one world class manufacturing facility at home, in order to capture economies of scale (Chetty and Campbell-Hunt, 2000). Manufacturing location is a consideration that needs to be made as markets develop overseas, and for the purposes of this study it is considered that this decision is a high-level strategic decision.

However, it was found in this study that Prepared Foods, Pacific Helmets, and Olex NZ are all located in New Zealand, with no other manufacturing plant located abroad.

The manufacturing location for Prepared Foods is in Palmerston North, New Zealand. This location has been successful to-date, because the processing lines have been continuously improved. The source of the abalone processed is of course New Zealand paua quotas. Pacific Helmets manufacturing location in Wanganui, New Zealand. They have not considered manufacturing abroad nor is any component manufactured overseas and imported in. They find it easier to control manufacturing in one location. Olex NZ Limited is located in Bell Block, New Plymouth, New Zealand. This is one of 80 cable manufacturing plants worldwide owned by Nexans, France.

Glidepath and Yarrows do have manufacturing plant located abroad. Glidepath manufacture in Dallas, Texas as well as New Zealand and components are manufactured from China, with specialist product from Germany. Yarrows manufacture in New Zealand, Perth and Sydney.

Overseas Office

As it was found in the literature review, an overseas office has the advantage of providing better credit management in the target country. It also provides a means of financial control, given consideration of currency exchange rate optimisation. Despite the cost of setting up an overseas office and the ongoing overhead expenses, there can be benefit from such an option. It is relevant therefore to investigate whether the businesses interviewed in this study have invested in an overseas office.

Prepared Foods have a branch in Australia for supply purposes only, not an operational plant. Prepared Foods did have a branch in Morocco sourcing Moroccan abalone. This Moroccan branch did processing to a frozen state and then sent it to New Zealand, where the New Zealand operation canned it and distributed it from

New Zealand. Unfortunately, the Moroccan branch was not viable because of the black market operations in Morocco and the poor quality of the product that was coming from there, so this branch was closed in 2007.

Pacific Helmets set up an overseas office firstly in Australia to replace a non-performing Distributor. Then an overseas office was set up in the UK.

Olex NZ Limited is one of 80 manufacturing factories worldwide in the Nexan's Group of cable manufacturers. There is a 3 level hierarchy to the organisational structure;

1. Level 1 – Plant (New Zealand is one of 80 plants)
2. Level 2 – Regional – (Asia-Pacific, Africa, North America, Europe)
3. Level 3 – Global

Although these plants do not constitute overseas offices of Olex NZ Ltd, they are part of the global conglomerate of Nexans with the same benefits of overseas offices.

Glidepath Group Limited have overseas offices in Chile, San Diego, Peru, Mexico, China, India, USA, Canada, and Turkey. Turkey has been set up as a stepping stone into Europe from there. In Canada, Glidepath have set up 2 offices to cover the breadth of the country, and in USA they have also set up a manufacturing plant which is twice the size of their New Zealand manufacturing plant.

Yarrows have overseas offices in Australia and USA. Australia products are sold in AU\$ but because of the operation sites over there, they can leave the money there whenever they want to and bring it back when they want to. In the USA and Japan, they use hedging to cover the exchange rate fluctuations. In Singapore, they are selling in NZ\$ which makes it easier, because any currency risk goes back to them. They do not have an overseas office in Asia, because although they supply Subways outlets in Asia, they are only supplying Subway outlets there and Subway has their own in-house agent office. Therefore, there is no need for an overseas office in Asia at this time.

Strategies that Worked Well

The strategies that worked well for Prepared Foods' abalone products was to focus on their core business (abalone) and on the marketing side of this business. This meant knowing a lot about their customer and knowing exactly what they want. This has meant visiting them a lot. It has also meant a close relationship with the market, in terms of the whole value chain. The strategies that worked well for Prepared Foods' pouched meals has been leveraging on what they had done. They have grown into more parts of the same business, through reputation. They were able to supply the UK with their pudding lines and vegetarian meals in the first instance.

The strategies that worked well for Pacific Helmets were the building on known competencies, innovation, flexible manufacturing, and customer service. All these are necessary for a manufacturing business, but especially for a global manufacturer providing a broad product range to a wide variety of international customers.

Given where Olex was in its life cycle, the acquisition by Nexans has been mainly positive. The only negatives are the increased bureaucracy and the reporting that is more exhaustive, as well as more internal competition for funds. Projects with rates

of return that may be acceptable on a domestic basis may not be able to compete for funds against other projects globally with better rates of return.

For Glidepath, it was easy to penetrate the Australian market because basically their Australian competition was slow to realize that they weren't getting anymore work ("asleep at the wheel" as Ken Stevens puts it). It was a year before their Australian competition woke up and realized that they weren't getting the work that they were previously. They hadn't learnt to sell and Glidepath had learnt to sell, and so Glidepath got all the work by getting around the industry and finding out where the opportunities were. They had a unique selling proposition, full range of products designed and built in-house. They had their own design drawings and are able to apply their standard in-house products to any situation. They had the way forward for BHG in Australasia.

Nowadays there are many consultants saying what they want to. According to Ken Stevens some know what they are talking about, but a lot of them don't and are merely "clipping the ticket" and not adding any value. The marketing of the benefits of Glidepath's products has been neutralised by consultant tenders in the industry so that they can compare the bids. Compliance is required before they will include the bid in their analysis. For Glidepath, 50% of the bids are carried out by the consultants and 50% are sold directly to the customer. Glidepath can add better value when dealing directly with the customer. Consultants will have the customer locked into a system layout that Glidepath may not agree with. Because of this, sometimes Glidepath will give a complying layout and also a designed layout that may be a cheaper price.

For Yarrows, not every product has been successful. Also consumers get tired of products over time. So, they researched and developed their products, then present these products to their customer, changing the product based on comments from the customers and came up with an approved product. It is at this point that it goes out into the market. Nothing goes to the market until it's been approved and signed off by their customer. Because Yarrows were filling a demand based on a contract, the relationship was established at the contract tendering stage. Yarrows had established frozen dough technology, better texture, and better quality. These were major selling points for Yarrows and why they are successful.

Strategies that Did Not Work Well

Pacific Helmets, Olex and Yarrows did not have any strategies that had not worked well. They had experienced their trials and tribulations when implementing their globalisation strategies, however there were no strategies that could be cited as not working well for them.

Prepared Foods Limited has had success from the beginning of their global entry, due mainly because of the relationships developed with the Asian markets at the outset. There have been no strategies tried that turned out as a disaster.

A strategy that did not work well for Glidepath was that they did not carry out enough in-depth market survey done before going abroad. They simply didn't know how to do market research at the time. Even today, it is very difficult to get all the information you need. Steel prices are an example of lack of information, because of the way this commodity is priced Glidepath are doing their tender sums based on steel prices that are not real.

If they were to Start again Going Global, what would they do Differently

Prepared Foods said that if they were to start going global again, they would not do anything differently. The relationships built up from the start were the right thing to do they said.

Pacific Helmets said that if they were to start going global again, they would not do much differently. One thing would be to treat some large markets such as the USA, not as one country with one master distributor, but to split the country into regions with separate distribution. This would allow better spread of distribution.

Glidepath said that if they were to start going global again, they would do much more market surveys and they would do this using MBA students. They are currently in the middle of an initiative with the University College of Learning (UCOL), whereby they are doing a market entry study for Glidepath right now. Also Glidepath are doing an New Zealand Trade and Enterprise (NZTE) initiative called the Global Enterprise Project. They had four MBA students from the Manakau Institute of Technology (MIT) in 2005 carry out a market entry study for China for them, under a sponsored programme by NZTE and MIT, all for only the cost of providing the information plus their rental car. MIT did the market research and linked into their vast network of people around the world, to pull the information they wanted to give Glidepath an overview of what the market was doing.

Ken Stevens, Glidepath, made a particular point of noting that if you have a product or service you want to market, then in these days of global trading anyone doing that would be silly to plan to market locally only; they must through necessity look at the global market. They must have their eye on the larger global market; making decisions based on what the global market may dictate to them. Therefore "born global" firms will become more and more prevalent.

6.2 Operational Strategies and Resources

Operational Changes Required

The globalisation of a firm means the opening of worldwide markets and the probability of expansion beyond present operational levels. This inevitably requires operation changes and therefore what changes might be needed is an important consideration when planning to go global. The operational strategies and resources to be planned for are necessary to ensure the successful transition from a domestic business into being a global business. Each business interviewed was therefore asked what operational changes were required when they went global.

At Prepared Foods abalone has been processed for more than 30 years at the Palmerston North factory, and they have constantly been upgrading to improve yield and quality. Even after all that time though there is still quite a lot of gain to be made. Three years ago Prepared Foods Processing Limited upgraded the processing equipment on both the abalone and pouch lines, to gain better efficiencies and get more capacity. This cost was considered an investment in their future capacity. At Prepared Foods, they are constantly carrying out research and development. Their technical people are constantly developing either new pouched meals or new processes to streamline their operations.

There were very few changes to Olex NZ apart from reporting, as a result of the Nexan's acquisition. Most of the changes occurred in the Australian business, and were managed centrally in the Pacific-Asia region. They tend to report on everything as a standard level (standard metal, standard currency, etc) and manage policies by separate teams on the variable factors. Hedging policies manage exchange rate decisions; at what point deals are negotiated or waived, as a result of exchange rate changes. But it is the international team in head office that determines hedging policies, risk management and treasury issues.

For Glidepath, the operational changes required when going global were progressive, yet still transitional costs were huge, well over \$500k. They would carry out the required amount of market research, but they believe in the need to be there. So they started visiting the market regularly and they then started bidding in the market through an agent, or directly if possible. A Customer Relationship Management (CRM) system was set up, which lists prospects for a country, including when the projects commence and tendering details, estimated contract value, etc. They subscribed to magazines which highlight projects going forward as well as subscribing to databases, and they are always making their own enquiries, because once a tender gets on the public domain, it is probably too late.

When Yarrows went global they bought new equipment and employed more staff as necessary to cope, and processes were developed for the new equipment and the staff were trained accordingly. When they went into Australia, they had to develop a chain of representation, including sales representatives and technical representatives, and distribution agents. Yarrows do not deliver to every Subway or Coles stores; it is all done through distribution centres. The technical representatives monitored the distribution, processes, stores, because there was a lot of operation change happening at the time of their setting up.

"The Gusher" Experience

The literature reviewed refers to an intense period of growth called "the gusher". This is a period when sales double and redouble every year for 3-5 years and as a consequence places greater stress on the operation of a firm to keep up with this demand.

Prepared Foods definitely experienced "the gusher" when they went from no exports of abalone to almost the levels they are exporting now, all in their first year of globalisation.

Pacific Helmets experienced "the gusher" but they take the view that expansion always creates more burdens, but you hope to get higher rewards as recompense. To help manage these burdens, they expanded their operations as well as a larger office and management staff.

However, "the gusher" has not been experienced in Olex NZ. The closest to the gusher experience would have been when the business was expanded from a 5 day operation to a 7 day operation, making a 40% increase in turnover. But, at the same time the copper price trebled, so the volume throughput did not change overnight; it was a gradual increase. This was dealt with through a change in the shift arrangement, increased man-hours from 50 to 75 direct operational personnel and is not at a level of "the gusher" experience.

Glidepath experienced “the gusher” but were able to control it because they were able to pick and choose which projects they bid for. Normally there is a prequalification regime involved for the tenders they submit, requiring financial information and job history to be provided. So there is a chance that you may not qualify for the tender or choose not to submit. When a tender is too big however, there is a possibility of picking up part of the work. So they were able to control the work flow by selection of tenders to bid for.

Yarrows definitely suffered the gusher. They had come from family business background, lacking in structure, but always family members working hard. They did not have the Food Technologists, Human Resource Managers, Health & Safety Managers, Accountants, etc. They had struggled at the start of their globalisation with delivery in full on time and juggling committed domestic supply with new global supply.

Networking

The business networking activity we are interested in is whether the interviewed business partakes in formal contracted networking or informal networking, if they participate in a Joint Alliance Group (JAG), or clustering. These different networking activities are explained in the literature review and definitions within the Appendices.

For Prepared Foods, the networks and business relationships in Asia are well established since the start of their globalisation in the 1960's. Prepared Foods have formal contractual network relationships directly with the customer. There is no informal activity as such; however they are part of the Manawatu Defence Cluster and a member of various industry bodies such as the Australasian Abalone Association. Prepared Foods rarely incorporate other firms in activities such as marketing, processing, or supply distribution, preferring instead to carry out these activities independently. Prepared Foods does support and use NZ Trade and Enterprise (NZTE) in market support, a monitoring role or for assistance with submissions. They have a good relationship with them and gain market intelligence from the NZTE Asian offices. NZTE is also used if an interpreter is required; either when Prepared Foods are overseas with prospective customers or their existing customers are visiting them in New Zealand.

For Pacific Helmets, there were some very informal networks set up and a Joint Alliance Group (JAG) was participated in, but mostly just related to defence and military contacts. There were no clusters set up.

Glidepath like to be networking in close to the airport or airline company doing the tendering, where they can be an advisor. They work with the same architect designing the airports, and team up with the local building contractor who is doing most of the work of the airport. With tendering, Glidepath prefers to go it alone; “stack it up on their own” as Ken Steven puts it, so they have more control. So even though joint alliances may be built for packaging tenders, Glidepath will normally contract independently.

Yarrows tend not to carry out networking, and there are no Joint Alliance Groups (JAG's) with other exporters groups. Suppliers are also competitors so there has not been a Joint Alliance Group (JAG) formed, although there has been talk of having one.

Commitment to Globalisation

Prepared Foods found that they needed to have full commitment to their global marketing and the processing for that market. Their employees needed to adjust also when the processing of pouched meals for different global markets was introduced in addition to the abalone processing line.

Pacific Helmets didn't have too long to consider going global because the small domestic market they were serving was not large enough for them. So the decision to go global was easily made because they had no choice but to sell overseas to maintain and increase sales. They were fully committed to globalisation, because they realised that their market was overseas. Consequently their resources did not need much adjusting to meet the global customer demands and expansion into international market because it was the direction the firm was committed to.

Olex NZ Limited found that once the decision to be part of the global group Nexans was made, they were committed to this future in the global markets. Their capacity increased to medium voltage cables to support the Australian market from New Zealand. They had better processes and lower labour costs compared to the Australian operation. Without globalization the investment into the business would probably not have happened, according to the manager here in New Zealand. It also would not be exporting to Australia without that relationship with the larger Olex in Australia and the contracts that the Australian firm had. Effectively, contract manufacture to this market means investment in technology and logistics for Olex NZ.

In 1982 Glidepath decided to specialize in airport baggage handling, which meant they had to meet a global market, therefore they committed to that, and their resources, designs, and outlook all changed. All the employees committed to this exciting path. It was discussed with all employees and they were given a choice, as Ken Stevens puts it "This is what we are going to do ... get on the bus or get off it"!

For Yarrows the global market needed to be fully committed to, there could be no halfway measures. They realised that global markets are harder than domestic markets because of operating remotely, so it's harder and more expensive to ensure everything is all happening correctly. There are longer time periods to deal with, for instance 10 day shipping time to Australia, up to 2 weeks to Asia, and 3 weeks to Japan. These time periods link back to your products shelf life for bakery products that Yarrows manufacture. The responsibility is for the supplier to supply through the supply chain to the customer, and their customers do not care if there has been a storm or a strike or an anything else, because they too have a business to run; if Subway hasn't got bread ... they haven't got a business.

Competencies and Capabilities

The literature review reveals that aspects of good business practice appear to grow in importance as firms become more active in global markets (Knuckey and Johnston, et al., 2002). As a consequence a firm's capabilities such as cost, quality, flexibility, innovation, harnessing leading edge technology, having good systems, the ability to deliver and providing good service, are all important for a firm to achieve success in global markets. Campbell-Hunt, et al (2001) shows how important it is to have personnel who are competent, highly skilled and multi-skilled, to enable teams to be good at problem-solving, ensure quality and achieve process improvement

initiatives. An important operational strategy therefore is to ensure a highly skilled staff and so this strategy was asked about within the interviews.

All personnel at Prepared Foods are multi-skilled and indeed multi-willing. They all know what is going on and can step in when someone is away. Prepared Foods found that this is essential. When Prepared Foods first started exporting, no-one was exporting New Zealand paua to global markets at the time. The colour of New Zealand paua is not correct for the Asian mindset. It needed to be changed to a bleached blonde (nutmeg brown). So the company had to come up with a way to process it to this colour. This meant an innovative process which resulted in a leap in their capabilities.

Similarly, when Pacific Helmets went global they needed to extend their knowledge of international helmet standards and their research and development resources increased. Over the past 20 years the company has recruited and trained a highly skilled team of management and employees. The team, together with consultants when required, has valuable and unsurpassed knowledge in helmet manufacturing. The company now has a full quality assurance programme which is certified to ISO 9001. Today the ideas and experience gained in Pacific Helmets when developing the present helmet models also facilitate the development of exciting new models and reduce the lead time required to develop new products. The senior management team is fully involved in product design, development, testing and marketing. Senior staff also has direct involvement in production and liaise directly with clients.

Olex NZ performs very well globally with their engineering and maintenance team. Their in-house responsiveness ranks in the top 5 out of the 80 of Nexan's plants worldwide. However, Olex NZ does not do so well in other benchmarks such as efficiency. They have a good service model, however they don't get the operational equipment efficiency levels as other plants that run one product 24 hours per day. Each time set up for a new product is changed this reduces productivity levels of the plant overall. However, it does have the ability to do small domestic markets, making short runs and having a good product range is part of Olex's service offering. Operationally, more efficient equipment and processes are being looked at continuously. More efficient equipment is being developed all the time internationally, therefore now that Olex has international reach, it has access to this more efficient equipment. The equipment in the cable industry tends to have at least a 50 year life span and equipment is generally used right to the end of its useful life. So, instead of buying any equipment second hand, you are better off to buy it new, because second hand equipment is so old and has depreciated past its useful value. The only exception might be if the corporate made an acquisition for market share and they closed the acquired factory strategically, which may provide equipment that may be of use in another plant.

Glidepath leads the baggage handling systems standards development in NZ and Australia and have had an influence in some US standards. Their bulk standard components remain the same, but the specific items changes frequently. They are always looking to develop better designs for less cost. Glidepath's competencies and capabilities changed when they went global. The international market drove them to be more competitive when they thought they were doing fine, then they went to the USA and found they were off the pace. So they had to redesign their product more

in line with American products. It was to their advantage to do that because it was a cheaper design.

Yarrows needed to invest in some new equipment which meant up-skilling the workers. For instance, Programmable Logic Controllers are used now, whereas they weren't needed previously. This makes more interesting jobs for their employees. What Yarrows found was that when they went global and if they had a quality issue, it was harder to fix the problem overseas. So that is a change of culture for the staff. For Yarrows, a whole new range of compliance issues comes from going global too. Customers such as Subway and Coles audit them regularly. They have a higher level of compliance than in New Zealand, for instance Subway is Americanized, and USA has normally got a higher level of compliance which is more complex.

Competitive Advantage

Different firms have different competitive advantages, dependent on their competencies and capabilities. The literature review showed how the resource-based view of the firm predicts that a New Zealand based enterprise must differentiate itself from its offshore competitors. The interview questions made enquiry into the competitive advantages of the participant firms.

Prepared Foods found that the abalone market just takes amounts that they can get from Mexican, South African, Australian and New Zealand suppliers. These are ranked in perceived quality. Quality is not necessarily that one firm is better than the other, because in the Asian market, quality is based on tradition. The longer something has been in the market, the stronger the association with quality and therefore the greater the competitive advantage of that product.

Pacific Helmets feel that their competitive advantage is their innovation, flexibility, service, and competitive price.

The ability to negotiate good deals for the import of the core materials and components has a major effect on Olex New Zealand's competitive advantage. Metals (copper and aluminium) make up 70% of the product cost and these metals are a commodity traded item globally traded on the Global Metal Exchange. So, it is totally transparent, because it is a global commodity. There is limited opportunity to leverage the terms of purchase from the suppliers of this commodity.

Glidepath and Yarrows did not answer this question due to confidentiality.

Specific International Issues (Foreign Exchange, Foreign Government Import Policies, Political, Legal and Regulatory Considerations)

The cost of compliance for Prepared Foods in the past three years has more than tripled. These costs are driven by overseas regulations, but magnified by New Zealand safety authorities' interpretation of these, which makes it hard to get products out of New Zealand and into international markets. The result of safety authorities auditing to an extra high standard is that they are penalizing New Zealand's own ability to export to people overseas who want the product.

Prepared Foods' certification is broader than just Asian markets, because they want to sell to other parts of the world such as the USA and EU, which have different and stricter standards. As well as these regulations, some customers require benchmark standards such as ISO standards. Consequentially Prepared Foods have a very

comprehensive Quality Assurance programme and documentation. Compliance and Quality Assurance is now a full time job for an employee.

The manager at Prepared Foods said "It takes a lot to keep abreast of what's going on in relation to foreign government policies on import, foreign exchange and regulatory considerations. In most instances you can't do a lot about it; but you need to know what's going on, so you can react to it. You need to keep on top of foreign government policies on import, foreign exchange and regulatory information. Subscribing to the bodies that put out the information you need is essential, and you need to pay attention to announcements from Government bodies".

In relation to trade barriers the manager at Prepared Foods indicated that "you could call some of the EU regulations trade barriers, particularly regarding the tariffs because they are difficult to understand. The USA has interesting regulations, for a supposedly free trade country. Especially since the 11 September 2001 attacks on the World Trade Centre, it has made things much more difficult. Even products going through USA waters require a lot of compliance. Container ships docking in a port with our containers on them, going onto Europe, require compliance as if it were staying in USA." Currency is just managed as best as can be. It is very hard to manage in the current economic environment.

For Pacific Helmets, foreign exchange is very important, foreign government policies on import is not so important, and free trade agreements are not greatly significant in most countries, international politics are more relevant in some countries but legal issues can be very important, and regulatory considerations can be very important also with a safety product like helmets.

Glidepath have been affected by all of these various issues from specific international markets, including foreign exchange, foreign government policies on imports, political considerations, and regulatory considerations. They found that India has a tremendously complex tax regime. There are many taxes in India as well as ancillary issues linked to the taxation regime. Glidepath found that for regulatory risks, tariffs and currency risks, they used the Chamber of Commerce and NZTE for advice on these. The Chamber of Commerce's overseas and here in New Zealand can both be used because they are linked.

Yarrows found that they needed to "go with the flow" and go by the rules for foreign government policies. They found that they needed to carry out a lot of research to find out what the rules were.

6.3 Personal Experiences and Lessons

The following comments were given by the participants of the interviews based in their personal experiences and where they felt lessons they learned could be useful for others in relation to going global.

The manager at Prepared Foods said "the key about cultural differences is being able to observe and adjust really quickly. There are certain things that you can learn before you go overseas, but they are not all listed in a book. So you need to be flexible; you can't go with a fixed way of thinking and you need to adjust as you go".

Prepared Foods' advice to a new business in global markets regarding business speculation and hedging requirements is to "know your own NZ costs and always try

to pick the bottom of your market in terms of hedging. You've got to put in the market price that you are budgeting on is going to be there. If you are happy enough with the return at that rate, cover it and don't believe all the soothsayers because they are going to be 50% right and 50% wrong in anything they say and they often are. So if they say that the exchange rate is going down in the next month, there is every likelihood it is going to go up. So rather than waiting for it to go down and find the bottom, take it when you think you've made a sale definitely. If you forecast your profit and at that time you are happy with it, then lock it in".

The manager at Pacific Helmets doesn't think cultural issues are a big factor. "International politics are more relevant he believes, and here is where a NZ based exporter can sometimes cut between US and European political interests to win business in sensitive markets like the Middle East." His advice to businesses moving into global markets is that "currency risk is just part of the scene, get used to them and learn to deal with them".

Pacific Helmets' advice to a new business in global markets regarding business speculation and hedging requirements is "don't speculate. Be as careful as you can with hedging, and have a strategy that suits your situation".

The manager at Pacific Helmets doesn't see a difference in the commitment required compared to a domestic business. "All are part of running any business" he says.

The CEO of Glidepath, feels that you have to be so sensitive to cultural differences, e.g. no showing of the sole of your foot, or pointing with your thumb and not your finger. The sales team at Glidepath did role playing, to practice before going overseas to meet their prospective customers, simply to get their cultural idiosyncrasies right.

Glidepath's advice regarding business speculation and hedging requirements is that when you go into anything, you have to make sure that the cash flow works out. You need to realise that there is a gap between when you produce something to when you get paid. The question you need to always consider is "Can you sustain that gap?". Any project or activity needs to be cash flow positive. Some overseas organizations will want you to fund it for them, simply by the time delay of payments. Glidepath's project people will pull together the costs then their financial people will nit-pick it to make sure it is robust. They are well aware that if there is a stop work on the job, through war or tempest or a world event like a terrorist attack then you may be out of business for a while. For instance after 9/11 terrorist attacks in USA Glidepath were out of business for a month. Also, the world economic crisis is having an effect on Glidepath also, already. Banks are pulling in unused bonds and securities.

Yarrows advice is that commitment is needed; you need to have done a lot of work beforehand, before you attempt to go into a country. Yarrows found that they needed to conform to the specific countries rules: For instance, Japan has very strict rules regarding genetic modification (GM) issues. Australia is very similar to New Zealand and has regularity requirements that are relatively simple. Japan and Korea are the hardest countries to get into regarding regulatory issues. Singapore and Taiwan are quite simple. Thailand is quite stringent, Dubai is very stringent.

Dealing with Japan, Yarrows had nine containers full of bread products rejected because there were the words generic modification (GM) used in one of the specifications. The products had no GM and the specification was stipulating that there was to be no GM, this misunderstanding cost Yarrows nine containers turned away despite this. So you have to be very careful with the documentation, particularly with food when dealing with Japan and also Korea. Yarrows had an occasion when dealing with Korea, where the salt content of their product was supposed to be 0.00001%, however the typist keying in the specification had missed one of the 0's and only typed 0.0001%. When they checked the specification, they put the container into a vault. It took two weeks to sort out the problem, which was only a typing mistake. New Zealand Trade and Enterprise, Dominion Salt, the New Zealand Embassy, and all of Yarrows technical experts. It wasn't a quality issue not a food safety issue; it was simply a typing mistake. In the end, yarrows shipped the product to Taiwan, who accepted it, and then Yarrows started all over again. There was simply too long a wait between communiqués also, and when dealing with food products, there is a limited shelf life before they start to degrade. In addition, storage charges mount up, and the customer may not be able to wait for an extended period. So it is very important to ensure that all the documentation is completely correct when dealing with Japanese and Korean authorities.

Influence of the Internet (World-Wide Web)

Prepared Foods is not a retailer and does not sell to the public, so they do not sell through their website to individuals who may only want small orders. However, they do have overruns from time-to-time and can respond if necessary to service small orders, but prefer to not have these small order enquiries because they are geared up for large supply orders. The internet has been more useful for Prepared Foods to do the searching, rather than others searching them. Simply by searching a businesses name in a search engine and seeing what comes up has been very valuable. There are also websites available where you can carry out searches on companies. These give warning signs for you to be more cautious.

When asked what impact the internet has made on their business the manager at Pacific Helmets commented that it has made a big impact, just as the fax machine 30 years ago made a huge difference

For Olex NZ, the internet has not had much of a bearing for the business because they are not a retail front. Nor have they used the internet for video conferencing. Instead, if there is to be a conference then the managers meet somewhere in the world, gathering for a conference. For shorter meetings, they mainly use telephone conferencing from New Zealand. Whereby there is a group of managers in an Australian boardroom and the New Zealand Manager alone on the phone here in New Zealand. Also, when linking with France in a telephone conference means being at the office late at night because of the time zone difference.

Purchase orders are made by annual contracts mainly, so orders are not made over the internet. Therefore, the only advantage for Olex NZ with the internet is the use of emails.

Whereas, for Glidepath the internet has had a huge impact. It is used mainly by the 28 year olds and under, who immediately look up listings to see if a business is bonafide. These younger ones judge a company by its website. Older employees go be traditional means, although they do have a look at the internet. Their website is

claimed as their international image; as people check to see when it was last updated. In addition, text messages can be very useful because they bridge the time zone, does not necessarily interrupt meetings and is cheap for international communication.

For Yarrows, the internet has made quite a difference to the way they trade, with emails, shipping documents online, and instantaneous communication. Video conferencing facilities have been used for two years. They were apprehensive at first, but now it is used in Auckland, Perth, Manaia and they will probably bring it into the Sydney office. With the latest technology, there is good quality reception with no echoing.

6.4 Future Globalisation

Prepared Foods is working on strategies to reach other countries through endorsements from their existing customers. This will build a base of similar customer profiles. For instance, recent growth into the UK military has been built from the recommendation of the Australian Defence Force. It was part of a two-pronged approach whereby the Australians supported them. Hopefully over time, Prepared Foods will get the same recommendation from the British and move into European markets. Although Middle Eastern countries have already been supplied with canned corned beef, Prepared Foods have not supplied into Europe yet. The British Defense Force will hopefully put them into the EU, through their history with the UK. The next stage is to supply the UK military with meat meals. This has not been a focus yet because the certifications and regulations dealing with meat are intensive.

Into the future, Pacific Helmets will continue to expand steadily. They will find and consolidate more strategic alliances with bigger overseas companies where this is possible. Over the next five years they will be growing sales through improved distribution and winning supply contracts. There will be expansion of their product offering. The strategies being put in place now to establish this future and implement these plans is simply "more of the same". Pacific Helmets are happy with the way things have gone in the past and wish to continue that success.

Olex NZ sees itself as contributing to Nexans global footprint. Nexans have been all about increasing their global footprint out of Europe. The next phase in their expansion is for specialised industries and the creation of centres of excellence for research and development. This will create cross-selling efforts, so that centres of specialist excellence would specialise globally for the benefit of all. Of 80 companies worldwide, there may be 8-10 in a group. There may be 5-8 centres of excellence working together to improve products that will be available to the others.

On the sales side, Nexans will be picking the markets that are going to be globally big focus areas in the next 5-10 years. Two big areas that Nexans are focusing on are marine/ship building and airports. They have global teams with expertise in these areas having sold to these markets in the past and having built those solutions, having global teams to market Nexan's globally in those areas of specialization, not just power cables but also telecommunication and specialist industry cables. At the moment, there are 300 airports being built globally, 100 regional airports being built in China alone.

Glidepath want to be the worlds best in the niche they are in. Being involved with the clients and potential customers is part of the networking. For example, Airport Council International (ACI) is one big organization, also American Association of Airport Executives. They make sure they are at the conferences these organizations have. To achieve this vision will required Glidepath to have a substantial China branch, a substantial India branch, and a substantial Middle East/Europe subsidiary. Glidepath is currently a world business partner, netted into the whole family of airports. Networking with their competition as well, so that competitors may approach you to bond (guarantee) and help on parts of a project. Bonds guarantee to the customer that they will finish a project.

Glidepath will be looking to improve their quality programme to upgrade to the moving international standards. Ensuring product is sold so that it does not show as being bad quality, having to go back and fix them.

The last comments from Ken Stevens, Glidepath relate to young ones needing to realize that they are part of the global community networking economy. That NZ and their company cannot think of itself independent of the global economy.

Yarrows wish to enter China into the future. Subway is growing at 13% so that will reflect in Yarrows growth accordingly, because 40% to 60% will grow at 13% automatically. With Coles, they have developed a new bakery concept called "bake fresh daily". Coles have 600 stores and so far, 100 have been converted, so the future is to convert the rest in 3-4 years approximately. They could be looking to get another strategic alliance, e.g. Woolworths. They will have to be careful though as Woolworths are Yarrows competitors. Yarrows have always been successful because it has been willing to diversify. It has not always worked, but if they had not been willing to do that, they would have been swallowed up by the big bakery companies 20 years ago. So into the future, Yarrows feels they must do the same; that is diversify. They cannot stop, or pause to tidy up, else they will get run over. They feel that they need to grow the business even further, always looking at new projects, and working with partners.

7 Summary of Findings and Discussion

This section is intended to make comment on and highlight points of interest that have arisen from the findings of the study and compare these with the literature review made. The discussion is divided into High-Level Strategies and Operational Strategies sections in line with the Literature Review and Findings sections.

The focus of this study is on the discovery of strategies for New Zealand manufacturing SMEs going global and in particular to answer the research question “what strategies will position New Zealand manufacturing SMEs for international markets”. In order to answer this research question, various strategies were discovered through a literature review and personal interviews. It is evident from the literature review on this subject that there are several issues to be considered and so it was decided to seek a range of perspectives from people with knowledge and personal experience relevant to the globalisation of their firms. Six people were contacted and asked if they would participate in interviews. Five were able to be interviewed but the sixth person was unavailable because of commitments offshore. A feature of the study was the depth of experience that the people brought to the study, as well as their willingness to speak about their experiences and to express views on the issues addressed in this study.

7.1 High Level Strategies

The issues facing firms going global in terms of high-level strategies that were considered central to this study were categorised under the following high-level strategic directions:

1. The globalisation decision
2. Staged entry into global markets Vs Born Global firms
3. Global Vs Regional strategies
4. Cultural differences
5. Strategic alliances
6. Marketing strategy
7. Product range strategy
8. Manufacturing location
9. Overseas offices

The study identified considerations for strategies to be adopted for each of these high-level strategic directions.

Globalization Decision

The reasons for internationalisation vary, but the overarching objectives are generally similar for most firms. The literature review revealed that these are growth, improved profitability, strengthening and sustaining competitive position, and even the motive of the owner (Hyvärinen, cited in Veciana, 1994). Certainly, a number of researchers mention the trend towards the global economy having more influence on businesses and all businesses being part of an international network of goods, services, labour capital and know-how, so that New Zealand's economy is more open to the forces of globalisation, as well as opportunities (Aerts, 1994; Campbell-Hunt et al., 2001).

The reasons why the companies that were interviewed had decided to go global varied between chasing the market for product sales, as was the case for Prepared Foods and Pacific Helmets, to taking opportunities that had come their way, as was the case for Glidepath and Yarrows. The reason for Olex going global was an investment decision and to gain a better product representation to their existing customer-base, thereby strengthening their competitive position. These reasons are therefore in line with the literature review findings.

Staged Entry or Born Global

The entry strategy using a gradual approach is termed the staged model because it entry into global markets progresses in a staged manner. This is referred to as the traditional approach and the most frequently used model for internationalisation is called the Uppsala Model (Johanson and Vahlne, 1977). It shows an increasing commitment to international market by testing the waters and exporting on an occasional basis at first, then adopting a systematic approach to exporting using importers, moving onto using agents, to using offshore manufacturing plants, and finally becoming a foreign investment enterprise (Aerts, 1994). The literature review shows however that this traditional approach is being questioned because of the emergence of Born Global firms.

With the businesses interviewed in this research study all had taken a generally staged approach to their entry into global markets. Whilst Pacific Helmets', Glidepath's, and Yarrow's entry into global markets were opportunist in nature, they were still staged entries. Australia was the first entry with most of the interviews. However two businesses interviewed (Prepared Foods and Pacific Helmets) made their first entry into other parts of the world, this decision of global entry was market driven, in that they went to where the market was. The scale of entry varied completely between the different businesses. While Prepared Foods had a high scale of entry, Pacific Helmets and Olex NZ, Glidepath and Yarrows all had gradual entry into their global markets.

The manager of Glidepath was adamant that anyone looking to provide a product or service needs to look at the global market possibilities. The global market has so much reach now that New Zealand is not isolated from these in our daily lives. Therefore any decisions made should be based on what the global market dictates to them. This means that "Born Global" business should become more prevalent, and we need to make our New Zealand smallness an advantage.

It is evident that there is congruence between the literature reviewed and the businesses interviewed with regard to entry into the global markets.

Global Vs Regional Strategy

The literature review revealed that there are two distinct geographic categories of globalisation; Global and Regional. A global firm markets worldwide whereas a regional firm is constrained to a regional area, which for New Zealand is Australasia or the Pacific Region.

All of the businesses participating in this research study are classified as global firms, even though three of them marketed into Australia initially. It seems that their global experience was a staged entry into Australia, to gain experience before venturing to other countries with a greater psychic distance. Australia was therefore a popular country for these New Zealand businesses to commence their global entry.

However, their strategy for entry was driven by opportunities rather than staged Vs “born global” entry theory or regional Vs global positioning.

Cultural Differences

The literature review highlighted two aspects of cultural differences;

1. The phenomenon called “Psychic distance”.
2. National culture.

The concept of psychic distance relates to the difference from the home country in terms of language, culture, political systems, business practices, industrial development and educational systems. National culture is a perspective that links deeply felt personal identity, organisational strategy, and national economic and social policies.

The findings of Chetty and Campbell-Hunt (2002) was that New Zealand firms tend to select countries with a close psychic distance to enter initially, then once these firms have started to internationalise, psychic distance isn’t such an issue. Certainly this was a common trend for the businesses in this research study also; Olex NZ, Glidepath, and Yarrows all went to Australia initially, before entering other markets worldwide.

Regarding the national culture perspective, Glidepath, Pacific Helmets, Prepared Foods and Yarrows all exhibited “kiwi ingenuity” to capture their markets. However, there was mixed opinion from the participants of interviews regarding how to handle cultural differences. All agree that cultural differences is an issue requiring consideration and need to be addressed, but the interviewees have all found that different countries required different strategies; that different countries have different cultures and distinct ways of doing things. Each culture has different quirks that may seem unimportant, however if you ignore these cultural differences, you do so at the risk of failing to secure that market. These cultural differences can be the smallest of gestures that mean a lot to that potential customer. It requires sensitivity and observance to ensure the different cultural protocols are adhered to. As two of the interviewees stated “You need to go with the flow!” when it comes to handling cultural differences. In other words, accept their cultural eccentricities and customs and do as they do, learning their cultural ways as you go; being able to observe and adjust quickly to their cultural differences. There are certainly things that can be learnt from others before going overseas, however one can not go with a fixed way of thinking. The clear message is to be respectful of others’ cultural ways and customs or pay the consequences with no sales.

Strategic Alliances

Strategic alliances are forms for the purpose of gaining synergy from combined resources and capabilities of two or more firms. In this study, of interest is the trend of strategic alliances; do small or large firms form strategic alliances and what motivates firms to form international teams. It was found in the literature review that firms that are small relative to rivals and the market tend to want strategic alliances with larger partners in order to gain economies of scale. Conversely, larger firms tend to shun strategic alliances, because they have economies of scale already. The literature review also highlighted that international teams are crucial to the success of international strategy formulation and implementation. These international teams are a source of innovative and creative international strategies.

All the businesses interviewed have been involved in strategic alliances in one form or another, even strategic relationships with their customers and distributors overseas. They have used these relationships to advantage to gain entry to markets or bridge gaps in capabilities required for their global growth. It can be seen that relationships have a major influence on success overseas.

Marketing Strategy

There is a distinctive New Zealand strategy that was identified in the literature review. Campbell-Hunt et al. (2001) refer to sow and reap, then focus and grow marketing strategies for global firms. The sow and reap strategy is focused on consumer demand for products rather than being concerned with psychic distance or geographic proximity, whereas regional firms were focused on the Australian market because of the close psychic distance to New Zealand, choosing a diversified product strategy.

As indicated in the cultural differences section above, the literature review reveals that New Zealand firms start exporting to markets with a close psychic distance, which for New Zealand firms invariably means Australia, choosing direct marketing strategies rather than using distributor agents. The firms interviewed in this research study concur with this finding and show tendencies to commence their globalisation with direct marketing to Australia before spreading their global footprint to other countries. This meant visiting their customers on numerous occasions in order to develop the relationship, and so that they know exactly what their customers want. All the businesses interviewed supplied a niche market, although with a broad range of products within that niche market. They are specialists in their area of expertise. This worked well for Glidepath as they got around the industry and found out what opportunities were available. They had a unique selling proposition, full range of products designed and built in-house. Yarrows also had established frozen dough technology which was a major selling point for them and why they have become so successful.

Generally, the businesses interviewed did not use agents, instead choosing to use distributors in each country they export to. In countries where they have their own operation, they are close enough to the customer themselves, so they do not need an agent. Only Glidepath have chosen to use an agent in countries they do not have a presence.

Product Range Strategy

The product range has a direct relationship with the marketing strategy adopted. A sow and reap marketing strategy required a broad product range, whereas a focus and grow requires a narrow product range.

The literature review has revealed that there are two 'schools of thought' regarding the product range of international businesses;

1. Previous international studies show that traditionally regional companies tend to be more specialized, whereas global companies need a broader product range to cater for the wider community.
2. However, a study by Chetty and Campbell-Hunt (2000, 2002) revealed that New Zealand companies trading overseas have been the complete opposite. Whereby, regional companies covering Australasia tend to have a broader product range. And global companies have found that they need to specialize and focus on successful products rather than having a broad range.

NZ firms in previous studies (Campbell-Hunt et al., 2001; Chetty and Campbell-Hunt, 2000, 2002) have carried out a sow and reap strategy, whereby they have gone out to the international market with a wide range of products, seen what happens and where there is a good market for one or two products, then they concentrate on those products with a focus and grow strategy, even to the exclusion of their traditional domestic product, because of the much larger international market. This was done to constrain the effects of a period of growth called "the gusher", which tends to place a tremendous strain on a firm's operations.

Market requirements are really the determining factor. Chetty and Campbell-Hunt (2000, 2002) discovered in their research that global businesses rather than regional businesses tend to have a narrow product line, because of the large global demand and them being able to meet that demand. Whereas, the businesses interviewed in this research study, all had a product range that were broad and standardized, even though these businesses are trading globally. It is apparent then, that there is more to the product range strategy than regional Vs global positioning. Paramount to the product range is the ability to meet customer expectation and demand.

Manufacturing Location

The findings of this study generally agree with Chetty and Campbell-Hunt (2000) that as global firms spread their reach into other international markets, they have to develop manufacturing strategies that are capable of capturing economies of scale, but manufacturing offshore was not necessary to achieve this.

All the businesses interviewed have retained their NZ manufacturing plants. Glidepath and Yarrows have established manufacturing plants in Dallas, Texas and Australia respectively to gain logistic benefits, in addition to their New Zealand manufacturing plant. Their offshore operations are closer to the location of the majority of their global market.

Overseas Offices

All the businesses interviewed have overseas offices in other countries. This means they establish a local presence in those countries, also using these as stepping stones to other parts of the world. The advantage of setting up an overseas office because of this local presence and the ability to retain finances within that country until it is to their advantage to transfer funds back to New Zealand at optimum currency exchange rates, as well as being able to carry out better credit management, is beneficial for them than dealing with their overseas customers from New Zealand.

7.2 Operational Strategies

The issues facing firms going global in terms of operational strategies that were considered central to this study were categorised under the following operational strategic areas of interest:

1. Operational Changes Required
2. "The Gusher" Experience
3. Networking
4. Commitment to Globalisation
5. Competencies and Capabilities

6. Competitive Advantage
7. Specific International Issues (Foreign Exchange, Foreign Government Import Policies, Political, Legal and Regulatory Considerations)

The study identified these considerations for operational strategies to be adopted.

Operational Changes Required

Apart from Olex NZ, each business interviewed, has had considerable operational changes, particularly in their process lines, plant and operational staffing. Olex had few changes apart from a change to their operation becoming a 7-day per week operation instead of 5-day. For Prepared Foods Ltd it has meant an annual process development invested to improve quality and efficiencies. For Glidepath and Yarrows operational changes were progressive, as they won new contracts, and these changes included investing in new equipment and training staff.

“The Gusher” Experience

“The Gusher” was experienced by all of the businesses interviewed except for Olex NZ. “The Gusher” is a term for the rapid acceleration or growth in turnover over a period of say five years. Olex turnover increased by 40% when they changed from a 5-day per week to a 7-day per week operation. The difference with Olex compared to the other business was that the global experience has been through acquisition of their operation by overseas companies investing in them to mutual advantage, rather than them choosing to go global as a strategy of expansion. The other businesses experienced the burden and stress of operation changes to cope with the exponential growth experienced.

Networking

For all those businesses interviewed, networking activity was very important. This took on different forms of networking, some formal, others informal. Whatever form the networking was in, the important thing to establish was contacts and relationships, without these you are a lone business in a large world with limited market knowledge and vastly reduced mechanisms to spread your footprint.

Some of the businesses in this study, such as Glidepath and Pacific Helmets, rely on informal networking with those in their supply chain. While others interviewed such as Prepared Foods, have formal contractual relationships.

Most businesses interviewed except for Pacific Helmets have involvement with NZTE and are in a mutually supporting relationship. Those that have used NZTE spoke highly of their service and support, both here in NZ and overseas. The support ranged from market knowledge and advice, networking and even assistance when compiling overseas tenders.

Commitment to Globalisation

Commitment is considered a strategy required to pursue global markets despite adversity and overburdened resources. It is the business drive that commits the whole of the business to support the operational changes that going global will mean. The literature review revealed that there needs to be a strong commitment to multi-skilled personnel and the training this will entail, team-based reward systems, the necessity for upgraded processes and equipment, and additional compliance requirements in the face of uncertainty and complexity from target countries compliance requirements.

All the businesses in this research study demonstrated full commitment to going global, with no “half-hearted” attempt to go global. Their success was driven by their commitment to globalisation and there was no turning back.

Competencies and Capabilities

A businesses competencies and capabilities are important when going global, therefore having highly skilled staff is an important operational strategy.

Having highly skilled and indeed multi-skilled staff is important for the businesses interviewed, so that there is no breakdown in production if someone is away. Other aspects of having good competencies and capabilities were the ability to adapt and innovate; being a resourceful firm. A particular capability that was highlighted for these firms was having excellent quality assurance programmes because of the stringent compliance that they need to meet overseas.

Competitive Advantage

Campbell-Hunt et al. (2001) observed that the New Zealand market is especially smart and demanding, and so an excellent ground for learning and innovation. This is a competitive advantage when going global, because New Zealand businesses are better equipped for the intense competition for this international market.

When these firms went global, they found that the market made them more competitive. In order to compete, they needed to adapt and develop or update their processes, designs, and even plant. This all needed investment in their resources and the capabilities of these resources, to gain competitive advantage.

The literature review also revealed that a successful international manufacturer must also invest in research and development, because new and upgraded products are being developed at an ever increasing rate globally. Therefore to remain competitive, investment in research and development is a prerequisite for new knowledge and innovation. All of the firms interviewed invest substantially in research and development because they recognise this. Prepared Foods have invested in a research and development team and continue to carry out research and development, Pacific Helmets invested heavily in AutoCAD for modelling and redesigning helmets, and Yarrows have invested in factory automation to cope with higher levels of volume for overseas markets.

With the power of communication globally now, and the global economy readily affecting countries throughout the world, a business that is developing their market penetration should make provision for a global market. Every decision needs to be made with this big picture in mind in order to obtain a sustainable competitive advantage.

Specific International Issues (Foreign Exchange, Foreign Government Import Policies, Political, Legal and Regulatory Considerations)

Businesses moving into global markets need to accept that currency risk and tariffs are simply part of the global market scene; they simply need to accept them and learn to deal with them. Foreign exchange rate variances have a major effect on margins for these firms and in times of economic turmoil this factor makes it difficult.

The cost of compliance for these firms has been a major burden. This was evident in the food industries particularly where the regulations and standards in various countries was more exacting in some countries than others, but it was the interpretation of the requirements from the NZ food safety authorities that was often the most burden. When it comes to food industries, Japan and Korea are very pedantic about the contents of food products and especially genetic modification (GM).

But it is not just in the food industries that the cost of compliance is higher when going global. Standards will be higher to cover the various countries to be marketed to, so benchmark standards such as ISO standards are required, and this means a comprehensive quality assurance programme with substantial documentation and procedures.

There also is the need to carry out a lot of research to keep informed on foreign government policies on imports, trade barriers, and the regulations for the target country. This is especially so when entering a new country.

8 Conclusions

8.1 Introduction

This research study has investigated strategies for New Zealand manufacturing small and medium sized enterprises going global. The objective of this research study was to answer the research question "What strategies will position New Zealand manufacturing small and medium sized enterprises for international markets?" and in order to answer this question, different perspectives were gained and various strategies compared, discovering these through a literature review, document discovery and personal interviews.

An ex post facto, descriptive and exploratory case study approach was selected as an appropriate research strategy adopted for this study to examine this research question. The nature of this particular exploratory case study approach emphasizes qualitative techniques. Case study methods are more appropriate to discover insights and perspectives regarding the strategies for SMEs going global, because the different experiences of each and every business provides insights that are useful to learn from in hindsight. Accordingly, a retrospective exploratory approach for studying each case was used to compare strategies discovered in the literature review with the experiences of those businesses interviewed.

8.2 Strengths of this Study

This study used an experience survey to examine research issues and themes identified in the literature review. A range of perspectives was sought from people who have knowledge of exporting to global markets, and these participants brought depth of experience to the study.

The study investigated issues that are current and relevant to strategies for going global for manufacturing SMEs in New Zealand and contributes to the body of knowledge about high-level and operational strategies for New Zealand SMEs.

The use of a qualitative research approach has meant that the results are "grounded in reality" (Denscombe, 1998, p. 220). The use of a range of research methods and multiple sources of information enabled triangulation of data and contributed to achievement of validity of the research findings (Mathison, 1988, P. 13; Yin, 1994, P.34).

8.3 Limitations of this Study

This study was limited by the number of interviews. Because of the small number of cases, the generalisability of results could come into question. However there is a limit to the number of interviews possible. The selection of the respondents was not carried out by strict sampling procedures but rather by judiciously finding businesses that are trading internationally, and then approaching them.

Questions needed to be presented in such a way as to ensure unbiased responses. The study was not a study of a specific strategy or direction for SME's to take when going global. Instead, this study was to determine if certain strategies found in literature were common and used successfully.

However, this study is not a quantitative analysis, but rather it is qualitative. So, evidential proof of any hypothesis or theory was not the intention. Rather, this study is a compilation of different strategies not research into what makes these strategies successful.

There a possibility of de-contextualising the meaning of the participants' intent when transcribing interviews. This possibility was reduced by tape recording to get the participants exact words and nuance. Then to verify the accuracy if the transcriptions, copies of the interview notes and case histories were forwarded to the participants for feedback.

8.4 Conclusions

The primary research question required identification of strategies for New Zealand manufacturing SMEs going global. High-level and operational strategies were identified and categorised. The research objective required investigation into specific strategies identified in the literature review, to evaluate their appropriateness for New Zealand manufacturing SMEs. This was evaluated by carrying out personal interviews and obtaining documentation from the participants or from their business websites, and comparing these with the evaluation of strategies identified in the literature review.

It was found that a firm could restrict their international experience to a regional approach, which from a New Zealand perspective is Australasia, or alternatively a firm could go global and look for markets anywhere in the world where they find the opportunity. There are a number of strategies that are inter-related and interdependent, such as global Vs regional strategies, cultural differences, marketing strategy and product range. Strategies may differ depending on the nature of a firm's products, which in turn determines their product range, subject to their marketing strategy, and the demand from international markets, which in turn is dependent on the targeting of these markets, which is dependent on the firm's international experience. Although separately categorised in this study, these strategies inter-relation to form a firm's strategic direction to achieve an overall vision for the firm.

The research objective has been achieved and a number of approaches that can be taken when going global were identified and strategies compared. The results of the study indicate that generally the strategic directions taken by the businesses interviewed are congruent with aspects of theoretical concepts of intended strategies, and that there are areas of going global where the businesses in this study are in agreement with the findings of previous studies. For instance, with regard to "the gusher" affecting their operations and the importance of recognising cultural differences, the firms interviewed in this study concurred with previous literature.

However, there were some points where the findings from the businesses in this research study do not agree with previous studies, for instance in regards to product range. Although these businesses trade globally, their product range is broad. This is at variance to the findings of Chetty and Campbell-Hunt (2000, 2002), who had found that New Zealand businesses that had gone global rather than regional had reduced their product range in order to specialise in a given niche. The breadth of

product range is not necessarily determined by whether they trade regionally or globally, but there are other contributing factors involved in the product range decision, not the least of which is customer demand.

The businesses in this study went global through opportunities more so than strategic purpose. They all had to make a decision to commit to their globalization path, and most of them by initially venturing into the Australian market before going on to capture markets in other parts of the world. However, specific business decisions and choices are highly dependent on the individual circumstances that a business finds itself in, rather than committing to a strategy based upon academic studies. The various findings and trends found through previous studies should not be ignored and do provide insight, however, it is the individual circumstances that surround the specific decision that should guide the decision-maker.

8.5 Further Research

A more in-depth study into successful strategies and what makes these successful would be helpful in order to gain a better understanding of the keys to these strategies and how they could be adopted or even adapted. More quantitative research on a specific strategy would be helpful also, to gain insight into that strategy and its success rate. It would be necessary to investigate specific strategies in order to clarify the factors affecting strategic decisions given specific circumstances and influences.

Further study into the breadth of product range decision would also be important, in order to determine the contributing factors. It would seem that product range is not necessarily determined by whether they trade regionally or globally, but that there are other contributing factors involved in the product range decision, such as customer demand. Therefore a fuller understanding of this strategic decision is needed.

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APPENDIX 1: Definitions

Agglomeration is the clustering of economic activities in certain locations in order to gain locations-specific advantages.

Born Global Businesses are business organizations that enter international markets soon after inception, seeking to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries. These businesses tend to be small, technology oriented companies that operate in international markets from the earliest days of their establishment.

Business Networks are the relationships formed within formal association and informal relationships which encourage and expedite trade.

Hard Business Networks are defined by Chetty and Patterson as a partnership between business combining their talents and resources to achieve results that would not be possible individually. These networks typically include 5-6 businesses within a region. The network members share a clear profit focus, often bound together by a formal agreement for a specific new business purpose (TRADENZ brochure on Hard Business Networks, undated).

Soft Business Networks are an informal exchange of information and resources, which constitute an informal relationship.

Business-level Strategies are the way to build competitive advantage in a discrete and identifiable market.

Capabilities are tangible and intangible abilities, knowledge, routines and relationships a firm has. These are distinct from resources that are assets. Some authors bundle resources and capabilities both tangible and intangible together, however in this study these two terms will be distinct. Capabilities refers to the way in which resources are applied to the environment in which a country operates, they are based on the accumulation of information and experience.

Cluster is a group of producers making the same or similar things in close vicinity to each other, deriving support and competitive advantage through highly localized inter-firm relationships place-specific history, economic factors, values and culture.

Competitive Advantage is the attribute a firm has that sets it apart from its competitors. What is different about a firm from its competitors that attracts more business, added sales, or higher profits, and provides the basis for its preference by customers.

Core Competencies are a firm's internal attributes that provide a basis for competitive advantage.

Corporate-level Strategies are how a firm creates value through the configuration and co-ordination of its multi-market activities.

Corruption is the abuse of public power for private benefit usually in the form of bribery. Corruption distorts the basis for competition, which should be based on products and services, thus causing misallocation of resources and slowing economic growth.

Cultural Distance is the difference between two cultures along some identifiable dimensions. (Refer also Psychic Distance)

Entrepreneurship is the identification and exploitation of previously unexplored opportunities. It is concerned with the sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities, and the set of individuals who discover, evaluate and exploit them.

Ethics means the norms, principles, and standards of conduct governing individual's and firm's behaviour. Ethics are deeply reflected in formal laws and regulations. Ethics help combat corruption.

Ethical Imperialism: The belief that there is only one set of ethics and we have it. eg. USA are renowned for believing that their ethical values should be applied universally.

Ethical Relativism: Ethical conduct that is relative to the country with whom the conduct is being carried out in. ie. "when in Rome, do as the Romans do!"

Note! In practice, neither of these schools of thought are realistic, there needs to be "middle-of-the-road" guiding principles.

- a. Respect for human dignity and basic rights.
- b. Respect for local traditions (cultural sensitivity).
- c. Respect for institutional context (requires a careful understanding of local institutions).

Export Intermediaries are specialist firms that function as export departments of several manufacturers in non-competitive lines.

Flexibility is the ability to change the operation or initiate or adapt to change with little effort, time or cost penalty.

Foreign Direct Investment (FDI) is a firm's direct investment in production and/or service activities abroad. For instance, a company from one country making a physical investment into building a factory in another country. In order to qualify as FDI the investment must afford the parent enterprise control over its foreign affiliate. The UN defines control in this case as owning 10% or more of the ordinary shares or voting power of an incorporated firm or its equivalent for an unincorporated firm; lower ownership shares are known as portfolio investment.

Generalisability is to form into a general notion, or give a general character to. Expressing in a general form or extending the application of a concept. Something only has generalisability if it can be said that its characteristic, concept or perception is true in all cases.

Global Markets are markets world-wide, predominantly beyond New Zealand and Australia. Firms that are global firms are typically trading in 50-60 countries world-wide.

Global Strategy means a Strategy of how to compete successful around the globe. In this study emphasis is placed on global strategy for SME's going global. Strategies are overarching directions made by a firm that will determine tactics and decisions and the reasons behind these decisions, of the logistics behind the firms marketing, manufacturing, distribution of products and their alliances and networks.

Gusher is a term used to describe a phenomenon experienced by a successful global enterprise, whereby sales more than double, year-by-year in a compounding manner that puts pressure on the firm's resources, plant, systems and operation management because of the consequential demand. A gusher is a period of dramatically increasing sales following market success; it reflects a company's successful configuration of competitive capabilities.

Indirect Exports are exports through domestic-based export intermediaries.

Institutional Distance is the extent of similarity or dissimilarity between the regulatory, normative, and cognitive institutions of two countries.

International Entrepreneurship is the development of international new ventures or start-ups that, from their inception, engage in international business, this viewing their operating domain as international from the initial stages of the firm's operation. It involves a combination of innovation, proactive and risk-seeking behaviour that crosses national borders and is intended to create wealth in organizations.

International Strategies are the strategies to conduct themselves in foreign markets and the mode they use to do so.

Internationalisation is the process by which firms both increase their involvement in and awareness of direct and indirect influence of international transactions on their future, and establish and conduct transactions with other firms. Internationalisation includes indirect, direct and own exports, selling a license, know-how, franchising rights or projects, acting as a subcontractor or contractor, and being a foreign partner in joint/mixed venture in outward international operations.

Liability of Foreignness is the inherent disadvantage foreign firms experience in host countries because of their non-native status.

Liability of Newness means the inherent disadvantage that entrepreneurial firms experience as new entrants.

Mode refers to the organisational structure used to enter and penetrate a foreign market

Regional Markets are markets in neighbouring countries. New Zealand's regional markets are Australia and the Pacific Islands, Australasia.

Resources are the tangible and intangible assets a firm uses to choose and implement its strategies.

Psychic Distance relates to differences between a countries culture, language, political systems, business practice, industrial development and educational systems.

Small and Medium –Sized Enterprises (SME's) for this study are firms with less than 500 employees. Note that the definition of SME's internationally is also less than 500 employees (North America, Europe, UK).

Strategic Alliances are voluntary agreements between firms involving exchanging, sharing, or co-developing alliances fall into two categories;

- a. **Contractual Alliances:** These involve a relatively low-level of commitment and include co-marketing, research and development contracts, turnkey projects, strategic suppliers, strategic distributors and licensing/franchising.
- b. **Equity-based Alliances:** These involve a higher level of commitment and include strategic investment, where one partner invests in another as a strategic investor, cross-shareholding, where both partners invest in each other, or joint-venture, which establishes a new legally independent entity whose equity is provided by two or more alliance partners.

Strategic Intent is a firms intended direction in line with its reason for being, yet being an ambitious and compelling intent that provides emotional and intellectual energy for a business to intentionally grow beyond its current capabilities and resources, by creating a substantial misfit between its resources and aspirations. It holds out to employees the promise of exploring new competitive territory, which implies a sense of discovery and destiny.

Strategic Networks are strategic alliances formed by multiple firms to compete against other such groups and against traditional single firms. These are sometimes called constellations.

Strategy is what firms do which are deliberate, proactive, reactive or emergent to achieve their strategic intent as a business.

Success Factors are those variables that managers can influence to gain advantageous competitive position in industry and these variables are derived from the interaction of economic and technological characteristics of the industry and the competitive weaponry used in that industry.

Value Chain means vertical activities upstream to downstream that add value, consisting primary activities associated with developing, producing, and distributing goods and services, and support activities that assist these primary activities.

APPENDIX 2: Interview Questionnaire Template

Initially an explanation will be provided of what the thesis is about and the reasons for the interview.

The objectives of the questions will be:

1. To find the most successful strategies for NZ manufacturing SMEs to use to develop, discover, enter or create global markets;
2. To see what strategies have been used, and what their advantages and disadvantages were;
3. To investigate and compare the issues and strategies identified in various literature with those found in the interviewed businesses.

SECTION A: INTRODUCTION

In this section we are interested in the owner/manager of the small & medium sized enterprise (SME), about the SME's history, and about the SME's globalization activity in general terms.

Questions will be asked to establish the SME's ownership structure, if it had non-equity or equity based global market entry, whether it was involved in export, import, or a combination of these, and how long it has been global.

1. Tell me about the firms history;
 - a. When did it begin?
 - b. What does it manufacture / sell?
 - c. Have there been any major changes in location?
2. What is the firm's ownership structure?
 - a. Company type (eg. limited liability company)?
 - b. Have there been any changes in ownership structure?
3. Tell me about your globalisation experience;
 - a. Are you involved in export?
 - b. Are you involved in import?
 - c. Did you have non-equity or equity-based global market entry?
 - d. When did it start selling offshore?

SECTION B: HIGH-LEVEL STRATEGIES

In this section we are focusing on why the SME went global and the extent to which globalization took place. What was their international strategy for entering foreign markets and what were the various issues, in broad terms, facing these firms when going global?

Questions are to draw out the reasons why the interviewee went global, where the firm entered the global market, when they entered and their marketing strategy or mode of entry, and if its globalization experience was staged or considered to be 'Born-global', whereby the strategic intent of the SME at its inception was to be a global enterprise. Their strategic options and scale of entry will be looked at,

together with what different types of strategies were utilized for globalisation and in what situations should various strategies be employed.

4. Why did you decide to go global?
5. Did you pursue a “staged” entry into global markets or did you jump right into global sales, selling worldwide? (ie. was it intended to go global right from the start of the business?)
6. Did you enter on a regional basis (ie. Australasia) or did you venture to markets worldwide straight away?
7. Did different countries require different strategies?
 - a. If so, please explain, giving examples.
8. How did you handle cultural differences?
 - a. Is there a large psychic distance between New Zealand and the countries your trade in?
9. Did you have a strategic alliance with another firm or cluster of firms?
10. Did you get involved in a joint venture?
11. What marketing strategy did you employ? Were you able to create a niche market overseas? What niche market do you operate in?
 - a. What was different about marketing internationally compared to domestically?
 - b. Was there a different pricing strategy required?
 - c. Was direct marketing or indirect marketing employed?
 - d. Did you market the benefits of your product or the features of your product?
 - e. Did you use an agent or distributor overseas?
12. Did you manufacture in New Zealand only or abroad?
 - a. Have you considered manufacturing abroad? (eg. China)
 - b. Was your component manufacture carried out in different parts of the world and assembly performed in a different location?
 - i. Was this considered?
 - ii. What was the deciding factor?
13. Did you set up an overseas office?
14. What is your product range strategy?
 - a. What measures of success were achieved?
 - b. Did you change your product range?
15. What strategies worked well?
16. What strategies did not work well?
17. If you were to start again going global, what would you do differently?

18. In what situations should various strategies be employed?

SECTION C: OPERATIONAL STRATEGIES AND RESOURCES

In this section we want to hone in on operational aspects of the strategies employed and the resources needed. Any operational changes were required and the extent of the global transition? What level of networking did they participate in. Explore their product range strategy and quality with measures of success. What are their competencies and capabilities and their competitive advantage? And the various other operational issues for specific international markets facing firms going global? Which strategies have been successful and which have failed for specific international markets? And what lessons were learnt regarding the commitment required will be investigated, and how resources needed to be adjusted to meet customer demand and expansion into international markets.

19. What operational changes were required when you went global?
20. Were your transitional costs;
- Low? \$10K - \$50K
 - Medium? \$51K - \$500K
 - High? Over \$500K
21. Was an acceleration in your internationalisation experienced (the "Gusher")?
- a. Did this place an over-burden on the business?
 - b. How did operations get affected?
22. Do you participate in networking activity?
- a. Is this formal (contracted) or informal?
 - b. Was a Joint Alliance Group (JAG) participated in?
 - c. Was a cluster set up?
23. What level of commitment was required when you started to go global compared to domestic?
- a. How did resources need to be adjusted to meet the global customer demands and expansion into international markets?
24. What are your competencies and capabilities?
- a. Did your capabilities need to change when you went global?
25. What sets you apart from your competitors in the international arena? (eg. innovative products)
26. What are the various issues for specific international markets facing firms going global? (eg. foreign exchange, foreign government policies on import, free trade agreements, political, legal, and regulatory considerations)

SECTION D: PERSONAL EXPERIENCES AND LESSONS

In this section we are interested in the personal experiences of the firm and its owner, and any lessons learnt. In particular experiences regarding cultural differences, issues arising from trade barriers, regulatory risks, currency risks, business speculation and any hedging requirements will be explored.

In addition, the effect of the internet on market entry will be questioned and if the internet had an impact on market penetration.

27. What particular experiences in relation to cultural differences, issues arising from trade barriers, regulatory risks, currency risks, etc did you experience?
28. What advice would you give to a new business in global markets regarding business speculation and hedging requirements?
29. What lessons can be learned from your experience and the commitment required compared to a domestic business?
30. Has the internet (World-Wide Web) made a difference to the way you trade internationally?
 - a. What impact has the internet made on market penetration for your business?

SECTION E: FUTURE GLOBALISATION

In this section we will explore the plans for the future of the firm. Basically, where to from here? The plans for the visions of the owner/manager into the future of the firm will be explored, together with the strategies for implementing these plans.

31. What plans have you for the future of your firm?
32. Where do you see the firm in 5 years time?
 - a. How do you see this being achieved?
 - b. What strategies are you putting in place now to establish this future and implementing these plans?

APPENDIX 3: Letter Template to Interview Participants

15 June 2008

Name
Address

Dear ...

I am currently compiling a thesis on the subject of strategies for small to medium sized businesses going global. This research project will contribute to the completion of a Masters Degree in Business Studies.

I have identified that your business has taken the step to trade internationally and I would like to find out the strategies that have been successful and also not so successful for your global entry. I seek your permission to use your business as a case study within this thesis.

This project is being supervised by:

Dr Damian Ruth, BA, BA (Hons), MPhil, PhD
Senior Lecturer, Department of Management
Massey University
Private Bag 756
Wellington 6140
Contact telephone: 04 801 5799 ext 6782

I am seeking an interview with you because you have the knowledge and experience of the operations of your business, as well as the history of your global ventures and the strategies employed.

I will telephone you within the next two to three weeks to arrange an appointment for an interview at a time and date convenient to you. I envisage that the interview will take 60-90 minutes to complete. I hope to schedule an interview with you between July and September 2008.

If you would like any further information on this project please contact me on 06 765 8341 or tony@wattsprojections.co.nz.

Your participation would be greatly appreciated.

Kind regards,

Tony Watts

APPENDIX 4: List of Interviewees

Interviews 2008:

Experience Survey

Tony Dunstan, General Manager, Olex NZ Limited.

Dean Moana, CEO, Prepared Foods Limited.

David Bennet, CEO, Pacific Helmets (NZ) Limited.

Ken Stevens, CEO, Glidepath Group Limited.

Russell Guckert, Group Chief Operating Officer, Yarrows Limited.

Appendix 5: Interviewee Histories

Prepared Foods Limited

Prepared Foods Processing Limited is an export licensed food processor specializing in shelf stable meals in retort pouches and canned packaging. The company was set up in 1965 by Joe Walding, MP, and initially processed chickens, mainly for the domestic market and a little being shipped to Australia.

It was in the early establishment years that Mr. Walding attended a conference on Abalone in North America, which convinced him to try setting up an abalone processing plant in New Zealand. This decision would mean going to global markets in Asia from that point onwards. The main speaker at the conference was invited back to New Zealand to help set up the abalone canning business. At that time the global supplier to the Asian market were Mexico, South Africa, and Australia. Now Prepared Foods Ltd is one of the main suppliers to the Asian market, including Hong Kong and Singapore. It supplies canned abalone as its core business, together with pouched meals for its industrial customers (eg. military, police, fore service, etc). These pouched meals are a 24 hour ration pack, containing meat (lamb, beef, and sausages), vegetarian meals, pastas, etc. All are made up for a nutritional balance for an active soldier or serviceperson.

Prepared Foods Processing Ltd pride itself on its flexibility, quick response time, suitable process technologies, extensive experience and excellent product knowledge, all these are key to Prepared Foods' success. Prepared Foods specialize in high specification short run product knowledge. They have innovative technical and manufacturing team which provides flexibility.

The initial specification for the pouched meals was formed to a specific rating by the military, which Prepared Foods not only met, but has since developed into over 40 different menus in liaison with the military. Just-in-time ordering of imports is carried out, so they have to know what they are processing before the import order is made. Products imported in bulk for the pouches are salmon, tuna, spices, puree tomatoes, etc.

Prepared Foods Limited is a limited liability company, wholly owned by the Aotearoa Fisheries Ltd (AFL). It was part of the Salmon Smith Biolab Group (SSB) in 1996. AFL was formed from Te Ohu Kaimoana (TOKM), which was a Maori organization setup to receive settlement assets from the Waitangi Tribunal for fishing settlements, that agreement with the Crown was for 10% of all quota in New Zealand was to be vested in TOKM. Consequently, TOKM established AFL as the commercial operating entity of TOKM. TOKM brought shares in SSB to acquire the abalone quota that was in SSB. At that time SSB was a number of businesses, including scientific research, cosmetics, plastics, fisheries, etc.

TOKM then had a joint venture for the abalone business with Ocean Ranch, a private family business based in Wellington, New Zealand. Ocean Ranch was responsible for the procurement of meat from the beach. Prepared Foods Processing Ltd canned the product and Prepared Foods Ltd marketed the product to overseas markets.

On 01 October 2008, AFL bought Ocean Ranch. Ocean Ranch will operate the same, but is now wholly owned by AFL.

Pacific Helmets Limited

Pacific Helmets (NZ) Limited was founded in 1980 to manufacture motorcycle helmets for the Australasian market. Pacific Helmets (NZ) Ltd have since expanded their range of products to include Fire helmets, rescue helmets, sports helmets, all terrain vehicles helmets and specialist riot helmets. The company started selling globally in 1983, and now exports 90% of its products.

The company, which operates from the same location in Wanganui as when it started, specialises in manufacturing and exporting safety helmet products to the exacting design and performance specifications of each customer. Pacific Helmets is working to meet and frequently set the highest possible international standards for technical safety performance. Flexible manufacturing processes and innovative design flair result in products which have created new dimensions in helmet safety. Pacific Helmets have an ongoing commitment to the development of new and innovative helmet products.

The development of the Pacific Fire Helmet range for the New Zealand Fire Service was an example where a close working relationship between the experienced personnel at the Fire Service and the design team at Pacific Helmets resulted in a product range that met the Brigade's standards, specifications and price. This has been the case over the years with numerous brigades throughout Australia, Asia, USA, Europe and the UK.

Olex (NZ) Limited

Olex (NZ) Limited is wholly owned by its Australian parent Olex Limited, which in turn is owned by its French parent holding Company Nexans. Nexans is listed on the French stock exchange and has its head office in Paris, France.

Power cables have been manufactured and tested at the Olex New Zealand Limited Bell Block factory, on the outskirts of New Plymouth, since 1967.

Olex Australia's strong background and tradition goes back to 1940 when the cables industry was first established. Then a number of mergers and acquisitions have meant the continual development of a cable manufacturing company that is competing successfully in the world cable market.

In 1940 a division of Olympic Tyres began making insulated cables for the armed services and a new factory for the cables group was opened in Footscray, Victoria, Australia. In 1946 Olympic Cables Ltd was formed as a separate company.

Then between 1948 and 1950, whilst Olympic Cables was beginning to grow, so too was Nylex Corporation. Although Nylex Corporation's main focus was moulded plastic products, it too ventured into cable manufacturing. During the 1948 to 1950 period, a cable plant was established in Lilydale, Victoria and thus Nylex Cables was formed. In 1956, 26 acres of land was acquired in the neighbouring suburb of Tottenham, Victoria, for the erection of a new cable factory.

Over in New Zealand in 1967 Canzac Cables (A Division of Tolley Industries Limited) was established in Bell Block, New Plymouth, Taranaki, New Zealand. This location was chosen because of economic circumstances at the time, making it attractive for the Government to incentivize businesses to populate the region in order to create

basically in engineering hub centered on exploring oil and gas in the region of Taranaki. A cable manufacturing plant in the region meant cables available for engineering projects with the least requirement for shipping.

Olympic Cables and Nylex Cables merged to form Olex Cables In July 1973. Then in 1980 Dunlop acquired Olympic Consolidated Industries and therefore, 50% of Olex Cables. In 1981 Pacific Dunlop purchased Nylex Cables's 50% interest to become outright owners of Olex Cables. Pacific Dunlop also purchased Burton Cables.

In 1983, as part of its expansion program, Pacific Dunlop purchased another cable company named Spinaway Cables. Having been in the industry for over 30 years at the time, Spinaway had a niche market that Pacific Dunlop believed would compliment and enhance its current stable of products.

In 1984 the organisation decided to enter the New Zealand market and did so by acquiring Canzac Cables. Canzac Cables, at the time, was New Zealand's second largest cable manufacturer. Rather than trade under its purchased name, the New Plymouth based operation was re-named Olex Cables New Zealand Limited.

Burton and Spinaway Cables continued to trade independently until 1994, when Pacific Dunlop merged the two companies to form National Cables. On 31 May 1999, Pacific Dunlop Limited sold its Cables Group business in Australia and New Zealand to the Management Buyout Consortium (MBO). The MBO Consortium is a partnership of Olex senior management, AMP Asset Management and Catalyst Investment Managers.

In 2002 National Cables and Olex Cables merged to form the re-branded Olex Holdings. Then in November 2006, the MBO Consortium sold its shares in Olex Holdings to Nexans. The acquisition by Nexans became effective on 1 December 2006. Nexans is a worldwide leader in the cable industry, and their headquarters is in Paris, France.

Throughout that whole time the New Zealand cable business has remained a power cable company, whereas the Australian business has branched into the manufacture of communication cables as well as power cables.

The major market for Olex New Zealand is domestic to New Zealand (80%) with 19% exported predominantly to Australia and 1% exported to Pacific Islands. They import over 90% of there raw materials, copper from Australia, aluminium from the Middle East, and plastics from USA and Asia. Metals are by far the largest quantity component. Drums and spools that the cable is packaged on are made domestically.

Olex New Zealand also import finished cables that are quite specialised industrial cable product, when Olex New Zealand do not have the capability to manufacture it in New Zealand. Now that they are part of the Nexan Group, they can buy this specialised cable product more readily.

Glidepath Group Limited

The company was originally founded in 1923, as Thompson Engineering. Then in 1972 Ken Stevens bought the company. At that time it was based in Eden Tce, Upper Queen Street, Auckland. At that time they carried out heavy metal repairs

and maintenance, with a bit of construction work, and working on such things as simple conveyors for loading docks, factories, dumbwaiters and goods service lifts.

Later in 1972, Air New Zealand asked if they could look at the interim terminal in Mangorei, to repair and make good. They wanted a new ticketing conveyor at one of the terminals and asked for it to be extended by spreading it apart and adding a new piece in. After successfully completing that job, they got a purchase order to fully replace the belt, so that it didn't look out of place. And then Air New Zealand said they have trouble going around corners, and asked if they could do something for there. That was successfully done for them, and that is how they got into the airport baggaging conveyors. They haven't stopped since, although they kept the general repair and maintenance work going for a while.

They started to sell offshore in 1974, and then shifted to where they are now in Glen Eden, Auckland in 1977. In the 1970's they didn't know if they could carve an international future in BHG, but by the 1980's they had half an inkling they could. In the initial stages, it was very difficult to get any help on how to go about exporting and selling internationally. Nobody really knew a lot about it. So to get a little help, Ken Stevens joined the Export Institute in 1978. This was to get some networking and advice from others experience in exporting.

They had to learn about selling offshore and culture, and borrowing from other peoples experiences. But at the end of the day, they found that they just had to get on a plane and go over to where the markets are.

In 1982, the company decided to concentrate and specialise on baggage handling systems, manufacturing airport baggage handling conveyors. Their growth has been tremendous; having completes more than 500 projects in over 60 countries around the world. It is now considered one of the leaders in the field of airport baggage handling systems.

There is a full manufacturing plant in Dallas, Texas. They just double the size of it. And there is a sourcing entity in China, where they source equipment out of China because it is more cost effective.

They export into China and import out of China. As well as import items from Germany, e.g. bearings and other high performance, high quality engineering.

They are a limited liability company, closely held. No change in ownership structure. Funding was by cashflow, or the occasional bank loan, they didn't need equity from another partner, or overseas company.

Yarrows Family Bakers Limited

Yarrows set up a bakery in Turakina near Wanganui, New Zealand in 1923. Not long after, in 1925, the bakery was relocated in Manaia, Taranaki, where it has been ever since. Alfred Yarrow father was the founder, his son Noel carried on the family business. Now Noel's son Paul is in the business and manages the business out of their Auckland office. Yarrows is a manufacturer of bread, croissants, danish pastries, cookies, bread rolls, and subway bread. They started selling offshore in late 1970's, with Vandenberg's in Australia to supply them with some Danish products. Then purchased the Croissant Gourmet in Australia and changed its name to the

Original Croissant Gourmet when they took it over. They then had factories in Perth and Brisbane.

Yarrows then got involved in Subway in 1996. It supplies Subway in NZ, Australia, Japan, Korea, Thailand, Taiwan, Singapore & Hong Kong. Subway bread is now their largest export with 40% of the export being to subway stores and export is now 60% of business and 40% of rest of business is domestic. Both Vandenberg's and Subway were customers only. They had no equity stake in Yarrows. Yarrows also supply all the New World, 4-Square and Pak 'n Save supermarkets from Wellington, to Hastings and over to New Plymouth.

Frozen dough technology had been successful in NZ for Yarrows. It is this frozen dough technology that has allowed Yarrows to supply Subway globally. They pioneered the "frozen dough" concept in NZ and Australasia. There are three types of baking:

- Scratch - starting from scratch.
- Pre-mix – where ingredients are in dry form and you mix it and add water.
- Frozen dough – where dough is made, pre-formed and then frozen, then the buyer puts it in a proofer which starts the yeast and makes it rise, using 40% humidity, then it is baked.

APPENDIX 6: Ethical Considerations

I have read, understand and will meet the ethical standards at Massey University as provided within the Massey University Code of Ethical Conduct for Research, Teaching and Evaluations involving Human Participants www.massey.ac.nz/~muhec/.

In accordance with the principles outlined in *Section 1: Principles* of this Code of Ethical Conduct and detailed within *Section 3: Application of the Principles*, the following ethical principles will be adhered to;

1. respect for persons;
2. minimization of risk of harm to participants, researchers, groups, communities and institutions;
3. informed and voluntary consent;
4. respect for privacy and confidentiality;
5. the avoidance of unnecessary deception;
6. avoidance of conflict of interest;
7. social and cultural sensitivity to the age, gender, culture, religion, social class of the participants,
8. justice.

In addition to the above principles to be observed, other ethical concerns will be addressed, such as participant recruitment, access to SME business records and personnel, the treatment and use of data, any conflicts of interest and the role of the researcher. Note that there are no conflicts of interest apparent at this time.

Furthermore in carrying out this research, I shall not plagiarize or claim credit for the results of others. Where other's work, ideas, or words are used, I shall reference these to provide due recognition to the source. Due consideration shall be undertaken to ensure that there will be no misreporting or inventing of results, no concealed objections nor distortion of opposing views. I shall not submit data whose accuracy I have reason to question, unless the questions are raised, and I shall not destroy or conceal sources and data that is important for those who follow.

These ethical principals go beyond simply not plagiarizing, which is a given. They are at the very heart of ethical choices throughout the research process. The pursuit of truth, the good moral character of the researcher, the integrity of the work is at stake. This research is aimed at meeting the needs of the community for which this research belongs. I concur with Booth, Colomb and Williams (2003) where they say that researchers must respect sources, preserve and acknowledge data that may run against their results, assert claims only as strongly as warranted, acknowledge the limitations of their certainty, and meet all ethical limits on their report.