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DIVERSIFICATION AND EXPANSION IN  
LARGE DIVERSIFIED NEW ZEALAND COMPANIES

A Thesis Presented in Partial Fulfilment  
of the Requirements for the Degree of  
Master of Arts in Geography  
at  
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ABSTRACT

Diversification and spatial expansion are investigated in relation to eight Type III companies in New Zealand. The case companies are delimited on the basis of a three stage classification of corporate growth and organisation. The conceptual background to the thesis also includes an examination of more general aspects of corporate decision making, strategy, and the expansion and impact of firms in space.

Two areas of research are examined - (a) the incidence and nature of diversification in the eight companies, and (b) spatial aspects associated with diversification and expansion.

A case study approach is used to outline the diversification and spatial expansion of the companies over time. A three-fold classification of diversification is proposed: diversification within and between activity groups and diversification function. Diversification is then viewed in relation to the respective growth developments of the case companies. On the basis of these accounts, a number of conclusions are drawn on the temporal development of diversification in the spatial expansion of the eight companies.

Diversification was found to be an important component in the corporate growth and geographic expansion of the case companies. Furthermore, a review of the geographic distribution of their activities suggests the companies have an important contribution to national and regional development in New Zealand.

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## Chapter 1

### CORPORATE DECISION-MAKING, STRATEGY, AND THE SPATIAL EVOLUTION OF FIRMS

Industrial or manufacturing geography lies within the broad and expanding field of economic geography, and in itself, industrial geography includes a diversity of areas and approaches for study. What constitutes the field and approach of industrial geography is open to discussion among geographers and is subject to change over time. It can be viewed broadly, however, as the organisation, behaviour, location, and distribution of individual or groups of firms in space and their impact (as individual firms or in aggregate) on regional, multi-regional, national, and international areas. Clearly, economic and industrial geography are closely related. Krumme (1969, 30) views as significant tasks for economic geographers:

'the identification and description of the spatial characteristics of processes of change in economic activity patterns and in analysis of these processes for purposes of explaining present and projecting future patterns..... The structural and functional characteristics of the micro-unit (the firm) and the way it combines productive factors and adapts to exogenous changes are important links in the chain through which these forces work on the industrial pattern leading to economic growth, stagnation or decline of regions.'

Recent writings in industrial geography have recognised the growing importance and impact of behavioural patterns of firms in space. This recognition has been marked by a movement away from a traditional and deter-

ministic industrial geography towards a more behavioural approach. 'For the explanation of complex behaviour of modern industrial firms, traditional location concepts still represent an essential but insufficient basis' (Krumme, 1970, 318). This trend has been seen as a reaction to the inadequacies of traditional location theory in explaining the behaviour and location of firms in space, especially with the growth of large multi-regional and multi-plant firms, the increasing complexity of location decisions, and the growth of interdependencies and linkages within and between firms and regions. The inadequacy of traditional locational theory was in its 'preoccupation.... merely with geographic implications of optimal combinations of production factors rather than the underlying forces and the decision-making processes themselves' (Krumme, 1969, 31).

The swing to a more behavioural viewpoint was highlighted by McNee (1960, 201), who stated a need for a 'more humanistic' economic geography based on a 'geography of enterprise'. Contributions to a 'geography of enterprise' have focussed on a number of areas of behavioural and spatial aspects of corporate decision-making (Krumme, 1969). These would include investigations into the nature of decision-making of business corporations, and behavioural factors affecting decision-making and decision-makers themselves; explanation and case-studies of corporate strategy and the behaviour and adjustment of firms in changing business environments; and the spatial evolution and impact of firms in national and regional areas. These areas form an important background to this

research which investigates the relationship between corporate strategy, corporate evolution, and the growth of firms in space by viewing the extent and impact of diversification and expansion of large corporations in New Zealand.

#### The firm and decision-making in space

Firms operate within a spatial context: their business activities and transactions, the conversion of resources into goods or services and their distribution to final market, takes place in space and the 'landscape is an aggregate reflection of individual decisions' (Pred, 1967, 11). Decision-makers play an important role in shaping both economic and non-economic location patterns - 'the economic landscape - the spatial dimension of an economic system, is the manifestation of countless decisions made by individuals, groups, and particularly business organisations, '(Dicken, 1971, 434) and more specifically, the accumulation of investment, resource allocation and production decisions by business firms over time.

This study focusses on decision-making in the business context and thus the basic decision-making unit - the firm. 'Decision-making in space' therefore refers to the study of spatial decision-making by business organisations.

In recent years, there has been an increasing recognition that spatial decisions involve not only 'location' but a wide range of decisions. 'Spatial decisions can be viewed as all those decisions which have a spatial expression' (Dicken, 1971, 427). Krumme (1969, 37) provides a useful distinction between 'active' or spatially oriented decision-making (for example, expansion and con-

traction of a firm, changes in raw material or markets), and 'passive' or spatially indifferent decision-making.

The management decisions within the firm can be classified into three main areas (Ansoff, 1965, 5):

- (a) operating decisions maximising the efficiency and profitability of the firm's operations, and routine relations with the environment for example, resource allocation, pricing, establishing marketing strategy, and
- (b) administrative decisions structuring the firm's resources leading to maximum performance potential, and
- (c) strategic decisions concerned primarily with external rather than internal problems, and specifically, with the selection of the product-mix the firm will produce and the markets to which it will sell.  
The strategic problem focusses on what business the firm is in and what kinds of business it will enter.

In terms of Ansoff's classification, operating and administrative decisions which focus primarily on internal rather than external problems, are less spatially 'active' than strategic decisions. However, operating and administrative decisions do have a spatial component and in turn are important factors influencing strategic decisions. This study focusses on strategic decisions and the impact of decisions concerning product-mix, plant

location and markets in space.

Decision-making of firms has been viewed in terms of an organisation operating within an external and dynamic environment. For example, Townroe (1971, 10) conceives of three interacting systems in viewing the firm as an open-ended entity reacting to external pressures and evolving over time. These include:

- (a) a community system or wider environment delimiting the opportunities for development and constraints on action, and
- (b) a company system made up of individual participants and activities, and
- (c) a management system responsible for all decisions which have strategic or planning implications for the company system.

Decision-making is seen as a response to a situation or problem that has arisen out of the community and/or company system. It is characterised by a three step process of selecting a response to a situation - the 'perception of the decision field' - the initial understanding of the problem; the 'formulation' and comparison of possible actions by the management system; and the 'choice of a course of action' which feeds back into the company and community system.

Dicken (1971, 429), in developing a similar model, distinguishes between the 'objective' or total environment, and the 'behavioural' environment of the firm. Dicken conceives a 'coding or perception mechanism' that receives information from the environment and delimits

the behavioural environment or 'action space' of the firm. 'Action space' or 'task environment' (McNee, 1974, 51) refers to the spatial sphere of activities and thus the spatial extent of the perception and decision-making of the firm. The important element in the two models is the dynamic nature of 'corporate-environmental relations' (Steed, 1971, 90). Both models emphasise the feedback of information from the environment and resulting adjustments by firms to meet new problems and situations. 'Firms..... are administrative and productive organisations making decisions in uncertainty, arising from their interaction with complex and dynamic environments.' (North, 1974, 214).

The firm may face a number of stresses resulting from changes in the external environment or internally within the firm. The firm reacts, adjusts, and adapts to these changes. A number of studies have highlighted adjustment and adaption by firms in the face of environmental change. For example, Fleming and Krumme (1968, 177 - 199) studied in the 'Royal-Hoesch Union' as an example of adjustment patterns in the European steel industry, and Steed has made similar investigations in a Northern Ireland shipbuilding concern (1968, 506-525) and linen complex (Steed, 1971b, 371-383), and a number of articles of change and adjustment in corporate-environmental relations (Steed, 1971c, 1971d, 1971e). Steed introduces the concept of 'milieu' or geographical setting of the firm consisting of two features - factors that actually affect the firm, and those factors which the firm itself considers to be important. Steed highlights that, in an environment of

uncertainty and with difficulty in gaining particular information the two sets of factors may not be identical. The perception of the milieu and the firm's own resources are important in decision-making.

The area of perception is related to the behavioural factors affecting the decision-making of the firm. This area has received increasing attention from writers in recent years associated with the more behavioural orientation to the study of firm decision-making. These writings have attempted to revise the assumptions of traditional location theory and recognise the industrial firm as a 'complex, purposive goalseeking system' (Dicken, 1971, 427) that does not possess the single unambiguous goals of traditional theory - cost minimisation or profit maximisation. For example, most organisations are considered 'rational satisficers' rather than optimizers, aiming for maximum profits and minimum costs (Simon 1952, Pred 1967). Business goals may be multi-dimensional whereby not only profits but also sales volume, market share, prestige, growth in firm size and empire-building may be important. The behavioural approach has centred on the decision-making process and the decision-makers themselves and the uncertainty under which decision-making takes place, for example, as a result of imperfect knowledge, spatial variations in the availability, quantity and quality of information, and the ability to use this information. These factors would increase the role of subjective and non-optimal judgements and the goals and objectives of the firm may be difficult to determine.

The aspirations, goals, and ability of decision-makers have also been considered important in influencing the nature of decision-making and particularly, the perception of the firm itself, and the external environment. 'The picture of the firm that is emerging..... is that of a searching, information processing, allocating mechanism.' (Simon, 1959, 263).

### Strategy and space

Strategy determines the 'scope and growth direction that a firm requires to achieve orderly and profitable growth' (Ansoff, 1965, 103). It consists of a set of management guidelines which specify the firm's product-market position - the direction in which the firm seeks to grow and change, and the means it will organise its resources and implement policy. Thus, strategy centres on the 'basic long-term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals' (Chandler, 1962, 13). It can be usefully viewed in terms of the relationship between the firm and the business environment, and is an attempt by a firm to adjust to the variability and unpredictability of external factors affecting production and demand. 'It is crucial that the whole process of locational change is viewed in the context of the interdependence between a firm and its environment and as a part of the stress and response process' (North, 1974, 214).

Strategy guides and directs firm growth and change, and thus, the spatial extent of its activities. There has been an increasing recognition of the link between

corporate strategy, corporate evolution, and the growth of firms in space (for example, McNee 1962, and Le Heron and Warr 1976), and organisational adjustment may have both spatial and non-spatial impacts. Strategic change refers to shifts in the product or service mix produced by a firm and changes in the location of production and market outlets. 'Strategy and space' centres on the spatial impact of these decisions reflected in the questions where to establish production plant and market outlets in local, regional, multi-regional, national and international areas. A useful model of strategic change is presented by North (1974, 216-7) which views four stages in strategy formulation:

- 1) Policy selection-expansion of existing products, diversification, vertical and horizontal integration, and contraction.
- 2) Assessment of changes required in terms of labour, plant and machinery, buildings, land and inputs as a result of policy selection.
- 3) Assessment of alternative methods of achieving the selected policy-expansion on site, complete transfer, the establishment of branch factories, acquisition and merger.
- 4) Assessment and selection of alternative locations at the sub-regional, regional, and national levels.

Although it is possible to propose several variations to the model (for example, a direct link between policy decision and location), the model, however, does contribute

to the understanding of 'strategy and space'.

Growth of firms in space: expansion in space

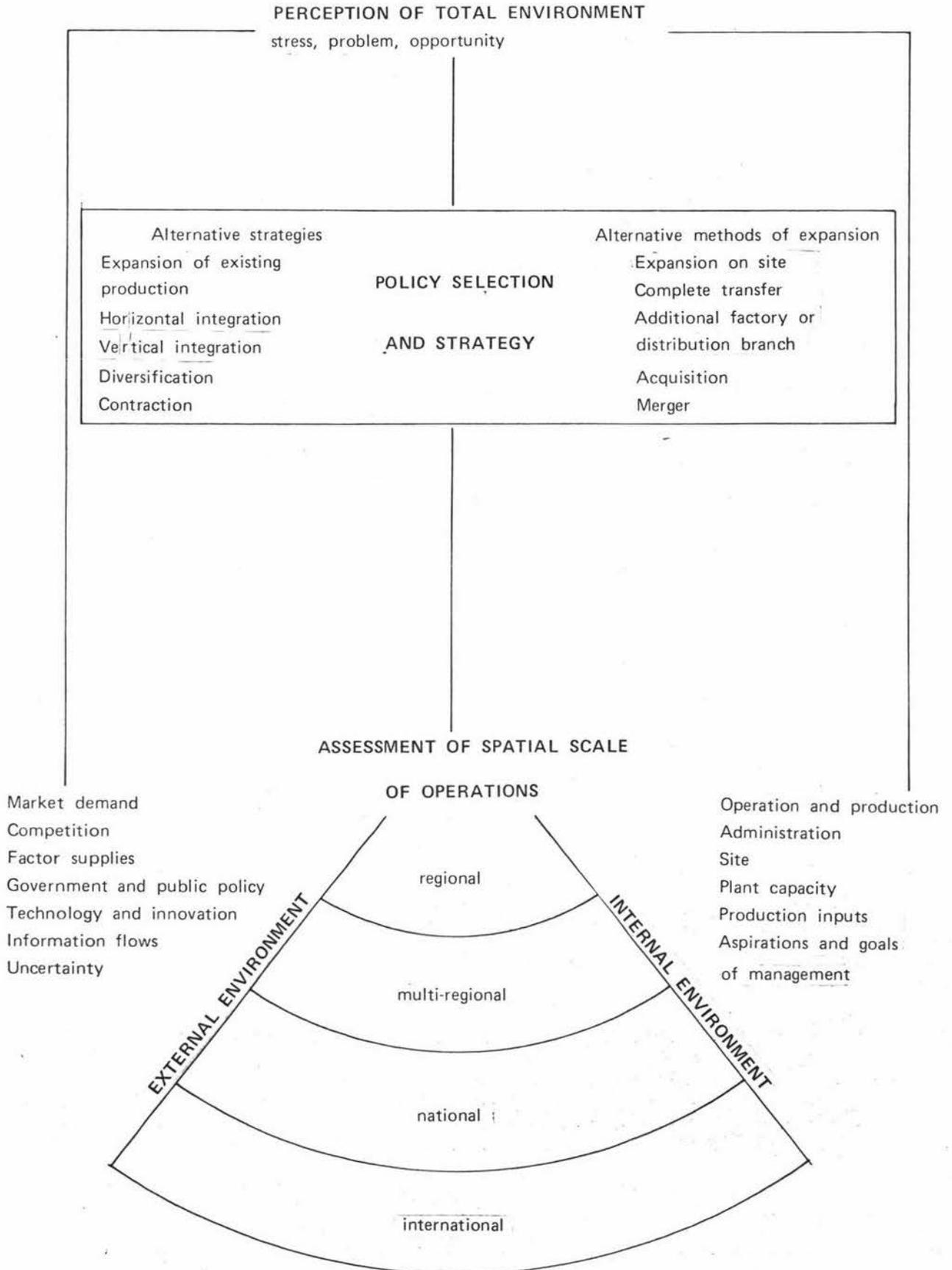
Firms attempt to locate or place themselves in terms of their relevant or optimal local, regional, multi-regional, national or international operating environments and several studies have highlighted the growth and spatial evolution of interregional, national and international firms. McNee for example, has studied the spatial evolution of two international oil companies (1958, 1963) and Rees (1974) has outlined the spatial growth of a soap and detergent manufacturer Proctor and Gamble in U.S.A. from 1880 to 1970.

At present, no comprehensive framework exists to explain the growth of firms over space but two recent discussions have offered important contributions, to this field. Le Heron and Warr (1976, 1-16) have distinguished two types of strategy that can accompany geographical expansion by a firm - simple strategy in one region, and complex strategy involving activities or functions in different regions. 'Type II and Type III companies, multi-product closely-linked and often interdependent organisations with dispersed branch plants, could expand their sphere of operations to new areas (Le Heron and Warr, 1976, 5). This movement from simple to complex strategy requires a change in spatial awareness from a regional scale to a multi-regional, national, and possibly international scale. Taylor (1975, 313-23) has viewed the changes in the spatial dimension within which a firm operates in terms of the orderly expansion of a firms opera-

tional space, within which location and investment decisions are being made, punctuated by thresholds or barriers that must be surmounted as the firm expands through the local, regional, national and international scale operations. The expanding decision space is delimited by the firms material links and later its information flows. Taylor also pointed out, however, that the larger market of an agglomeration may allow firms to grow into a larger size before expansion into a regional and operational space is required.

Figure 1 views some of the relevant aspects and factors affecting the growth of firms in space and incorporates Townroe's, Dicken's, and North's models of decision-making in space. Critical in the location and future spatial evolution of firms located in local, regional, multi-regional, national and international areas is the interrelation between the external environment and the internal environment of the firm. The feedback of the external and internal environment is an important determining factor in corporate strategy. Important external factors would include, the related factors of short and long-term market demand, competition, and uncertainty, but also raw material supplies and inputs, government and public policy, and changing technology and innovations. Internal factors would include the goals and aspirations of the firm and management, and the performance of administrative and operating areas in the firm including plant, labour, and research. The perception by the firm of the external and internal environments highlights and measures the performance of the firm in

FIGURE 1 THE EXPANSION OF FIRMS IN SPACE



Source: Adapted from Dicken 1971 429; McNee 1974 216; Townroe 1971 11.

its respective task environment and areas of stress, problems, or opportunities that may affect the future growth of the firm. Beyond the 'task environment' can be identified a 'zone of opportunity' (McNee, 1974, 51) in which the task environment may expand. The feedback of the external and internal environment and the measure of performance of the firm in its existing task environment delimits the 'zone of opportunity', the potential area in which its activities can take place. The actual area of the firm's activities within the 'zone of opportunity', its task environment, is defined by the corporate strategies (goals and objectives) and internal factors of the firm - for example, the ability of its plant and resources to expand production. Thus, the firm with information received from the external and internal environment can formulate alternative strategies and methods of achieving expansion determining the growth of the firm in space, as outlined in the model. The firm may move from a regional to a multi-regional, national, or international task environment, divided by threshold levels and characterised by a move from a 'simple' to a 'complex' strategy and an orderly expansion of a firm's operational space.

Because of the uncertainty of an initial location, a firm may operate in a spatially small and known market and feedback from the environment determines the future growth of the firm. The firm may extend production to the threshold of the existing market, and then, depending on its internal resources, expand its market areas beyond a local to a regional, multi-regional, national and international task environment, as described by McNee (1974,

51) in the case of an hypothetical firm. The growth of a firm in space may be reflected in the initial expansion at a single plant, a growth in the distribution area of a firms products, raw material sources, and information flows, and the development of branch plants for distribution and/or production.

The spatial evolution of the firm has important implications to structural change in regional economies through inter and intra-firm linkages within, and perhaps more importantly, between regions in the national economy. In the case of large spatially diverse corporations, branches or subsidiaries can play an important role in determining the growth and nature of regional industrial development, and in transferring and extending industry over the national economy. Le Heron and Warr (1976, 1-16), have investigated the spatial evolution of Wattie Canneries in New Zealand, and the company's impact on the agricultural patterns in the Hastings, Gisborne, Nelson, Christchurch and Timaru regions. This study examines the role and contribution of large corporations to sectoral and spatial change at the national and regional level in the New Zealand economy.

#### Diversification and space

Diversification represents the development of new products by a firm. 'A firm diversifies its productive activity whenever, without entirely abandoning its old lines of product, it embarks upon the production of new products which are sufficiently different from other products it produces to imply some significant difference in the firms production and distribution programmes'.

(Penrose, 1959, 108).

The initial step in diversification strategy is the recognition of stress, problems, or opportunities in the external environment or the internal environment of the firm. Diversification may take place in response to declining returns in existing products or services and the recognition of the need to move into new production fields. Firms may choose to diversify rather than pursue further growth within their primary industries in which future growth may be limited. New products may be found for an existing market or new market. The firm may choose to enter new fields as going concerns through merger and acquisition or may develop new products within their existing organisation through research and development or within the industry as a whole.

Diversification has an important spatial component. The strategy of entering a new production field is closely related to the question of where to locate production - at existing plant; expansion of existing plant; or the establishment of new plant in other areas possibly through acquisition and merger. The decision to diversify is closely linked to the spatial questions - how to achieve entry into new fields and where to locate production.

In the case of acquisition and merger where the firm moves into an operating plant, the how and where questions are closely related. The spatial questions associated with diversification - decisions to expand existing plant, to establish new plant or to attempt acquisition or merger, may have an important impact on sectoral and spatial chan-

ge at the local, regional or national levels of the economy. The development of branch and manufacturing plants by large corporations is an important factor determining the growth and nature of economic activity in regions.

Diversification is an important element in the growth strategy of firms and overseas studies have recorded and highlighted the growing importance of diversification over time (for example, Gort 1960, Chandler 1962).

### Research and design

In New Zealand, diversification may be considered a comparatively new growth strategy but of increasing importance with the growth of large corporations. There are a number of important questions concerning the growth of diversification in New Zealand. For instance, since its appearance, has diversification been an important growth strategy and what has been the nature of diversification undertaken by firms? It may be important to view diversification within the overall corporate development of firms and how it relates to their geographic expansion. Has diversification been an outgrowth of expansion in space or has it been the outcome of specifically defined corporate strategies?

This study examines diversification and expansion in eight New Zealand companies focussing on two central issues:

- 1) The growth of diversification as a growth strategy, and
- 2) The spatial evolution and distribution of firm activities as a result of diversification and ex-

pansion.

These issues encourage in turn particular examination of at least the following:

- 1) Diversification as a recent growth strategy in New Zealand firms,
- 2) The nature of corporate strategy and the spatial patterns of such strategy,
- 3) The generalities connected with the extension of a firm's operational space from a local environment into regional, multi-regional, national and international environments,
- 4) The link between corporate strategy, corporate evolution and the growth of firms in space,
- 5) The contribution of large corporations to structural change at the national and regional level.

The research approaches the study of diversification and expansion of firms in New Zealand through the framework of organisational structure, that is, a study of firms that show the characteristics of Type III organisations as described in Table 1. Three stages in the organisational development of firms are outlined on the basis of nine criteria or company characteristics. Type I firms are small, often owner operated and have single product lines and marketing channels. With Type II firms, specialisation in the development of functional departments such as marketing, production, and finance take place but production is still confined mainly to a single product line. Type III firms are characterised by multiple product lines and have developed multi-divisional

TABLE 1 : THREE STAGES OF ORGANISATIONAL DEVELOPMENT

COMPANY CHARACTERISTICS	STAGE		
	I	II	III
1. Product line	1. Single product or single line	1. Single product line	1. Multiple product lines
2. Distribution	2. One channel or set of channels	2. One set of channels	2. Multiple channels
3. Organisation structure	3. Little or no formal structure - "one man show"	3. Specialisation based on function	3. Specialisation based on product market relationships
4. Product-service transactions	4. N/A	4. Integrated production and marketing transactions	4. Not integrated
5. R and D	5. Not institutionalised oriented by owner-manager	5. Increasingly institutionalised search for product or process improvements	5. Institutionalised search for new products as well as for improvements
6. Performance	6. By personal contact and subjective criteria	6. Increasingly impersonal using technical and/or cost criteria	6. Increasingly impersonal using market criteria (return on investment and market share)
7. Rewards	7. Unsystematic and often paternalistic	7. Increasingly systematic with emphasis on stability and service	7. Increasingly systematic with variability related to performance
8. Control system	8. Personal control of both strategic and operating decisions	8. Personal control of strategic decisions, with increasing delegation of operating decisions based on control by decision rules (policies)	8. Delegation of product-market decisions within existing businesses, with indirect control based on analysis of "results"
9. Strategic choices	9. Needs of owner versus needs of firm	9. Degree of integration Market share objective Breadth of product line	9. Entry and Exit from industries Allocation of resources by industry Rate of growth

Source: Channon, D.F. 1973.

structures beyond Type II firms which exhibit 'vertically integrated functionally coordinated structures' (Thomas and Le Heron 1975, 239).

From the criteria outlined in Table 1, eight New Zealand firms were identified as displaying the characteristics of Type III operations. They were:

Alex Harvey Industries Ltd.

Challenge Corporation Ltd.

Feltex N.Z. Ltd.

Fletcher Holdings Ltd.

I.C.I. (N.Z.) Ltd.

U.E.B. Industries Ltd.

Wattie Industries Ltd.

Winstone Ltd.

The research was based on a review of public sources of information including company reports, journal articles, and published historical accounts of the firms, and personal interviews and approaches to the firms undertaken in July and August 1976. Company personnel of the eight firms were approached initially at the head office level, where available information on the historical growth of the firms and general scope and nature of their activities was obtained. In addition, historical and general information not supplied by head office, but essential to a comprehensive approach, was obtained by approaching division, subsidiary and branch operations of the eight parent companies.

General documentation on the nature and scope of the companies' activities was readily available (for example,

annual reports), and provided a useful background for interview discussions with company personnel on the nature of their companies' activities. More detailed data on the historical growth and expansion of firms were not uniformly available and often incomplete for the purpose of this study, and this required requests for information on the development of activities by plant and location within the company. The co-operation of many company personnel enabled important developments in the growth and geographic expansion of the eight companies to be recorded.

## Chapter 2

### THE GROWTH AND NATURE OF DIVERSIFICATION

The discussion of corporate decision-making and strategy in Chapter 1 recognised a number of possible production decisions open to firms in interaction with their operating environments. These included five possible strategies - the expansion or contraction of existing products; vertical or horizontal integration; and diversification. Multiple product lines are an important factor in delimiting Type III firms, and diversification has been defined when a firm, 'embarks upon the production of new products which are sufficiently different from other products it produces to imply some significant difference in the firm's production and distribution programmes' (Penrose 1959, 108). It may occur within and between activity groups but also in function. For example, a firm in wholesale and trading may extend its operations to the manufacturing field. Diversification in function is distinct from vertical integration where, for example, manufacture and wholesale and trading may be functionally coordinated. This chapter reviews the nature of diversification undertaken by the study firms.

#### Diversification

The nature of the activities and diversification of the eight companies is briefly summarised in Table 2. The firms have diversified both within and between activity groups, and in function and they represent wide ranging sectors of the economy. These include agricultural pro-

TABLE 2 : THE ACTIVITIES OF THE EIGHT RESEARCHED COMPANIES

Alex Harvey Industries: The manufacture of aluminium and roofing products; building products including fibre-glass insulation, acoustic and general products, laminated plastics and wallboard, foil insulation, and building film and packaging papers; sheetmetal products - home appliance components, baths and basins, door panels, roll-a-doors, office equipment, drum and container manufacture and tinsplate printing; glass products; metal containers; paper products including packaging and printing; plastics - containers, bottles, film, pipes, sheets, foils and general products; lime production; and forestry and farming.

The Challenge Corporation: Stock, station, estate, shipping freight and insurance agents; wool brokers; stud stock and bloodstock; grain, seed, produce, and fertiliser merchandising; retailing of farmers' supplies, general hardware, and electrical and household equipment; motor trading and distribution; wool processing; manufacture of motor mowers, bicycles and rotary hoes, pumps, and leisure and outdoor products; marketing of engineering products and wholesaling of farm machinery and pumps; distribution of liquified petroleum gas; finance, securities and investments; land development; and interests in a department store chain, and shopping centre and commercial building development.

Feltex NZ: Manufacture and distribution of woven and tufted carpets; woolltops; non-woven textiles and waddings; ropes, cords, elastics, webbings and braids; footwear; tyres; wide range of general rubber products; fabricated and moulded plastic products; steel furniture; mattresses and floor maintenance machines; sports equipment; marine furnishings and adhesives, and anti-rust products; and interests in furnishing retailing and polyurethane foam manufacture.

Fletcher Holdings: Extensive interests in building and construction; the manufacture of building materials, roll form roofing products, PVC coated plastics, and culverts; galvanising services; linseed and lucerne processing; the fabrication and installation of insulation systems and mechanical services; the merchandising of steel, machine tools and specialised medical and scientific equipment; the marketing of engineering and industrial equipment; the wholesaling of automotive accessories; hire services; logging, milling, processing, merchandising and manufacture of timber related products; suppliers of dairy equipment; sulphur mining; land, housing, commercial building and shopping centre development; and broad associated interests in building materials, general manufacturing, property, construction, and in the servicing sector.

I.C.I.NZ: The manufacture, importing, and exporting of agricultural chemicals, animal remedies, pharmaceuticals, resin adhesives, dyestuffs, explosives, plastics, and slide fasteners and through its subsidiaries, nylon yarn and fibres, paint, ammunition, wallpaper, polythene film and profiles; hardware and paint retailing; mineral exploration; and interests in containers and plastics.

U.E.B. Industries: The manufacture of containers, rigid boxes, flexible packaging and paper bags; door cones, building papers, and woodwool; general printing; carpets, spinning and latex carpet backing; expanded polystyrene products; steel framed furniture; unimatic packaging systems; the wholesaling of paper related and commercial products; lucerne processing; and wool farming.

Wattie Industries: The growing, processing, and distribution of a wide range of canned, frozen, and prepared foods; flour, breakfast foods, and poultry and stock feeds; cornflour, glucose, dextrose and edible and industrial starches; suppliers of raw materials for industry; distribution of refrigeration shop equipment; distribution and manufacture of plywood, panelling, moulding, timber veneers, marine supplies, hardware, and doors; refrigerated transport; and operate a fleet of fishing trawlers.

Winstone Ltd: The manufacture and supply of building materials - cement, concrete, concrete masonry, bricks, refractories, wallboard and walling systems, glass, steel, plaster, PVC pipe, PVC cladding and roofing, galvanised iron, long run roofing systems, roll-forming machinery, demountable partitions, tiles and pavers, aggregates from quarries and rivers, and systems for pre-stressed flooring, erosion control, and piling; road transport, and civil engineering; and construction, forestry, land development and housing.

Source: Company documented data and field work 1976.

duction and servicing, resource extraction, manufacturing, wholesale distribution and retailing, and finance and commercial activities. Alex Harvey Industries, for example, has six main product groups that embrace aluminium, roofing, glass, metal container, plastic, and paper and packaging products. The manufacture of containers and building products represent two important sectors of its operations. In contrast, the Challenge Corporation has an important base in the agricultural and non-manufacturing sector. Its activities extend from agricultural commissioning and trading and the processing of wool, to the manufacture of motormowers, bicycles, rotary hoes, engineering products, pumps, and outdoor and leisure products. Its non-manufacturing activities include wholesale and retail activities in the motor and home appliance trades; hardware, pharmaceutical and veterinary supplies; finance; land development; and an interest in a department store chain. Alex Harvey Industries and the Challenge Corporation incorporate the elements of 'multiple product lines' and operations that are 'significantly different', characteristic of Type III firms. Similarly, Feltex N.Z. has interests in six main product groups - tyre and general rubber manufacture and distribution; a furnishing group encompassing carpet, bedding, underlay and other products; plastics manufacture; and footwear, cordage and wool divisions. Its activities also include the manufacture of sport equipment and handcrafts, and furnishing retailing. The Fletcher group of companies, in contrast, has a major interest in the building industry - in building and construction; in the manufacture, processing, supply and

merchandising of building products, particularly timber and steel related products; and in land, housing and shopping centre development. This is not exclusive however, as shown in Table 2 with the company's wide ranging activities in agriculture, mineral extraction, the wholesaling and supply of engineering equipment and other areas. Its operations extend from the production and processing of primary materials to manufacturing, and wholesaling and retailing. Winstone Ltd., like Fletcher Holdings, has broad interests in the manufacture and supply of building materials, forestry, land development and housing, but also include road transport and civil engineering. I.C.I. N.Z.'s activities have an important base in the chemical industry - in the manufacturing, importing, and distribution of chemical related products including agricultural chemicals, animal remedies, pharmaceuticals, resin adhesives, dyestuffs, plastics, explosives and other products. Its operations have spread to the manufacture of nylon yarn and fibres, ammunition, wallpaper, polythene film and profiles, metal containers and paint products, and in mineral exploration. The company therefore has important manufacturing and non-manufacturing interests. In contrast, U.E.B. and Wattie Industries have a major emphasis in manufacturing and processing. U.E.B. Industries has three broad areas of manufacture comprising packaging, carpet, and building materials, while Wattie Industries has an heavy base in food processing and prepared foods. However, through the Cropper-N.R.M. division, its interests extend to the manufacture and distribution of building products and the wholesaling and supply

of raw materials for industry.

### The emergence of diversification as a growth strategy

A study of the growth of diversification strategy presents a number of problems. These problems lie in the availability of company records and the interpretation of historical data. Despite these difficulties, it is possible to recognise periods in the growth of the case companies when a firm embarked upon diversification. As stated, an important distinction lies in the form diversification may occur: a firm may diversify within an activity group (for example, food processing); between activity groups (for example, from packaging to textiles); and finally in function (for example, from wholesaling and distribution to manufacturing). This classification provides a useful framework in which to view the nature and growth of diversification over time. Tables 3 to 10 summarise the major developments undertaken by the eight companies. A review of these developments will trace the nature and growth of diversification in the respective companies.

#### Alex Harvey Industries:

The company was formed in 1969 as a result of the merger of Alex Harvey and Sons, Australian Consolidated Industries, and L. J. Fisher and Co. Alex Harvey and Sons, by 1969, had diversified in products based on metal production. The move represented a culmination of a long interest in the metal products industry. In 1886, manufacturing was established in milk and cream churns and was extended in 1900 to can-making. In the 1930s, the manufacture of refrigerator and washing machine components,

TABLE 3 MAJOR DEVELOPMENTS IN THE DIVERSIFICATION AND GROWTH OF ALEX HARVEY INDUSTRIES.

	ALEX HARVEY AND SONS	AUSTRALIAN CONSOLIDATED INDUSTRIES	L. J. FISHER and CO.
1880			
1890	manufacture of milk and cream churns		
1900	canister manufacture		
1910	commenced tin printing		
1920		glass bottle manufacturing	
1930	manufacture of refrigerator components and commercial refrigerator cabinets manufacture of washing-machine components	manufacture of corrugated cardboard	
1940		plastics manufacture - closures for bottles and light fittings	began operations
1950	sheetmetal division started  container division started	polythene pipe and film production manufacture of table glassware, lighting-ware and bottles laminated plastics	
1960	polythene film manufacture; acquired plastic operations and metal screw-caps, seals and closures acquired manufacture of plastics, metal pressing production, and steel office equipment and lockers aluminium company acquired	acquired packaging operations fibreglass manufacture	
1970	merger of Australian Consolidated Industries, Alex Harvey and Sons, and L.J. Fisher and Co. joint venture to produce aluminium products in-line enamelling plant and roll-a-door manufacture; architectural products; aluminium operations acquired manufacture of architectural joinery components		production of aluminium products - windows, door frames, ranch-sliders, chains, and decramastic roofing tiles

Source: Company documented data and field work 1976.

TABLE 4 MAJOR DEVELOPMENTS IN THE DIVERSIFICATION AND GROWTH OF THE CHALLENGE CORPORATION

NATIONAL MORTGAGE and AGENCY COMPANY	WRIGHT STEPHENSON AND CO.
1860 George Gray Russell and Co. formed	Wright Robertson and Co. formed - auctioneers and stock and station agents Wright Stephenson and Co. formed
1870 Russell Ritchie and Co. formed	wool sales were extended to grain, produce, and flax
1880 the N.M.A. Company formed to supply finance to the New Zealand economy and to trade and sell in the agricultural sector	horse sales
1890 livestock sales added to wool and seed sales	by 1890s operations included the subdivision of properties
1900	in late 1890s grain, seed, and merchandise departments were established; operations included the exporting of meat, wool, dairy produce, grain, hems and seed, and importing of merchandise, seeds, and implement tools
1910	fertiliser followed by joint venture in manufacturing stud-stock department and first thorough-bred yearling sales
1920	motor trading
1930 fish-freezing plant manufacturing of neckties for the freezing industry	finance and investment company home appliance retailing
1940 purchased Otago fish supply	national sales for trotting horses and interest in liquified gas
1950 associated with northward expansion, acquired wholesale grocery, liquor units, and machinery interests	land development manufacture of lawnmowers process engravers, stereotypers, and phototype setters; and wool scouring
1960 acquired suppliers of dairy industry equipment and interest in machine tools manufacturing, and frozen food consolidation of machinery interests	joint interest in a department store chain finance company
1970 wool scouring firm acquired merger of the N.M.A. Company and Wright Stephenson and Co. Australian motor mower manufacture; reorganisation in the manufacture of agricultural, domestic, and industrial pumps	manufacture and sales of outdoor and leisure equipment

Source: Parry 1964; historical company data; field work 1976.

TABLE 5 MAJOR DEVELOPMENTS IN THE DIVERSIFICATION AND GROWTH OF FELTEX NZ

1920	
1930	slipper factory based on surplus felt
	manufacture of laces and other braided products,
	manufacturing of footwear and footwear components and woollen felt
1940	wool scouring and carbonising plant followed by woven carpet, wool-carding and spinning Felt and Textiles New Zealand established to consolidate the operations of the Australian parent company; production of flock and padding and woollen felts and waddings
	new carpet plant blanket manufacture
1950	by 1949 production also included adhesive plaster and cotton medical products, and processing of woolly sheepskins F and T distributors established and acquired underfelt operations
	manufacture of tufted carpet
1960	spinning of semi-worsted yarns; manufacture of poly-urethane foam, bedding, and furniture acquired furniture firm and merged furniture operations; acquired a wool-broking firm
	bedding, underfelt, carpet, and steel furniture elastic webbing
1970	F and T Australia sold its interest in the New Zealand company diversified outside furnishing operations into rubber tyre manufacture and distribution interest in furnishing chain store and the manufacture of marine coatings and adhesives plastics manufacture manufacture of sport equipment, tufted carpet, handicrafts, and interest in polyurethane foam

Source: Company historical data and field work 1976.

TABLE 6 MAJOR DEVELOPMENTS IN THE DIVERSIFICATION AND GROWTH OF FLETCHER HOLDINGS

1900	
1910	building and construction
1920	
1930	joinery factories, brick-yards, steel-fabricating, quarries, and stone working plants established to reduce the vulnerability of construction work
1940	manufacture of malthoid Fletcher Holdings formed to knit together construction, fabrication, and manufacturing interests diversification into manufacturing particularly building materials that were in great demand - plywood, linseed oil, asbestos cement, steel fabrication and merchandising
1950	
1960	reorganisation of activities - establishment of Fletcher Industries, Fletcher Timber, and Fletcher Steel and Engineering air conditioning services land development; heavy fabrication; and manufacture of chemicals PVC flooring and plastic coated fabrics
1970	property development manufacture of roofing products; sulphur extraction; and the wholesale of specialised medical and scientific equipment hire services and mining and exploration housing, land development, timber and hardware retailing; and manufacture of armco culverts steel wire manufacture and wholesale of auto-accessories galvanising and the distribution of engineering products

Source: Company historical data; Robinson 1970; field work 1976.

TABLE 7 MAJOR DEVELOPMENTS IN THE DIVERSIFICATION AND GROWTH  
OF I.C.I. NZ

1930-	company incorporated
1940-	trading began; acquired two New Zealand chemical businesses followed by an explosives agency. Activities were based on the importation, distribution, and technical servicing of products manufactured by I.C.I. overseas. Also held other agencies. As sales increased, local manufacturing of some products became more economic slide-fastener manufacturing manufacturing and formulating plant
1950-	
1960-	manufacture of formaldehyde resins manufacture of nylon yarn and fibres; ammunition, metal pressing, foil containers, and plastics; and paints
1970-	wallpaper manufacturing hardware and colour merchant manufacture of polythene film and plastic pipes, and terylene fibres; mining and exploration manufacture of industrial containers

Source: Company historical data and field work 1976.

TABLE 8 MAJOR DEVELOPMENTS IN THE DIVERSIFICATION AND GROWTH OF U.E.B. INDUSTRIES

1900		
	Empire Company formed - cardboard cartons and containers	
1910		
1940		United Printing and Cardboard Box Manufacturing Company name changed to United Box Company - manufactured boxes and cartons
		manufacture of containers
1950		
	amalgamation of United Box and Empire companies	
1960	acquisition of carton, container and set-up box manufacture - integrated into existing operations diversification into paper bags; paper, foil, and foil laminates manufacture of paper novelties, flexible packaging - Mono, and wooden boxes, wholesale of paper related and commercial products; and timber suppliers division formed to manufacture structural paper honeycomb woodwool cement slabs, insulfome, and timber suppliers and wooden box manufacturing diversification into textiles - blankets and woven fabrics; wilton, axminster, and tufted carpet; scouring and spinning plant manufacture of carpets	
	electroplating firm, carpet plant, furniture manufacture,	wool-farming
1970	lucerne meal processing	

Source: Company historical data and field work 1976.

TABLE 9 MAJOR DEVELOPMENTS IN THE DIVERSIFICATION AND GROWTH OF WATTIE INDUSTRIES

	CROPPER-NRM	J. WATTIE CANNERIES	GENERAL FOODS CORPORATION LTD.
1880	purchased interest in flour-mill (Fleming) flour and oatmeal mill		
1890	Northern Roller Milling Company formed	Neill and Laxton trading partnership	
1900	Fleming and Co. formed		
1920	Mr. Cropper joins trading company		
1930	Neill Cropper and Co. formed	processing of fruit pulp	Tip Top Ice Cream Company formed Tip Top Ice Cream Auckland formed
1940		canning of crops	
1950	NRM and Flemings merge	freezing of vegetables	to market frozen foods of J. Wattie Canneries commercial equipment division
1960	starch processing prepared food processing building products NRM group merges with Neill Cropper Holdings plastic sales company carbon paper and related products plastic manufacture	fishing operations can making for non-company use	merger of the two Tip Top companies prepared food division and acquisition of manufacture of cones Irvine brand Refrigerated Freight Lines poultry division; purchased Bluebird brand
1970	extended trading and flour processing interests extended oaten food, breakfast foods, and flour and fee-milling interests; and interests in building products	General Foods Corporation joins group Cropper-NRM join Wattie group dehydration of vegetables canned soft drinks manufacture of snack foods	Kentucky Fried Chicken formed Ross Poultry N.Z. formed

Source: Company historical data; Wattie Canneries company

reports 1954-76.

TABLE 10 MAJOR DEVELOPMENTS IN THE DIVERSIFICATION AND GROWTH OF WINSTONE LTD.

1860	
1870	cartage and carrier business based on supply of coal, firewood, and building materials
1880	quarrying of metal and sand for the building industry
1890	
1900	recognition that the company was becoming increasingly interested in the supply of requirements for the building industry. Decision made to investigate the manufacture of building materials brick agency
1910	roofing tile works
1920	wallboard manufacture
1930	in association plaster production road construction company
1940	clay products
1950	vibrapac block production
1960	brick and clay plant manufacture of plastics - PVC sheeting and piping
1970	joint venture to expand PVC production manufacture and distribution of glass and cement forestry, land development, and housing manufacture and installation of demountable partition systems; and joint venture in foundation construction manufacture of roll-form processing and roll-forming machinery

Source: Simpson 1965; company data; and field work 1976.

and refrigerator cabinets was introduced. By 1969, Alex Harvey and Sons had established interests in sheetmetal and container divisions and had acquired interests in other forms of metal production. Similarly, Australian Consolidated Industries established glass bottle production in 1922, and in 1952, this was extended to other glass products. It has diversified into a wide range of manufacturing activities, The manufacture of packaging and plastics in the 1930s, polythene pipe and film in 1951, and laminated plastics in 1954, were important developments outside the existing fields of production. These were further extended in 1960-61 to packaging and fibre-glass manufacturing. Alex Harvey and Sons also entered new fields including plastics in 1961 and 1964, and aluminium products in 1967. By 1969, both companies had therefore diversified within their original activities and to new product areas. The merger with L. J. Fisher and Co., which embraced a wide range of aluminium products, further increased the company's range of operations.

The Challenge Corporation:

The company was established in 1972 with the merger of the National Mortgage and Agency Company of New Zealand and Wright Stephenson and Co. Both companies were established in the late 19th century, and by 1900, had developed broad interests in agricultural servicing and trading. The N.M.A. Company, by 1904, had interests in wool, seed, and livestock sales, farm finance, and in agricultural trading. Similarly, Wright Stephenson and Co. were originally auctioneers and general stock and station agents.

By 1900, it had extended its activities to wool, grain, produce, flax, and horse sales, property subdivision, and had set up importing, exporting and merchandising departments for agricultural products. By 1972 however, the two companies had important operations in other areas. Note-worthy were the N.M.A. Company's interests in the fishing industry, in wholesale grocery and liquor trading, and in the manufacture and distribution of machinery. Similarly, Wright Stephenson and Co. in the period 1927-37, established interests in the motor trade, finance, and home appliance retailing. This was extended after 1959 to land development, the manufacture of lawnmowers and bicycles, a department store chain and finance company.

Diversification within the agricultural sector had therefore occurred in the early development of both companies, but in the period after 1920, and particularly 1960, they have entered new operational areas. Diversification in function is marked in the development of processing and manufacturing interests - for example, the N.M.A. Company in the fishing industry, and Wright Stephenson and Co. into motormower and bicycle production. This trend has continued in the period after the 1972 merger with the growth in the manufacture of outdoor and leisure products, turf care equipment, and agricultural, domestic, and industrial pumps.

#### Feltex N.Z.:

The company had its origins in 1929 when Felt and Textiles Australia established a slipper factory in New Zealand. In 1941 Felt and Textiles New Zealand was established, and in 1969, Felt and Textiles Australia sold

its interests in the company and the name was changed to Feltex N.Z. The company's activities in New Zealand were founded mainly on leather and wool products and diversification within this broad sector took place from the late 1930s as indicated in Table 5. In the period 1937 to 1949, the company established interests in sheepskin processing, wool scouring and carbonising plants, and the production of woollen felts, woven carpet, wool carding and spinning, flock and padding, and footwear interests. In the early 1960s the company extended beyond wool and leather based production with the establishment of polyurethane foam for industrial use and the manufacture of bedding and other furniture. The selling of the Australian interest in Felt and Textiles New Zealand was followed in the period 1970-76 by rapid developments in rubber tyre manufacture and distribution, plastics, sports and leisure equipment, marine coatings and adhesives, hand-crafts, and an interest in polyurethane foam manufacture. From the late 1930s, diversification took place in wool and leather related products, but from 1960, and especially since 1970, the firm has diversified into other areas. In 1973, a 60 per cent interest was acquired in a furnishing chain store which represented vertical integration to the company's furnishing operations.

#### Fletcher Holdings:

The growth of the Fletcher group of companies had its origins in 1909 when a building and construction firm was established. The company up to the 1940s expanded into associated fields such as stone yards, brickyards, steel fabrication workshops and joineries to ensure its

supplies. The company's diversification has been complex. In the 1940s, it established a new policy of searching profitable activities in manufacturing and other developing areas which led to the development of local sources of supply of building materials including plywood, linseed oil, asbestos cement, and malthoid roofing factories. This represented diversification in function, but within the building industry. The manufacture of building materials has formed an important base in the company's wide ranging activities, as described in Table 6. The company has diversified in turn into the wholesaling and retailing of building supplies, including steel and timber. However, the company's activities are not exclusively linked to the building industry. The company from the 1940s extended its interests to agricultural processing and from the mid 1960s, and particularly in the 1970s, to the wholesaling and distribution of engineering products, machine tools, specialised medical and scientific equipment, and auto-accessories; finance, commercial building and shopping centre development; hire services; and mining and exploration. The company has therefore, diversified mainly within the building industry, but in recent years have established interests in other fields. Furthermore, it has undergone diversification in function marked by the move from the original building and construction company to manufacturing; wholesaling, retailing, and distribution; and finance and commercial development.

#### I.C.I. N.Z.:

The company was incorporated in 1935 but began trading in 1940 when it acquired two New Zealand companies,

and shortly after, an explosives agency. The company's activities included the importation, distribution, and technical servicing of products manufactured by I.C.I. overseas and it held agencies for a number of other overseas manufacturers. As sales increased, the company diversified into the local manufacturing of its products, marked by slide fastener manufacturing, and a manufacturing and formulation plant which was extended to include agricultural chemicals and animal remedies. The manufacture of formaldehyde resins was also established in 1964. Importantly, the company entered new production areas in 1965 including paint products, nylon yarn and fibres, ammunition, metal pressing, foil, and plastic products. By the mid-1970s, this had been increased further with the manufacture of wallpaper, polythene film and plastic pipes, and industrial containers, and mineral exploration had also been established. The company therefore diversified initially within chemical related products but has entered other areas during the late 1960s and 1970s.

U.E.B. Industries:

The company was established in 1958 when the United Empire Box Company was formed from the merger of the United Box Co. and the Empire Printing and Box Manufacturing Co. The Empire Company was formed in 1905 to manufacture cardboard cartons and containers, and the United Printing and Cardboard Box Manufacturing Co., (changed to United Box Co., in 1946) began in 1945 to produce boxes and cartons. Following the merger of the two companies, rapid diversification took place within the packaging industry, particularly in the period 1960-63. This included car-

ton and container, and set up boxes; paper bags, paper, foil and foil laminates; packaging materials and supplies; paper novelties; and flexible packaging. In 1964, the company entered the manufacture of building products, and in 1966, textiles. In recent years the firm has also established interests in furniture and foam polystyrene manufacturing, and lucerne meal processing. U.E.B. Industries, therefore, initially diversified in the packaging field in the early 1960s, but from 1964, the company has extended its interests to other areas.

Wattie Industries:

The company was formed in 1968-69 from the merger of J. Wattie Canneries, the General Foods Corporation and Cropper-N.R.M.

J. Wattie Canneries began in 1934 based on the processing of fruit pulp which was extended to include the canning of a wide range of fruit and vegetables. The firm has diversified within the food processing industry, marked with the development of frozen foods in 1955, fishing operations in 1961, dehydration in 1972, and entry into canned soft drinks in 1973.

The General Foods Corporation was formed in 1960 with the merger of the Auckland and Wellington Tip Top Companies which were established in the 1930s. General Foods, like J. Wattie Canneries, has diversified in the food processing and prepared foods industries. In the years 1962-66, the prepared foods, poultry and snack foods divisions were established. In 1972 the company established Kentucky Fried Chicken (N.Z.) Ltd., which represented a move outside the company's manufacturing field.

Through the Cropper-N.R.M. division, Wattie Industries has diversified into areas outside the food processing and prepared food industries. Cropper-N.R.M. was formed in 1965 from the merger of the N.R.M. group and Neill Cropper and Co. - it embraced interests in flour milling, stock feeds and breakfast foods, and the importing of raw materials for industry. Through its subsidiaries, the division has interests in wholesaling and distribution but also the manufacture of prepared food, building, plastics, and paper related products.

Wattie Industries, therefore, represents a complex picture of diversification through the merger of the three large companies in 1968-69.

#### Winstone Ltd:

The firm was established in 1864 as cartage and supply merchants and developed in the supply of raw materials for the building and construction industry. In the early 20th century, it moved into the local manufacture of building materials - a brick company, 1905; a roofing tile factory, 1915; wallboard, 1927; and plaster products, 1936. This was extended to a civil engineering company and the manufacture of clay, concrete, brick and plastic products. Since 1970, the company has diversified further in the building industry with interests in glass manufacture and merchandising, cement, forestry, land and housing development, partition systems, foundation construction and long-run roofing.

#### Interpretation of diversification

The analyses of the eight companies were based on a framework incorporating three types of diversification -

diversification within and between activity groups, and in function. On the basis of these analyses a number of conclusions can be drawn on the growth of diversification strategy in the eight companies.

Diversification within activity groups has been an important characteristic of the eight companies including the pre-merger firms. In this study, four of the companies were formed by merger involving ten large firms that had undergone diversification before the respective mergers took place. Generally, diversification within activity groups has occurred in the early stages of growth, and diversification in the original activity group has continued to be important in the later growth of a number of firms. The commitment to traditional product has been maintained often concurrently with diversification into other areas. For example, Alex Harvey and Sons diversified into other forms of metal production in 1900 with canister production. In 1964, it acquired two major interests in metal-forming products and in the same year, a plastics operation. Wright Stephenson and Co., the N.M.A. Company, Feltex N.Z., Fletcher Holdings, I.C.I. N.Z., U.E.B. Industries, Wattie Canneries, the General Foods Corporation, and Winstone Ltd., diversified in their early stages of growth. To varying degrees, their original base activities continue to play an important and developing role in their overall operations. This is particularly evident in the case of the Challenge Corporation in agriculture; Fletcher Holdings and Winstone Ltd. in the building industry; I.C.I. N.Z. in the chemical industry; and Wattie Canneries and the General Foods Corporation in

food processing and prepared foods. In the growth of U.E.B. Industries, diversification in the packaging field took place in the period up to 1964, to be followed by diversification in building products and textiles. Similarly, diversification in the wool and leather activities of Feltex N.Z. has decreased in importance over time in comparison to diversification in other fields. The date the respective firms were established has been an important factor in viewing the temporal development of diversification. Alex Harvey and Son, Wright Stephenson and Co., the N.M.A. Company and Winstone Ltd., were established in the late 19th century and diversification within their original activity groups became important in the early 20th century. The Fletcher company was established in 1909 and its diversification into manufacturing began in the 1940s. It can be linked to other firms that were established in the period after 1930 - Fletcher Holdings, I.C.I. N.Z., Wattie Canneries and the General Foods Corporation. Diversification in these firms came in the period after 1940. Although one of the merged firms dated back to 1905, U.E.B. Industries had its origins in 1958, and diversification within the packaging industry occurred in the years following the merger. The diversification of Australian Consolidated Industries in glass production, however, when compared to its diversification into other fields was perhaps more limited, and although Neill Cropper and Co. extended the range of its activities and products based on the importing of raw materials for industry, it is difficult to determine whether this represented diversification.

Diversification between activity groups, particularly in manufacturing, has been less common than diversification within activity groups. Diversification did occur in the Wright Stephenson and N.M.A. companies from the late 1920s and Australian Consolidated Industries in the early 1950s. However, diversification between activity groups has been most marked since 1960. This is highlighted in the formation by merger of Alex Harvey Industries and Wattie Industries in 1968-69, and the Challenge Corporation in 1972. Before the merger however, Alex Harvey and Sons from 1961-67 extended its operations to include plastic and aluminium products, and Australian Consolidated Industries in 1960-61, to packaging and fibre-glass manufacturing. The Wright Stephenson and the N.M.A. companies entered new activities in the early 1960s; Fel-tex N.Z., in the early 1960s but especially since 1970; I.C.I. N.Z. from 1965; and U.E.B. Industries in the period 1964-66. Fletcher Holdings and Winstone Ltd., because of their diversification in the building industry, had limited diversification between activity groups. However, Fletcher Holdings in the late 1960s, and particularly in the 1970s, extended its interests to fields unrelated to the building industry.

The eight firms incorporate a number of sectors in the economy as well as manufacturing. Diversification within and between activity groups has been accompanied by diversification in function and has occurred in five out of the eight companies. An important pattern has been the diversification of non-manufacturing firms into manufacturing - Wright Stephenson and Co., the N.M.A. Company, Fletcher Holdings, I.C.I. N.Z., Neill Cropper and

Co. and Winstone Ltd. The decision to enter manufacturing appears to have taken place at varying stages in the firms' growth. In the case of Fletcher Holdings, I.C.I. N.Z. and Winstone Ltd., this comprised manufacturing in areas in which they already had close association - in the building and chemical industries. Fletcher Holdings has also diversified into wholesaling, retailing, distribution, finance, and commercial development and similarly, Winstone Ltd. has moved into land development.

Diversification has been an important growth strategy in the eight companies. Diversification between activity groups, particularly in manufacturing, has occurred mainly in the period after 1960. Diversification within activity groups, however, has occurred in the early growth stages of the companies, and in most cases, the original production field has continued to be important in their later growth. Because the companies have important non-manufacturing as well as manufacturing interests, diversification in function has occurred in both the early and more recent development of five of the eight companies. Diversification of product lines is an important element in the evolution beyond Type I firms, characterised by single product lines, to Type II firms that have a single product line but exhibit functionally co-ordinated structures, and Type III firms that have multiple product lines and are not integrated. Diversification between activity groups and the development of noticeably different product lines has been most pronounced after 1960, and this would suggest the emergence of Type III organisation and structure has taken place in the period after 1960.

This chapter has viewed the nature of activities of the eight Type III companies and the development of diversification as a growth strategy over time. The approach has been non-spatial, but clearly diversification as a growth strategy does have an important spatial component.

Chapter 3DIVERSIFICATION AND THE GROWTH OF FIRMS IN SPACE

'Corporate evolution.... involves not only decisions and adjustments of a functional nature but also the pursuit of various expansion strategies'

(Le Heron and Warr 1976,5)

This chapter investigates the expansion and impact of the study firms in New Zealand and overseas. The approach is an historical one and incorporates a framework for investigation based on two areas of research. The first area views the spatial expansion of the firms in terms of the relationship between corporate strategy and the geographic expansion of firms. In Chapter 2, the study of diversification as a growth strategy examined the link between corporate strategy and corporate evolution and this is extended in this chapter to the study of corporate strategy, corporate evolution, and the growth of firms in space. Diversification has been an important growth strategy in the companies and the question of what impact diversification has had on their geographic expansion is an important one. The second area investigates the hypothesis that the geographic expansion of firms may be characterised by an orderly extension of their operational space through a series of operational environments-regional, multi-regional, national and international.

The geographical expansion of the eight firms is summarised chronologically in Tables 11 to 18. These tables are referred to in the subsequent discussion.

TABLE 11 THE DIVERSIFICATION AND SPATIAL EXPANSION OF ALEX HARVEY INDUSTRIES

	ALEX HARVEY AND SONS	AUSTRALIAN CONSOLIDATED INDUSTRIES	L.J. FISHER AND CO.
1880	Auckland		
1890			
1900	can-making Auckland		
1910	tin-printing Auckland can-making Wellington		
1920		glass bottle Auckland	
1930	cabinets and components Auckland components Auckland	corrugated packaging Auckland	
1940		plastic closures and light fittings Auckland	Auckland
1950	sheetmetal division Auckland  container division Auckland	polythene pipe and film Auckland glass production Christchurch laminated plastics Christchurch	
1960	acquisition Auckland, Wellington, Christchurch, and Dunedin metal-pressing Auckland and office equipment Wellington	plastics Wellington plastics Hamilton aluminium company Auckland and Wellington	
1970	laminated plastics Auckland aluminium company Wellington; manufacturing plant in Fiji	packaging Auckland, Christchurch, Palmerston North, Hastings, Levin, and Wellington fibreglass Auckland packaging Nelson Fiji sales office printing Napier	Wellington Rotorua Hamilton
	architectural joinery components Auckland and associated	Christchurch; aluminium venture Auckland; roll-a-door manufacture Auckland roofing tile ventures in Barbados and Eire	Christchurch Tauranga

Source: Company documented data and field work 1976.

TABLE 12 THE DIVERSIFICATION AND SPATIAL EXPANSION OF THE CHALLENGE CORPORATION

NATIONAL MORTGAGE AND AGENCY CO.		WRIGHT STEPHENSON and Co.	
1860	Dunedin Timaru	Dunedin	
1870	London		
1880	Invercargill, and Wellington and Hawkes Bay agent Bluff Christchurch, Melbourne		
1890	Oamaru Gore interest in Wellington stock and station agent extending business to Wanganui, Manawatu, Wairarapa, Blenheim and Nelson	Gore Invercargill, Kelso	
1910	Ashburton Auckland agent	London Oamaru Wellington and Auckland office Christchurch	
1920	Waimate	acquired firms in Auckland and Wellington (branches from Wanganui to Blenheim) Ashburton and head office moved to Wellington agent to the East Coast, Bay of Plenty, and Waikato Auckland, Manawatu and the main trunkline Timaru	motor-trading in 1920s in Otago, Southland, Wellington, Palmerston North, Whangarei and Auckland
1930	had agent in Auckland dealing with more than seed	Port Chalmers fish freezing plant	motor-trading extended to Dannevirke, Taumaranui, Te Kuiti, Levin and Masterton
1940	Waikato agency	Otago fish supply	Dunedin - first home appliance store
1950	Whangarei firm -business extended to Taupo and King Country Auckland auctioneering firm	Hastings Te Puke Whangarei	motor-trading to Hamilton and Tauranga motor-trading to Hastings, Napier, Kaitaia and Taupo
1960	Hamilton acquired remaining share in Wellington firm Hastings and Gisborne	Putaruru and Taihape	Wellington land development Hastings motor-mower manufacture
1970	Lower Hutt wool scouring	manufacture of pumps Auckland motor-mower manufacture Australia	Feilding wool scour and Wellington printing plant interest in nationwide department st

Source: Parry 1964; historical company data; field work 1976.

TABLE 13 THE DIVERSIFICATION AND SPATIAL EXPANSION OF FELTEX NZ

1920		
1930	slipper factory Wellington	
	laces and braids Auckland	
1940	Wellington - wool scouring and carbonising plant; woollen felt; flock and padding; under-felt and waddings; woven carpet; and wool carding and spinning	
1950	carpet plant Christchurch and wool scouring plant Kakariki by 1949 plants included - footwear and footwear components Christchurch and warehouses in the 4 main centres flock and textile wastes Wellington 2, Auckland, and Christchurch; woolly sheepskins and scour Wanganui medical products in Wellington 2, and Foxton; and laces Auckland F and T Distributors in the 4 main centres. tufted carpet Lower Hutt	
1960	worsted yarn spinning Lower Hutt	polyurethane foam and vinyl floor tiles Lower Hutt; and furniture Auckland and Lower Hutt
	bedding, underfelt, and carpet Auckland elastic webbing Palmerston North	consolidation of furniture operations Levin
1970	wool-buying firm Palmerston North furnishing chain store in 20 centres Palmerston North elastic webbing to Auckland; carpet Auckland;	tyre manufacture and distribution in 26 centres plastics Auckland marine coatings and adhesives Auckland sports equipment Auckland and Christchurch; handcrafts Auckland

Source: Company historical data and field work 1976.

TABLE 14 THE DIVERSIFICATION AND SPATIAL EXPANSION OF FLETCHER HOLDINGS

1900				
1910	Dunedin			
1920	branches of construction company in Auckland and Wellington			
1930	Christchurch and Dunedin branches were not established till the 1930-40s construction projects extended to other centres			
1940	malthoid Auckland manufacturing plants existed in Auckland - malthoid and plywood; Dunedin - linseed-oil; Christchurch - asbestos cement		<u>Fletcher Timber</u>	
1950	construction Australia	<u>Forests and Mills</u> centred at Rotorua Kopaki and Chaslands Ruatahuna Manunui Fiji Ross, Karamea, Ruatapu Tauhara forest Nelson Taupo	<u>Processing</u> Auckland Wellington Christchurch Christchurch Turangi, Marton, Manunui Gladstone Ruatapu Taupo	<u>Wholesale/Merchandising Outlets</u> in 4 main centres and Hamilton and Palmerston North outlets in 4 main centres and 9 regional centres
1960	air-conditioning Auckland chemicals and land development Auckland plastics Auckland	<u>Fletcher Steel and Engineering</u> in 4 main centres Whangarei Gisborne Hamilton, Napier Tauranga, Palmerston North Rotorua Nelson Invercargill Timaru		
1970	long-run roofing Auckland and Christchurch; medical and hire services Auckland, Rotorua, and Wellington; long run housing, land development, hardware and timber retailing steel-wire manufacturing and auto-accessories Wellington, galvanising and engineering products Auckland; long-run			scientific equipment Auckland; sulphur extraction Lake Rotokawa roofing Wellington; gang-nail plant Fiji Tauranga, Auckland, Christchurch, Brisbane; armco culverts Auckland; Auckland, and Christchurch Rakaia, Kopu, and Timaru sawmills roofing Hastings; timber retail yard Sydney

Source: Company historical data; Robinson 1970; field work 1976.

TABLE 15 THE DIVERSIFICATION AND SPATIAL EXPANSION OF I.C.I. NZ

1930	Wellington	
1940	sales offices in Auckland, Wellington and Christchurch	
	manufacture of slide fasteners Manurewa	
1950	manufacture and formulating plant Wellington	
1960	formaldehyde resins Wellington	
	nylon yarn and fibres Auckland; ammunition, foil containers, metal components, and plastics Auckland; manufacture of paints Auckland and Lower Hutt and sales units in Christchurch and Dunedin	
1970	wallpaper division Levin and formaldehyde resins Mount	Maungamui
	hardware and colour merchant Dunedin, Invercargill, Nelson, Christchurch, Wellington, New Plymouth, Hamilton and Auckland	
	formaldehyde resins Christchurch	
	plastics manufacture Auckland, Wellington, Dunedin and	terylene polyester yarns Auckland
	industrial containers Auckland and Christchurch	

Source: Company historical data and field work 1976.

TABLE 16. THE DIVERSIFICATION AND SPATIAL EXPANSION OF U.E.B. INDUSTRIES

1900	cardboard cartons and containers Wellington	
1910	Auckland	
1920		
1940		boxes and cartons Wellington
1950		moved to Shannon and first containers produced Christchurch <u>Hastings</u> <u>Invercargill</u> manufacture of butter boxes Auckland
1960	<u>Franklin</u> 5 packaging operations acquired and integrated into plants containers Australia; paper bags Wellington and Auckland; wholesale packers supplies Wellington, Palmerston North, flexible packaging and printing Auckland, Christchurch, building products Auckland building products Tokoroa, Shannon, and Nelson manufacture of textiles Auckland and Napier and building carpet Auckland packers supplies Dunedin furniture Auckland; wool farming Dannevirke; carpets scouring works Winchester and textiles Sydney lucerne meal Blenheim and textiles Melbourne	in Auckland, Wellington, and Christchurch paper, foil, and foil laminates Shannon and Christchurch; paper novelties Auckland; containers Nelson; and Wanganui products Ngaruawahia Christchurch; and packaging Australia
1970	carpet manufacture England and lucerne meal Ongaonga packers supplies Nelson building materials Nelson	

Source: Company historical data and field work 1976.

TABLE 17 THE DIVERSIFICATION AND SPATIAL EXPANSION OF WATTIE INDUSTRIES

	CROPPER - N.R.M.	J. WATTIE CANNERIES	GENERAL FOODS CORPORATION
1880	flour mill Invercargill		
	flour and oatmeal Gore		
1890	flour mill Auckland		
1900			
1910			
1920			
1930			
	trading company Auckland		
	sales offices were established in the 4 main centres and Sydney	processing of fruit pulp Hastings	Wellington
1940		canning of crops Hastings	Auckland
			depots and branches established for distribution
1950	merger of southern and northern flour milling interests		
	Christchurch mill closed		
	flour mill Mount Maunganui	canning particularly corn Gisborne	
	feed mill Christchurch	quick frozen foods Gisborne	
		quick frozen foods Hastings	commercial equipment division Auckland
1960	feed mill Auckland		
	feed mill Nelson and Invercargill	fishing operations Gisborne and can-making for non-company use Hastings	ice cream manufacture Christchurch
	plastic sales Auckland	processing Nelson and 5 plants consolidated with existing operations	prepared foods Auckland
	feed mill New Plymouth and coated products Auckland	branch Melbourne and fishing Nelson	manufacture of ice cream Fiji at Dunedin and cones Auckland, Wanganui and Christchurch
	plastic manufacture Auckland	processing Christchurch	poultry division Auckland, New Plymouth, Otaki and Christchurch
1970	consolidated flour and milling interests; building products Wellington and Palmerston North	joint venture Australia and dehydration Timaru	takeaway chicken outlets Auckland
	feed mill Hamilton and building products New Plymouth	canned soft drinks Hastings	21 takeaway chicken outlets established

Source: Company historical data; Wattie Canneries company reports 1954-76.

TABLE 18 THE DIVERSIFICATION AND SPATIAL EXPANSION OF WINSTONE LTD.

1860	Auckland	
1870		
1900		brick company Auckland
1910		
1920	Wellington and travellers to Hawkes Bay travellers to Manawatu, Rangitikei, and Wanganui	roofing tile works Taumaranui wallboard Auckland
1930	agency Wanganui Palmerston North the South Island into the Wellington branch area	plaster Auckland
1940	Hamilton	
1950	Wanganui London Napier office Tauranga and Christchurch office Christchurch Rotorua Takapuna	plaster Wellington wallboard Wellington clay products Plimmerton vibrapac blocks Auckland
1960	Whangarei, Kaikohe Napier Invercargill	brick and clay Huntly wallboard and plaster Christchurch plastics Wellington
1970	Kaitaia Taupo, Kawakawa Hastings	PVC production Wellington Tauranga, and Hamilton Putaruru, Whangarei, Auckland, Hamilton, Rotorua, Tokoroa, and Dunedin Christchurch, Hong Kong, and Singapore Palmerston North, Porirua, Lower Hutt, Christchurch, and Wanganui
	glass Auckland, Tokoroa, Taupo, Rotorua, forestry, housing, and land development partition systems Auckland, Lower Hutt, roll form processing Auckland, Hamilton, metal production Australia plastics Palmerston North	

Source: Simpson 1965; company data; and field work 1976.

Corporate strategy, corporate evolution and the growth of firms in space

In Chapter 2, different types of diversification strategies were outlined in relation to varying stages in corporate growth. These differing strategies are now examined in terms of associated patterns of spatial expansion. Alex Harvey Industries, for instance, was established from the merger of three major companies in 1969. In the case of Alex Harvey and Sons and Australian Consolidated Industries, diversification and growth within their original activities was associated with a spatial extension of operating plant. Alex Harvey and Sons extended its operations based in Auckland, to Wellington 1918, Christchurch and Dunedin 1961, and Auckland and Wellington after 1960 as outlined in Table 11. It expanded to serve the national market more effectively, but closely connected with this expansion, but independent of it, there has been further moves within the metal forming industry. This was evident also in the case of Australian Consolidated Industries which extended its bottle operations from Auckland to Christchurch in 1952. Associated with this expansion, it entered new fields in the manufacture of table glassware and lighting-ware products. The geographic impact of diversification between activity groups has been more explicit however. The diversification of Alex Harvey and Sons into plastics and aluminium products in the 1960s did not significantly alter the spatial distribution of its activities. The company by acquisition, did expand its operations to Hamilton and increased the number of its existing plants in Auckland and Wellington. A.C.I. similarly extended its operations

associated with its existing plants in Auckland and Christchurch. In 1960, however, the company acquired interests in the packaging industry which as a result, its activities encompassed Hastings, Palmerston North, Levin, Wellington and Nelson (in 1966), as well as Auckland and Christchurch. The merger of Alex Harvey and Sons, A.C.I. and L.J. Fisher and Co. incorporated a wide variety of interests. In terms of Alex Harvey and Sons, it represented both an increase in the scale of its existing operations particularly in Auckland and Christchurch, but also an extension of its activities outside these areas through A.C.I.'s packaging interests. The growth in aluminium and plastic products since 1969 has been based in Auckland, Hamilton, Wellington, and Christchurch although through L.J. Fisher and Co., the companies aluminium activities have expanded to Rotorua, Hamilton and Tauranga mainly as distribution points. Overseas expansion has been important in recent years marked in 1971, when distribution operations in Fiji were extended to manufacturing and in 1976, when associated with rapid developments in the manufacture of roofing tiles, joint ventures have been formed in Barbados and Southern Ireland.

Diversification therefore has had an important impact in the growth of Alex Harvey Industries both associated with and independent of the company's geographic expansion. In contrast to Alex Harvey Industries, the Challenge Corporation's operations are more widely spread - a sign of its traditional ties in agricultural trading and servicing. The growth of the N.M.A. Company and Wright Stephenson and Co. has been characterised by an elaboration of

their activities in the agricultural and trading sector and a spread of activities throughout New Zealand and overseas. Both firms had their beginnings in Dunedin in the late 19th century and followed similar expansion patterns. This included initial expansion in the South Island followed in the 20th century by expansion north as outlined in Table 12. The expansion of Wright Stephenson and Co. was marked by the opening of offices in Auckland and Wellington in 1908 and in the development of branches, salesyards, and depots in most regions by 1925. The company by 1906 also had established a branch in Britain and after 1938 developed extensive interests in Australia based on seed merchandising and bloodstock. The N.M.A. company had maintained important links with Britain since the formation of the company. However, although the company had links with Wellington and Hawkes Bay in the late 19th century, and agencies were established in Wellington and Auckland by 1914, the northward expansion of firm came mainly after 1945. N.M.A.'s diversification into fields outside the agricultural sector had limited impact on the spatial distribution of the company's activities. Fishing operations were established in Otago and machinery, wholesale groceries, liquor stores and other units were acquired with the company's northwards expansion in the 1950s and early 1960s. The impact of Wright Stephenson's diversification into other fields was more marked and followed the rapid spatial expansion in the form of branches in the early 20th century. Some of these activities involve extensive and widely distributed outlets, for example, motor trading 33 branches; home appliances 14 stores

in five centres in Wellington and the South Island; whole-sale hardware, pharmaceutical and veterinary suppliers in the four main centres; and a 50 per cent interest in a major department store with 26 stores throughout the country. Entry into other fields has also included land development and finance in Wellington, and manufacturing in Hastings and Wellington. Following the merger of the two companies in 1972, manufacturing interests have been acquired in Auckland and Australia.

Feltex N.Z. provides a good example of the impact of diversification firstly in wool and leather related products, and secondly, after 1960, to other fields. The company's diversification in wool and leather related products was associated by rapid expansion outside Wellington - the site of the original factory established in 1929. However, the geographic expansion of the company has been complex and the exact course of expansion in the early years is unknown. By 1936, the company had acquired the manufacture of laces in Auckland. It had also acquired and established during these early years a series of plants in Wellington - these formed the base of the company's activities from which the company expanded. In 1947-48, the company extended its carpet and wool scouring plant based in Wellington, to Christchurch and Kakariki respectively. The period 1937-49 was characterised by rapid geographic expansion. By 1949 the company had 23 factories and four warehouses in Wellington (10); Auckland (5); Wanganui (5); Christchurch (4) and Dunedin, Foxton, and Blenheim. Many of the plants were closed or rationalised in the period after 1949 and by 1960, it appears

the company's activities were based mainly in Wellington and Lower Hutt, but also in Auckland, Christchurch, Kakeriki, and Wanganui. In 1967-68, the company expanded its existing activities in acquiring a major firm in Auckland and interests in Palmerston North. In the period after 1960, the company diversified into other fields including the use of polurethane foam at an existing plant in Lower Hutt, and bedding and furniture manufacture, which after consolidation, were located at Auckland and Levin respectively. The company's diversification into other fields after 1970 has had an important impact on the distribution of its activities. The stage saw an increase in the number of manufacturing plants in Auckland (increased from 5 to 11 1970-76) and the transfer of its head office from Wellington to Auckland in 1974. The company's carpet interests were also extended in Auckland in 1976. Another major trend, associated with the diversification into tyre manufacture, has been the acquisition of a national distribution network covering 26 cities and towns. In 1973, the company also acquired a 60 per cent interest in a furnishing store chain (Smith and Brown Maple) that has stores in 20 locations in the North Island and more recently in the South Island.

Like Feltex N.Z., the history of Fletcher Holdings has been complex and the spatial expansion of the company is characterised by widely dispersed company interests. The construction and building firm was established in 1909 in Dunedin and the firm grew to include major contracts in the four main centres. The company moved north and new branches of the firm were established in Auckland

and Wellington, though it appears Christchurch and Dunedin branches were not established till the 1930s and 1940s.

By the late 1940s the firm, now Fletcher Holdings, through the construction company, had branches and associated interests in joinery and fabrication plants in the four main centres but its actual construction operations extended beyond these areas. The firm's diversification into manufacturing and non-manufacturing fields, not related to the construction company, was not accompanied initially with geographic expansion, but rather, an increase in scale of the company's existing operations in Auckland, Wellington, Christchurch and Dunedin. The company's major expansion outside the four main centres has been associated with the Fletcher Steel and Timber companies. They were formed in 1956 to consolidate the activities that had developed out of the construction company, but which in the 1940s and early 1950s, had developed independent merchandising, manufacturing and other interests. The geographic expansion of these two companies is outlined in Table 14. In the period 1955-64, Fletcher Steel, in order to serve its market more adequately, widened its operations from the four main centres to 15 cities and towns in the North and South Islands. The Timber company's growth was attributed to its forests, milling, manufacturing, and merchandising operations. By 1954-5, forestry and milling interests were established based in the Rotorua area. The company's interests have been extended to other forests and mills in the Central North Island and Thames area, and to Westland and South Canterbury. By 1957, the Timber company had four joinery

factories in the main centres and these have been extended to other areas particularly Gladstone (Westland) and Taupo, associated with the company's forestry and milling interests.

Timber merchandising interests also existed in the four main centres and in Hamilton and Palmerston North in 1955. In the period up to 1966, 18 outlets were either acquired or set up in the North and South Islands. By 1965, the Fletcher Steel and Timber companies had rapidly expanded Fletcher Holdings interests to regional areas of the economy. The continued diversification of the company's manufacturing and non-manufacturing interests have consolidated the geographic pattern established prior to 1965. Fletcher Holding's interests in manufacture, wholesaling, commercial building and land development have been located principally in Auckland, but also Wellington, Christchurch and Dunedin. The company's activities in primary resource utilisation, such as sulphur production and agriculture, have led to branch locations at Lake Rotorua (near Rotorua), and at Hinds and Winslow in South Canterbury. Its interests in hire services and the manufacture of roofing products have established further outlets outside the four main centres. This pattern is also evident in the acquisition of a building and land development firm located in Tauranga. In terms of the company's overseas operations, the Timber Company invested in logging and sawmilling concerns in Fiji (1962) and New Guinea (1973). Construction and manufacturing subsidiaries have also been established in Fiji and the New Hebrides. By 1951, the company had construction interests in Austra-

lia which have grown to include commercial building, manufacture, and a retail building yard.

I.C.I. N.Z.'s operations have been more concentrated in New Zealand than Fletcher Holdings, but its diversification within its chemical related activities and to other fields has influenced both its scale of operations and spatial expansion. The company, after commencing trading in 1940, established sales offices in Auckland and Christchurch. Diversification into manufacturing was accompanied by the erection of factories at Manurewa and Wellington in the 1940s. The company's entry into other manufacturing areas in 1965, with the acquisition of interests in three large companies saw an expansion of its operations in Auckland and Wellington. At this stage, the company had operations in the four main centres, with manufacturing activity centres in Auckland and Wellington.

After 1970, the company's general activities have moved beyond the four main centres, and manufacturing to areas other than Auckland and Wellington - for example in 1970-72, the expansion and relocation of the manufacturing unit for formaldehyde resins from Wellington to Mount Maunganui and Christchurch. In the non-manufacturing field, a sales office was established at Hamilton and an oil and colour merchant with a national distribution network was purchased. In 1970, the company moved into wallpaper manufacture at Levin, and in 1973-75, interests were acquired in two manufacturing firms which increased the total scale of operations in Auckland and Christchurch, and saw company manufacturing in Dunedin. The recent development of interests in mineral exploration may also be

important, with recent investigations, for example, in the Chatham Islands and Northland. Although the company is a member of the multinational I.C.I. group, its overseas operations have been limited. In 1970, the company participated in a manufacturing venture in Singapore but withdrew in 1973.

Diversification therefore did have some impact on the spatial expansion and scale of operations of I.C.I. N.Z., although, like Alex Harvey Industries, it is important to distinguish between the impact of diversification and the geographic expansion of the company's existing activities.

The geographic expansion of U.E.B. Industries has been more extensive in New Zealand and overseas. The company had its origins in 1958 with the merger of two packaging companies, but by 1958, both companies had extensive geographic interests. The Empire Company had established operations in Wellington in 1905 and had extended these to Auckland in 1915. The United Box Co., had begun in Wellington in 1945 but in 1949 moved to Shannon. In the period 1952-58, factories were established in Christchurch, Hastings, Invercargill, and Auckland. Therefore, by 1958, the merged companies incorporated plants in the main centres and a number of regional areas. In the period 1960-63, rapid growth and diversification took place in the packaging industry. By 1963, twelve plants had been acquired in Auckland, Wellington, and Christchurch, of which six were integrated into existing operations. Activities were also extended to Nelson, Wanganui, and Palmerston North. In part this expansion represented an extension

of the company's existing production specialisation, but diversification into other product lines has taken place with the manufacture of paper bags, foil laminates, and flexible packaging. In the period 1958-63 the company increased the scale of operations in Auckland, Wellington, and Christchurch, and expanded to other regional areas. In the two years 1967-68, further operations were established in Hastings, Wellington, Gisborne and Dunedin. Diversification into building materials, with plants in Auckland, Ngaruawahia, Shannon, and Nelson, and textiles, with plants in Auckland, Napier, and Christchurch, reinforced the spatial pattern associated with the growth of the company's packaging operations. In recent years, an even more dispersed pattern has developed associated with the company's diversification into lucerne products, based at Blenheim and Ongaonga; wool scouring, at Winchester in South Canterbury; and sheep farming near Dannevirke. The company also has important overseas operations in packaging and textiles. Although packaging operations were acquired in Australia in the early 1960s, the main expansion has taken place since 1969 with the establishment of plants in Melbourne, Adelaide, Sydney, and Brisbane.

Diversification into textiles has been important in the overseas expansion. Sales offices have been established in Australia, San Francisco and England, and in 1973, the manufacture of carpets was begun in England. The company also established carpet manufacturing plants in Australia but were later sold in 1973. Diversification, in U.E.B. Industries has therefore had an important impact on the scale of its operations and the spatial expansion and pat-

tern of activity.

A similar pattern can be seen in the growth developments of the pre-merger companies of Wattie Industries which was created in 1968. The growth patterns of the three divisions, however, display some variation. J. Wattie Canneries for instance, has undergone a steady growth progression, from the first factory located in Hastings in 1934, to Gisborne in 1952, Nelson in 1964, Hornby in 1970, and Timaru in 1972. Diversification within food processing has had an important impact on the scale of existing operations in specific localities (for example the development of fishing plant at Gisborne). The important factors in this geographic expansion have been principally, pressure on available land (to supply raw materials) and limited processing capacity. The General Foods Corporation's strategy has likewise affected the scale of existing plant, but in recent years has had an important spatial impact. The company was formed in 1960 from the merger of two ice cream companies formed in the 1930s. With their base in Auckland and Wellington, both companies extended their activities through branches and distribution depots in the North Island before 1960, and after the merger in 1961 and 1964, operations were extended to Christchurch and Dunedin for the manufacture and distribution of ice cream products for the South Island. The creation of the prepared food and snack food divisions did not sustain this growth pattern as only plants in Auckland were enlarged. The poultry division established in 1966 however, with its land extensive operations (in contrast to manufacturing), focussed expansion in New Ply-

mouth, Otaki, and Christchurch (rearing and processing plants). The company's franchise holdings in Kentucky Fried Chicken has further consolidated Wattie Industries distribution network with over 15 branches throughout the country. The development of the Cropper-N.R.M. division has been more complex, however. The N.R.M. and Fleming merger in 1953 represented a merger of southern and northern flour milling interests. The later merger of Cropper-N.R.M. in 1965 incorporated manufacturing interests in the North and South Islands in addition to sales and distribution units in the four main centres. These included Auckland, Mount Maunganui, Hamilton, New Plymouth, Christchurch, Nelson, Invercargill and Gore. Before 1965 Neill Cropper and Co.'s diversification into local manufacturing interests was associated by the acquisition of three firms based in Auckland. However, through its interests in the manufacture and distribution of building products in 1962 and 1972, Neill Cropper and Co.'s activities had already extended to other areas including Wellington, Palmerston North and New Plymouth. The 1968-9 merger of the three companies represented major extensions in their respective spatial patterns. Overseas expansion of the group has been important, based principally on the distribution of its products and diversification has had little direct spatial impact. J. Wattie Canneries, in 1968 established a branch in Melbourne and in 1972, entered a joint venture in both manufacturing and distribution in Australia. In 1975, Wattie (Japan) was established for the marketing of the company's products. Similarly, the General Foods Corporation in 1964 extended its activities to Fiji in the manufacture and distribution of ice

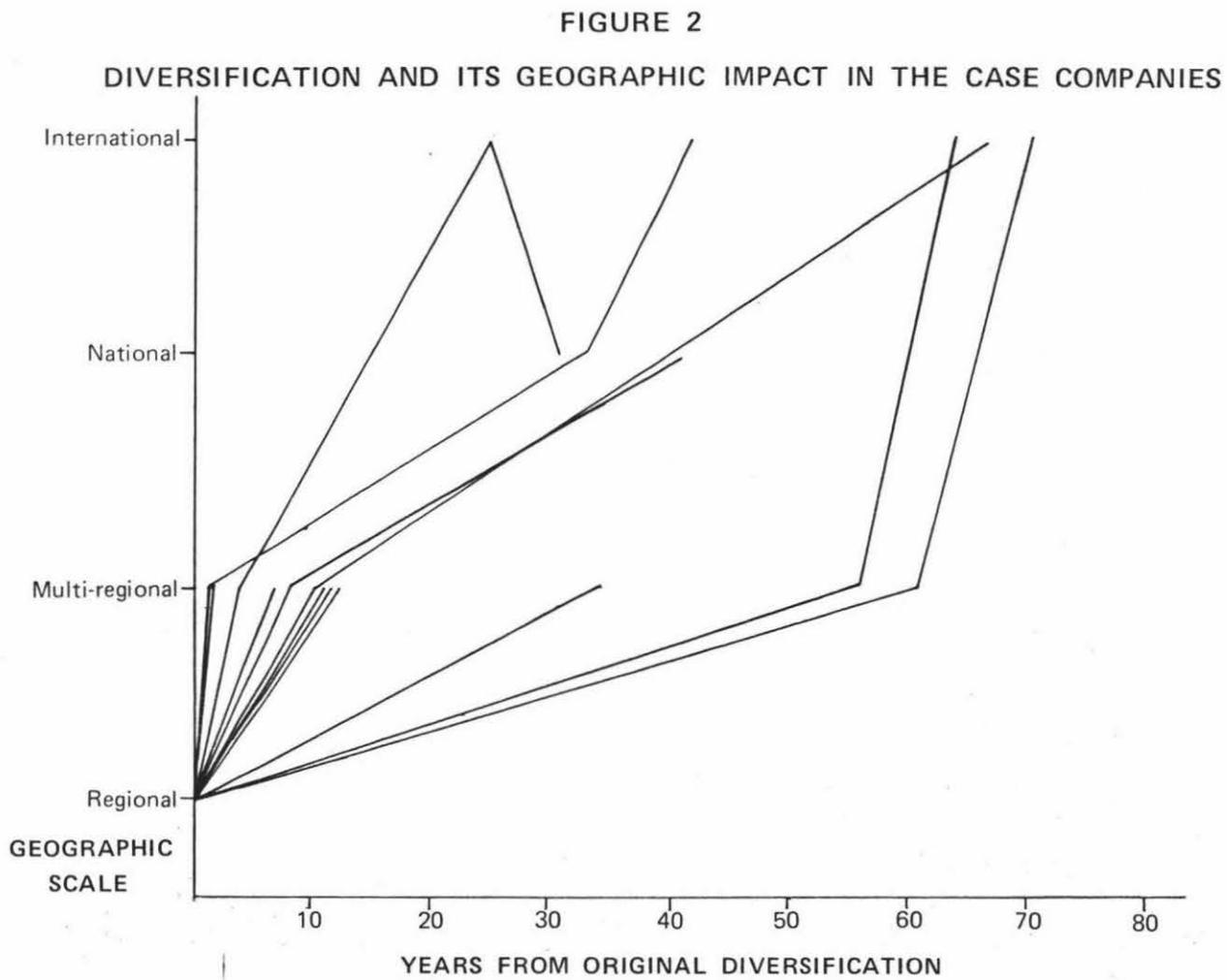
cream and Neill Cropper and Co. has established a branch in Sydney.

Winstone Ltd.'s spatial expansion has been characterised by a dual development based initially, on the extension of its activities in the form of distribution and servicing branches, and secondly, on the development of manufacturing operations that have followed this earlier expansion. The firm was founded in Auckland in 1864 and although it serviced the Waikato and Bay of Plenty through agents and travellers, its activities in the late 19th century and early 20th century were principally in the Auckland area. An important development was the opening of the Wellington branch in 1920, which by 1940, had pushed its activities into the lower half of the North Island and the South Island. Before 1940, branches were also opened in Palmerston North and Hamilton. In the period 1945-65, a gradual expansion took place as the distribution and servicing network was increased to cover the Bay of Plenty, Northland, Hawkes Bay, Wanganui, and parts of the South Island. The company's decision to diversify into manufacturing in the early 20th century has had a major impact on both the scale and distribution of its operations. Up to 1960, manufacture was principally concerned with wallboard, plaster and clay products. Wallboard and plaster operations were established in Auckland in 1927 and 1936, and to service more adequately the national market, were extended to Wellington (1946-47), and Christchurch (1960-61). The manufacture of clay products was originally acquired in Taumaranui (1915), and further plants were established in Plimmerton 1948, and Huntly 1960. Thus, by

1960, the company's manufacturing interests were located in both the main centres and regional areas. This growth pattern has continued in the rapid post 1970 diversification of the company into glass production and distribution, plastics, partitioning systems, long-run roofing, forestry, housing and land development. Through its partition fabrication, the company now has manufacturing operations in Hong Kong and Singapore, in addition to a long standing marketing and importing office in London (1950). The company's continued diversification in manufacturing since the early 20th century has thus been marked by the extension of operations both, in areas experiencing earlier branch expansion, and to further distant locations.

The expansion of the eight companies has been viewed in terms of the nature and patterns of diversification recounted in Chapter 2. The case study findings are summarised in Figures 2 and 3 which depict the growth pattern of diversification strategy as a factor in the geographic evolution of the case companies.

Figure 2 measures sequentially, the initial spatial extension of the companies associated with the decision to diversify product range. In Figure 3, this is extended to include all diversification decisions as outlined in the accounts of the study companies. Both figures record diversification from the original decision to diversify and graphs drawn of diversification from the date the companies were established, revealed similar growth patterns. The geographic scales used distinguish between expansion at the regional, multi-regional, national and international scale. This distinction rests on the assumption that



Source: Company historical data and field work 1976.



firms may expand geographically in one region (regional), from one region to another (multi-regional), and over time to a number of regions and eventually to all regions of the economy (national).

The diversification of the firms have followed different patterns and forms and has been achieved by internal firm growth and by acquisition and merger. The case studies and Figures 2 and 3, point to two major impacts of diversification on the spatial growth of the eight companies:

- 1) in expanding the operational size of existing plant and the number of plants in a locality, and
- 2) in extending activities to other areas and increasing geographic scales.

Furthermore, Figures 2 and 3 would suggest the spatial impact of the companies has been most pronounced at the regional and multi-regional level, and to a lesser degree, at the national and international scales. Importantly,<sup>47</sup> the case studies reveal in viewing the national scale, the impact of diversification may be a temporal and evolutionary process. For example, the Fletcher Steel and Timber companies (outgrowths of the original construction and building company) expanded in the 1950s, and by 1966, exhibited a national distribution pattern. Alternatively, Feltex N.Z., for instance, acquired tyre manufacture and distribution in 1970 and a national network. In viewing the diversification strategies over time (Figure 2), the original decision to diversify may be followed by both, interregional expansion within a short time period (15

years), and alternatively, by expansion over a longer period. Figure 3 emphasises that diversification strategy both within and between activity groups has had a continuing and long term impact at the four geographic scales.

But clearly, there are inherent problems in analysing the data of the eight companies. Difficulties are encountered in assessing, for instance, the impact of the N.M.A. and Wright Stephenson companies' diversification in the agricultural sector and its relationship with their geographic expansion. It is important to note, also, in the case of J. Wattie Canneries for example, that diversification may have an important impact on the company's existing locations and plants, but may not be directly important in the interregional expansion of its activities.

However, the case studies indicate that diversification has been an influential factor in the spatial expansion of the eight companies and suggest an important relationship between corporate strategy, corporate evolution, and the growth of firms in space.

#### The orderly expansion of a firm's operational space

In viewing the spatial evolution of the eight companies over time, some generalisations can be drawn on the nature and course of their expansion. Table 19 is an exploratory analysis of the expansion of the case companies, using the spatial framework outlined in the previous discussion. The companies are broken down to include the pre-merger companies, so as to increase the number of companies under study to fourteen. On the basis of available information, the companies spatial expansion has been

	INTER-METROPOLITAN <sup>1</sup>	REGIONAL	MULTI-REGIONAL	NATIONAL	INTERNATIONAL
Alex Harvey Industries	Auckland 1886				
Alex Harvey and Son	Wellington 1918 Christchurch 1961 Dunedin 1961	Hamilton 1964			Fiji 1967 Fiji 1971 Barbados 1976 Eire 1976
A.C.I. (NZ)	Auckland 1922 Christchurch 1952		Palmerston North Hastings 1960 Levin Nelson 1966		
L.J. Fisher and Co.	Auckland 1938				
Challenge Corporation	Dunedin 1864 Christchurch 1883 Wellington 1895 Auckland agent 1912 branch 1953	Timaru 1866 Invercargill 1873 Bluff 1879	interest in firm located from 1895 Manawatu to Nelson	Northland Waikato 1945-61 Hawkes Bay East Coast	London 1873 Melbourne 1883
Wright Stephenson and Co.	Dunedin 1861 Wellington office 1908 Auckland office 1908 Christchurch 1912	Gore 1891 Invercargill 1896 Kelso 1896	Acquired branches from Wanganui 1916 to Blenheim	Hastings Te Puke 1945-55 Whangarei motor-trading 1927-60	London 1906 Melbourne 1938
Feltex NZ	Wellington 1929 Auckland 1936 Christchurch 1947 Dunedin by 1949	Wanganui Foxton Blenheim Kakariki Levin	by 1949  1967	tyre manufacture and distribution 1970  furnishing retailing 1973	
Fletcher Holdings	Dunedin 1909 Auckland by 1920 Wellington Christchurch 1930-40 Dunedin	Fletcher Timber  Fletcher Steel	Central North Island Thames West Coast South Island outlets in 18 centres 15 centres	1954-66 1956-64	Australia 1951 Fiji 1962 New Guinea 1974
I.C.I. NZ	Wellington 1935 Auckland sales 1940s Christchurch sales Auckland 1946	Levin 1970	Mount Maunganui 1970 Invercargill Nelson New Plymouth 1971 Hamilton		Singapore 1970-73
U.E.B. Industries	Wellington 1905 Auckland 1915 Wellington 1945	Shannon 1949	Christchurch 1952 Hastings 1955 Invercargill 1956 Hamilton 1959		Australia 196 but particularly 196 England 197
Wattie Industries the General Foods Corporation	Auckland 1864 Wellington 1920 Christchurch 1956	depots were established in the North Island		Christchurch 1961 Dunedin 1964	Fiji 1964
Wattie Canneries		Hastings 1934	Gisborne 1952 Nelson 1964	merger with the General Foods 1968 Corporation	Melbourne 1968 Australia 1972
Cropper-NRM	Auckland expanded to the 4 main centres 1932 Auckland 1890	Invercargill 1879	merger with the NRM group 1965 NRM and Fleming merger 1953	joined Wattie group 1969	Sydney
Winstone Ltd.	Wellington 1936 Auckland 1938 Christchurch 1961 Dunedin 1964	Taumaranui 1915	Wanganui agency 1930 Palmerston North 1932 Hamilton 1937	expansion 1945-75	London 1950 Singapore 1972 Hong Kong 1972

<sup>1</sup> Metropolitan centres are defined as Auckland, Wellington, Christchurch and Dunedin

Source: Company historical data and field work 197

measured in terms of the establishment of agencies, branches, and manufacturing operations over time. Five of the firms were originally established in Auckland, five in Wellington, three in Dunedin, and one in Hastings.<sup>1</sup>

Generally, expansion has been characterised by an orderly sequence of interregional expansion from regional, through multi-regional, national and international scales. For example, Alex Harvey and Son expanded from Auckland (regional), to an increasingly multi-regional scale-Wellington 1918, Christchurch and Dunedin 1961, and Hamilton 1964. Following the merger with Australian Consolidated Industries and L.J. Fisher and Co. in 1969, the company has established plants in Fiji, Barbados, and Eire. Moreover, in nine of the fourteen companies, expansion has taken place within the main centres Auckland, Wellington, Christchurch, and Dunedin, and then to varying degrees, to a multi-regional and national scale of operations. In one case, that of Alex Harvey Industries, expansion outside the four main centres has been limited. On the other hand, the geographic expansion of the General Foods Corporation, Fletcher Holdings and Winstone Ltd. has been more extensive.

Alternatively, J. Wattie Canneries expanded initially within the Heretaunga Plains followed by the extension of activities to Gisborne 1952, Nelson 1964, Christchurch 1970,

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<sup>1</sup> In 1976, the head offices of five out of the eight companies are located in Auckland, two in Wellington, and one in Hastings and represents a partial indication of the growing importance of the Auckland area in the New Zealand economy.

and Timaru 1972. Similarly, the Wright Stephenson and N.M.A. companies were established in Otago in the late 19th century, and branches were extended to further areas as outlined in Table 19. By 1925 and 1960 respectively, the companies' activities existed in most regions of the economy.

The expansion of Feltex N.Z. and Cropper-N.R.M. is less clear however. Feltex N.Z.'s expansion up to 1949 was characterised by the extension of operations to Auckland, Wellington, Christchurch, and Dunedin as well as such regional areas as Wanganui, Foxton, and Blenheim. The exact course of expansion in the early years is not well documented, but by 1960, its activities were established mainly in Auckland, Wellington and Christchurch. In the period after 1960, expansion to other regional areas took place and in 1970 and 1973, a national scale of operations has been acquired with the company's interests in tyre manufacture and distribution, and furnishing retailing. Neill Cropper and Co.'s activities, before 1965, were found mainly in Auckland, Wellington, Christchurch, and Dunedin. Its merger in 1965, with the N.R.M. group, incorporated interests in southern regions including Invercargill and Gore, which have been further extended to other areas. The major mergers leading to the establishment of four of the eight firms have also had an important impact - for example, with the merger with A.C.I.'s operations, the extension of Alex Harvey and Son's activities to new regional areas.

The overseas expansion of the eight companies has generally followed its geographic expansion in New Zealand.

For example, the General Foods Corporation established its Fiji operations in 1964, the same year it had extended ice cream manufacture to include Auckland, Wellington, Christchurch and Dunedin. Wright Stephenson & Co. expanded to Australia after 1938 following its geographic expansion in New Zealand up to 1925. Moreover, the overseas expansion of Alex Harvey Industries, I.C.I. N.Z., U.E.B. Industries, Wattie Industries, and Winstone Ltd., has occurred in the last ten years, particularly since 1970. This is in contrast to the N.M.A. Company's branch in London which existed when the company was formed in New Zealand.

The interregional expansion of the eight companies have therefore, been characterised by an orderly spatial evolution marked, in the first instance, by expansion within the four main centres, and then later, to other areas of the economy.

#### The regional growth contribution of the eight case companies

Figures 4 to 11 depict the spatial distribution and impact of the eight companies' operations. The distribution of employment data by plant was available in four of the eight companies. Important in viewing the spatial distribution of their activities are the factors and strategies influencing geographic location. Three factors appear critical in the location and distribution of the eight companies' activities:

- 1) the location of manufacturing plants to serve national markets, and
- 2) the location of manufacturing and distribution

FIGURE 4

## THE SPATIAL DISTRIBUTION AND IMPACT OF ALEX HARVEY INDUSTRIES

Total employed 1975 5766

Key Auckland 3754 employment

## Overseas

AHI Stinson Fiji 67

AHI Pillar Fiji 14

## 1 Auckland 3754

Head Office

AHI Operations

AHI Agencies

AHI Chemical Engineering Services

AHI Closures

AHI Distributors

AHI Glass Products Co.

AHI Insurances

AHI Minerals

AHI Nominees

AHI Plastic Extrusion

AHI Plastic Film Co. - armathene division  
flexopac division

AHI St Regis (NZ)

Alex Harvey Metal Containers

Alex Harvey Sheetmetal Products

Anodising Engineers

Architectural Windows

Comalco Extrusions

Danband Products (Australia)

Dominion Seal Company

L. J. Fisher and Co.

Fisher Windows

Garnite Plastic Sales

Hygrade Packaging

Laminex Industries

Lyte Aluminium

NZ Feldspar

NZ Fibreglass

NZ Glass Manufacturers

Paper Coaters

Precision Plastics

Rylock Company

Harvey Tile Company

W. H. Bond and Co.

## 2 Hamilton 432

Alex Harvey Engineering

L. J. Fisher and Co.

Fisher Windows

Plastic Products Moulding Co.

## 3 Tauranga

L. J. Fisher and Co.

## 4 Rotoroa

L. J. Fisher and Co.

Fisher Windows

## 5 Te Kuiti

Superfine Lime Company

## 6 Napier

Martin Printing

## 7 Hastings 25

Hygrade Packaging

## 8 Levin

Hygrade Packaging

## 9 Wellington 611

Plastic Film Company

Metal Containers

Architectural Windows

L. J. Fisher and Co.

Fisher Windows

Hygrade Packaging

Lyte Aluminium

Plastic Products Moulding Co.

Precision Engineering

Rylock Company

Harvey Tile Company

## 10 Christchurch 960

Plastic Extrusion Company

Plastic Film Company-flexopac division

Metal Containers

Architectural Windows

Crown Crystal Glass

L. J. Fisher and Co.

Hygrade Packaging

Laminex Industries

Lyte Aluminium

NZ Fibreglass

Plastic Products Moulding Co.

Harvey Tile Company

Rylock Company

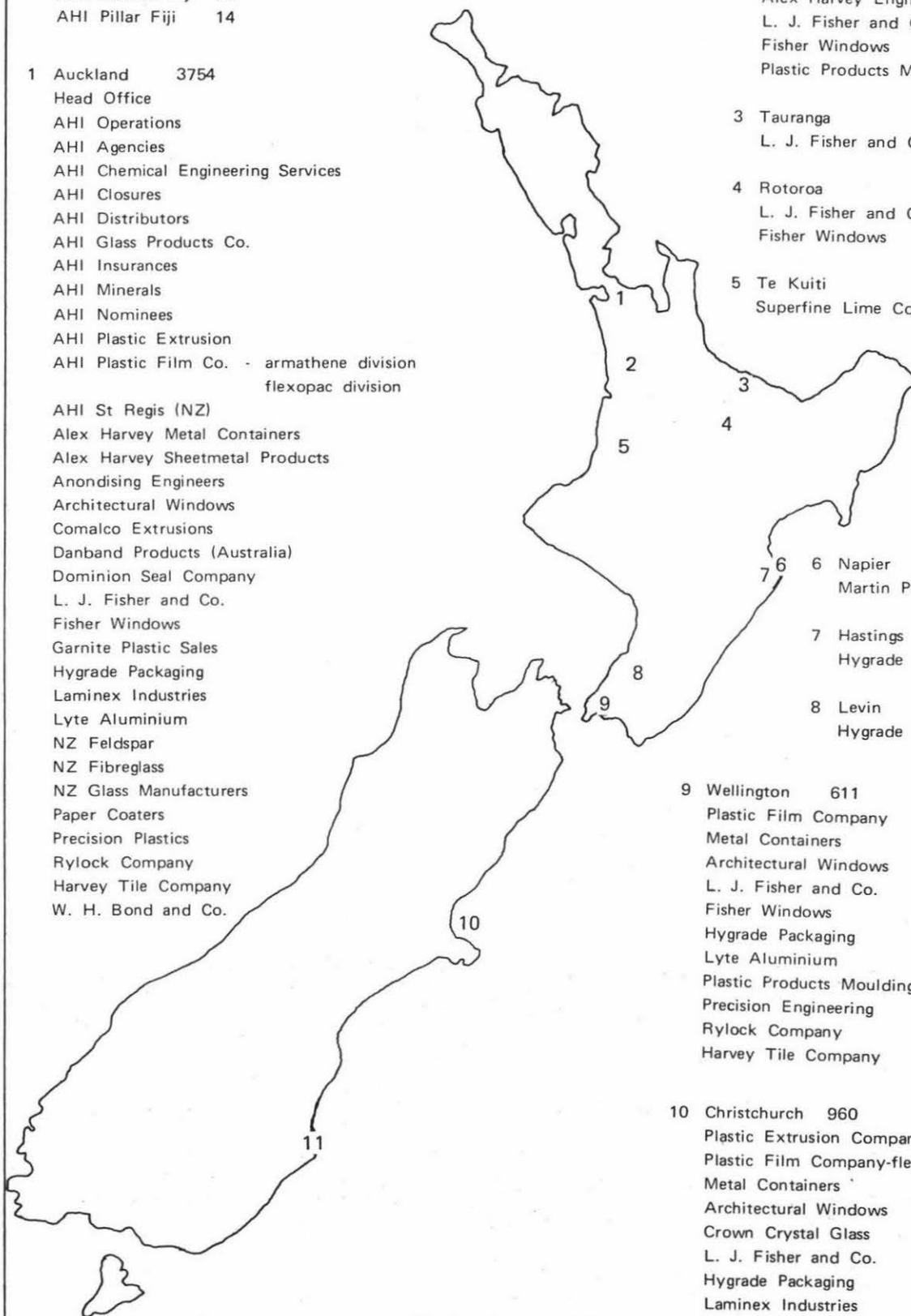
## 11 Dunedin 116

Metal Containers

Architectural Windows

George and Ashton

Lyte Aluminium

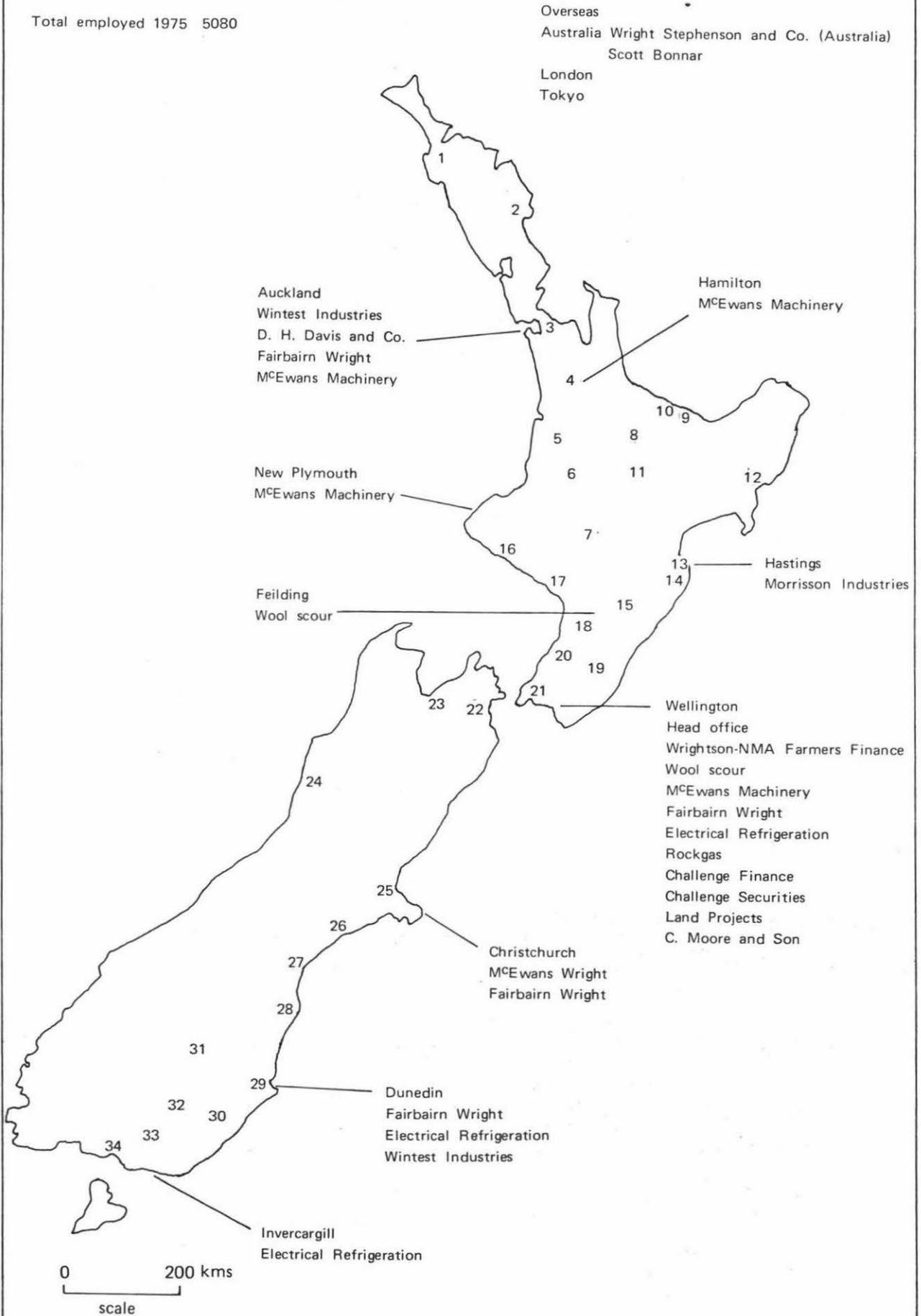


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scale

FIGURE 5

THE SPATIAL DISTRIBUTION AND IMPACT OF THE CHALLENGE CORPORATION

Total employed 1975 5080



Source: Company documentation and field work 1976.

## WRIGHTSON NMA AND WRIGHTCARS BRANCHES, AND EMPLOYMENT DATA

Key (1) Wrightson N.M.A. branches only

(2) Wrightcars branches only

120 employment data including all operations in each centre

1	Kaitaia (2)		18	Palmerston North	102
2	Whangarei	66	19	Masterton	67
3	Auckland	601	20	Levin (2)	
4	Hamilton	210	21	Wellington	526
5	Te Kuiti	32	22	Blenheim	55
6	Taumaranui	20	23	Nelson	74
7	Taihape (1)	17	24	Greymouth (1)	18
8	Rotorua (1)	36	25	Christchurch	278
9	Te Puke (1)	71	26	Ashburton	73
10	Tauranga		27	Timaru	107
11	Taupo		28	Oamaru	39
12	Gisborne (1)	32	29	Dunedin	463
13	Napier		30	Balclutha (2)	22
14	Hastings	363	31	Alexandra	59
15	Dannevirke	41	32	Kelso (1)	13
16	Hawera (2)	19	33	Gore	84
17	Wanganui	71	34	Invercargill	199

Associated ventures Haywrights Ltd. 1893

Campbell Motors Auckland 85

Thames 6

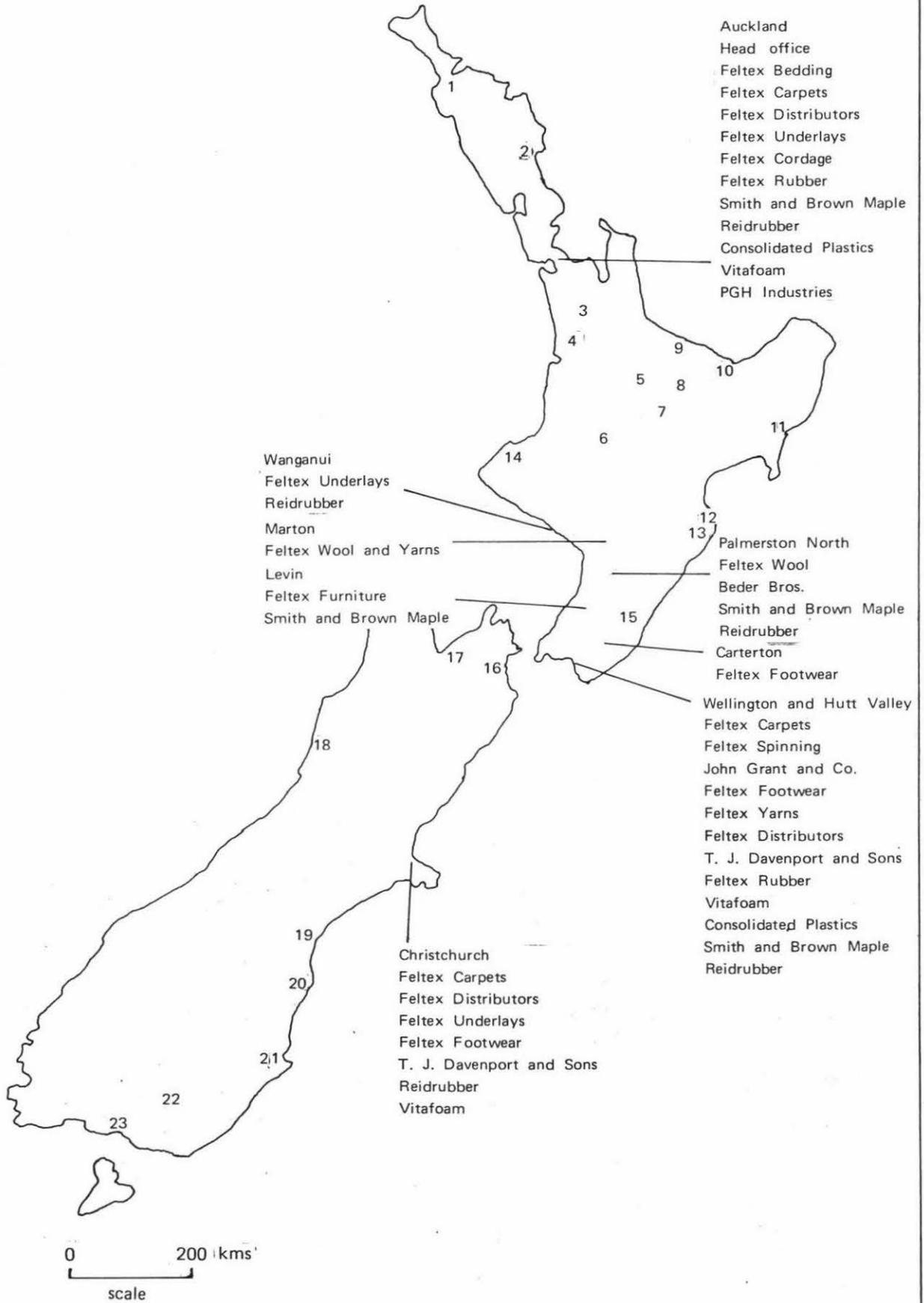
Consolidated Motor Distributors Wellington 106

New Plymouth 22

Feilding 23

FIGURE 6  
THE SPATIAL DISTRIBUTION AND IMPACT OF FELTEX NZ

Total employed 1975 6205



Source: Company documentation and field work 1976.

## SMITH AND BROWN MAPLE AND REIDRUBBER CENTRES OF FELTEX NZ

Key 1 Smith and Brown Maple branches only

2 Reidrubber branches only

1	Kaitaia	1
2	Whangarei	
3	Hamilton	
4	Te Awamutu	2
5	Tokoroa	
6	Taumaranui	
7	Taupo	
8	Rotorua	
9	Tauranga	
10	Whakatane	1
11	Gisborne	
12	Napier	
13	Hastings	
14	New Plymouth	
15	Masterton	1
16	Blenheim	2
17	Nelson	2
18	Greymouth	2
19	Timaru	2
20	Oamaru	2
21	Dunedin	
22	Gore	2
23	Invercargill	

FIGURE 7  
THE SPATIAL DISTRIBUTION AND IMPACT OF FLETCHER HOLDINGS

Total employed 1975 7247

Key Auckland 1862 employment

Overseas Operations

Timber New Guinea and Fiji

Australia

New Hebrides

1 Auckland 1862

Head office, Fletcher Construction, Development, Trust, Industries, Timber, Steel, Plastics, Mechanical, Technical Services, Armco, Galvanising, Chemicals, Brownbuilt, GKN (NZ), Duroid, Hire Pool, John Lysaght, Beazleys, Reliance, and Kelly Automotives

2 New Plymouth 78

Fletcher Steel

3 Taupo 445

Fletcher Timber, Merchants

4 Palmerston North 16

Fletcher Industries, Steel, Timber

5 Carterton 15

Fletcher Timber

6 Nelson 38

Fletcher Steel, Timber

7 Karamea 19

Fletcher Timber

8 Gladstone 163

Fletcher Timber

9 Ruatapu 192

Fletcher Timber

19 Forest

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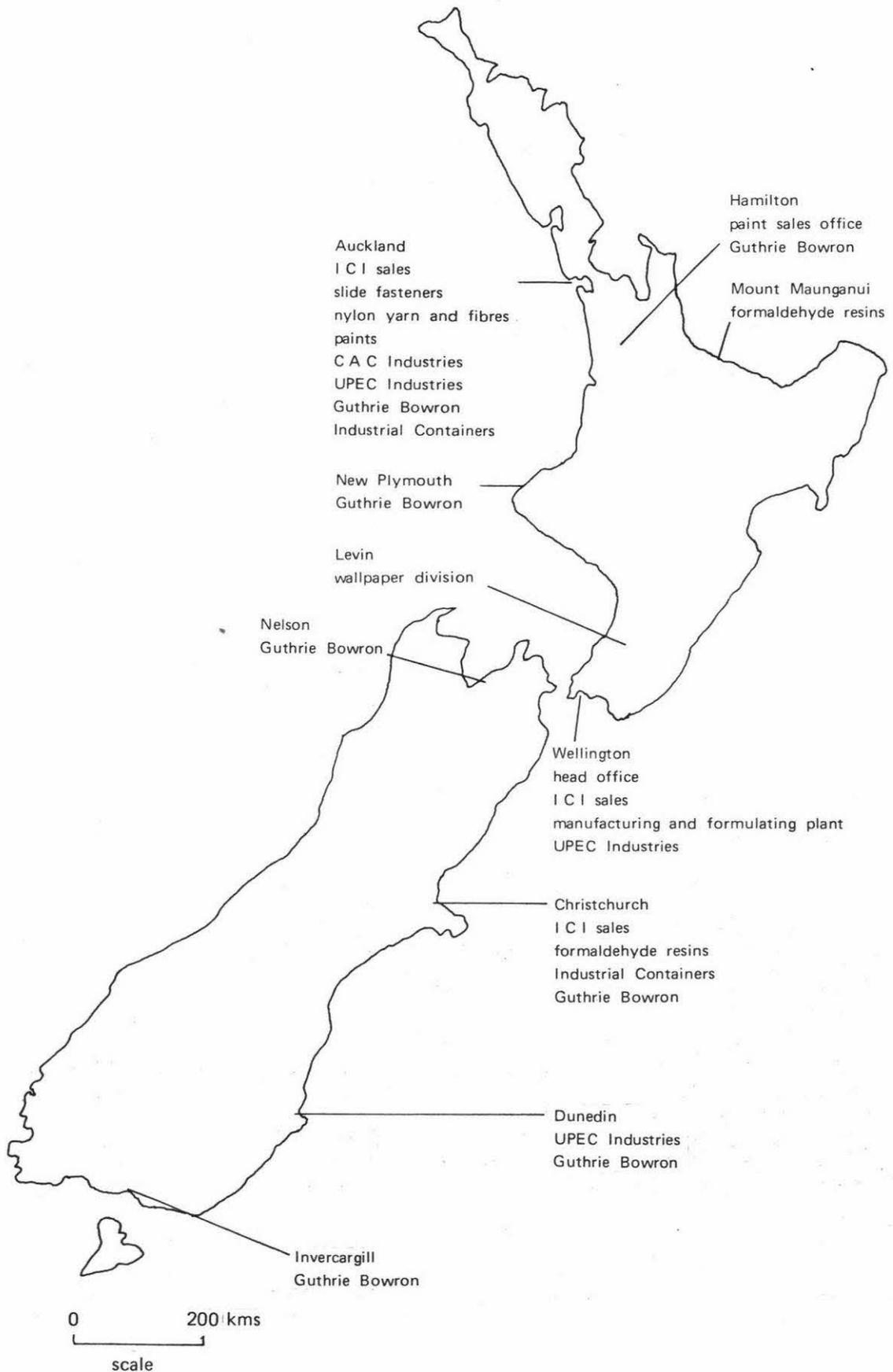
281 Forest

282 Forest

FIGURE 8

## THE SPATIAL DISTRIBUTION AND IMPACT OF ICI NZ

Total employed 1975 1888



Source: Company documentation and field work 1976.

FIGURE 9

## THE SPATIAL DISTRIBUTION AND IMPACT OF UEB INDUSTRIES

Total employed 1975 4257.

Key Auckland 1742 employment data

1 Auckland 1742  
 head office  
 fibreboard cases  
 folding cartons  
 set up boxes  
 mono flexible packaging  
 coating  
 film extruding  
 paper bags  
 building materials  
 wool spinning  
 tufted carpet  
 latex carpet backing  
 woven carpets  
 wholesale distributors  
 engineering projects and services

2 Wanganui 57  
 printing

3 Palmerston North  
 packers supplies

4 Nelson 29  
 building materials  
 moulded containers  
 packers supplies

5 Blenheim  
 lucerne

6 Ngaruawahia 31  
 building materials

7 Hamilton 117  
 fibreboard cases

8 Gisborne 24  
 fibreboard cases

9 Napier 405  
 Wool spinning and scouring

10 Hastings 69  
 fibreboard cases  
 packers supplies

11 Ongaonga  
 lucerne

12 Dannevirke  
 wool farming

13 Shannon 47  
 fibreboard cases  
 building products

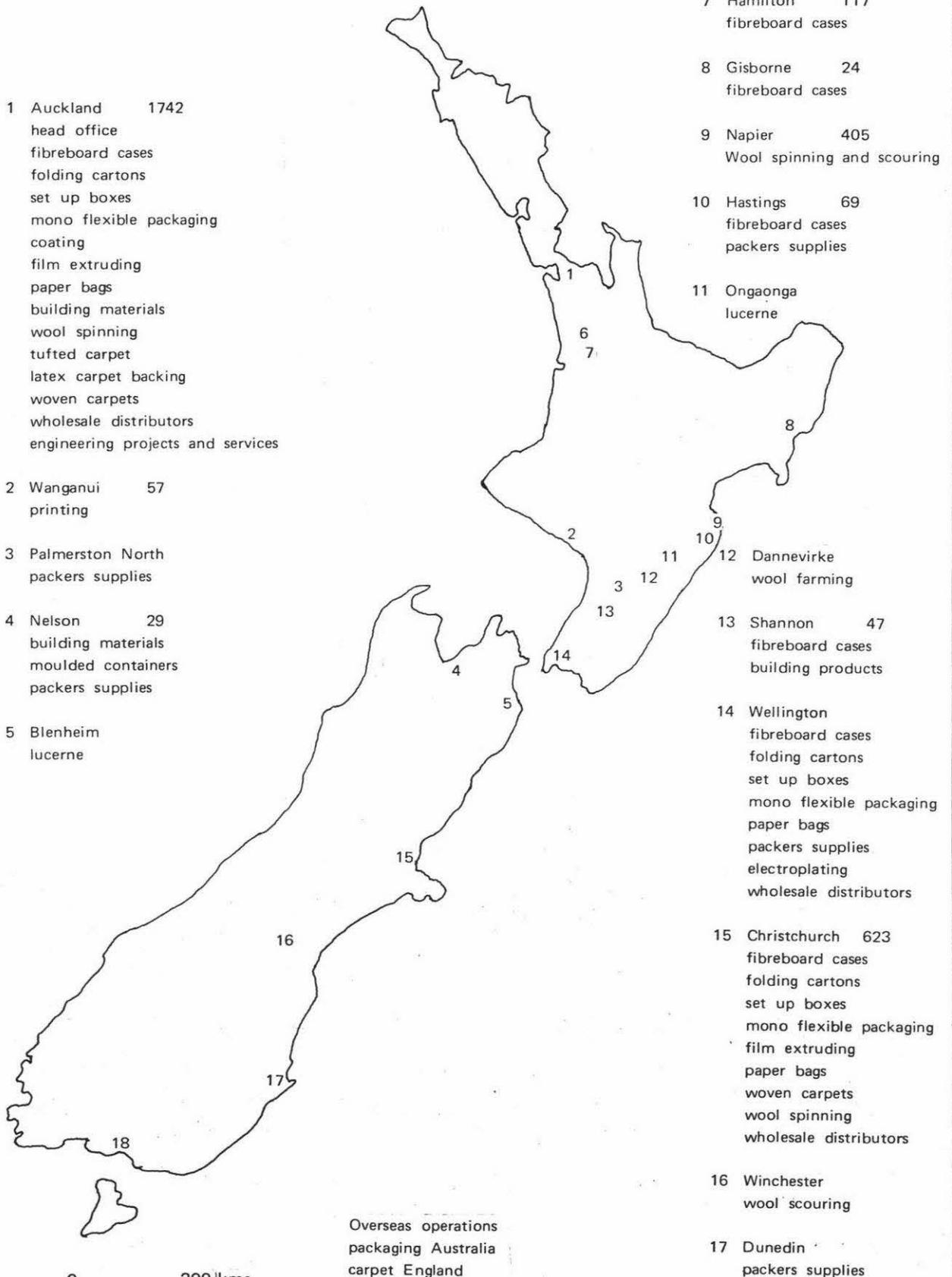
14 Wellington  
 fibreboard cases  
 folding cartons  
 set up boxes  
 mono flexible packaging  
 paper bags  
 packers supplies  
 electroplating  
 wholesale distributors

15 Christchurch 623  
 fibreboard cases  
 folding cartons  
 set up boxes  
 mono flexible packaging  
 film extruding  
 paper bags  
 woven carpets  
 wool spinning  
 wholesale distributors

16 Winchester  
 wool scouring

17 Dunedin  
 packers supplies

18 Invercargill 20  
 fibreboard cases



Source: Company documentation and field work 1976.

FIGURE 10

## THE SPATIAL DISTRIBUTION AND IMPACT OF WATTIE INDUSTRIES

Total employed 31.7.1775 6102

## Overseas operations

Wattie-Pict Australia  
General Foods Corporation Fiji  
Neill Cropper and Co. Sydney  
Wattie Japan

## 3 Auckland

Associated Cones, Bluebird potato chips, General Foods Corporation, H.C. Kitchen, J.L. Lennard, Neill Cropper and Co., Northern Roller Milling Co., NRM Feeds, NZ Starch Products, Pryce Jones, Refrigerated Freight Lines, W.F. Tucker, Group Development, Welpac Foods, Poultry division

## 13 New Plymouth

Poultry division, H.C. Kitchen, J.L. Lennard, NRM Feeds

## 15 Wanganui

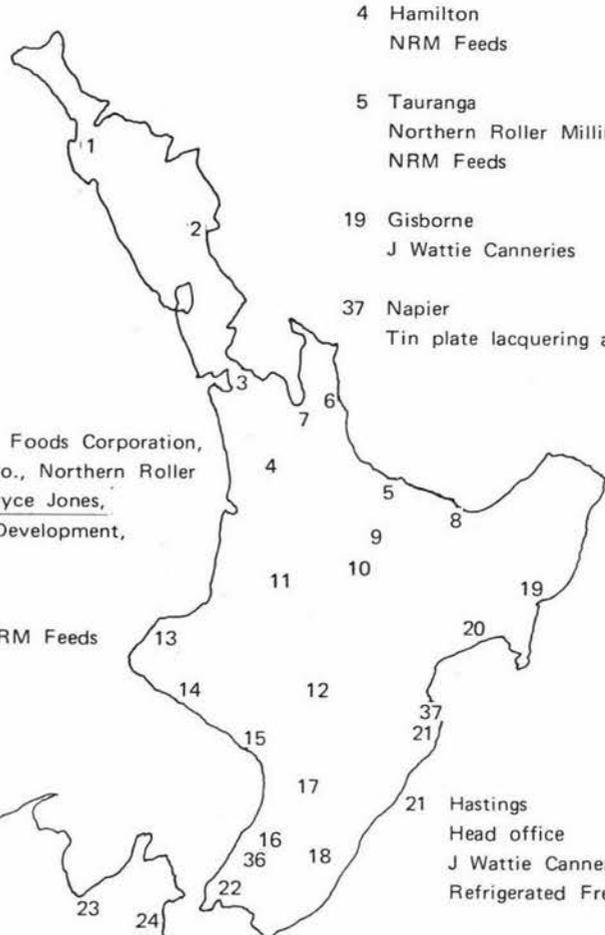
Associated Cones

## 17 Palmerston North

H.C. Kitchen

## 36 Otaki

Poultry division



4 Hamilton  
NRM Feeds

5 Tauranga  
Northern Roller Milling Co.,  
NRM Feeds

19 Gisborne  
J Wattie Canneries

37 Napier  
Tin plate lacquering and printing

11

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22 Wellington  
General Foods Corporation,  
H.C. Kitchen,  
J.L. Lennard,  
Pryce Jones,  
Refrigerated Freight Lines

23 Nelson  
Fleming and Co.

## 26 Christchurch

Associated Cones, Feedmobile services, Fleming and Co., General Foods Corporation, Pryce Jones, Refrigerated Freight Lines, J Wattie Canneries, Peel Products, Poultry division

## 28 Timaru

J Wattie Canneries

## 31 Dunedin

General Foods Corporation  
Refrigerated Freight Lines

## 34 Gore

Fleming and Co.

## 35 Invercargill

Fleming and Co.

0 200kms  
scale

THE GENERAL FOODS CORPORATION, WATTIE CANNERIES, AND CROPPER-NRM CENTRES OF WATTIE INDUSTRIES

Listed below are the General Foods Corporation centres, and J. Wattie Canneries and Cropper - NRM where stated.

- 1 Kaitaia
- 2 Whangarei J. Wattie Canneries
- 3 Auckland J. Wattie Canneries and Cropper-NRM
- 4 Hamilton J. Wattie Canneries
- 5 Tauranga J. Wattie Canneries and Cropper-NRM
- 6 Whitianga
- 7 Thames
- 8 Opotoki
- 9 Rotorua
- 10 Taupo
- 11 Taumaranui
- 12 Taihape
- 13 New Plymouth J. Wattie Canneries and Cropper-NRM
- 14 Hawera
- 15 Wanganui
- 16 Levin
- 17 Palmerston North
- 18 Masterton
- 19 Gisborne J. Wattie Canneries
- 20 Wairoa
- 21 Hastings J. Wattie Canneries
- 22 Wellington J. Wattie Canneries and Cropper-NRM
- 23 Nelson J. Wattie Canneries and Cropper-NRM
- 24 Blenheim
- 25 Ashburton
- 26 Christchurch J. Wattie Canneries and Cropper-NRM
- 27 Oamaru
- 28 Timaru J. Wattie Canneries
- 29 Westport
- 30 Greymouth
- 31 Dunedin J. Wattie Canneries and Cropper-NRM
- 32 Queenstown
- 33 Alexandra
- 34 Gore Cropper-NRM
- 35 Invercargill J. Wattie Canneries and Cropper-NRM

FIGURE 11  
THE SPATIAL DISTRIBUTION AND IMPACT OF WINSTONE LTD

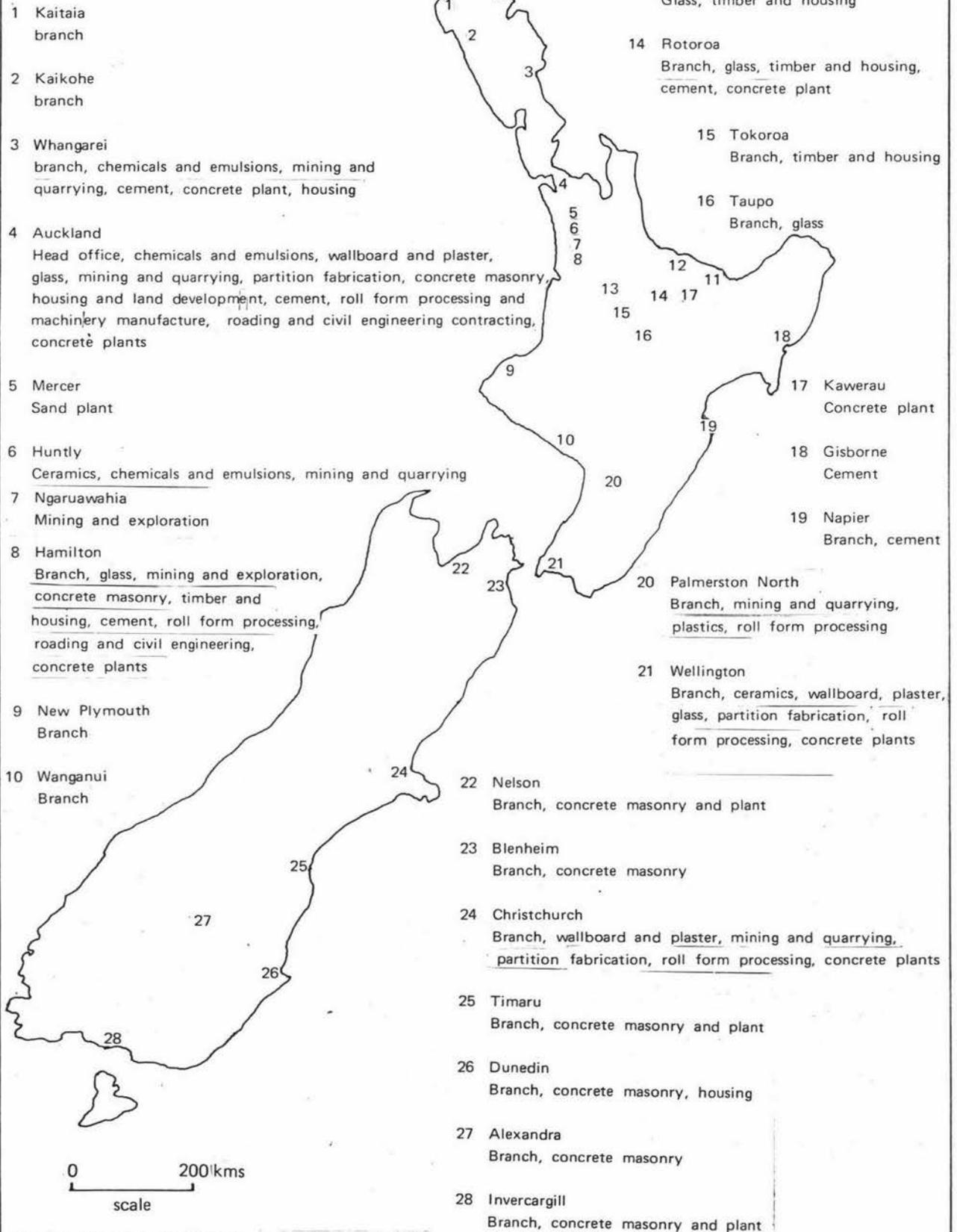
Total employed 1975 3909

Overseas operations

London

Partition systems Hong Kong and Singapore

Metal production Australia



Source: Company documentation and field work 1976.

units for the distribution and servicing of products,

- (i) within the four main centres,
- (ii) in regional and sub-regional centres, and
- (iii) in overseas locations, and

3) the location of operations to process local resources.

An examination of the distribution patterns of the eight companies yields a number of generalisations. The companies encompass, in terms of spatial scale, both multi-regional (Alex Harvey Industries, I.C.I. N.Z., and U.E.B. Industries) and national distributions covering most cities and towns in the economy (the Challenge Corporation, Feltex N.Z., Fletcher Holdings, Wattie Industries, and Winstone Ltd.). Overall, expansion has been characterised by both extensive interregional expansion, but also, concentration particularly in Auckland, Wellington and Christchurch and to a lesser degree, Dunedin, Hamilton, Hastings, Invercargill and Gisborne. In seven out of the eight companies, based on employment and number of plants, Auckland is the most important centre especially for Alex Harvey Industries, Fletcher Holdings, U.E.B. Industries and Winstone Ltd. This is somewhat less marked for Feltex N.Z., I.C.I. N.Z., and Wattie Industries. In the Challenge Corporation, Wellington, with the head office and non-manufacturing interests, and Auckland, with manufacturing as well as non-manufacturing interests, appear equally important. With the exception of Wattie Industries in Wellington, the eight companies have major operations in terms of their respective distribution patterns in Auckland, Wellington, and Christchurch, and three

of the eight companies have major operations in Dunedin and Hamilton. Although a full analysis is beyond the scope of this research, an exploratory study of the nature of activities of the companies in these centres would suggest a number of operations are orientated towards a national market and regional area function, and an overlap is evident between these two factors. National market function is reflected in Auckland, for example, in the plastic and aluminium and roofing operations of Alex Harvey Industries; the outdoor and leisure, and domestic pump products of the Challenge Corporation; and the carpet, bedding, cordage and plastic manufacturing of Feltex N.Z. The exact scale of national function by plant in Auckland is unknown but is evident in seven out of the eight companies. Similar examinations in Wellington, Christchurch, Dunedin, and Hamilton would suggest a decreasing national function in these centres. For example, orientation to the national market is evident in four of the eight companies' activities in Christchurch, three in Wellington, two in Dunedin and one in Hamilton. The eight companies have also established both manufacturing and non-manufacturing operations in these centres for the distribution of their products - for example, Alex Harvey metal containers, Fletcher Brownbuilt, and General Foods ice cream manufacturing, in Auckland; Wellington, Christchurch, and Dunedin. There are of course exceptions, such as the national/regional overlap of Alex Harvey Metal Containers in Christchurch which serves the national market for specialty closures and metal screw nuts, as well as the Canterbury region in metal containers.

The companies have established manufacturing and non-

manufacturing operations outside the principal urban areas for the servicing and distribution of their products. Significantly however, some manufacturing for the national market has been located in secondary centre locations - Winstone Plastics, Palmerston North; I.C.I. Wallpaper division and Feltex Furniture, Levin; and Morrison Industries (Challenge Corporation), and Wattie Canneries, Hastings. Expansion however, has been based mainly on the distribution and servicing of the companies' products. This is seen in the branch, retail and wholesale operations of the Challenge Corporation, Reidrubber (Feltex N.Z.), Fletcher Timber and Steel, the General Foods Corporation, and Winstone Ltd., and to a lesser degree L.J. Fisher and Co. (Alex Harvey Industries), Guthrie Bowron (I.C.I. N.Z.) and Packers Supplies (U.E.B. Industries). Finally, the packaging operations of Hygrade Packaging (Alex Harvey Industries) and U.E.B. Industries have located in secondary centres in order to serve more adequately their main industrial market, the primary processing industries.

Corporate expansion based on indigenous resources has been an important growth philosophy of the eight companies and is illustrated in their many dispersed operations - for example, the mineral extraction and related activities of Alex Harvey Industries at Te Kuiti, and Fletcher Holdings at Lake Rotokawa; the widespread quarrying and mining enterprises of Winstone Ltd; the wool scouring activities of Feltex N.Z. at Kakariki, and U.E.B. Industries at Winchester and Napier; the forest and related processing industries of Fletcher Holdings and Winstone Ltd; the agricultural processing of Fletcher Holdings, U.E.B. Industries

and Wattie Industries; and the ceramic manufacturing of Winstone Ltd.

The overseas expansion of the eight firms can be seen as an extension of the companies' existing activities and an attempt to mount overseas operations as part of company export policy. It has been marked by manufacturing, distribution, and sales units particularly in Australia and Fiji but also in New Guinea, Hong Kong, Singapore, Kuala Lumpur, Japan, Barbados, Southern Ireland and England - for example, Alex Harvey Industries' 60 per cent equity in a Barbados company to manufacture roofing tiles, and U.E.B. Industries' carpet manufacturing at Runcorn in England. Export figures were available for seven of the eight companies and amounted to \$66 million in 1975, and varying from 1 to 8 per cent of total turnover. The exports of the eight companies are concentrated particularly in Australia, South East Asia, and the Pacific Basin, where all eight firms export. The exports of the eight companies outside this area is extensive, however. Alex Harvey Industries exports to Europe, North America and the Middle East, and Fletcher Holdings bisonboard and galvanised iron to North America. The Challenge Corporation purveys meat to the U.S.S.R., Middle East and Britain; fish to U.S.A. and Japan; manufactured products to Europe, Australia and South East Asia; and bloodstock and seeds to a number of countries. It is likewise apparent for Wattie and U.E.B. Industries, which export to 40 and 30 countries respectively. Exports therefore represent an important component of the overseas impact of the eight companies.

In evaluating the spatial expansion and distribution of activities over time, the eight companies have had an

important local, regional, national, and international impact. This is reflected in the breakdown of employment data of four of the eight companies associated with the distribution of their activities outlined in Figures 4, 5, 7, and 9. In 1975, the eight companies had approximately 40,000 employees.

This review of the development of New Zealand Type III companies has revealed a differential impact in sectoral and spatial change in central and periphery areas of the economy. Furthermore, diversification was found to be an important component in the spatial evolution of the eight companies and thus in their regional contribution over time.

Chapter 4CONCLUSION

This enquiry into the evolution of New Zealand Type III companies has focussed on the phenomenon of diversification and ramifications of diversification as a company growth policy. Limitations in the availability of company data particularly at the plant level necessitated individual firm and analyses and the identification of general patterns of development. The research investigated:

- 1) diversification as a component of growth in eight study companies,
- 2) the connection between diversification and
  - (i) corporate evolution and
  - (ii) the spatial expansion of the companies and
- 3) the geographic distribution of company activities.

The initial stance of the research was to investigate the nature of diversification as a differentiating criterion of Type III multi-product and multi-divisional firms. The temporal sequences of diversification strategy was considered against the frame of diversification within and between activity groups and diversification in function. Diversification within activity groups was identified as a key factor in the early and later growth of the eight case companies and the pre-merger operations. A problem arose, however, in deciding when new products were sufficiently different from current product lines. This difficulty was encountered, for instance, when tracing the expansion of J. Wattie Canneries through a widening product range

stemming from its canning operations, to when Neill Cropper and Co., began importing a fuller range of imports. The important question here was whether the extension of product range implied any significant difference in product and distribution programmes.

It is also difficult to determine at what point in their growth that the eight companies developed into Type III organisations. Diversification is an important although not exclusive criterion of Type III firms. The case study findings suggest that diversification efforts within, and more importantly, between activity groups are necessary preliminaries to the emergence of Type III organisations and that in New Zealand this did not appear until the emergence of multiple and noticeably different product lines in the 1960s. This would suggest that the development of Type III firms has been a recent phenomena in New Zealand's industrial development and has followed the development of similar organisational structures overseas (for example, Chandler 1962).

Corporate development is an evolutionary process and the emergence of firms to Type III organisation may reflect the growth of the manufacturing sector over time. Industrial development, in New Zealand, has been slow until comparatively recently and has been characterised by temporal changes in the nature of production. It has been most pronounced in the period after 1930 which was marked by a movement from a pastoral-commercial to an increasingly commercial-industrial economy (Hearn and Slater 1973). In the late 1930s, industrial development was stimulated through the growth of new industries through import licensing, exchange controls, protection tariffs

and industries were encouraged to reduce New Zealand's dependence on overseas sources (Sutch 1960). There was re-orientation of manufacturing away from the processing of food products to the expansion of industries relying on imported raw materials to produce consumer goods (Hearn and Slater 1973). In the period 1938-68, the percentage of total industrial production in the processing of primary industries decreased from 49 to 31 per cent.

The study of diversification and growth in the study companies reflects, in part, developments in the industrial sector in New Zealand. By 1930, the activities of the existing nine companies and pre-merger firms were based on agricultural servicing and processing (4); building construction and building supplies (2), and packaging, glass, and metal pressing production (1). Major developments particularly in the manufacturing field, were established in the period after 1930. This was marked, for example, in the period 1930-50 with the diversification of Alex Harvey and Sons into appliance manufacture; Australian Consolidated Industries into packaging and plastics; and Fletcher Holdings in the manufacture of products for the building industry. It also saw the establishment of Feltex N.Z. (1929), Neill Cropper & Co. (1932), Wattie Canneries (1934), I.C.I. N.Z. (1935), the General Foods Corporation (1936-38), L.J. Fisher & Co. (1938) and the United Box Co. (1945). The diversification and growth of the companies in the 1950s and particularly after 1960, has been associated at the national level by growth and changing nature of industrial production. For example, in the period 1956-66, the manufacturing sector's contribution to gross domestic output increased from 22 to 27 per cent.

The recent emergence of diversification and significantly different product lines, an important component in the development of Type III firms, may reflect the growth and changing nature of industrial activity in New Zealand after 1930. It may suggest, at a more general level, an increasing importance of diversification particularly between activity groups, and an increasing number of Type III firms as a consequence of the increasing complexity and maturity in New Zealand's industrial development. This suggestion is heightened from a consideration of the merger of major firms in the formation of Alex Harvey Industries, Wattie Industries, and the Challenge Corporation; and the rapid diversification of U.E.B. Industries, Feltex N.Z. and Winstone Ltd., after 1966.

Diversification strategies and organisational development may therefore be closely related to temporal stages in industrial development. The case-studies would also suggest that diversification has an explicit spatial component and therefore it has been viewed in terms of its significance as a growth strategy in the corporate and spatial evolution of firms. The geographic manifestation of diversification has been highlighted in viewing systematically the diversification strategies of the respective firms over time and their resultant impact at the regional, multi-regional, national and international scales. Furthermore, it would suggest that multi-plant Type III firms may have an important influence in determining the nature of economic activity at the national and regional level. The study firms' distribution patterns revealed:

- 1) a concentration of activities in Auckland, Wel-

lington, and Christchurch and

2) dispersed regional locations.

Importantly, they reflect the spatial differentiation of activities and disparities between centre and periphery areas in New Zealand, associated with geographic processes that have been identified in the country's recent industrial development and the movement towards an increasingly commercial-industrial economic structure. These processes include the increasing concentration of industrial activity in the northern half of the North Island and areal concentrations particularly in Auckland and to a lesser degree Wellington, and Christchurch. (Hearn and Slater 1973, Cant and Johnston 1973). This is evident, for example, in the operations of Alex Harvey Industries and Feltex N.Z. The clustering of industrial organisations has been considered important in the differentiation of the spatial landscape and the growth of spatial and regional imbalances over time (Friedmann 1972, Lasuen 1973, Perroux 1970).

The eight companies, however, do have extensive geographic activities, and although disparities exist in the distribution of their operations in space, their regional contribution is an important one. Briefly summarised, these included manufacturing plants to serve the national market, distribution units for the companies' products, and resource based activities. Multi-product and multi-plant Type III firms may therefore have particular significance to regional development and regional structural change, through the establishment and closure of branch plants in geographically separated areas based on the man-

ufacturing and distribution of products. This is illustrated in the case of Feltex N.Z. where in the period up to 1949, some 27 plants were acquired or established in 7 centres. Many of these plants were subsequently closed or rationalised including plants in Dunedin, Blenheim and Foxton. Diversification with its important spatial influence in company expansion may be important in the location of new activities in existing or new areas, or indirectly, through the development of distribution units associated with product change. For example, Fletcher GKN (later Fletcher Brownbuilt) was established in 1971 and was followed by the establishment of plants in Dunedin and Hastings to service these areas. In terms of regional growth, diversification achieved through acquisition may have limited regional impact for example, the acquisition of a rubber tyre manufacturing and distribution network by Feltex N.Z. in 1970.

The future course of diversification and corporate strategy may have important implications to national and regional development in New Zealand. Cumulative causation factors (Myrdal 1957) may reinforce and possibly accelerate presently evolving forces and therefore the location of new activities and industries may concentrate particularly in Auckland and to a lesser degree in Wellington and Christchurch. In the study companies, the location of new activities has been evident in some regional centres particularly Hamilton, Palmerston North and Levin but although this trend may continue in certain regional centres, it could be anticipated that the future spread of activities to regional areas would relate to distribution

factors and company philosophy in the development of indigenous resources. In terms of national and regional economic growth contribution, Type III firms would appear to have particular significance, but are characterised by a differential spatial impact.

This research has represented an exploratory study in the development of diversification consequent upon the emergence of Type III firms in New Zealand. The recognition that diversification may have an important spatial component emphasises the link between strategic decision-making and the spatial growth of firms. Diversification, however, is but one possible growth strategy and it has been viewed in relation to eight Type III companies. The findings of this study would point to further investigations concerning diversification and other growth strategies, organisational development, and their spatial manifestation and contribution to national and regional development in New Zealand.

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