Internationalization in the Face of Export Barriers: a Study of New Zealand's Firms

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TABLE OF CONTENTS

Glossary and Abbreviations

CS Commercially sensitive

GDP Gross Domestic Product

DIY "Do it yourself" - a common cultural feature of New Zealanders to attempt to do everything by themselves

EU European Union

IP Intellectual Property

IPPC International Plant Protection Convention. The IPPC is an international treaty to secure action to prevent the spread and introduction of pests of plants and plant products, and to promote appropriate measures for their control. It is governed by the Commission on Phytosanitary Measures (CPM) which adopts International Standards for Phytosanitary Measures (ISPMs).

IT Information technology. Defined by the Information Technology Association of America (ITAA), is "the study, design, development, implementation, support or management of computer-based information systems, particularly software applications and computer hardware." IT deals with the use of electronic computers and computer software to convert, store, protect, process, transmit and retrieve information, securely.

Kiwi ingenuity
This is the idea that New Zealanders display an ability to solve any problem, often using unconventional means or whatever happens to be lying around.

MAF Ministry of Agriculture and Forestry, New Zealand

MRI Maximum Residue Index

MNC Multi-National Corporation

Number 8 wire mentality
Inventive mentality, which holds that anything can be made or fixed with basic or everyday materials, such as number 8 fencing wire. It is the metaphor for Kiwi ingenuity and enterprise: the ability to achieve or build anything out of a piece of number eight (fencing) wire. New Zealand is renowned as a country populated by highly creative and inventive people. Overseas earnings from innovative ventures are becoming increasingly important as a source of national wealth.

NZTE New Zealand Trade and Enterprise

OCR	Official Cash Rate. The OCR is the interest rate set by the Reserve Bank of New Zealand to meet the inflation target specified in the Policy Targets Agreement. The OCR was introduced in New Zealand in March 1999 and is reviewed eight times a year by the Bank
OECD	Organisation for Economic Cooperation and Development
OMAR	Overseas Market Access Requirements outline overseas country requirements for animal products exported from New Zealand. OMAR and official assurances are applicable to premises and businesses operating under the Animal Products Act 1999.
R&D	Research and development
RBV	Resource-based view
ROI	Return on investment
Tramlines	Tramlines are parallel lines between crops that allow farmers to drive through their fields to fertilise and spray accurately without causing damage to surrounding plants. The lines of a tramline are usually about 30 cm wide and 2 metres apart while the distance between tramlines can vary from 12 metres to 30 metres.
Tradenz	Trade New Zealand; predecessor of NZTE
Vision Manawatu	Economic development agency of the Manawatu region. Its goal "providing jobs, investment, pride for the Manawatu"; situated in Palmerston North

List of Tables and Figures

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Abstract

Export barriers have inhibiting effects on export performance, especially for smaller and resource-poor firms. Classical internationalization theory suggests that the bigger, the older, the more resource rich and resourceful a firm is, the better the chances for success of their international or global operations. In practice, however, many small New Zealand firms have been able to overcome export barriers and achieve successful internationalization quickly in the complex, turbulent, global environment of today. Existing theories do not fully explain how and why this is possible. The apparent knowledge gap is closed by the present research with its in-depth investigation into the management of export barriers and related internationalization practices using a holistic approach based on case studies. In this way the study contributes to knowledge by advancing the understanding of internationalization behaviour. In conclusion a new theoretical model is developed from the variables which this research has identified as to influence export performance and internationalization behaviour.

The research is based on the cases of fifty export firms across the major business sectors from New Zealand's Manawatu region. The study design involved a postal survey, background research, in-depth interviews and observations. The triangulated data was compiled into case studies and analysed using Eisenhardt's grounded approach. Two main categories of export barriers were identified: (1) industry or product-specific barriers, and (2) common or shared barriers independent of industries and products. The research design enabled research into management patterns independent from sectors or industries.

The findings suggest that export barriers determine strategies. In a situation of severe resource constraints, large geographic distance from international markets and small domestic market size, New Zealand's exporters anticipate their export barriers in order not to let them impact on export performance. Successful firms reduce the influence of obstacles towards internationalization by building their strategies creatively around their core competencies in what is described as a "bricolage" approach.

1.0 CHAPTER ONE - INTRODUCTION

1.1 Background

As a small nation with a population of just over four million, New Zealand has a limited domestic market and a small economy. Consequently, many New Zealand firms rely on entry into international markets for their growth and prosperity. This involvement in overseas markets comes in various ways. For firms from the primary and manufacturing sectors, direct export is by far the most common form of international business. Firms from the tertiary (services) sector normally do not export physical products but engage in "internationalization" of their operations – the more general concept of a firm's involvement in international markets. The present study uses the terms "export" and "internationalization" interchangeably, in order to ensure relevance to firms from all sectors.

Public administrations generally wish to support their firms in their internationalization efforts. However, limited resources force governments of small countries, such as New Zealand, to be selective in their assistance programmes. The focus of these programmes tends to be on a small number of promising looking firms. As it is common practice for economic development agencies to try to pick export "winners" the majority of export firms miss out on assistance. Furthermore, the selection criteria for support are rather ambiguous and based on estimations and perceptions of growth potential. Thus, the factors that finally determine export success are controversial, and the relationships between these factors are unclear. Theory and practice do, however, point to export barriers as an impediment to export performance. Firms that have substantial export barriers have difficulties in exporting.

Export barriers, and how they differ between firms from different industries, form a useful starting point from which to develop insights into the complex situation of factors determining export performance and successful internationalization. These insights might, in turn, help to solve a problem for New Zealand's economy and provide guidance for practitioners, whilst advancing the body of knowledge through new theoretical insights.

This chapter presents the reasons for conducting the research and introduces the research problem. It also clarifies the aim and the scope of the study and provides a short overview of the thesis structure.

1.2 The Study in Context

Scholars in international business theory have tried to establish a positive relationship between firm and management characteristics, and success in export and internationalization (Dean, Menguc, & Myers, 2000; Javalgi, White, & Lee, 2000; Pett & Wolff, 2003). This link cannot always be convincingly maintained. The relationship, which seems undisputed as theory suggests, is that export barriers are negatively related to export performance and that export obstacles have inhibiting effects on internationalization (Aaby & Slater, 1989; Chetty & Hamilton, 1993). It seems especially true for small resource-poor firms (L. C. Leonidou, 1995). However, some firms appear to do better than others and overcome export barriers while operating in similar industries, the same geographic region and using the same infrastructure. This situation led to the formulation of the research question "How do successful exporters in a specific New Zealand region manage their export barriers and achieve internationalization?"

In addition to the above there are now cases where firms have achieved full internationalization very quickly (Madsen & Servais, 1997; Moen, 2002). The complex, turbulent, and globalising economic environment of the last fifteen years tends to promote the phenomenon of "born global" firms – firms that start up with a global rather than merely domestic reach (Chetty & Campbell-Hunt, 2003). Existing internationalization theories do not fully explain why and how these firms can achieve rapid international success in spite of export barriers. The apparent knowledge gap requires exploration and analysis. A holistic research approach is thought to provide an opportunity for explaining this phenomenon in relation to the different internationalization theories.

1.3 Aim and Scope of the Investigation

The broad aim of the present research is to advance the understanding of internationalization within business. The study attempts to find out how firms achieve export success in spite of their sometimes severe resource constraints and obstacles to export.

The research is undertaken by investigating factors and attitudes that enable export performance in the face of export barriers, regardless of industry or product. The scope of this research is limited to the aspect of internationalization practices that deal with export performance through successful management of export barriers. The research is based principally on export managers' perceptions and attitudes towards these barriers.

Studies investigating export barriers in New Zealand have been conducted before, primarily using quantitative survey tools (Dean et al., 2000; Shaw & Darroch, 2004). In contrast, the present study engages mainly qualitative, supplemented by some quantitative, research tools within case study analysis. This allows for a in-depth comparative investigation of the internationalization practices of successful and less successful firms based on actual evidence drawn from the subjects themselves.

The overall sample consists of exporting firms as identified on the Vision Manawatu database based in one defined geographical location within New Zealand – the Manawatu region of the Lower North Island. Thus, no firm is excluded on the basis of other selection criteria than their engagement in international trade. By default the participating firms in this geographic area turned out to be small, relatively resource-poor firms.

In 2004 and 2005 data was collected from export firms in the Manawatu. Participating firms covered all three sectors: primary, secondary (manufacturing) and tertiary (service) sectors. The firms shared the same level of local infrastructure and other contextual factors, such as the New Zealand domestic legal and political framework.

1.4 Key Definitions, Models and Approaches

Internationalization as an 'outward process' is acknowledged to occur in three major manifestations. Thus, internationalization has been differentiated into the following. First, internationalization can be trade-based which is generally referred to as exporting. Second, it can be investment-based, expressed through foreign direct investment (FDI) and third, internationalization can take place through management contracts embodied through licensing, franchising and BOOT (build, own, operate, transfer). For the purposes of this study, internationalization is represented mainly in the form of exporting. However, a few instances occur in this study where the internationalization of firms has included other forms, such as licensing agreement and FDI.

Further, "export success" is defined by three criteria: (1) export ratio (ratio of international sales to total sales); (2) the time lapse between the formation of the firm and its first export consignment; and (3) the firm export manager's subjective assessment of satisfaction with achieving the firm's objectives given that perceptions of export performance and international success differ between subjects. The study builds on and integrates existing theoretical concepts from export performance models, e.g. Aaby and Slater (1989), Chetty and Hamilton (1993) and Morgan, Kaleka and Katsikeas (2004).

The adoption of a case study approach allows for cautious generalisation of the results for other firms in similar contexts while providing clear directions for future research. This method facilitates the generation of theoretical knowledge of relevance to many fields especially internationalization of the firm, international entrepreneurship, international strategy, and international marketing.

1.5 Structure of the Thesis

Chapter One introduces the study. The following three chapters deal with the necessary background and context of the research:

Chapter Two provides information about the historic, geographic and economic situation of New Zealand concerning exporters and exporting.

Chapters Three and Four present an overview of the literature and theory relevant to the study. The literature focuses primarily on internationalization theory including literature about export barriers, drawing on a range of literatures such as international business, international entrepreneurship, strategic management, and international business.

Chapter Five identifies the research problem and the knowledge gap that this research seeks to address. It explains the research design – a case study design which combines data from quantitative and qualitative methods. This chapter describes in detail why the research has been planned in this fashion and how the data has been obtained.

Chapters Six and Seven present the results of the study. The findings are structured according to the themes which evolved from the case studies. Chapter Six begins with an overview of the participating firms. It then goes on to cover the export barriers, differentiated into barriers that are industry and product specific. The next sections introduce the shared and common barriers which are country-wide and common to New Zealand. Chapter Seven reveals the findings in regard to export performance and identifies firms which achieved high export performance. A brief summary of the results leads to the final part of the thesis where the findings and the implications are discussed.

Chapter Eight discusses the key results and establishes a causal relationship between the observed export practices, the strategy, and the export barriers, and evaluates the findings in relation to the current literature. The discussion forms the basis for a new model which explains the key factors determining export performance in regard to internationalization. This chapter also critically assesses the appropriateness of the research design to the research aim and look at the limitations of the study.

Chapter Nine draws the main points of the research project together and provides the conclusions. This final chapter responds to the issues raised within the introductory chapter, addresses the research question, and identifies the contribution the research makes to the field of knowledge and practice. This chapter ends with recommendations for future research and suggestions for implementation.

1.6 Concluding Summary of Chapter One

This chapter set out the research problem, the context, and the intended research strategy. It identified the aim of the study and limited the scope of the research to a certain aspect of the internationalization practice, namely export barriers and the management practices that lead to export success. The chapter ended with an overview of the composition of the thesis explaining the rationale for the chosen structure.

The following chapter provides further background for the research by expanding on the New Zealand business context.

2.0 CHAPTER TWO – NEW ZEALAND CONTEXT

2.1 Introduction

This chapter provides a brief background of New Zealand, the size of its economy, and the challenges it faces. The study was conducted in the Manawatu region, which is in New Zealand's lower North Island.

Export and international trade have contributed to New Zealand's wealth since the time of the first European immigration in the 1830s. Obstacles towards exporting and international trade are critical when a country is small and has limited resources. It is therefore hoped that the research will help New Zealand's efforts to further enhance its export capabilities.

New Zealand - or Aotearoa in Te Reo Maori (the Maori language) - has been a destination for immigrants since the first Maori (Polynesian tribes) arrived between 1000 and 1500 AD. Discovered for the European World by Abel Tasman, New Zealand increasingly attracted European settlers. The Treaty of Waitangi (1840) between the British Crown and Maori chiefs provided the legal framework for a bi-cultural New Zealand to this day.

Settlers, mainly from Britain, began arriving in the early 19th century and this trend lasted throughout most of the 20th century. After the 1960s many Pacific Island people such as Samoans, Tongans and the Cook Islanders, emigrated to New Zealand forming large Polynesian communities in Auckland and Wellington (Porirua). During the 1980s this tendency changed in favour of Asian immigrants. At present the total population of New Zealand exceeds four million of which 67.6% are of European descent, 14.6 % are Maori, 9.2% are of Asian origin and 6.9% are Pacific Islanders. In total there are more than 200 different ethnic groups in New Zealand (Statistics New Zealand, 2006). New Zealand's ethnic composition is shifting from a predominantly "Pakeha" (European with Anglo-Saxon background) population towards a more Pacific and Asian population. Recent census figures indicate that this movement will rapidly accelerate over the next two decades. The number of Maori, Pacific Islanders, non-European refugees, but particularly immigrants from Asia will increase, while the European population will decrease proportionately (Statistics New Zealand, 2006).

Trade, business, and profit expectations were the major motives for the first British settlers in the 19th century (Love, 1991) . The early immigrants brought their language, culture, and economic and social structures. British and Anglo-Saxon influences dominated and still dominate New Zealand's administration, organisational structures, culture, and the political and legal systems. This heritage has shaped business and trade. English is the primary spoken language; Te Reo Maori is the second official language in which a small proportion of the population is able to communicate.

2.2 New Zealand's Economy

Since 1984 the New Zealand economy has changed from being one of the most regulated in the OECD (Organisation for Economic Cooperation and Development) to one of the most deregulated (OECD, 2007). In 2005 New Zealand's economy achieved a Gross Domestic Product (GDP) of around NZ$ 123 billion. That equals a GDP per capita of about US$ 26,000. This is much lower than the figure for Australia which is US$ 36,000 or the figure for the UK of US$ 36,000 for the same year. (New Zealand Treasury, 2007). Similar to most advanced capitalist countries the focus in the New Zealand's economy has shifted from the primary and manufacturing sector to finance and services and this part of the economy now contributes the largest percentage to GDP (Maddison, 1997).

New Zealand is heavily dependent on international trade, particularly for the agricultural products, as almost 20% of the country's agricultural output is exported. The total merchandise export accounted for NZ$ 29.5 billion, with dairy products being New Zealand's largest export earner making up eighteen percent of all exported goods. In 2005 the major merchandise export markets were firstly, Australia which took up about 20% of all merchandise export and was worth about NZ$ 5.9 billion, secondly the USA about 14% and worth about NZ$ 4.2 billion and thirdly Japan about 11% worth NZ$ 3.2 billion (Statistics New Zealand, 2006). China and the EU were also sizable merchandise export markets and both together accounted for about another 10% (Statistics New Zealand, 2007).

New Zealand's services export was worth NZ$ 11.8 billion with international travel and transportation the highest income earners. International tourist and visitor arrivals out-numbered 2.38 million per year in 2005, the main visitor source countries being Australia, UK, USA Japan and South Korea (Statistics New Zealand, 2007). From 2002 to 2004, growth in GDP was generally in the range of 3.5% to 4.5%, peaking just above this at 4.8% annual average growth in December 2002. Looking at the most recent economic statistics (2005), the tertiary sector is the largest sector in the economy and constitutes 67.6% of GDP, followed by the secondary sector on 27.7% and the primary sector on 4.7% (OECD, 2005).

Since the 1970s the proportion of the export of primary products dropped from about eighty percent to below fifty percent of all merchandise export at the beginning of 2000 (Briggs, 2003). Export to the UK has declined to 5.2% in 2005. This is a dramatic change from 1965, when the United Kingdom received over half of New Zealand's total exports (Statistics New Zealand, 2006). New Zealand had a current trade deficit of 7.4% of GDP in 2005 (New Zealand Treasury, 2007).

New Zealand's geographic location in the South Pacific far away from its main international markets, poses a difficult situation for its export and international trade. Up to 1973, when the UK joined the European Economic Community, the UK had been a very secure and the most important export market, a reliable taker of the largest share (78 %) of New Zealand's agricultural products (Ministry of Economic Development, 2007). After 1973 there was a period of economic decline, partly due to the changed status of trade with the UK and a series of world oil crises. The response of the government was to increase the controls on the economy through subsidies and trade barriers. James (1986) writes:

> A minute or two before 8.00 a.m. one Thursday in the autumn of 1979 Duncan MacIntyre turned up to a government caucus meeting with a sheaf of draft regulations under his arm ...MacIntyre used to beat the clock by a minute or

> two and prompt attendees at 8.00 a.m. often found he had already whipped the regulations through. That was no big deal. For 45 years regulations were a way of life. (p.1)

In 1984 the newly elected Labour Government, with Roger Douglas as Finance Minister, deregulated the economy rapidly with far reaching effects on the financial, product and labour markets and on border protection. Liberalisation of trade was rapidly introduced. At the same time agricultural subsidies were cut and public assets partially privatised. The 1984 reforms continued into the 1990s (James, 1986). The consequences of these policies since 1984 has turned New Zealand into one of the most unrestricted and unregulated economies in the Western World (Chetty & Campbell-Hunt, 2003) leaving New Zealand's firms operating in the domestic market virtually unprotected from international competition. New Zealand is now part of the globalisation phenomenon: flows of capital, information, resources, organisations, and businesses, including multinationals and skilled workers, move comparatively freely and quickly around the world (Appadurai, 1996). As a result of this open economy New Zealand businesses in order to survive have had to learn how to participate in the global market, as the domestic market has virtually no restrictions on investment from overseas coming into New Zealand or leaving the country.

The current New Zealand Labour Government emphasises the importance for New Zealand to develop into a "knowledge economy" in order to strengthen the export market and improve New Zealand's trade balance and to turn the trade deficit around (New Zealand Treasury, 2007). Government media releases indicate the importance of innovation and procedural change to increase efficiency and profitability, vital for New Zealand's economic survival and independence. The results of Statistics New Zealand's Innovation Survey 2003 show that the main obstacles impeding business progress are: lack of management resources (56 %), cost of development (53 %), and lack of appropriate personnel (51 %) (New Zealand Government, 2004).

In order to be able to overcome these problems, and to develop strategies which take these limited resources into account, an understanding is necessary as to exactly what these obstacles to exporting are and how the exporters manage their internationalization processes in spite of them. There have been New Zealand based studies researching barriers to export and growth within the New Zealand context, for example. (Campbell, 1996; Massey, Harris, Tweed, Warriner, & Lewis, 2003; Shaw & Darroch, 2004). The problem of how New Zealand exporters can improve their export performance is still unresolved. The same applies as to what are the determining factors for success in exporting.

2.3 New Zealand Firms

New Zealand relies for its economic viability on the success of its numerous small and medium enterprises (SMEs). In comparison to other OECD countries, New Zealand is believed to have an unusually high percentage of small and very small sized firms (Mills & Timmins, 2004). The staff numbers of individual New Zealand firms are relatively small compared to the ones in North America or Europe (Akoorie & Scott-Kennel, 2005). According to the New Zealand Ministry of Economic Development, SMEs in New Zealand are firms with between 0 to 19 employees (New Zealand Ministry of Economic Development, 2005). SMEs make up to 90.7% of all New Zealand firms (Statistics New Zealand, 2005) and provide about 50% of the working population with work and income (Ministry of Economic Development, 2004). If one includes the zero employee firms (owner-operators) (Mills & Timmins, 2004) as well as the group of firms that do not survive more than one year, the percentage is even higher, 96 per cent have no more than twenty employees (Akoorie & Scott-Kennel, 2005). Thus, the success of SMEs is important for the economy and it impacts severely on the employment opportunities of New Zealand's employees.

The export market is dominated by a few large firms. The leading exporter is Fonterra, with an export share of 20% of New Zealand's total export volume (Fonterra Co-operative Group, 2007b), while at the other end of the spectrum are those very many small firms achieving an export income of approximately NZ$ 10,000 per year.

According to Export New Zealand - an association of New Zealand exporters - there are just over 12,303 (in 2005) registered exporters in New Zealand (Gibson, 2005;

Gray, 2001). Only 160 firms of this group have an export volume greater than NZ$ 25 million per year. The turnover from international business of these 160 firms constitutes about 73.9% of the total export volume (Gibson, 2005). This leaves the large number, 12,143, of small exporters that turn over the rest of the export volume of 26.1%.

This smallness in size, as well as the geographical distance from international markets, presents a number of challenges for SMEs wishing to export, the inability to raise sufficient capital to develop foreign markets being one of these (Simmons, 2002). Having only few staff and limited financial resources, including problems with cash flow, the firms nevertheless attempt to finance and develop export markets. To set up a distribution chain in a foreign environment is costly. The firm needs to be sure that their investment is paying off. Therefore, resource-poor firms have to be very selective which markets to target in order to get results. When firms enter international markets that provide huge potential but are high in complexity, they can face a situation of sudden soaring demand for their product(s) which they are unable to service. It proves even more dangerous when a firm targets more than one market at the same time or sometimes even the global market. This situation is a big challenge for small firms from small countries. The phenomenon of demand exceeding supply which is termed "gusher" has been described for New Zealand firms (Chetty & Campbell-Hunt, 2003, 2004). Firms try to satisfy the rising demands by rapidly increasing their production base (Campbell-Hunt et al., 2001). This can put a strain on production capabilities, as well as financial and human resources, and might destabilise a small firm. As it represents a turbulent and difficult time for firms it sometimes develops into an out of control situation, eventually leading to firm failure.

Similarly, the small size of a firm poses a real problem for research and development (R&D) in New Zealand. The small firms suffer both, a lack of resources and a disadvantage regarding R&D. Larger firms in general tend to be able to maintain in-house R&D units while small firms normally seem not to have the resources for it. (Akoorie & Scott-Kennel, 2005). It typically applies to the manufacturing sector which continues to have severe problems with productivity growth (Black, Guy, & McLellan, 2003).

New Zealand exporters also generally have problems acquiring sufficient knowledge about appropriate export markets. This applies also to knowledge about the suitability of their export products for their markets. To buy in professional help from marketing consultants is perceived as a very costly, especially for New Zealand's small exporters which deal with only small volumes.

One way of overcoming the problem of size is to apply process innovation in order to compensate for the lack of resources, scope and scale (Bagchi-Sen, 1999). Indeed, in 2001, the New Zealand government released a new policy to help with achieving and sustaining higher economic growth. This Growth and Innovation Framework (GIF) provides the overall structure for innovation and development initiatives for New Zealand's SMEs. Another solution for small firms is to become part of a major cluster. The establishment of industry clusters has been described as especially beneficial for small firms trying to grow their international exposure (Porter, 1998; Zyglidopoulos, DeMartino, & McHardy Reid, 2006). Scientists believe this to be a suitable way of overcoming the liability of size and achieving international competitiveness by supporting each other. Additionally, increased export success through the sharing of facilities and the spreading of the costs might facilitate an increase in competitiveness. This can be established through collaboration with other businesses of similar industries (Madhok, 1997; Zyglidopoulos et al., 2006). Evidence shows that resource constraints can be surmounted by sharing specialised labour, managerial capacity and knowledge (Buckley, 1999; Erramilli & D'Souza, 1993). This can lead to a heightened public awareness and a better reputation for the industry as a whole, by way of synergising available resources.

Finally, effective communication with international business partners and customers are factors which can overcome the information deficiencies, facilitate the export processes, and promote successful international trade. New Zealand businesses which can establish and maintain long-term effective relationships with distributors, agents and customers in foreign markets are thought to have the best growth possibilities (Chetty & Campbell-Hunt, 2003).

2.4 Export Performance of New Zealand Firms

Shaw and Darroch (2004) indicated that New Zealand has an overall low level of internationalization. Their study is limited to manufacturing firms and the secondary sector. They emphasise that a high proportion of New Zealand firms have achieved only small internationalization ratios. Their study reported that over 42% of the participating firms received less than 5% of their turnover from international business. This has to be seen in the context of New Zealand having lost its share in world trade from about 1% in the 1950 to a mere 0.3% in the late 1980s (Crocombe, Enright, & Porter, 1991). One of the reasons for this development might have been the sharp decline of income from primary product exports world-wide, an area where New Zealand had a competitive advantage and a well developed export market (Enderwick & Akoorie, 1996). Currently this trend is reversing. There seems to be a world-wide surge of food prices especially in the dairy industry, and New Zealand exporters in this industry might recuperate.

2.5 New Zealand Currency Exchange Rate Fluctuation

New Zealand's small economy is greatly affected by exchange rate volatility (OECD, 2007). A stable currency exchange rate is very important for the profit forecasts of small exporting firms that operate with low profit margins, but the New Zealand dollar has shown a great deal of fluctuation against the major trading currencies in the last five years (see Fig. 11 -13, Appendix 5). Firms need to plan, make forecasts and finally achieve profits from international business which a sudden change in the NZ dollar value can jeopardise. There were times when the value of the New Zealand dollar changed more than 15% against the currencies of the major target markets within the time frame of a few months. This can make the difference between profit and loss concerning exports. Small New Zealand firms normally do not have the specialist knowledge and means to protect or insure themselves against currency fluctuations. This is particularly true of exporters who operate on a small profit margin.

2.6 Concluding Summary of Chapter Two

New Zealand's exporters have to cope with great challenges when embarking on exports and internationalization. The large geographic distance from most international markets makes not only for significant transport and travel costs, but also for a time-demanding commitment.

The former comfortable and secure export relationship with the UK ceased to exist after the UK became first a member of the EEC in 1973 and subsequently the EU.

New Zealand's small domestic population represents a limited domestic market and a limited pool of human resources. New Zealand's shift, since 1984, to a free market economy opened the domestic market to strong international competition.

The economy relies heavily on exports to balance its current trade deficit. The situation is that many of New Zealand's firms are very small and relatively speaking, resource-poor. Additionally, the fluctuations of the New Zealand dollar make a planned and sustained export performance difficult.

It is against this background that research on internationalization and export performance will be discussed in the next chapter.

3.0 CHAPTER THREE – INTERNATIONALIZATION OF FIRMS

3.1 Introduction

The theoretical background for the research will be presented in two chapters. In this Chapter Three a brief overview of the internationalization literature is provided. The following chapter will focus on literature concerned with export performance and the factors which are found to determine export performance.

Researchers working in the field of internationalization and export tend to have a variety of backgrounds. For this reason, research concerned with internationalization and export draws on literature belonging to multiple disciplines such as economics, international business, international marketing, strategic management, international entrepreneurship, SME literature, networks, export information system, and supply chain management among others. The body of literature is extensive and a complete literature review exceeds the scope of this doctoral research. Thus, a selection and severe restriction to work closely related to the focus of the study became necessary. This chapter attempts to present the theoretical context in which the present research should be located.

The chapter is structured as follows.

It starts with export development and internationalization and then provides a short overview of the fundamental theory of international trade.

Later sections review different internationalization theories following the recommendations of Coviello and McAuley (1999) who suggest that views of internationalization be differentiated into one of the following three major schools:

1) The economic school of Foreign Direct Investment Theory (FDI)

2) The school of the Establishment Chain (Stages) Models of Internationalization and

3) The Network Perspective.

Further related perspectives have recently evolved which promote a Resource Based View (RBV) and Contingency Theory. The RBV perspective locates the resources of a firm as the cause for competitive advantage (N. A. Morgan et al., 2004; Zhou, Fang, & Zhao, 2003). This view includes knowledge and information as the source for competitive advantage (Bell, McNaughton, Young, & Crick, 2003; Jones, 1999).

Other important concepts for understanding the background of this study are the concept of "Psychic Distance" and the "Born Global" phenomenon. These topics are both discussed.

The chapter ends with a brief summary which leads to Chapter Four dealing with literature on export performance issues.

3.2 Export Development and Internationalization

Welch and Luostarinen (1988) described internationalization as the process of increasing involvement in international operations. This involvement can be undertaken in a range of forms and to various degrees of commitment. Exporting of physical goods might be the most common and arguably oldest form of internationalization as trade. It also seems to require the least amount of a firm's resources up-front compared to other more complex and time consuming involvements, limiting risk and exposure in new and hard-to-control markets (Leonidou & Katsikeas, 1996).

Globalisation and integration of markets due to technological advances and increased trade liberalisation, in combination with domestic competition, have been reasons for firms' noticeably increased engagement in exporting and internationalization (Douglas & Craig, 1995).

The importance of exports is reflected in trade statistics; for example in New Zealand exports amounted to 29% of GDP for the year 2004 (New Zealand Treasury, 2007). Larger countries such as France or Italy achieve similar results. Smaller developed countries show generally higher percentages, for example Norway reached 46%, Sweden 41 %, and Denmark 34 % (CIA, 2006). Clearly exporting plays a vital role in many of the economies today and is expected to grow further as markets are becoming increasingly globalised (Young, 1995).

Although this research is mainly concerned with exporting, the export concept had to be widened to enable the inclusion of the firms of the service (tertiary) sector which formed part of the group researched. The export unit for the service sector is not a physical export product in the conventional sense. Rather it is a theoretical unit of labour or consultancy with an element of expertise or intellectual property. There is an increasing trend that even some of the more conventional export products carry a service component such as training or servicing. Therefore, a more inclusive concept was sought in order to accommodate all export units of this study.

In contrast to exporting, internationalization is the wider concept which entails export and international involvement of some kind. There is no general agreement on what internationalization is exactly, but a useful definition is offered by Beamish (1990) who defines internationalization as "the process by which firms both increase their awareness of direct and indirect influence of international transactions on their future, and establish and conduct transactions in other countries." (Beamish, 1990, p. 77)

3.3 Fundamental International Business Theory

Pioneering economist Adam Smith at the beginning of the 18th century became the spiritual father of international trade theories (Smith, 1776). He introduced the concept of "Absolute Advantage". David Ricardo developed the international trade theory further. His best known contribution is the notion of "Comparative Advantage" where he argued that countries should specialise and trade in commodities which they lead the world. In his opinion this would eventually cause an increase in productivity and lead to economic development of the exporting country (Ricardo, 1817). Further important concepts were "Factor Endowment" (Heckscher, 1949; Ohlin, 1933) and later the "Product Life Cycle" Theory (Vernon, 1966; Wells, 1968). A more recent development that influenced international business theory was the introduction of the concept of the "National Competitive Advantage", developed by Michael Porter (1990). Porter suggested the building of competitive national strategies for governments in order to achieve success in international environments.

All of these theories have added greatly to the understanding of international trade and have facilitated an analysis of the macro environment in which internationalization takes place.

3.4 Developments in Internationalization Theory

Since Johanson and Vahlne (1977) initially introduced the concept of "internationalization", various definitions have been suggested (Welch & Luostarinen, 1988). A very broad classification of inward and outward movement accommodates most activities a firm undertakes to increase profitability in an international setting. The traditional - albeit crude - measure for the degree or extent of a firm's internationalization (meaning the outward movement) used to be the proportion of foreign sales to total sales. This, however, says nothing about the nature or the capacity of the firm to conduct international operations. So far no explanation of the causes of internationalization has been accepted universally in spite of various efforts to mesh the literature in this area (Aaby & Slater, 1989; Johanson & Vahlne, 1990; Melin, 1992).

Research in internationalization has gradually changed since the beginnings towards investigating the smaller units of internationalization: the export firms rather than the macroeconomic trends in international trade (Bilkey, 1978; Cannon, 1980). With this shift towards researching the firm as the unit of analysis came the tendency to adopt an in-depth but narrow quantitative research perspective. It resulted in research being mainly directed at firm characteristics and behaviour patterns of the individual firm. This might explain the strong focus on firms' characteristics like age and size. Studies produced several conceptual models of how the individual firm approached their involvement in international trade and export. The centre of attention varied from economic reasons to internationalization behaviour of firms depending on the background of the investigator (Albaum, Strandskov, Duerr, & Dowd, 1994). Lately internationalization research has taken the view that individual firms are part of a global environment and market and therefore need to be investigated in that context. At the same time the research focus moved to the human factor of the internationalization process and the entrepreneur or international entrepreneur has become the unit of inquiry (Zahra & George, 2002).

Wind, Douglas and Perlmutter (1973) indicated some of the inherent difficulties of conducting research in international market development. The authors mentioned costs, time, and human resource constraints as the biggest hurdles. In spite of these constraints research into internationalization has become the focal point for many international business researchers. Bilkey (1978) undertook one of the first integrating literature reviews on studies examining the behaviour of exporters. About ten years later Aaby and Slater (1989) proposed their significant model on the factors influencing export performance. This framework has been used for many important subsequent studies.

The current trend of fast-paced globalization facilitated by the advances of information technology (IT) increases generally the opportunities for firms to internationalise. Larger firms internationalise as part of their strategy for global expansion and become multi-national corporations (MNC). This development occurs mainly in the medium stage of their life cycles and leads to acquisition of production and distribution capacities in foreign destinations, as well as integration of their value chain vertically and horizontally (Melin, 1992). The firms' quest to diversify into areas away from their core business leads them to look for these opportunities outside their countries of origin. In order to increase profits and create added value for shareholders internationalization becomes an imperative.

Smaller firms, however, who traditionally used to operate mainly in domestic markets, find themselves under increasingly competitive pressures from large international competitors operating in the small firm's own home environment (Balabanis, Theodosiou, & Katsikea, 2004). Consequently the small firms of today are forced much earlier to internationalise themselves if they want to survive and grow. Direct export seems to be the least expensive and a rather straight forward method for internationalization in a situation when resources are scarce (Campbell, 1996; Li & Ogunmokun, 2001). Many small and medium enterprises in New Zealand decide to enter foreign markets by this means. Another good reason for this approach might also be the rather small amount of financial resources which is required up front compared to other rather costly and long-term financial commitments entailed by such activities as foreign direct investment (FDI). Additionally, direct export seems to be less risky compared with other forms of internationalization (Katsikea & Morgan, 2003).

The process of internationalization exporting firms has been subjected to much research (Cavusgil, 1984b; Cavusgil & Kirpalani, 1993; Chang & Rosenzweig, 2001; Johanson & Vahlne, 1999; Welch & Luostarinen, 1988). The following theoretical models reflect the prevailing understanding of how firms internationalise.

3.5 The Economic School of Foreign Direct Investment (FDI)

This theory has developed from the discipline of industrial trade theory. It explains internationalization of firms' expansion into world markets using their financial investment for achieving optimal cost / benefit relationship (Buckley & Casson, 1993; Dunning, 1981; Wild, Wild, & Han, 2005; Williamson, 1975).

Internationalization may constitute any flow of capital across national borders. However, in many cases FDI means the purchase of a physical asset - for example, a production facility - or a significant share of ownership in a firm to assume managerial control (Wild et al., 2005). According to the specifics of international environments, there are of course varying government regulations on how much a foreign corporation is allowed to invest in a firm of a given country. To secure the control of governance against foreign interests many Western countries only allowed a 10-25% share in assets. The U.S. Commerce Department, for example, permits only a 10% share in their strategic assets (Wild et al., 2005). The EU is currently in the process of introducing legislation to restrict the share of foreign owned assets to 25% for important infra-structure resources. Although there was a strong general surge of FDI between 1995 and 2001 the current trend towards far going liberalization of governmental restrictions is recognizable mainly for small and developing nations. From the FDI perspective internationalization is caused by the wish to maximise a firm's economical efficiency. Through FDI, for example, a firm places production wherever it is most cost effective. According to the view of FDI the overall transaction cost can be minimised following this rationale (Coviello & McAuley, 1999). There has been criticism that the FDI theory mainly focuses on the investment pattern of firms concerning the extent, form and location of production. It does not include the firm's long term perspective (Johanson & Mattsson, 1987; Melin, 1992). According to other views, internationalization is part of the strategy process which MNCs undertake over a certain time period. As such it does not contradict the stages model (Johanson & Vahlne, 1977). Finally, the FDI perspective was developed through research which focused on large MNCs particularly from the manufacturing sector. For this reason the FDI approach might not be as useful for explaining the internationalization process of small resource-poor firms, especially those who are not manufacturers. Many small resource-poor firms do not have the option of FDI and consider other forms to improve their profitability, such as contract manufacturing or strategic alliances, as more suitable options to meet their circumstances.

3.6 The Stages and Incremental Process Models

The theory underlying the Stages and Incremental Process models derives from a background of organisational learning, organisational growth, and organisational behaviour and explains the internationalization process in those terms. The first models appeared during the mid 1970s and were developed by Scandinavian researchers, and therefore also called "Uppsala School" (Johanson & Vahlne, 1977; Leonidou & Katsikeas, 1996; Wiedersheim - Paul, Olson, & Welch, 1978). This view of internationalization became widely accepted during the 1980s and 1990s. Research involving larger manufacturing firms showed that firms particularly from the secondary sector chose to engage gradually in international operations. According to this theoretical model many firms tend to have an initial long period of solid establishment in their domestic markets before engaging in international markets. The most significant feature of the concept - that the internationalization process is incremental (step by step) - has been widely documented by researchers (Bilkey & Tesar, 1977; Cavusgil, 1984a; Czinkota, 1982; Johanson & Vahlne, 1999; Johanson & Wiedersheim-Paul, 1999; Reid, 1983). Johanson & Wiedersheim-Paul (1999) propose that the natural process of the international market development begins with its international capacity by developing the domestic market and then entering the foreign market by a series of small steps. Swedish research suggests that this staged process model applies especially to firms from countries with small to medium sized domestic markets, reflecting the firm's increasing market knowledge and commitment over time. In these models the number of steps towards internationalization varies.

Many researchers differentiate the process into three to six separate stages. On the way to international market expansion firms move from the pre-involvement, over reactive/opportunistic, and experimental stages to the active and committed involvement stage. Gruber, Menta, and Vernon (1967) suggested looking in more detail at the actual internationalization behaviour which can be differentiated into

1. No regular export activity (pre-exporting stage)
2. Export via independent representative (agent)
3. Sales subsidiary
4. Production/manufacturing in international market

Leonidou and Katsikeas (1996) provided an excellent comparison of the various stages models.

In order to explain the reasons why businesses follow this path, Andersen (1993) and Thomas and Araujo (1985) have suggested that this type of incremental approach is the result of adopting learned innovative behaviour. Through exposure to foreign markets the perceptions and beliefs of managers are shaped and changed. They also suggest that a negative attitude towards internationalization is reduced through the learning process. Export success reinforces the positive attitude towards the international market. On the other hand, developing the knowledge base incrementally might lead to a more careful and thoughtful way of decision making. Reaching decisions in this way might also lessen the risks involved. The idea is to start small operations without much necessary experience and then increase the commitments while learning through practice (Andersen, 1993; Thomas & Araujo, 1985). Johanson and Vahlne (1999) described a general tendency to enter and develop one market at a time.

The pattern of selecting markets which are close in "psychic distance" has also been discussed (Evans, Treadgold, & Mavondo, 2000; B. Stöttinger & B.B. Schlegelmilch, 2000). As uncertainty concerning a foreign venture decreases, the willingness increases to further commit resources to developing further international markets. Crick, Chaudhry, and Batstone (2001) researched Asian based firms operating in the UK clothing industry. They found that the incremental model is favoured by entrepreneurs from Asian ethnic backgrounds. Their research gives reason to assume that psychic distance, as well as the stages models, has a cultural component.

The incremental models have been criticized for not paying sufficient attention to specific factors such as the industry, firm, people, and context conditions. The stages models have also been found deficient as being too predetermined. It is feared that they might not hold up to in-depth analysis (Buckley, Newbould, & Thurwell, 1979; Cannon & Willis, 1981; Reid, 1983; Turnbull, 1987). Turnbull established that firms tend to skip stages in their internationalization process. Thus, going through all the suggested stages is not essential to achieve success in internationalization. A serious challenge for the credibility of incremental or stages models appeared with the phenomenon of the early internationalising firms or "born global" firms. This occurrence tested the usefulness of the application of the incremental models. For that reason the influence and credibility of these models is today somewhat reduced. Recently a strong interest has appeared for an integration of existing and seemingly contradictory models on the basis that internationalization should be capable of being explained in a holistic way by taking all the factors into account.

3.7 The Concept of "Psychic Distance"

Close to the idea of gradual or incremental internationalization is the concept of "psychic distance", which was first introduced by Beckermann (1956) and Linnemann (1966) and further developed by Wiedersheim-Paul (1972). Many scholars agreed that this concept might potentially have a strong influence on the choice of export markets (Hallen & Wiedersheim - Paul, 1999; Johanson & Wiedersheim - Paul, 1975; Vahlne & Nordstrom, 1993). It applies to both, the export decision in general and the heightened success of internationalization and export performance in markets of close psychic distance. The concept can explain the tendency of firms to prefer to trade with firms from a similar cultural background and framework. It distinguishes factors which either promote or disturb exchange between firms and markets. There is support for the fact that close psychic distance seems to foster good international business relationships (Evans et al., 2000).

Potential business partners separated by large psychic distance might suffer less than optimal communication and diminished understanding which can lead to problems and delays. This, for example, can affect the flow of information between export firms and target markets which works in both directions. Gruber, Menta, and Vernon (1967) showed that large psychic distance can hamper the transfer of money and products. Cultural likeness facilitates the ease of communication between firms (Johanson & Wiedersheim-Paul, 1999), drawing on commonalities, such as shared language, shared culture, similar political and legal systems, an equal level of economic development, infrastructure, and educational level. In a situation of close psychic distance, the speed of managerial learning appears to accelerate. Managerial learning seems to be crucial for successful internationalization. It should be emphasised that not only obvious barriers contribute to a situation of extended psychic distance. It is also the perception of the individual manager which determines the degree of the psychic distance (Evans et al., 2000). Nummela, Saarenketo, and Puumalainen (2004) captured this idea and introduced a new concept representing the opposite of psychic distance: the "Global Mindset". It describes a positive attitude and related behaviour that promotes internationalization. The authors argue that managers who have a strong global mindset could reduce psychic distance of international markets that are normally perceived as high in psychic distance. The global mindset of the export manager therefore might be the requisite for successful internationalization (Nummela et al., 2004).

A large geographic distance from international markets has been argued as an important barrier for export success. The reasons seem obvious. However, not all countries separated by a large geographic distance are also remote concerning psychic distance. Historical ties such as for countries belonging to the former British Empire or current British Commonwealth might account for this phenomenon. Countries such as these share the English language as their official or business language. For example, the USA and Australia geographically are located far apart from each other; however, in relation to psychic distance they are close.

It is interesting to note that psychic distance, like any other cultural entity, is not constant but is subject to change (Johanson & Wiedersheim-Paul, 1999). Hallen and Wiedersheim–Paul (1999) analysed this aspect of the concept further. In regard to international trade they emphasised the following issues which complicate communications between the trading partners. They distinguished between the buyer's perception of their own need (i.e. his "ideal solution"), the buyer's perception of the seller's offer, the seller's perception of their own offer, and the seller's perception of the buyer's need. In a situation of close psychic distance the perceptions from the various parties are congruent. Under the condition of great psychic distance these perceptions vary considerably. Thus, this can cause problems for the exporting process and might lead to misunderstandings and breakdown in business communication and relationships.

However, the opposite has also been found to occur. O'Grady and Lane (1999) described the phenomenon of the psychic distance paradox. It is the phenomenon of perceived familiarity with a potential market of close psychic distance. The psychic closeness paradox to a market can lead to a false sense of security and over-confidence. This can then result in the failure to recognise a misconception which can lead to serious misunderstanding. Misinterpretations of situations which are perceived as unambiguous can hinder the establishment of long term market penetration and successful business relationships. O'Grady's and Lane's (1999) work examined the unsuccessful effort of Canadian firms to enter the U.S. market.

Stoettinger and Schlegelmilch (B. Stöttinger & B.B. Schlegelmilch, 2000; B. Stöttinger & B.B. Schlegelmilch, 2000) looked into the theoretical and empirical value of the psychic distance concept with reference to different cultural settings. Their findings proposed that the importance of the concept had diminished over time. In effect, in their opinion it might be now past its use-by date. Evans and Mavondo (2000) who set out to empirically confirm a positive relationship of export success to close psychic distance could not do so. However, they suggested that psychic distance influences the strategy and decision making process. Therefore, it might impact on the degree of strategy adaptation.

3.8 The "Born global" Phenomenon

The arrival of "born globals" - that are firms who start trading internationally from their inception or within a short time after their start-up phase - has challenged internationalization theorists, especially the proponents of the stages concept (G. Knight & Cavusgil, 1996; Moen & Servais, 2002). It should be noted that the term "born globals" is often used interchangeably with "global start-ups" (Jolly, Alahuhta, & Jeannet, 1992; Mamis, 1989), "early internationalising firms", "international new ventures" (McDougall, Shane, & Oviatt, 1994) or "instant internationals" (Preece, Miles, & Baetz, 1999). Many high technology firms belong to this rather recent phenomenon. The most obvious common feature of these firms is that they target international markets from their inception or at a very early stage of their existence. Their internationalising phase is short and they do not seem to follow the stages model. For example, these firms appear to develop a multiplicity of markets simultaneously using entrepreneurial and pro-active strategies to exploit international opportunities in a rapid response fashion (Shaw & Darroch, 2004). Additionally, many born global firms seem to be rather small. They also tend to be innovative and highly dynamic firms and possess a potential for extreme growth (Jolly et al., 1992).

At first, the phenomenon of born globals was perceived as an aberration of the traditional firm which was specific only to firms from the high-tech or IT sectors. Some manufacturers have joined this group, especially when they target niche markets (Moen, 2000). Meanwhile an increasing number of firms from all industry sectors are reported to classify for this category and contribute to the global economy in terms of innovation, employment and revenue (Moen, 2002). Scholars looked at the reasons for the born global phenomenon and identified three main causes: new and more liberalised market conditions, computer and technological development, and advanced management skills of the human factor. The latter led to the research refocusing onto the founders of these born global firms. These individuals are entrepreneurs or more specifically the international entrepreneurs (Madsen & Servais, 1997). The managers or decision-makers of these firms seem to be central to dealing with the issues around internationalization, and solving the problems of starting up a new firm at the same time. It means that these individuals must be capable to communicate the internationalization strategy to individual staff and gain support for implementing it. They have to competently identify the firm's competitive advantage in regard to internationalization (Chetty & Hamilton, 1993; Zhou & Stan, 1998). It also includes being able to make fast and decisive decisions because speed is one of the competitive advantages that small firms have over larger and more complex organisations.

Successful born global firms are often led by entrepreneurial individuals. These rely on access to networks which are most often established on a one-to-one basis. Managers who are able to form effective relationships with customers, distributors - even competitors - can achieve an international competitive advantage for their firms. The importance of the international entrepreneur as the manager or owner-manager of the born global firm has been acknowledged in the field and the research focus shifted towards the entrepreneur as the unit of analysis (Anderson & Wictor, 2003; Oviatt & McDougall, 2005). In order to understand the born global phenomenon more fully research needs a multi-disciplinary approach. Recommendations are now forthcoming for more collaborative research across the disciplinary boundaries (Rialp, Rialp, & Knight, 2005).

3.9 The School of Relationships Models

The school of relationship models has developed since the1980s. This strand of literature is based on the assumption that firms operate within a network of relationships. Researchers look at how and why internationalization evolves from arrangements that can be of variable nature such as suppliers, distributors, logistics firms, clients, customers and competitors. There are scholars such as Ford (2002) who suggest this new field is really nothing new at all, but has already existed for a long time. It derived from the distribution channel literature based on the work of Cherington (1920) who had already developed it as far back as the 1920s. However, the network perspective seems to be increasingly popular with scholars who wish to explain more recent phenomena, such as born globals. Extensions of the school of relationships are the contingency and resource based models. These perspectives permit the integration of factors such as resource constraints, financial limitations, the time factor and other contingencies. In the following sections these models are discussed in more detail.

3.10 Network Models

Scholars who follow the network perspective school agree that internationalization is influenced by the set of relationships a firm develops as a part of its network (Axelsson & Easton, 1992; Bell, 1995; Coviello & Munro, 1997; Johanson & Vahlne, 1992). Members of networks tend to build up long-term relationships. Particularly at the beginning of the internationalization process firms rely on timely, cost effective and trustworthy information to select suitable markets, identify adequate market entry strategies and locate distributors and contacts. Older more experienced associates are able to provide guidance for the new "kids on the block" and consequently the risk of failure can be minimised. Johanson and Mattsson (Johanson & Mattsson, 1987) suggest that a firm's success in entering new international markets is more dependent on good access to well functioning networks and relationships than on psychic distance or cultural factors. Sharma and Johanson identified the importance of networks for firms belonging to the service sector (Sharma & Johanson, 1987).

Obviously building up effective networks and trusting relationships is a gradual process and, in that sense, it supports the incremental models (Johanson & Vahlne, 1992). However, the network perspective goes beyond the models of incremental internationalization. Theory suggests that effective networks and social relationships are the factors which determine the internationalization strategy of export firms (Balabanis & Spyropoulou, 2007; Pla-Barber & Escriba-Esteve, 2006). This is in contrast to the FDI perspective which assumes that strategy building occurs as a solely economic decision. Some scholars argue that the network literature has a common ground with the literature concerned with distribution channels in that network theory is concerned with the aspect of cooperation, while the channel literature concentrates more on the supply chain and distribution (Ford, 2002).

3.11 Contingency and Resource-based Models

The increasing speed of globalisation prevents many firms from following the slow incremental approach (Bell, 1995; Young, Hamill, Wheeler, & Davies, 1989). Consequently, when the universal applicability of the incremental model was questioned as being somewhat out of date (Andersen, 1993; Nordstrom, 1991; Vahlne & Nordstrom, 1993) another strand of literature developed. It is based on the insight that access to resources, be they human resources or material resources - such as finance or production facilities, knowledge and intellectual property, or technological skills - are the factors which drive or inhibit internationalization. The resource-based models explain the internationalization process through the availability and access to resources for the firms; while the "contingency theory" explores factors which focus on timing, context and complexities arising from all of the above.

Firms marketing niche products seem to start international activities at an earlier stage, arguably due to the limitations of the domestic markets (Litvak, 1990). The phenomenon might have a different rationale in that a niche product is deliberately chosen for its world market potential and becomes the means and part of the strategy to implement internationalization.

Crick and Spence (2005) call for further investigation into how small firms can deal with seemingly overwhelming resource shortcomings and are still able to internationalise successfully using entrepreneurial spirit and serendipity. A small firm is more likely than a large MNC to experience a situation of resource scarcity. Concerning small international firms the network approach (and even more so the resource-based and contingency view) takes into account eventuality factors and environmental complexities. Studies that follow the resource-based view (RBV) tend to concentrate on the internationalization behaviour of smaller firms or SMEs. This work has the potential to draw on the rich knowledge base of SME literature which is proceeding in a different direction (Dhanaraj & Beamish, 2003; Tallman & Fladmoe-Lindquist, 2002).

The contingency theory (Robertson & Chetty, 2000; Yeoh & Jeong, 1995) is based on the principle that the firm's international development is contingent upon a wide range of market or firm specific factors. Some firms may decide to use strategic means such as acquisitions, relocation of production to cheap-labour countries, strategic alliances or mergers when the occasion occurs (Barkema & Vermeulen, 1998). Opportunities may cause firms to leapfrog stages or enter markets that are high in psychic distance from the start. Therefore, it is not surprising that in response to dynamic developments in the global environment increasingly complex forms of international market behaviour have evolved.

3.12 Concluding Summary of Chapter Three

The literature concerned with internationalization has multiple approaches and, at the same time, appears fragmented. So far, no general agreement has been reached as to what aspects of the theories and concepts should be included to achieve one integrated internationalization framework which is able to explain all major phenomena and characteristics of internationalising firms.

Scholars see this problem and pursue different avenues of problem solving. The necessity for collaboration of disciplines has been widely acknowledged and there is a general call for a more integrative approach of literature concerned with internationalization, international entrepreneurship, international marketing and international strategy. It is hoped that doing so might strengthen the theoretical base of internationalization theory and lead to a more robust - and less fragmented - body of knowledge in the field (Coviello & Jones, 2004; Crick & Spence, 2005; Rialp et al., 2005).

The next chapter presents a review of the literature on export performance and the context in which export performance is achieved, by focussing on those factors which influence success.

4.0 CHAPTER FOUR – EXPORT PERFORMANCE ISSUES

4.1 Introduction

The previous chapter provided a brief overview of how the different schools of theory seek to explain the internationalization process of firms. Arguably, firms embark on the internationalization process with the aim of achieving successful performance and profit in international markets (Westhead, Wright, & Ucbasaran, 2007). As the current research is concerned with the need to develop insights into how firms achieve export performance in spite of their export barriers this problem has been approached by probing their export practices. In particular, the focus is on how firms manage export barriers. The aim of this chapter is therefore to complete the outline of the background of this research by presenting a review of the literature on export performance and issues that have been found to impact on it.

The structure of this chapter is as follows.

Export performance is discussed in the first segment of this chapter. The focus is on the operationalization of the concept and the assessment of high performing firms.

The major theoretical frameworks that establish a relationship between export performance and the main influences on export success are reviewed in the second section.

In the following parts of this chapter factors that impact on export performance, either positively or negatively, are presented. The first section is concerned with the human factor in export performance, such as the export manager, owner manager, or the international entrepreneur. Following this is a segment that deals with knowledge and information issues.

The chapter then focuses on a key area of the research, the question of the export barriers.

Next, international business strategy is examined as it relates to export performance and internationalization.

The following sections present the concepts of core competence and dynamic capabilities. One section introduces the concepts of bricolage and effectuative thinking which constitutes the second last segment of the chapter.

A critical evaluation of the extant literature forms the second last part. The chapter ends with a summarising section and makes the link to Chapter Five where research design is discussed.

4.2 Export Performance

Many scholars agree that the fundamental reason for firms expanding their international activities is to grow and increase their profitability through export performance (C.S. Katsikeas, Leonidou, & Morgan, 2000; Smallbone & North, 1995).

In order to evaluate the extent of export success a firm has achieved, it is important to establish what the aims of the firms are at the start of the process and in particular, what they plan to achieve internationally. A firms' internationalization behaviour is therefore dependent on its overall vision (Stonehouse, Hamill, Campbell, & Purdie, 2004). The overall development plan might set the strategic directions for their international activities. Firms' goals for internationalization might vary and the firms have differing objectives concerning export success (Koh & Robicheaux, 1988). Some firms want to achieve a high internationalization ratio, while others target a more stable percentage of international sales in relation to their domestic sales as their desired outcomes. Some scholars suggest therefore that an analysis of the objectives of firms should be undertaken before one can assess their export achievements (Koch, 2001).

What constitutes successful export performance? The literature reflects the ongoing debate as how to best measure general success in business. The same applies to export performance. In spite of the numbers of studies concerned with export performance, no general agreement has been reached on how to operationalise export performance (Cavusgil & Zou, 1994; Shoham, 1998; Sousa, 2004). Obviously, any international business venture has to be perceived as worthwhile that gives firms the initiative to continue exporting and to proceed with internationalization. Global operations must bring some benefits to exporting firms, either immediate gains or the prospect of benefits in the future.

In examining the most commonly used performance measurements concerning export success, the economic indicators and especially financial performance indicators are perceived as being the most accurate and reliable measurements (C.S. Katsikeas et al., 2000). Among the most frequent applied markers are sales related indicators, export sales ratios and internationalization ratios. Export sales growth, export sales intensity and export sales volume are also popular measures for export performance (Bilkey & Tesar, 1977; Cavusgil & Nevin, 1981; Lages & Lages, 2004; Zhao & Zou, 2002). Profit related dimensions and market share indicators are used less frequently. This is most likely because data about profits for small firms are difficult to obtain. Even when obtained, the data might harbour a greater possibility for inaccuracy. Kirpalani and Balcome (1987) have described problems with these kind of indicators.

As success seems to be difficult to evaluate, research approaches the assessment of export performance by using more than one measurement to capture the concept from different angles (Thach & Axinn, 1994). Doing so, according to Shoham (1998), improves greatly the quality and reliability. A trend towards more subjective, "soft", and holistic performance indicators is now emerging. Among the commonly used indicators is the export managers' perceived export success or satisfaction with the overall export performance. Dress and Robinson (1984) support the assumption that perceived success by export personnel is a reliable and valid assessment tool.

4.3 Export Performance Models

Whilst there has been great interest in investigating the relationship between internationalization and export performance, less is known about what effect export performance has on internationalization (Annavarjula & Beldona, 2000; Glaum & Oesterle, 2007; Hennart, 2007). For the purpose of this study, it is assumed that the concepts of export performance and internationalization are closely related and, further, that the internationalization process is affected by export performance. In spite of considerable research on what impact internationalization has on export performance, little research has been undertaken to investigate the opposite relationship.

The Aaby and Slater's model (1989) is the leading framework to guide this research discipline. Their export performance model draws on meta analysis of empirical studies between 1978 and 1988. Aaby and Slater's work identifies the factors that impact on export performance in relationship to each other, and it is especially useful for the clear positioning of export barriers. According to their research, export barriers have a direct influence on export performance (Aaby & Slater, 1989). This fact that the barriers influence export performance is now widely accepted (Aaby & Slater, 1989; Cavusgil & Zou, 1994; Leonidou, Katsikeas, & Samiee, 2002). The operationalization of export success, however, varies according to the theoretical framework adopted (Zhou & Stan, 1998).

Aaby and Slater (1989) establish a direct relationship between export barriers and export performance and locate export barriers clearly between strategy and export performance. Their model has been used extensively as a conceptual framework and guided numerous studies (Bell, Crick, & Young, 2004; Chetty, 1993; Kaleka, 2002; Lu & Beamish, 2001). Aaby and Slater (1989) propose differentiating between internal and external environmental influences which impact on export performance. Internal factors concerning competencies include matters such as technology, export and market knowledge, planning, export policy, management control, quality, and communication. Firm size, management commitment, management perceptions towards financial incentives, competition, market potential, distribution, risk and profit, relate to the firm's characteristics, and, according to Aaby and Slater (1989), it is the firm's competencies and characteristics that determine export performance. The researchers further distinguish strategy through market selection, use of intermediaries, product mix, product development, promotion, pricing, and staffing. Competencies and strategy impact either directly or indirectly on export performance. Export barriers are directly influenced by strategy, which in turn is influenced by competencies and firm characteristics. All the above factors drive export performance and the ability to internationalize business. What their model (Aaby & Slater, 1989) does not explain, however, is the relationship between environment and strategy.

The more recent export performance models reviewing current empirical research are mainly based on Aaby and Slater's earlier work (Aaby & Slater, 1989; Chetty & Hamilton, 1993; Gemuenden, 1991; Madsen, 1987; Zhou & Stan, 1998).

Chetty and Hamilton (1993) put forward a model of inter-related factors impacting on export performance. Their model includes competencies, firm characteristics, economic environment, commercial environment, and export strategy as the determining factors on export performance. In contrast to Aaby and Slater (1989), Chetty and Hamilton's (1993) model does not show the economic and commercial environment to have any impact on export strategy.

Zhou and Stan (1998) differentiate the determining factors of export performance into controllable and uncontrollable, as well as internal and external. Developed ten years after the seminal model by Aaby and Slater (1989), their work is based on a review of internationalization literature between 1987 and 1997.

Leonidou Katsikeas, and Samiee (2002) reviewed recent empirical literature and provide an advanced export performance model based also on meta-analysis. They classify the critical factors into three groups: (1) managerial characteristics, (2) organisational factors, and (3) environmental forces. Their model considers environmental forces to influence both, the export target and export strategy. This is a major difference to Aaby and Slater (1989) who do not show environmental influences impacting on performance; Leonidou et al. (2002) take them into account. Leonidou et al. separate strategic factors into two distinct groups: export targeting (market selection and market segmentation) and export marketing strategy (product, pricing, distribution and promotion). An added and useful point in their suggestion is that export performance can be separated into economic and non-economic aspects. The model, however, does not clearly locate export barriers that might be part of, or impact on, every one of the above factors. Additionally, networks are not distinguished as a separate factor. Possibly, networks are considered part of enterprise's resources, yet one could argue that they are actually outside the firm's direct influence and therefore do not belong directly to organisational factors. The main criticism in regard to their model, however, has been that of a "unidirectional causal relationship" (Leonidou, Katsikeas, & Samiee, 2002, p. 52). Critics have suggested that the model lacks the feedback element concerning learning and experience, and also fails to incorporate an increase in resources through profits from the successful export venture. Thus, the model appears to be rather static and not dynamic.

Morgan, Kaleka and Katsikeas (2004) developed a further model by differentiating the major impacting factors into two separate groups: available capabilities and available resources (in both cases relating to exporting). They argued that capabilities and resources determine both equally the choice of competitive strategy concerning the export venture. The strategy, consequently, decides on the positional advantage in the export market. They argue that the positional advantage will determine export performance. Finally, they introduce a third variable which they identify as "competitive intensity of the export market". This factor is lying outside the control of the firm and impacts independently on the relationship of strategy to positional advantage. Morgan Kaleka and Katsikeas (2004) further suggest that competitive intensity has influence on both, positional advantage and export performance. They acknowledge that this last assumption has not yet been tested by research and has to be treated as a potential relationship.

The major advance of this latest model is the introduction of a feedback loop from export performance to the firm's capabilities and resources through investment and learning (N. A. Morgan et al., 2004). The feedback loop addresses the issues of dynamism but the model fails to show the impact that the competitive intensity of the export market has on strategy formulation. Environmental factors also seem under-acknowledged in the strategy consideration of this model and a limitation of the model might be its restriction to the manufacturing sector.

Good progress has been made towards conceptualisation of factors associated with export performance. Since the Aaby and Slater framework in 1989, subsequent models have been developed and are now available for discussion. However, all of these models still have some limitations when it comes to a full explanation of the major observed phenomena. There is agreement in the literature on some of the underlying reasons for this lack of integrative framework acknowledging three particular problems that tend to limit further progress.

Firstly, researchers draw on a wide range of divergent theoretical perspectives (Aaby & Slater, 1989; N. A. Morgan et al., 2004; Zhou & Stan, 1998) which makes the integration of findings from different studies difficult.

Secondly, there are extensive differences of how the primary units of analysis are selected and these units can range from export venture to firm characteristics (C.S. Katsikeas et al., 2000; Madsen, 1987). These practices can make it difficult to isolate the critical factors when using quantitative methodological techniques.

Thirdly, export performance is multi-dimensional, so export performance has economic and strategic components which are difficult to quantify (Thach & Axinn, 1994). Therefore, so far no single model has been able to explain and integrate existing knowledge in regard to export performance and internationalization.

Fourthly, and most importantly, none of the most recent export performance models focuses on export barriers as one of the critical factors for success. While there is no doubt that export barriers have direct impact on export performance since Aaby & Slater (1989) developed their model this factor has been left out of recent research into export performance. At the same time investigations into export barriers have progressed considerably which will be discussed later in this chapter. However, the relationship of export barriers to export performance has escaped the attention of recent research and both themes have led somewhat separate lives. Thus, here appears a gap in the literature which warrants further research. A performance model which is developed from the perspective of export barriers might provide insights into the successful management of export barriers. Additionally, it might provide explanations on how and why businesses which are in similar circumstances and facing the same barriers differ in export performance. At the same time, research that seeks to develop a performance model which integrates both, the negative factors and the positive factors influencing export performance should offer a better understanding of how and why businesses internationalize. Ultimately, a framework pulling together export barriers and export performance will result in a clearer picture of what factors are necessary for success, when they are needed and what public policy implications should be considered resulting from them.

In the next part of this chapter the major factors that have been commonly identified as influencing export performance are presented. The section commences with the "human" factor, arguably the most critical factor for export performance. The export manager, or more generally, the person carrying out the decision to internationalize, greatly influences export performance and the internationalization process.

4.4 The Human Factor in Export Performance

A good amount of past research in internationalization theory has been concerned with the characteristics of the firm. The research tended to focus on the firm's internal features, like age or size, and its likely impact on export performance (Dean et al., 2000; Javalgi et al., 2000). The impacts of external factors, such as the overall business environment, export environment, or industry, have also been examined (Kaynak & Kuan, 1993; Miesenbock, 1988; Stewart & McAuley, 2000). More recently the research focus has shifted towards the export manager as the unit of investigation. This trend is accompanied by an increased attention to small firm research, as many of today's successful export firms display features of medium, small, or very small firms. Firms in New Zealand employing fewer than fifty permanent staff have, in most cases, just one person in charge of the export function. This is especially true for very small firms where most often the owner manager is solely responsible for all major decisions and this includes, of course, the decision to export. In situations where the export decision lies with more than one person - as is the case for larger firms and MNCs - the research situation becomes more complex and reliable results are more difficult to establish. In contrast, many studies focus on the decision-making person, such as the owner operator of born global firms or the international entrepreneur (McDougall & Oviatt, 2000; Zahra & George, 2002).

Many studies have been undertaken in order to investigate the characteristics of the human factor in the internationalization process: export manager, general manager, or Chief Executive Officer (CEO). Earlier research tended to treat the manager as part of the firm, a stereotypical and replaceable agent reacting in a preconceived way to the economic demands made upon them. Researchers, such as Sarasvanthy (2004), criticised the fact that research focused on the survival and performance of the firm and not on the personal achievement of the individual person. It resulted in increased research on international entrepreneurship. The international entrepreneur has been accredited as being the foremost component that determines success in the internationalization process (Coviello & Jones, 2004; Mathews & Zander, 2007; McDougall & Oviatt, 2000). It applies even more so to small firms where the boundaries between the person in charge of export and the business owner are often blurred. In fact, in many cases the business owner and the entrepreneurial manager is the same person.

Indeed, some scholars postulate that the study of international entrepreneurship should lie at the intersection of the disciplines of entrepreneurship and international business (McDougall & Oviatt, 2000). A number of academics have gone further and suggest that international entrepreneurship should belong to the core of the international business research agenda (Baker, Gedajlovic, & Lubatkin, 2005; McDougall & Oviatt, 2000; Zahra & George, 2002).

Theoretical insights about entrepreneurs or entrepreneurship can be traced back to the early 20th century literature (Hayek, 1945; F. H. Knight, 1921; Schumpeter, 1934). One of the first descriptions of the entrepreneur came from Schumpeter (1950) as being somebody combining a firm's resources in new ways. In most cases entrepreneurs start up new businesses. Many contemporary scholars (Rumelt, 2005) define the entrepreneur as somebody who creates a new business or duplicates an existing one by adding some element of innovation or novelty. For Rumelt (2005), however, it is imperative that true entrepreneurs possess the ability to develop an innovative product, develop a new way of marketing or promoting this product and acquire sufficient resources to do so successfully.

There has been a great deal of discussion about what kind of character traits these people need to possess in order to do well as entrepreneurs. Some research looks at the behavioural features of the entrepreneur to distinguish the successful from the unsuccessful. An underlying wish driving it is to make predictions possible as to who has potential and is likely to become an entrepreneur. Behavioural theorists note that the human motives for success are economical as well as non-economical. The range of behaviours extends into other domains also. For example, some entrepreneurs seek instant gratification and others work for delayed gratification, while again some are other-regarding and others self-regarding. In all, it appears that entrepreneurs come in all shapes and forms. Researchers report also the ability of international entrepreneurs to build up trusting and long lasting relationships with customers and distributors. They are able to maintain access to effective networks (Leonidou, Katsikeas, & Hadjimarcou, 2002). Another significant feature which many authors agree upon is that successful international entrepreneurs are equipped with a so called "sixth sense" to discover opportunities for export and international trade in world markets which most other individuals would not detect (Crick & Spence, 2005). Sarasvathy (2001) develops this concept further and introduces what she terms the effectuation theory. Sarasvathy (2001) differentiates between effectual thinking and causal thinking where decision making is based on a pre-defined goal with a plan to achieve this very goal. On the other hand effectual thinking takes place where the means are fixed and mostly limited and the goals emerge contingently over time depending on the personality of the thinker and decision maker. Although effectuation theory is developed with the entrepreneur in mind to explain entrepreneurial creativity and prowess this concept has relevance to other fields, such as strategy, organisational, management and knowledge theory.

4.5 Knowledge and Information Issues

A rather undisputed prerequisite for international success is access to current and reliable sources of information. This has been perceived as critical for effective and efficient export and marketing decisions (Leonidou & Theodosiou, 2004). Knowledge and information about competitors and international markets is as important as the ability to design suitable strategies. Accessible and reliable information is necessary to become aware of changes, to monitor progress, and achieve desired outcomes (Churchill, 2001; Zikmund, 2000). When firms enter foreign markets they are normally disadvantaged in regard to export market information and their lack of local knowledge. In contrast, a local firm - operating in its home environment - knows the local market and can therefore present severe competition for a firm that is new to this market (Czinkota & Ronkainen, 2001). Zaheer (1995) calls the foreign firm's unfamiliarity with the local situation the "liability of foreignness". This position implies a high degree of uncertainty and risk exposure. Thus, an apprehension about the success of new international ventures can be the result and the motivation to internationalise can diminish. Additionally, language difficulties and communication problems with business partners, foreign suppliers and distributors, and government officials can hamper effective decision making. Moreover, a foreign firm's local knowledge about cultural issues and customary practices of the target market might be deficient and insights into distribution systems or local consumer preferences might not be adequate. This liability of foreignness has been shown as the cause of severe disruptions to smooth business operations and seems to be a basis for costly errors (Pedersen & Petersen, 2004).

How prospective export firms perceive the information deficit has an effect on their willingness to commit resources to the foreign market. Firms usually gain their market knowledge only after they have entered a foreign market and - according to Johanson & Vahlne (1999) - they do this in small incremental steps. Johanson & Vahlne (1999) claim that firms following the stages model of internationalization, tend to grow gradually in their willingness to engage with unfamiliar markets, and will move into markets with an increasingly greater psychic distance from the home market (Johanson & Wiedersheim-Paul, 1999). The idea is that success in more familiar foreign market operations increases general export knowledge and that leads to a growth in self-confidence. This in turn will lead to reduced apprehension and raise the willingness to expose the firm to unfamiliar situations and risks.

In contrast, Pedersen and Petersen (2004) question the concept of slowly building up a knowledge base. They argue that firms are capable of acquiring the necessary market knowledge as early as the pre-entry stage. They question that a lengthy time is a precondition to gain sufficient market knowledge, suggesting that the required insights can be obtained fairly quickly by means of contemporary information technology. Eriksson, Johanson, Majkgard, and Sharma (1997) emphasise the benefits of sharing information with other firms through networking, and propose that export success is based on network intelligence. This makes sense especially for smaller resource-poor firms which have constraints regarding costs and expenditure. Small, resource-poor firms have to rely more on personal, informal and less costly information sources (Leonidou, 1997; Leonidou & Katsikeas, 1997).

Experiential knowledge develops over time through familiarity with foreign markets by doing business in these markets. This specific knowledge is normally located in the person who has gained the experience. Given that the knowledge is particular to one person, it has been characterised as relatively non-transferable (Johanson & Vahlne, 1999). As a consequence, Johanson and Vahlne (1999) consider experiential knowledge as critical to success. This is especially true for the specific knowledge that is necessary to manage relationships between individuals. Successful interpersonal relationships and appropriate cultural behaviour are drawing on the knowledge and skills of a person who is internationally experienced. Managerial work in international settings is one example.

It is argued that experiential knowledge is often the basis for perceiving opportunities and formulating strategies (Vyas & Souchon, 2003). While learned market knowledge provides the background for theoretical openings, experience can turn them into concrete business opportunities. Findings of international entrepreneurship research support this concept (McNaughton, 2003).

Research on information usage within exporting firms has been conducted with the aim to investigate a correlation between high usage and export profitability and success. Some studies reported a positive relationship of enhanced export knowledge with increased export performance (Koh, 1991; Samiee & Walters, 1990). Others do not support this (Leonidou, 1997; Leonidou & Katsikeas, 1997; Yeoh, 2000) and argue instead that very efficient and productive exporters use mainly information sourced from personal contacts. This can vary and might come from export advisors, consultants, trade missions such as in-country “beach heads”, and governmental services. However, it is not yet clear what the minimal requirements are to establish an effective export information system (Leonidou & Theodosiou, 2004).

4.6 Export Barriers

Important factors that impact negatively on export ventures are the export barriers (L. C. Leonidou, 1995). The literature generally terms these difficulties as "export barriers", "impediments" or "obstacles". Arguably the difficulties can have various origins and at the same time their impacts on firms might differ greatly. Barriers can originate from insufficiencies concerning management capabilities or human resource issues (international entrepreneur, export manager), limitations of product and production specific capabilities and resources (firms, production sites, finance, human resources, suitability of international product), lack of access to networks (knowledge, distribution, customers, logistics), strategic issues, and environmental factors concerning the domestic and target market (Altintas, Tokol, & Harcar, 2007; Da Silva & Da Rocha, 2001; L. C. Leonidou, 1995). Barriers to exporting are often put forward as the very reason for business failures in foreign markets, resulting in financial losses as well as a general negative attitude towards international activities.

Export barriers in the wider sense represent any obstacle towards achieving export performance. Leonidou suggested a useful definition for export barriers as "all those attitudinal, structural, operational and other constraints that hinder the firm's ability to initiate, develop or sustain international operations." (L. C. Leonidou, 1995, p. 31)

Identifying, reducing and minimising export obstacles has been an important aim in the past (Bilkey, 1978). One major focus is on obstacles for smaller, resource-poor firms and their difficulties when they enter and develop international markets (C. S. Katsikeas, 1991; L. C. Leonidou, 1995; Miesenbock, 1988; Scharf, Bell, Loane, & Fletcher, 2004). The inhibiting factors can range from a lack of management commitment and a lack of resources, to more structural forms of barriers, such as trade blocks or tariffs.

Although authors from various disciplines have approached the barrier problem in a variety of ways and with differing results, some common areas are agreed upon. Literature on export barriers tends to differentiate between external and internal export barriers (L. C. Leonidou, 1995). The internal obstacles are defined as the barriers inside the firm and which are under the direct influence of the firm. External barriers, on the other hand, are the ones outside the firm and located in the business environment. This means that the external barriers, as a consequence, are out of the control of the exporting firm.

Examples for internal export barriers from previous studies include the following aspects: knowledge issues concerning the export markets, suitability of products (Denis & Depelteau, 1985; Pedersen & Petersen, 2004), lack of knowledge about quality requirements of target markets, poor knowledge of the right timing for entering export markets (L. C. Leonidou, 1995), poor knowledge of the optimal export scope (Bagchi-Sen, 1999), poor knowledge of profit potential (Hill, 2003), lack of management resources (Baldauf, Cravens, & Wagner, 2000), lack of appropriate personnel (New Zealand Government, 2004), and lack of management commitment (Axinn & Matthyssens, 2002; Axinn, Savitt, Sinkula, & Thach, 1995).

Examples for external export barriers are lack of external financing (Suarez-Ortega, 2003), import or export restrictions, local competition in target market, strong international competition in the target market, high transportation costs (Bauerschmidt, Sullivan, & Gillespie, 1985), inadequate export incentives from governments or administrations, bureaucratic requirements of the target market (Bauerschmidt et al., 1985), political risks (Hill, 2003), unfavourable exchange rates and exchange rate volatility (Basile, Giunta, & Nugent, 2003; Murugiah, 1996).

Another classification was suggested by Ramaswami & Young (1990). They point out that there are the following main sources for export barriers.

Firstly, export knowledge, such as lack of knowledge about export incentives from governments or administration (Ahmed, Mohamed, Johnson, & Meng, 2002), difficulties in choosing a local representative in the foreign market (L. C. Leonidou, 1995), and limited access to wholesalers or retailers in foreign market (L. C. Leonidou, 1995).

Secondly, the whole range of internal resource constraints, such as staff expertise, time, financial resources, or ability to adapt a product or service to a foreign market.

Thirdly, procedural barriers and fourthly, exogenous factors, such as supply and demand conditions, foreign competition (Bauerschmidt et al., 1985).

A further classification can be made in respect of the location of the barriers. Leonidou differentiated between internal-domestic, external-domestic, internal-foreign, external-foreign barriers (L. C. Leonidou, 1995). In general, export barriers are considered more significant to small firms than to large ones (Ghauri & Kumar, 1989). It is, therefore, not surprising that the majority of research concentrates on small to medium firms facing export barriers. It seems that large multi-national firms have the resources to circumvent many of the internal barriers. Large multinationals can pool resources from profitable areas of a multi layered business and allocate finances to build up new international ventures. Larger firms do not have the necessity to operate a new international venture with positive cash flow from the start. Therefore, many internal barriers can be controlled or are not even perceived by large firms. At times, through their political influence and lobbying activity, large corporations have the power to influence even external barriers. As a result export barriers vary in severity and consequences for different types of firms. The situation for smaller firms is definitely less favourable. This is because the options for smaller firms are fewer than for larger firms. In the cases of limited resources, internal barriers and external barriers seem to have a similar impact.

Another way of classifying export barriers is to distinguish according to the location or where they originate (Ramaswami & Yang, 1990). Leonidou (1995) defines the barriers as attitudinal, structural, operational and other constraints. Morgan and Katsikeas (1997) develop his ideas further and suggest a schema, using the following four categories:

(1) Strategic obstacles (limited resources, financial and human; government and regulatory limitations; strong overseas competition; adverse currency movements).

(2) Operational obstacles (inappropriate marketing mix including unsuitable product; distribution issues including the price of distribution).

(3) Informational obstacles (limited access to reliable information, cost effective information sources).

(4) Process based obstacles (difficulties with the smooth alignment of all stakeholders involved; difficulties with getting public and governmental help).

This distinction reflects the practice of large firms to differentiate into strategic units and separate functional departments. Following the suggestions of Morgan and Katsikeas (1997) certainly allows studying export barriers from a strategic point of view. The approach seems useful when investigating how large MNCs manage their export barriers

However, the situation for many small firms seems different. Small businesses normally do not have the discretion to create separate functional units in their firms. The manager normally unites a whole range of complex functions. Thus, addressing export barriers in the above way might not be as promising in a small business context. Moreover, the way how smaller firms formulate their strategies seems different to larger enterprises. Small and very small firms with limited resources might only compete successfully in a global market place if they are able to successfully take advantage of an opportunity that is uninteresting to larger firms. The opportunity might not be obvious to other businesses as firms have different competitive strengths. Additionally, it is noticeable that various firms perceive similar export barriers differently even if the firms are at the same stage of export development and share similar infrastructure and even belong to the same industry. These differences in perception cause the firms to react in diverse ways towards these obstacles (L. C. Leonidou, 1995). Leonidou states that the firm's reaction towards similar barriers depends "...largely on the particular managerial, organisational and environmental forces prevailing in each firm." (L. C. Leonidou, 1995, p. 32). Morgan and Katsikeas (1997) support the view that exporting obstacles discourage export engagement amongst potential exporting firms.

Many exporters successfully operate in difficult situations with export barriers aggravated by severe resource constraints. Studies that investigate how export obstacles are managed successfully agree that management interventions depend on available resources (M. W. Peng, 2001; Shoham & Albaum, 1995). Therefore, the supporters of the RBV argue that the availability of resources will determine which strategies are available to overcome export barriers. In their quest to achieve export performance, especially, small, resource-poor firms develop strategic interventions with these constraints in mind. The following section will examine the main concepts of international business strategy.

4.7 International Business Strategy

According to Johanson and Vahlne (1999), the decision to internationalise is generally composed of two main factors: the amount of resources committed and the degree of commitment. Many firms choose direct exporting as a suitable and feasible market entry strategy. In numerous cases they begin by shipping a product to a customer upon receipt of an unsolicited order and subsequent payment (Leonidou, 1998). These unsolicited orders tend to have a higher occurrence rate when the firm maintains a web site (Beatty, Shim, & Jones, 2001). One advantage of direct exporting is the lower start up cost in comparison to more advanced involvements in international markets. The associated risk exposure being rather small is also an important factor for consideration. Substantial control remains with the exporting firm and the degree of exposure in most cases equals the value of the export venture.

Disadvantages concerning direct export include the distance from the customer and the distance from the general business environment of the foreign market which means little knowledge about what is going on in this market. Because of the remoteness, meeting the customers' needs and achieving a sustained competitive advantage might become complex and difficult to manage (Stonehouse et al., 2004).

A general consensus exists that exporting involves a certain sequence of decisions when servicing a foreign market. According to Hill (2007), a formal plan is useful to monitor the progress. He suggests that the international marketing plan should ideally address the following areas systematically:

(1) Deciding to go abroad: reasons for internationalization.
(2) Scanning the international marketing environment / SWOT Analysis.
(3) Assessing product suitability and choice of products for foreign markets.
(4) Selecting country / foreign market.
(5) Choosing a suitable foreign market entry and development strategy.
(6) Designing an international marketing mix.

(7) Financing international operations. (Hill, 2007)

The creation of an internationalization strategy that is suitable for the firm is an arduous task. The difficulty starts with choosing the most appropriate export market. This can become a problem for firms that do not have the resources to engage in systematic market research. Oviatt and Mc Dougall (1994) noted that this is often the case for small export firms coming from small countries that lack financial resources. The traditional 'single market entry' strategy focuses on one off-shore market at a time. Sometimes several potential markets are tried at the same time with only little investment. 'Sow and reap, focus and grow' is a pragmatic approach when the size of the firm is small and the resources for R&D are limited (Campbell-Hunt et al., 2001). Following this strategy only the successful markets will be selected for further development.

Traditionally, there have been two main approaches that explain what drives the making of international strategies. The initial industry-based view represented by Porter (1980) was concerned with national competitive advantage. A second stream based on resource availability as promoted by Barney (1991) focused on the firm as the object of analysis (M. W. Peng, 2001). The RBV which is shared among international business and strategy researchers in particular enjoys widespread support. There is, however, currently a new approach emerging and gathering support which is termed the institution-based view (M.W. Peng, Wang, & Jiang, 2008). This third stream has been proposed in order to explain the different strategic modes of firms from emerging economies by taking the specific context into account.(M.W. Peng et al., 2008).

The industry-based view looks at strategic issues from a more macro-economic perspective and tries to answer the question how competitive advantage can be created. Porter (1980) describes various generic strategies to achieve competitiveness in foreign markets. His suggestions for competitive advantage include low cost leadership, product differentiation and a focus strategy (Porter, 1980, 1990). One form of focus strategy is the use of niche product strategy. This is of particular value for small resource-poor firms which have fewer options for more complex strategies due to their resource constraints (G. Knight & Cavusgil, 1996). The success of some born global firms, for example, is based on their ability to avoid direct competition with MNCs by specialising and focusing on small niche markets which the MNCs do not service (G. Knight & Cavusgil, 1996).

Porter (1998) suggests that clusters give small or poorer firms – which may lack the resources to form economies of scale - the possibility to prevail over global competition. In Porter's (1990) view general strategic issues concerning achieving competitive advantage should be addressed at a national level. This can be an improvement of general education and training of a better skilled workforce, improvement of the local infrastructure such as capabilities in technology and communication networks, upgrading organisational structure, and accessibility of financial and capital markets. Porter (1998) emphasises that the usual practice of government interventions such as imposing trade restrictions on neighbouring countries in order to strengthen vulnerable areas inside one's own country, are normally less efficient than the generation of clusters and the improvement of secondary factor endowments.

The RBV argues that, generally, resources determine the strategy formulation. In particular, the financing of international ventures is thought to be the most important issue for many firms (Welch & Luostarinen, 1988). New Zealand firms, for example, seem to struggle with adequate financing of their exports (Simmons, 2002). Insufficient capital calls for alternative and creative ways of managing exports and the internationalization process. However, which sum amounts to sufficient funds is not clear. It seems related to the particulars of the business and is much dependent on time and environmental factors. According to Welch and Luostarinen (1988) internationalization in itself normally increases the availability of the firm's own resources. Access to external finance is mainly dependent on the firm's assets and the business location (Becchetti & Trovato, 2002). A firm's overall objectives influence the choice of internationalization strategy. What is an appropriate strategy for a specific firm is dependent on its export barriers and constraints and can make the difference between good and bad export performance (Moini, 1995; N. A. Morgan et al., 2004). Small firms might choose a high quality niche product for export. A successful niche market positioning is strongly associated with the selection of a suitable export product. This can include added value features (Koh, 1989). Cavusgil and Zhou (1994) reported a positive relationship of product adaptation to foreign markets on export success. Sometimes the redesign or change of the export product according to necessity of different international markets becomes an imperative.

Not just financial resource constraints hinder optimal export performance and internationalization, but also a lack of human resources, especially managerial expertise, can act as an obstacle to export. Several studies provide support for this relationship (Dominguez & Cirigliano, 1997; Gomez Mejia & Palich, 1997; Holmlund & Kock, 1998). As the volume of sales increases, the organisation might see benefits in establishing an increasingly complex organisational structure. The function of the export manager as the communicator with sales representatives and agents in the target markets is enlarged. On the other hand, the number of employees in the export management section of firms is not always what counts. Communicating the firm's strategy clearly to all staff involved positively influences the attitude towards the common export goal. The strong commitment of one influential person, such as an international entrepreneur, can overcome many shortcomings and lack of human resources in the internationalization process (McDougall & Oviatt, 1996).

The literature concerned with research on born global firms recognizes the reliance of firms on access to networks (Bell et al., 2003; McAuley, 1999; Mort & Weerawardena, 2006). Firms that wish to internationalise sometimes have the chance to enter the supply chain of a large MNC. This can include real benefits as the firm gets the opportunity to share available networks and distribution channels of a MNC (Etemad, Wright, & Dana, 2001). Entering the network of a larger firm relieves small firms of the necessity of building up their own distribution channels. A possible disadvantage, however, can occur when the smaller firm finds itself in a weak position during negotiations with the more powerful firm. By using networking small firms can reduce expenditure, time and risks involved in establishing their own networks in export markets. Obviously efficiency and cost competitiveness of small firms can be increased in that way. A well functioning synergistic relationship works both ways; the cooperation with small firms also serves the needs of MNCs which require custom-made services and reliable suppliers (Etemad et al., 2001).

The third approach, the institution-based view of international business strategy, attempts to bring the aspect of the micro and macro level of the industry-based and RBV research streams together (M.W. Peng et al., 2008). Researchers supporting the institution-based view argue that strategies do not only depend on industry condition or firm capabilities but also context and institutional frameworks such as legal, social and developmental conditions (M.W. Peng, 2003). This, especially, applies to the fast changing environmental conditions of emerging and transitional economies but also to the more stable situations of the developed countries. Good timing and speed can become a strong point of advantage in turbulent environments and can be given regard in the strategy formulation (Crick & Spence, 2005). Small firms have been shown to use speed and quick turnaround time to their advantage (Bhide, 1994). The success of small firms in high tech industries where the window of export opportunity is not open for long supports this idea. In fast-paced conditions opportunistic strategies seem to be more successful than long planned or systematic ones (Bhide, 1994; Teece, Pisano, & Shuen, 1997).

To conclude, the field of international business strategy can explain the internationalization process of firms as the result of a series of favourable management decisions towards achieving competitive advantage in international markets. For very small firms, however, the competitive advantage might look like achieving a successful niche position or, even less grand, taking advantage of a limited number of export opportunities. In any case, successful strategies take into account the firm's capabilities and core competence which will be discussed in the next section.

4.8 Core Competence, Capabilities, and Dynamic Capabilities

In their seminal work Prahalad and Hamel (1990) discuss the benefits for large international corporations to focus on core competencies when making strategic decisions. Since then other disciplines have taken up this concept and developed it further. In most cases core competencies are attributed to the availability of resources generated or combined inside the firm (Banerjee, 2003) and therefore have been of concern to the RBV (M. W. Peng, 2001). Hafeez, Zhang and Malak (2002) propose a relationship between the firm's three main types of assets, referring to as intellectual, physical and cultural resources, and the firm capabilities while they emphasise that firm competencies are special capabilities. They put forward a staged framework for the identification of core competencies where they explain how these are developed and how these concepts relate to sustained competitive advantage (Hafeez et al., 2002). One of the limitations of the classical concept of core competence is that it was developed through research of large multinational companies. Thus, it might be limited in its traditional application to large sized firms.

The notion that organisational capabilities determine a firm's marketable output which, consequently, defines a firm's survival and prosperity has been generally accepted (S.G. Winter, 2000). There seems to be also consent that capabilities vary in degree of importance making higher level capabilities more valuable to the firm (Sidney G. Winter, 2003) Others perceive higher order capabilities such as dynamic capabilities as the source for competitive advantage (Teece et al., 1997). Eisenhardt and Martin (2000) highlight that in a wider sense the core competencies of the firm and more specifically the dynamic capabilities are able to explain how firms can sustain competitive advantage over time. Eisenhardt and Brown (1999) analyse these dynamic capabilities further by introducing the concept of "patching" as opposed to reorganisation. Patching as "the strategic process by which corporate executives routinely remap businesses to changing market opportunities" (Eisenhardt & Brown, 1999, pp. 73,74) becomes important when the market environments are turbulent. Patching allows for proactive and fast responses because the structure of the organisation and the strategy will follow on from the individual business opportunity. This is in line with Bhide (1994) who looks at the strategy formulation from an entrepreneurial perspective. Bhide describes a phenomenon similar to patching as "Plugging holes quickly" (Bhide, 1994, p. 160). Although, Eisenhardt and Brown(1999) investigate the larger corporation and Bhide (1994) focuses on the small firm and the entrepreneurs themselves, both relate to the same strategic phenomenon.

Firms choose often speed as one of their core competencies (Cunha & Cunha, 2007). This applies especially to small operators in dynamic industries that try to establish a competitive advantage in spite of the larger firms that dominate the market. For the sake of speed these firms disregard the necessity to acquire and accumulate resources to an adequate level. The fact that all necessary resources are in place in advance is a position which firms normally would want to have in order to implement properly planed strategies. These properly planed strategies that rely on sufficient resources have been labelled DPE 'design-precedes-execution' (Baker, Miner, & Esley, 2003). They are in contrast to the strategies that emerge in the context of a unique situation and are rather based on opportunity (Lengnick-Hall & Wolff, 1999) and which also have been described as ad hoc (Mintzberg & McHugh, 1985). In these instances the lacking resources are replaced with resourcefulness (Cunha & Cunha, 2007). This phenomenon has been expressed through the concept of bricolage.

4.9 Bricolage Concept

The concept of bricolage is sparingly used in mainstream international business research. However, the modest support it has is supplemented by a wide range of disciplines. Cunha and Cunha (2007) define bricolage in management as "the use of existing resources for new purposes" (p52). Earlier work by Weick (1993) introduced the concept to organisational theory as "a process of sense making that makes do with whatever materials are at hand" (Weick, 1993, p. 351). Ciborra (1999) emphasises that it relates to improvisation which appears to be a highly contextualised process that originates from a particular situational requirement. The term bricolage and bricoleur as its agent is borrowed from anthropology. Levi-Strauss (1969) was the first who developed the concept when researching South American natives' way of life. He identifies and describes the skilful ability of indigenous people to invent new tools from very few available resources which is captured by the concept of bricolage.

Although scholars from various disciplines do not always explicitly use the word bricolage they, indeed, describe a phenomenon which is similar. Thus, the concept has been related to a range of applications. In particular, it has a strong relevance to international business strategy research. Crick and Spence (2005) use the term 'serendipity' when firms exploit chance opportunities while Eisenhardt and Brown (1999) call this patching. Another example where the bricolage concept has been applied to is product innovation (Kamoche & Cunha, 2001). It also is prevalent in process innovation in general. Baker, Miner and Esley (2003) linked the concept to improvising networks.

Cunha and Cunha (2007) identify a lack of an available framework in relation to business research. They suggest a typology that differentiates between 'high pressure and low pressure' situations. Cunha and Cunha (2007) align the high pressure position with resource invention and with resource improvisation and the low pressure position with play and improvement. Examples from practice and history provide useful illustrations for the application of bricolage. It is recommended that further work which establishes criteria of a high pressure and low pressure context would facilitate the applicability of framework. Therefore, in order to advance the concept of bricolage Cunha and Cunha suggest that future research need to involve solid empirical work and more systematic observation (2007).

Looking at the bricolage examples in the business literature the reader might agree that the concept is mainly applied in situations that require lateral thinking while doing or responding to contextual demands. This is especially so when the necessity arises to solve urgent problems while only insufficient resources or inputs are available. As indicated earlier a manifestation of serious problems concerning internationalization of firms are the export barriers (R. E. Morgan & Katsikeas, 1997). Thus, cases of resource-poor firms in their quest to achieve export performance offer good opportunities to investigate the bricolage concept further. Of especial interest is how these firms deal with their export barriers when under high pressure.

4.10 Critical Evaluation

The internationalization process of firms has been described by different theoretical schools and, depending on the school's perspective, certain aspects of the internationalization process can or cannot be explained. The success in international markets has been of major importance to international business researchers as it is critical to the economic wellbeing of firms and countries alike. Several export performance models are available which explain factors essential to success. These performance frameworks are derived from Meta analysis of research that for the main part investigated larger firms. Thus, extant models represent the realities of large firms including the strategies of large firms while the applicability of these frameworks to small firms is thought to be limited. As pointed out in this chapter, particularly the findings resulting from research into strategic issues of resource-poor firms and entrepreneurial ventures give support to this assumption. To conclude, it appears that there is a gap in the literature that warrants further research into factors that determine export performance of resource-poor firms.

An important observation has been made that the various disciplines that are concerned with internationalization process, international business strategy and performance issues explore similar research problems from their own perspectives and paradigms. This, ultimately, has to result in diverging views. Fragmentation is amplified by the tendency towards increasing specialisations which limits the opportunities to read each other's work and draw from each other's insights. The historic preference for quantitative research methods has arguably contributed to the fragmentation of the theory. Approaching common problems through a holistic perspective might promote a more integrated position and provide a better understanding of the subject under scrutiny.

Additionally, a selective communication barrier seems to exist that limits the access of non-English language based research from being published in prestigious journals, resulting in their exclusion from serious discussion. Similar restrictions apply to alternative research approaches which are not commonly used in the scientific Anglo-Saxon literature and which could have provided a more unifying influence (Westwood, 2004). In order to move forward it seems necessary to integrate the different conceptual models and gain a broader perspective than a single discipline can provide.

Last, an increasing division of theory and practice in internationalization also has become apparent. It seems a precondition for good research that a scholar belongs to one particular discipline and investigates the problem from the particular perspective. The unique conceptual framework of the particular school however, is destined to influence the work. Scholars will frame questions according to their point of view. Thus, research problems most often are explored from only one specific theoretical perspective. Data obtained by research questions formulated through a certain mindset will be influenced towards this particular theoretical view and results will be interpreted accordingly. A way out of this complex situation might be the deliberate decision not to consider existing theories and rather approach internationalization practice with an open mind and a clean slate using a more grounded approach.

4.11 Concluding Summary of Chapter Four

This chapter presented essential earlier research associated with export performance and its main influencing factors. Scholars are in agreement on certain factors which either promote or impede export success. These are market knowledge and information problems, export barriers, firm resources, capabilities, core competence and strategic issues. Other critical but more controversial factors are the human factor and the positive experience of export performance. The influences do not only impact on the export performance of firms but arguably determine how much effort firms put towards their internationalization process.

The Aaby and Slater (1989) model has had a great influence on international business research. Scholars have added to it and consequently more advanced theoretical models of export performance have been developed. However, one generally accepted unifying framework that answers the questions of the different schools and that explains the critical factors determining export performance regardless of industry or product is still not available. The aim of the present research is to develop a simple but comprehensive framework with the intention of explaining the complexities of successful export practice. How this is to be achieved is explained in the next chapter.

5.0 CHAPTER FIVE – RESEARCH DESIGN

> "Not everything that can be counted counts and not everything that counts can be counted" - Albert Einstein

5.1 Introduction

This research aims to deepen the understanding of internationalization, in particular how firms manage their export barriers in order to achieve export performance. It endeavours to develop a new framework of factors relating to export performance. The study uses the cases of successful internationalised firms to analyse common patterns in their practice of export management. The previous chapters have provided the context for the research problem. This chapter moves on to explain how the research was designed to achieve the desired outcomes.

While reviewing the literature some issues became obvious. Firstly, it appears that many disciplines that address the topic of internationalization work independently from each other. Thus, the literature covering the many aspects of internationalization appears disjointed. Secondly, as there have been many investigations into the larger problem of export barriers and internationalization from a range of disciplinary perspectives, a complete review of the work from all of these different disciplines is not possible within the limitations of this study. Thirdly, compounding this problem, there is no overall integrative framework for internationalization that accommodates the different disciplines. This study attempts to address this issue.

The following section explains the design of this research project. Firstly, a justification is provided of the rationale underpinning the overall research strategy. This includes the argument as to why the case study approach was chosen as a useful means to deal with complexity, followed by an explanation of the reasons why cross-case study analysis was the preferred method. How the sample and cases were selected is then described, as is a discussion of the range of data collection tools used. It is followed by a section which clarifies why this range of research tools was chosen in a particular sequence. The story of the research process with details about the data collection process ensues and, building on this, the next section provides clarification on the process of data analysis. The final part of this chapter presents the limitations of this study and ethical considerations. A brief concluding summary will draw together the main points of the chapter.

5.2 Research Strategy – Research Question

"How do successful exporters in a specific New Zealand region manage their export barriers and achieve internationalization?" To shed light on the internationalization practices of New Zealand firms an in-depth enquiry was undertaken of export barriers and how firms manage to overcome the obstacles in order to achieve export performance. Investigations that are guided by observing the firms' actual practices offer the opportunity to identify critical factors that influence the firms' export performance and internationalization efforts.

The Aaby and Slater (1989) model is well known and widely accepted in spite of its age and limitations, and offers a frame of reference when discussing export barriers. Their framework locates export barriers in relationship to export performance and this guided the current research. The more recent conceptual frameworks of export performance (Chetty & Hamilton, 1993; Leonidou, Katsikeas, & Samiee, 2002; N. A. Morgan et al., 2004) are also based on Aaby and Slater's original work. According to Aaby and Slater, export barriers have a direct negative relationship on export performance. It is proposed that export barriers and the successful management of these should be the means to investigate the complexities surrounding the achievement of export success. Dean, Menguc, and Myers (2000) followed a similar strategy when they investigated New Zealand small manufacturing firms. Research into how firms from different industries manage to overcome shared export barriers when using the same infrastructure revealed the rationale behind their internationalization process. This is the theoretical placement of the research where it is proposed to investigate how firms manage their export barriers in order to achieve export performance.

Aaby and Slater's (1989) framework is based on meta analysis of studies that are mostly quantitative. The previous chapter argued that the slow progress of knowledge in the field of internationalization in recent years is partly caused by an over-reliance on quantitative research methods. Additionally, the research appears varied, fragmented and sometimes results seem contradictory. Various attempts have been made to integrate studies into one overall internationalising framework (Aaby & Slater, 1989; Bilkey, 1978; Chetty & Hamilton, 1993; Coviello & McAuley, 1999; Leonidou & Katsikeas, 1996; Leonidou, Katsikeas, & Samiee, 2002; N. A. Morgan et al., 2004) and it is against this background that this investigation is positioned, approaching the problem from a holistic view using both qualitative and quantitative techniques, including case studies.

The research problem is to understand internationalization through identifying how successful firms manage the export barriers and achieve export performance. Arguably the most successful international firms in respect to internationalization are born global firms. These firms have to be able to operate successfully in international markets immediately in spite of the barriers. Conventional firms establish international business more slowly while operating from a supporting domestic base and gradually addressing the barriers and obstacles to export. It is on these conventional firms that earlier internationalization models have focussed. Yet, successful firms of either category have developed strategies to ensure continued performance in international markets and it is with this in mind the research question was developed "How do successful exporters in a specific New Zealand region manage their export barriers and achieve internationalization?"

This research has used case studies (Eisenhardt, 1989, 1991; Yin, 1981) in order to discover how firms across a variety of industries internationalise. Using case studies has enabled this study to deal with complex situations, and multiple variables and also facilitated the development of a theoretical model that reflected internationalization practice.

Firms were included in the study regardless of their international engagement level and age. There were no limitations on firm size, no limitation concerning industry sector and product, no limitation regarding management or organisational structure, and no limitation in regard to turnover. The only limitation was that the firms appeared on a database of exporters in the Manawatu that had been collated by Vision Manawatu in 2005 and this database, however, may not have been a complete list of exporters active in the region. The participating firms therefore belong to one geographic location which means that they share a similar infrastructure and the same regional business environment.

5.3 Case Study Research

Case study research is a research method which focuses on understanding the dynamics of an environment in single settings (Eisenhardt, 1989). Case studies typically combine data collected through different methods, using quantitative data, qualitative data or both. Kidder (1981) suggests that case studies have a useful application in exploring and describing complex situations. They can also be drawn on to generate and explain new theory (Harris & Sutton, 1986). The classic case study approach employs only a small number of in-depth cases, sometimes even single cases to produce new knowledge. Eisenhardt (1989) developed the case study method further. She based her approach on Glaser and Strauss's grounded theory (1967) and Yin's case study design (1981) and introduced a new way of building theories from multiple case studies.

Eisenhardt selects useful exemplary cases from a large pool of possible cases based on theoretical sampling. In the present study exporting firms in the Manawatu region that were recorded on the Vision Manawatu database in 2005 represented a large pool of possible cases (180 in total). As Vision Manawatu is in the business of supplying support services to regional exporting firms they have an interest in maintaining a current and possibly comprehensive data base by listing all the firms that engage in some kind of international business. For the main part these firms are exporters, however, businesses in the service sector are also included. The service firms normally do not perceive themselves as exporters.

Eventually, fifty firms took part in the interviews. These represented the pool of cases from which a selection of exemplary cases was drawn. The final theoretical sampling of exemplary cases was based on the firm's export performance. For theory building, cases were selected for theoretical and not statistical reasons. Thus, random selection of the cases was neither necessary nor preferable (Glaser & Strauss, 1967). During the analysis of the data it is recommended that a detailed description of each case is provided. Even if this is a pure description it is necessary in order to generate insights (Gersick, 1988). This thesis provides the shortened versions of all fifty cases (Appendix 2). The reason for writing up the individual cases was to become very familiar with each case as a distinct individual unit with unique attributes, as is a necessary stage in later identifying common patterns and features.

Eisenhardt (1989) suggests as the next step that cross-case comparison of the selected cases be undertaken in order to identify cross-case patterns. The cross-case comparisons in this study are based on the selected cases from high performing exporters. At this stage, according to Eisenhardt (1989) and Yin (1981), constructs can be developed and tested. If relationships and constructs are supported by mainly qualitative data then a good understanding of the causal relationships is possible which is necessary for the establishment of internal validity.

The final stage of theory development through case study research implies the comparison of the emergent concepts and theory with the literature. Eisenhardt's comparative case study approach enables the researcher to effectively tackle the research question and develop theoretical results. The success of the approach is evident in recent New Zealand research investigating a similar research problem, that of the internationalization practice of born globals (Chetty & Campbell-Hunt, 2004).

5.4 Sample and Cases Selection

For convenience and good access (Martin, 1982), it was decided to focus on a distinct geographic location in New Zealand – the Manawatu region with the city of Palmerston North as its service centre. The Manawatu area represents a typical rural situation for New Zealand exporters concerning infrastructure. Three major ports - Wellington, Napier and New Plymouth lie in the vicinity, all of them less than 220 kilometres away. There is main trunk rail freight and passenger train service and an international airport with direct flights to key domestic airports as well as direct international flights to Australia. These all provide a reasonably good transport infrastructure.

As mentioned before, the sample of exporting firms was taken from the database of Vision Manawatu, the regional economic development agency. The selection criteria for the survey participants were based on two conditions: (1) the firms had to be currently active in exporting and (2) that they had to be based in the Manawatu region. The rationale behind this choice of sample was to find respondents who had both an interest and experience in exporting. Non-exporters and pre-exporters such as firms which intend to export in future were not included in this study. The reason for their exclusion was that the study was not just to find out about potential export barriers but went one step further and investigated how these barriers were managed. Active exporters were thought to be able to explain this issue best. Neither firm size nor industry was used as factors for selection of the cases.

5.5 Data Collection

Data for the case studies were collected through various means: mail survey, background searches, in-depth interviews, and on-site observation. The use of multiple methods in the study of the same objects is a generally accepted definition for "mixed methods" and "triangulation". Denzin (1978) and scholars like Jick (1979) and Marschan-Piekkari and Welch (2004) recommend mixed methods for achieving quality results in international business research. They emphasise that it makes sense to perform multiple investigations of the same research object in order to comprehend the reality better. This type of data collection provided the potential for increased data reliability thus triangulation added rigour to the study (Jick, 1979; Trochim, 2001).

5.5.1 Survey

For the research the survey method was chosen as one of several research tools, in order to provide a good overview of the exporting firms and help prepare the field for further investigation. Surveys and questionnaires have the advantage of being very economical and efficient methods of reaching a wide range of people in a relative short time period (Patton, 2002). This characteristic is supported by another feature of the survey, which is its compilation of brief replies. The use of this approach resulted in short and concise and in a few instances admittedly rather superficial responses.

The survey questionnaire was designed following examples from the literature (Shaw & Darroch, 2004; Suarez-Ortega, 2003) that focussed on export obstacles. The survey was finalised by using a focus group drawn from Vision Manawatu and the International Business Group of the Department of Management, Massey University. The survey was eventually conducted in cooperation with Vision Manawatu and New Zealand Trade & Enterprise.

5.5.2 Background Search

Firm specific research from an array of public sources formed an important preparatory step prior to other data collection methods. For example, coverage from the local media, such as newspaper articles, press releases, and radio programmes was accessed and analysed. Similarly, firm websites, or websites from agencies such as the New Zealand Firms Office, or business partners, were used to gain clues about a particular firm's state of affairs, and marketing material or brochures proved informative. In several cases search engines like Google or Yahoo were effective in finding any available information on the firm or staff members. Last but not least, the research relied on people who were knowledgeable about specific firms. This local knowledge helped enhance the overall qualitative impression of the various firms and together, all sources proved useful in preparing the groundwork for successful interviews.

5.5.3 Interviews

The semi-structured interview is a resource-intensive method of information gathering requiring time and energy, both at the preparatory stage, during the interview process and in later analysis. However, this method provided an excellent opportunity to probe participant thought processes and to verify the oral information at the same time using nonverbal cues (Charmaz, 2002).

Once the interview commenced the researcher needed to focus fully on the subject and build up rapport and trust. A major task was guiding the interview through a carefully designed sequence of questions, asking for clarification without interrupting the flow too much, making sure that the communication stream is in both directions, and is both easy and uninterrupted.

To facilitate this, an interview schedule was prepared in advance that was structured around the survey questions and that integrated the specific replies from the survey. The interview process targeted the person who had filled out the questionnaire and who was in charge of exporting. This was in most cases the owner manager who was also in charge of the internationalization process. Thus, for the main part the interview schedule followed the structure of the mail survey. The rationale for operating in this fashion was that the interviewees were already accustomed to the questions in the questionnaires and could answer any follow up queries with ease. The interviews followed up on ambiguous statements and questions that were not satisfactorily answered or needed more in-depth explanation. The researcher noticed that there was an obvious keenness among most interviewees to go into the depth of their problems and explain and discuss every possible detail openly.

Interviews have been criticised for failing to provide objective and reliable information as they depend very much on the skills of the interviewer to conduct good interviews. Sometimes rapport cannot be established and the information just does not flow, then time and effort have been wasted. The use of interviews has also been criticised for their lack of consistency even when the same people are involved. When data from the interview are not written down immediately, and sometimes the quality on the audiotape is weak then there is the danger of data loss or data error. Interview data require immediate processing. On the positive side, however, if an interview goes well, it provides the chance to conduct a deep sharing of information and knowledge which is not achievable by other means of data collection.

5.5.4 On-site Observations

Together with the interviews, on-site visits provided an effective qualitative data collection method, providing additional contextual insights into the general circumstances of participant firms. These insights included such aspects as the state of the firm, size, condition, staff, tidiness, organisation issues, other problems, assets, artefacts, and the "feel" about the place.

As mentioned previously, background searches about the firms provided a base level of prior knowledge about the firms visited. In addition to the usual public sources use was also made of the local knowledge of work colleagues who were familiar with the area, its firms and history. It was against this backdrop that the on-site analysis took place.

5.6 Sequential Steps

Hurmerinta-Peltomaki and Nummela (2004) indicate the importance of addressing a few but fundamental issues concerning the application of a mixed methods methodology. According to their recommendations, one has to decide which order is necessary to achieve the desired results, as using a different sequence on a certain range of methods leads to varying outcomes. For example the main method chosen might provide the most valuable information although additional essential information might result from lower ranked methods. In order to be able to achieve the best outcome one needs to understand the purpose and the limitations of the methods used. Not all methods, of course, serve the same purpose, for example, a large survey might provide sufficient data for testing a hypothesis while a research problem in a lesser researched field might be better approached with an in-depth exploratory qualitative inquiry. The practical technicality is also worth a consideration: a postal survey, for example, is very useful for a large population. An exploratory survey facilitates identification and access to participants and was one of the methods used in the current study.

5.7 The Research Process

The research process started with a conventional postal survey targeting a population of 180 export firms in the Manawatu area drawn from a database compiled by the local economic development agency Vision Manawatu. The questionnaire (Appendix 1) was prepared using questions that evolved from themes identified in the literature review (Da Silva & Da Rocha, 2001; Shaw & Darroch, 2004; Simmons, 2002; Suarez-Ortega, 2003). The survey targeted the person who was in charge of export, in particular the export manager. Completed questionnaires provided information about the firms while also facilitating access to further data gathering by an item asking respondents whether they were willing to be interviewed (Q.35 & 36, Appendix 1).

Fifty-four firms (30%) returned the mail survey. Once data from the survey was analysed, follow up in-depth interviews and on-site visits were conducted. Thus a sequence of methods emerged using the various methods in the following order: mail survey, background search, and in-depth interviews with on-site observation visits of forty-eight firms; two interviews were conducted by telephone due to the respondent being outside of the Manawatu region.

The interviews facilitated the gathering of rich data for the case studies, providing a complementary data source to the survey and background searches. Three firms had to be excluded from the list of the fifty-four firms that returned questionnaires. This was because the firms were contacted erroneously having never exported or they had ceased to export. The remaining fifty-one firms were contacted by telephone and follow-up interviews were arranged with forty-eight of them being on-site visits. One interview was re-scheduled several times but did not eventuate as the owner manager could not find the time. Interview participants included general managers, managers, and owner-managers who contributed to the interviews, a final total of fifty.

All the interviews were conducted during a four months period from February to May 2005 and all of the interviews were carried out by the researcher herself. The respondents gave consent on the basis that the firm's name would not appear in the report and that their identity would remain anonymous to readers. The interviews had no time limits and lasted between fifteen minutes to more than three hours, typically lasting longer than sixty minutes. Why did these variations of interview duration occur? As a matter of principle, the researcher would leave the interview only after all her questions had been answered satisfactorily and no further information could be expected to emerge. There was, however, one particular interview where this strategy did not work. During this interview, and it was by far the shortest lasting only fifteen minutes, the interviewee seemed defensive. He answered questions evasively and it became obvious that he did not want to reveal details about the firm(s) involved. The interviewer felt that the interview process was rather laboured and that crucial information was withheld. Immediately after the interview the researcher considered the interview as 'failed' and discharging the case from the project. Looking back at the experience of that interview the researcher wondered about the person's motivation and reason why the person agreed to being interviewed. Eventually the data on the tape (of fifteen minutes) was very thoroughly examined and the analysis of both, the interview and the remaining data, provided great insights into the importance of networks for the service industry. Indeed, the case turned out to be very useful and that although the interview was rather short and seemed unsatisfactory at first. This case in particular showed that applying triangulation to all of the collected data proved to be extremely valuable.

While the mail survey questions focussed on the barriers to growth, for the interviews it made sense to specify the research question further: "What are your export barriers and how do you manage to overcome these?" For active exporters, export hurdles do not function as absolute barriers. Exporting firms are able to overcome common barriers specific to their industries. Firms operating in the same industry achieve varying degrees of export success. Insights into the export practices and an exploration of how they deal with their barriers were the objective of the interviews.

To achieve consistency the questionnaire structure set down in Appendix 1 was followed. The schedule enabled the researcher to pursue clarification on ambiguous responses from the questionnaire including items from observation and the background search. Most participants shared the wish to improve New Zealand's economic situation. This became a platform for further conversation about their products and services, and their specific export issue including information about product customisation for specific markets. Eventually the dialogue led to the subject of selection of export markets and suitability of export product. It was necessary to understand both the person behind the business and the business itself. The researcher's goal was to become familiar with business goals and strategies including insights into the managerial decision making processes and rationale behind them. Most interviewees were open and willing to assess their success in international markets in general terms; quantifying statements about firm turnover or profit were less frequent. The researcher drew on the interviewees' experience, creativity and lateral thinking and this gave room for spontaneous and often novel responses.

The strategy for the interviews was to achieve a balance between broader questions and more specific ones, in order to clarify points that were unclear without interrupting the flow. Good interviews need complete attention on the interviewee and the ability to register non-verbal messages and use them as tools for verification. While open questions were being asked, the scope of the answer was left entirely to the respondent. Doing so resulted in better and richer information. In most cases the person interviewed could then be asked specific questions such as the manager's educational qualifications and expertise without causing offence.

Two of the fifty interviews had to be conducted by telephone as one interviewee was out of the country during the months of the interviews and another had been relocated to Hamilton (which is outside the Manawatu region). In both of these cases the data gathered via telephone interview was somewhat less complete than for the face-to-face interviews.

In general the interviewees were supportive of this study and offered their time and input generously. It was the researchers practice to take the original survey questionnaire back to the interview, then hand it to the respondent to read and inspect before the start of each interview session. This emphasised the importance of their information in a situation where most managers resented surveys, receiving them on a regular basis. Several subjects pointed out that they had never received any feedback on research where they had been involved. In order to address this perceived shortcoming, and to retain the confidence of the participants, a public feedback session was organised where the participants were informed about the results and could discuss the outcomes of the study.

5.8 Data Analysis

The recommendations of Eisenhardt (1989; Eisenhardt, 1991) and Yin (1981) were followed as the overall basis of the analysis. The triangulated data for each firm was assembled into case studies. In order to facilitate cross-case comparison, it was expedient to organise the collected material around the specific themes that were common to the cases. For analysing the data of the in-case studies the work of Miles and Huberman (1984) and Glaser and Strauss (1967) was drawn on.

The amount of collected data seemed to be overwhelming at first. In order to avoid what Pettigrew termed "death through data asphyxiation" (Pettigrew, 1990, p. 281), it had to be reduced and condensed to manageable units. Following the recommendations of Miles and Huberman (1994) who emphasise the benefits of clear data presentation throughout the analysis process flow network charts for the cases were created. This proved to be very helpful. These charts enable the researcher to indentify and keep track of the logical relationship of events and factors. However, the use of charts has another advantage especially when employing data triangulation. If data from multiple collection modes are conflicting the contradictory situation will become apparent in the charts. A big question mark behind incompatible entries demanded attention and further research. An exemplary causal network & flow chart (Case C2) is available in the Appendixes section (App 14). During the process of charting the patterns emerge that Glaser and Strauss (1967) describe. One illustration for such an emerging pattern is that export barriers, for example, and other difficulties demand certain strategic responses from management in order to alleviate their impact. The patterns that evolved during this stage of analysis formed the structure for the vignettes of case studies (App 2).

For the next step of the analysis exemplary cases were selected from the group of fifty case studies. The preceding in-case analysis provided the basis to identify exemplary cases that either showed high, medium or low export performance. How was the selection process put into practice? As there was a large number of cases involved, fifty being a rather large number of cases to compare, the use of matrix documentation was thought to be showing the best practicality (Miles & Huberman, 1994). Indeed, the matrix allowed grouping the firms according to level of export ratio and their perceived satisfaction with performance. Table 13 (on page 140) provides a list with the firms categorised into these groups. The comparison of the cases in each category provided a great opportunity to identify patterns and commonalities across the industries and regardless of the export products (Glaser, 1978; Glaser & Strauss, 1967). This advanced analysis stage led to theory building (Eisenhardt, 1989). Indeed, the cross-case comparison made it possible to draw conclusions of common patterns which formed the foundation for constructing the theoretical model.

Various methodological approaches to achieve the aim of exploring and explaining practices and perceived barriers to exporting are possible (Easterby-Smith, Thorpe, & Lowe, 1999; Kvale, 1996; Van Maanen, 1988). However, to use data collected from people whose experience and knowledge about exporting is the basis of their livelihoods is clearly the most straightforward and reliable method and therefore this approach was chosen. The assumption was that every single practitioner is most likely to have gathered a wealth of experiences and developed a position on the issues of export and export barriers.

5.9 Ethical Considerations

Care was taken to ensure the research was conducted in compliance with good ethical standards. Confidentiality was promised with sensitive business information and firm names. Initially 180 firms were surveyed which provided a large enough sample to guarantee anonymity for the participants in any published aggregate data. Fifty four firms returned the survey questionnaire (see Appendix 1 for the original survey questionnaire) and many included business cards with their responses. Finally, fifty firms were selected for further study. Firms were well informed about the purpose of the follow-up investigations; their permission was sought for the on-site visits and interviews. This included recording and transcription of the interviews. Participants were assured that the tapes with the interviews would be kept secure and destroyed on completion of the study. In just one case permission to tape was declined and instead the researcher was allowed to take notes of the interview. The interviews were conducted on the basis of mutual trust.

To comply with Massey University regulations on "Ethical Conduct in Research" an approval in the category "Low Risk" from the Massey University Ethics Committee (MUHEC) was sought. This "Low Risk Notification" was confirmed on May 17th 2004 (Appendix 3).

5.10 Concluding Summary of Chapter Five

In order to investigate in-depth how New Zealand export firms overcome their export barriers on their way to export performance and achieve internationalization, a research design was chosen that involved multiple case studies. Mixed methods were used to collect data. These methods included mail survey, background search, in-depth interviews and on-site observation. Material collected through various quantitative and qualitative approaches constituted data triangulation which is important for thorough examination (Jick, 1979). Using a case-study method allowed the researcher to investigate managerial decisions and their causal relationships at the same time. Internationalization patterns were studied from the perspective of how export barriers were successfully managed in order to achieve export success. By analysing cases across all industries the researcher proposed to investigate whether empirically based patterns are limited to single industries.

The next two chapters deal with the findings that resulted from this research design. Chapter Six presents the analysis of the fifty case studies with the focus on the export barriers. The export barriers are differentiated into industry specific barriers and shared barriers that are common to New Zealand firms.

Chapter Seven then provides the results of the relationship between export performance and the management of export barriers.

6.0 CHAPTER SIX – RESULTS (PART ONE)

6.1 Introduction

The previous chapter described how the research is designed. This chapter presents the first part of the results. It focuses on the profiles of the firms and provides an in-depth analysis of the export obstacles these firms reported.

This chapter is structured into the following three main sections:

The first part presents an overview of the participating firms. To facilitate comparison a table format is used. The table contains relevant firm data mainly from the survey; however it has been checked against the data gathered through the qualitative methods. It provides information about full-time and part-time staff numbers, the annual turnover; the year the firm started the business, the start year of export activity, the achieved export ratio, the firm's international markets, and main market, and the "export delay" (meaning the years between firm start and the start of exporting).

The following two sections discuss export barriers as reported by the firms themselves. The second section deals with the industry specific barriers and the obstacles are distinguished according to industries and products. This part is subdivided into the primary, manufacturing and service sectors. The third part details the common or shared export barriers which were inherent to all firms that had the Manawatu region as their business location, that is, all the firms in the sample. Distinctions are made between barriers which result from the domestic environment and the obstacles that derive from the target market and the wider international business environment.

The final section summarises the major causes that affect the performance of firms in international markets and the reasons for the impact on the internationalization process.

6.2 Profiles of the Firms

In the previous chapter, it was explained how the triangulated data was going to be analysed and compiled into case studies. The shortened versions of the case studies are available as vignettes in the appendixes section (Appendix 2). The case studies are structured according to the themes which emerged during the analysis with the headings used in these vignettes relating to these themes. Where possible the same structure for all firms is maintained in order to allow cross-case comparisons. The structure of vignettes is as follows:

- Introduction
- Products
- Core competencies
- Barriers
- Strategies
- Management
- Networks
- Market Development
- Development Agencies
- Comments

For a complete overview please see Table 15, pp. 335-340 (Appendix 13).

Table 15 provides an inclusive list of the following information about the participating firms. The first column states the year the firm started its operation. The next columns provide the following details: the staff figures giving full-time and casual/ part-time staff, the annual turnover, the year the export started, the export ratio (international business as a percentage of total business volume) in 2004/5, a list of the firms' international markets and a list including the most important market or main markets, and finally the delay in years between start up of the firms and the beginning of their international activities. To help protect firm confidentiality each of the participating firms received an identification number. The firms were grouped according to their industry sectors and products. The vignettes are therefore coded with a letter (identification of the industry): A - Primary Sector, B - Secondary or Manufacturing Sector and C - Tertiary or Service Sector plus a number (identification of the individual firm) in order to be able to trace them through the research.

6.2.1 *Overall results*

Firms from the three economic sectors were included in order to be able to find out about barriers they shared regardless of product or service. The sample consisted of firms from the primary sector (Firms A1- A10; industries such as produce processing and packing, fresh and frozen meats, wool and hides); firms from the secondary sector (Firms B1- B29; industries such as manufacturing of heavy and agricultural machinery, sports equipment, specialist tools and electronics); and businesses from the tertiary sector (Firms C1 - C11; industries such as IT services, various consulting services, and R&D for sophisticated injection pumps).

The composition of the sample according to industry is aggregated in Table 1 below.

Table 1 Participating Firms by Sector

Industry Sector	Primary Sector	Manufacturing	Service Sector	Total
Number of firms	10	29	11	50
Frequency %	20	58	22	100

Twenty percent of the participating firms resulted from the primary sector and a slightly higher percentage, exactly twenty-two percent, came from the service sector (eleven businesses). The majority of firms, twenty nine exactly, were manufacturers, making it 58 percent of the sample.

Table 2 below provides insights into the ages of the firms. The frequency (in percentage) of the businesses is listed according to age, measured in years.

Table 2 Participating Firms by Age

	Firm Age				
Age (years)	73-50	40-25	24-15	14-3	total
Frequency %	16	18	26	40	100

The age of the firms ranged from seventy-three years (firm B11 established in 1932) to three years (firms C9 and C10). Most firms (33 firms or 66%) were less than 25 years in operation. They were established after 1980, twenty-three (46%) of the firms after 1990.

Table 3 below gives details of the business size in regard to numbers of employees. The table aggregates full-time and part-time staff into full time equivalent employees (FTE) according to the definition of Statistics New Zealand (Statistics New Zealand, 2008)

Table 3 Firm Size by Full-time Equivalent Employees (FTE)

	Firm Size by Employees					
Full-time equivalent employees (FTE)	0-10	11-20	21-50	51-100	>100	Total
Frequency %	36	18	36	6	4	100

Firm size according to the number of employees ranged from very small firms to medium sized firms. The number of full-time staff in this study ranged from one (meaning the business is a one person - owner-manager - firm and has no employees) to 150 full-time employees. Thirty six percent of the businesses were very small and had between one and ten employees. Fifty four percent (twenty-seven firms) had between eleven and fifty employees. Ninety six percent of the businesses (forty-eight of the fifty firms) had less than 100 full-time employees. In general, New Zealand exporting firms are rather small in staff size compared to those in other countries. Fifty-four percent of the businesses fell into the category of SMEs (0-20 employees). Two firms from the primary sector employed more than 100 casual staff; that is during peak harvesting time. The number of their permanent staff however, was small, seven and thirteen staff respectively.

The interviews revealed that the number of fifty employees for a manufacturing firm indicates a critical point in the development of the business. When a firm reaches this size and stage of growth the operation becomes too complex for a single person to manage and a change of the organisational structure from a simple to a more complex one is suggested. This entails the introduction of a further level of sub management and administration. Only three firms in this sample Firm B1 (75 staff) and B5 (150 staff) B8 (65) employed more than fifty full-time staff. Firms B5 and B8 had already a more complex organisational structure separating the functions into departments. Firm B1 had a simple structure but planned to introduce structural change in the near future. The two firms in the primary sector that relied on a high number of casual workers during the peak season, bringing the number up to 250 staff, still operated under a simple and lean structure.

Table 4 below shows the range of annual turnover achieved by the firms.

Table 4 Firm Size by Annual Turnover

	Annual Turnover						
in millions NZ$	0.1 - 0.5	0.5 - 1.0	1.0 - 5.0	5.0- 10.0	> 10.0	CS	Total
Frequency %	14	12	38	12	12	12	100

Annual turnover ranged from NZ$100,000 to NZ$ 94,000,000. Six firms (12%) did not supply data on turn-over, citing commercial sensitivity (CS). Thirty-three (66%) of the firms achieved an annual turnover above NZ$ 1,000,000.

Table 5 below provides details on export duration achieved by the participating firms.

Table 5 Export Duration of Participating Firms

	Export Duration			
Number of years in exporting	<10	21 -11	>21	total
Frequency %	48	30	22	100

The earliest firm to begin exporting started in 1953 (accomplished by A5, a wool export merchant), the youngest two firms began in 2004 (A8 and B29). Most firms started exporting after 1980, following the opening of the New Zealand market to increased foreign competition with the partial removal of import licensing and monetary exchange controls.

Table 6 below shows the export ratios achieved by the participating firms in 2004.

Table 6 Export Ratios of Participating Firms

	Export Ratio					
Export Ratio	< 20	20- 35	40 - 65	70 - 100	CS	Total
Frequency %	34	24	16	24	2	100

Export ratios ranged from 1% (firms B7, B26, B27) to 100% (firms A7, A9). Nearly a quarter of the businesses (24%) showed high ratios of 70% and over, including seven firms (14% of the total) that had very high ratios above 90%.

The range of export markets varied from just one export market only to a situation where one firm established itself truly as a global firm. Australia was clearly the most important export market being also the closest. In spite of New Zealand government efforts to promote other export destinations Australia still is the preferred target market. This was true especially for manufacturing firms.

The table below indicates export delay or how long it took for firms (in frequency percentage) to take up exporting after they started their businesses.

Table 7 Export Delay of Participating Firms

	Export Delay				
Years after Start up	0	0-5	6-10	> 10	Total
Frequency %	40	22	12	26	100

Export delay - meaning the time between start-up of the firm and the year the firm started exporting - varied from zero to sixty-three years. Twenty firms (40% of the total) established their international business right from the beginning or shortly after, fulfilling one condition to qualify as born globals or international new ventures. Another eleven firms (22% of the total) began their exporting within five years of the firm start-up. That brings it to a total of 62% of businesses that started exporting either immediately or within the 5-year-timeframe after start-up.

6.3 Internal Export Barriers

The first milestone in this research was to identify the export barriers faced by New Zealand's export firms. Exporters from one distinct location, the Manawatu region, were chosen based on the presumption that all the selected firms shared the same infra-structure and had a similar geographic distance from international markets.

The export managers who are often at the same time the firms' owners were keen to tell the story of their firm including their aspirations and goals for the future. They also revealed the strengths and weaknesses of their businesses and what their aims were in regard to international markets. When asked they identified specifically what they perceived as the main problem for achieving export success. During the discussions, which included also their strategies, the origins of most export problems became clear. Their accounts of struggles both in the domestic environment and export hurdles in the target foreign marketing pointed to issues of unsuitable export products, problems with identifying their core competencies, weak export strategies, management issues, difficulties in accessing networks, and inadequate help programs from government development agencies. In order to understand the importance and the implications of these obstacles for the involved firms the researcher had to learn about the context of the export barriers.

6.3.1 Management Issues

During the research it became apparent that most firms in this study had only one person per firm who was in charge of the decision-making processes. This included the decision to internationalise. The decision maker, usually the business owner or manager, centralised knowledge and experience about the business and managerial capabilities. They had technical skills and knowledge about production specific capabilities, available resources, personal relationships and networks, and the necessary information about the domestic environment and the international environment and markets. This person appeared to function as the driver of the internationalization process. Therefore, the biggest barrier to exporting seemed to be a negative managerial attitude towards internationalization, or as one manager put it: "The biggest barrier is between the ears ... That's a barrier: wanting to do it first of all." (B23) If management is opposed to export for whatever reason, internationalization is not going to happen:

> I have always seen export as a bit of an 'add on' for the business, so the biggest problem with export is changing my thinking from seeing exporting from being an 'add on' to being a vital part of the business. (A9)

The decision maker of firm B28 perceived the export of their products as a "big hassle" (for example damage during transport) and only reluctantly filled orders from its Australian distributor. This firm exported only very little and, in effect, the volume of exports had decreased over recent years.

Management of firm B2 perceived the costs for sending highly skilled staff overseas as not practical and making it hard to achieve a profit in the export venture: "Sending qualified staff, who are experts in our particular product to go out and carry out the construction, unless it is a very good value job it is not worth our while." (B2)

This firm had very little international trade and might cease international business altogether in future. If management experienced a critical problem in the export process it put exporting on hold. For example, Firm A2 immediately stopped exporting to Japan, after their export of lettuces ran into difficulties as a result of communication problems with border control personnel and their business customs:

> We were told, when one lot was fumigated at 30 degrees Celsius that they'd found a caterpillar in it. But we since found out, and we were told by the importer in Japan that it was not a caterpillar in it but it was just our turn to be fumigated. And lettuce you just cannot fumigate at 30 degrees. (A2)

Results indicate that internationalization does not occur as a natural stage in a firm's development; successful internationalization is rather the consequence of a conscious decision of management followed up by strategic planning and sufficient resource allocation:

> To grow we would have to set up production lines, we look at it and say 'no'. Do we want to grow or do we want to have a good and comfortable life style job, and I think at the moment it's the latter. (B22)

In general, the managers of exporting firms found themselves as unsupported by the New Zealand Government: "Absolutely, they [New Zealand Government] should help with the tax situation. There is no tax initiative to export whatsoever." (B16)

Some voiced their concerns that the former wide-spread New Zealand community spirit where everyone chipped in to do something for New Zealand no longer existed. Exporters reported that they felt in former times the New Zealand public perceived exporting firms as the heroes of the nation and which was no longer true today. Therefore exporters' goodwill of going the extra mile was waning:

> Exporting, too hard … And in the government is a pittance of assistance anyway, so they go, the government obviously does not believe in it either. Too hard. Forget it I am quite happy where I am and why would I try and export stuff. I am quite happy where I am. That sort of sentiment is rife in New Zealand. A lot of people that can't be bothered. (B12)

The government's other efforts to improve the situation for exporters by providing services from development agencies was alleged as unsuccessful and a waste of tax payers' money.

6.3.2 Time Constraints

Financial constraints and limited human resources put some firms under extreme pressure. Owner-managers seemed to be overly busy with managing the domestic part of their business while trying to develop the international market at the same time: "We do not have time for this" was the typical statement. Time constraints put a heavy burden on many firms. Thirty-nine firms reported medium to severe time restrictions. For some firms the little time available was curbing their efforts to devote energy and resources to export. Five firms (10%) said that their time was so limited that they could not handle any additional work especially concerning international growth.

6.3.3 Financial Resource Constraints

In general, a large barrier to growth in New Zealand's exports was the widespread lack of financial resources for financing export ventures: "I guess finance is a barrier for most firms." (B23) Most firms (90%) - except A7, B3, B10, B19 and C10 – had complaints about this in one way or another. However, even the firms that did not mention financial constraints seemed to have little financial resources. Some firms appeared to manage this barrier better than others as they showed to have good practices in place to achieve growth in spite of financial shortfalls. Explanations of the problems caused by the scarcity of funds and other financial limitations included:

> I do not have the finances to set up a plant overseas. That is beyond my means, at the moment … The timbers are available [in several places around the world] and I have the technology, but one does not only need to develop a factory but the markets as well. (B20)

This was especially true where there was little financing available for new ideas and new products:

> ...what we need to do is start achieving return on the investment and only by setting a basic commercial arrangement first up that will start to generate income then we can pursue further options. (C2)

> The profit is not high enough to do any promotion. So fluctuation in the currency does hurt. (A5)

In New Zealand, financial institutions and banks evaluate firms' financial performance retrospectively in order to assess their credit worthiness, looking at their previous two or three years in business. It proofed to be a difficult situation for firms which were in the start-up phase of their business:

> In NZ we are looking backwards, what you have achieved in the last two years, while the U.S. values potential for the future and value of the firms are much higher. A U.S. valuation put the amount of US$ 32 million as what our firm is worth. NZ does not do it. (B8)

Firm B8 could not obtain funds from development agencies because they were beyond the R&D phase for their product development. There was no extra funding available for development of production facilities and exploration of new markets. Exporters complained that in the New Zealand private investors preferred to invest in the housing market, in properties in general or the money market rather than in new business ventures. Reasons for this were reported as New Zealand had no "Capital Gains Tax" as well as too high interest rates. This particular New Zealand situation made it hard to get private investors to support and develop enterprising businesses:

> A lot of New Zealand invention is sold off overseas, because there is not enough money in the country to develop the successful commercial exploitation. The same is with young scientists with innovative ideas. They all go overseas for better funding and job opportunities and career prospects. Currently only R&D is funded sufficiently, development of the export market is left to the firm itself. (B9)

> There isn't any avenue to achieve finance that will give you that medium to long-term outlook ... We got to have our resources very much tied to specific

> opportunities and we can't afford to really trawl the market until the right things come up. (C2)

> We have had in the past eight to nine years, three grants from Tradenz [government export development body], small grants probably up to 25,000 dollars each, but there is not the seed money around to get projects like this off. So we had to go round and pitch to firms that we thought might be able to help us and in the end an investment firm did take us up. But along with that comes the need for that investment firm to make a return. And they are looking at returns not within five to seven years but looking at returns within three. (C2)

Most firms could not find the money to invest in professional market research. This was especially true for the expensive but lucrative North American markets:

> We are competing against huge international firms and we do not have the funds or resources to match the big boys. So we depend on our name getting through via other customers distributors. But we are happy to do it this way. (B15)

Some firms developed creative arrangements to save the resources for advertising: "Resellers do advertising." (B13)

Above all, the fluctuations of the New Zealand dollar exchange rate and high interest rates on credit were adding to the financial worries: "We try to hedge, but we run out of currency ... Money being expensive, makes it hard to buy equipment, to get our capacity up." (B8)

6.3.4 Shortages of Human Resources

In general, results show that are sufficient numbers of manual workers in the primary sector available, although this sector had a high demand for casual workers during the planting and harvesting seasons. Firm A1 employed more than 200 casual workers for seasonal work. The human resource situation was not perceived as a problem in the primary sector and managers were generally satisfied with the skills of workers. The same applied to a certain degree to the manufacturing sector. The work force for low-skilled manual labour in manufacturing appeared to be abundant. For example Firm B1 had about eighty staff employed in their factory and said that they had sufficient factory workers. The level of skills of these workers was not a problem for firm B1 because they trained their staff on-the-job. Staff also earned good wages to ensure a satisfied and stable workforce: "I think we pay above average wages, it is not an easy job and at least they are paid well." (B1)

Some firms reported shortages and the availability of highly-skilled labour in particular was a problem: "Obtaining the right skilled staff is an issue at the moment." (B3) "The main problem here is to get skilled and suitable staff." (B21)

Other firms developed and nurtured their skilled workers into highly skilled loyal employees who felt valued and remained with the firm as a stable and dedicated workforce: "I found some very good and creative people who are now working for me. My people have a perspective on life and also like to solve problems practically." (B18) This firm demanded high work standards, but at the same time staff felt appreciated and they achieved high productivity. The firm reported that they had hardly any turnover of staff.

The labour costs for skilled staff are relatively high in New Zealand compared to the low labour cost countries in Asia and parts of the Pacific Rim. Some reported situations in the manufacturing sector where employees were not sufficiently skilled. Staff had to be trained which was costly for the firm. The other option of automation in manufacturing was not possible because of financial constraints:

> So we are on the back foot, we can't get skilled staff. The wages are going up, because there is no unemployment in the labour market. On the other hand it is also hard to increase your production capacity because money is expensive ... Our advantage is our staff, lack of skills is not so good, that is, I guess, a little bottleneck at the moment. (B8)

Examples from the bio-commerce (B1) and service sector (C5), where managers reported a shortage of highly qualified professional and scientific staff:

> Yea, I was lucky to find that person. Actually he found me, from Holland and he wanted to emigrate and he needed a job, so he approached me. But I have asked many times at Massey and other places if there were students, who could either help me in a student project or if they were finishing their studies and were looking for a job, but nobody is there ... So it is very hard to find

> people who specialise in this area ... So probably you can find those people only overseas. (C5)

> We were looking for a scientist and it took about four months to find one and then another five months for her to turn up. (B1)

In general, specialised professional staff is not drawn to rural areas and small towns like Palmerston North being more attracted to the main centres: "Acquiring suitable senior staff here in Palmerston North is a problem." (B5)

Additionally, there were other issues concerning human resource. For example, managers reported problems with immigration services for getting work visas or permanent residence visas (PR) for potential future staff: "But he has very much trouble to get his residence visa ... and the government is not giving him a visa and it is very annoying." (C5)

6.3.5 Access to Suitable Networks

Many firms complained that they just cannot find customers overseas or they would not know how to explore a foreign market. Of course they knew that there are professional services available that offer market research and analysis. However these services are perceived as too costly and often not worthwhile for small businesses. Participants commented on the governmental "beach heads' project as too expensive and ineffective as these overseas bureaus neither really understood the industry nor the export product very well. Firms that felt that they could achieve better export performance with better access to markets emphasised that gaining access to networks was a major problem.

Table 8 below provides an overview of the internal export barriers which have been identified and experienced as 'most important'.

Table 8 Internal Export Barriers

Barriers	
Management issues	Lack of desire to internationalise / attitude
	Lack of knowledge
	Lack of time
	Lack of certain interpersonal skills & capabilities
	Lack of network building skills
	Lack of product & technological skills
	Inability to acquire the necessary resources
	Inability to access suitable government support
	Inability to manage the international venture
	Lack of international experience
	Inability to assess the situation in the target market correctly
	Inability to solve financial & cash flow problems
	Inability to achieve profits from international ventures
	Lack of 'bricolage' & 'effectuative' thinking
Networks	No access to networks in target market
	No access to networks in the domestic market either
	No use of unsolicited orders or satisfied customer referrals
Resources	Insufficient financial resources
	Inability to attract & maintain necessary human resources
	Ineffective use of resources
	Inefficient use of resources
	Inability to access support
	Inability to resolve resource issues through a bricolage approach
Product specific capabilities	Insufficient product capabilities
	Insufficient R&D of export product
	Unsuitable export product

6.4 Industry -specific Barriers

In the analysis stage the fact became obvious that firms that belonged to the same industry shared similar export barriers. This did not mean, however, that the impact of these problems was the same for each firm. Not every firm that shared the same barriers perceived them to the same level of severity. In the following sections the reported obstacles by industry are presented.

6.4.1 Primary Sector - Agricultural Products

New Zealand's conditions for climate and soil are generally favourable for good harvests of quality agricultural products. Accordingly, New Zealand has a long tradition of producing and exporting high quality produce. Because produce is perishable, and some products in this industry are very delicate, adequate transport to overseas markets is an issue. Therefore one of the major problems of this industry is fast and appropriate delivery to the markets.

Some products required chilled transport in special containers. If the cool chain is broken during transport sensitive products will arrive overseas in poor condition. In this sector freshness is important for good quality. Poor quality leads to unsatisfied customers who then complain. Firms confirmed that this very problem led to major disputes over price and payment:

> We used to do Japan, send carrots to Japan, but it is too risky in terms of: the market can change while the carrots are on the water. And they can get there and they do not want to pay for them. (A1)

A loss of profits might be the result. Four firms (A1, A2, A3, and A4) reported at least one recent incident where this had happened. "We still have some difficulties with product degradation and transportation." (A4)

There were two main issues with cooled containers: firstly, they are much more expensive, and secondly, the cooling elements tend to get lost (or stolen) on the way back from the target markets. Freight agencies pass the additional costs for replacing the cool elements onto the exporters. Therefore, in contrast to ordinary shipment the costs for chilled transport work out relatively high.

Some exporters used to risk the shipping without any cooling system. To still maintain high quality required good project management skills and excellent communication with all parties involved in the logistic chain. Especially, effective communications with all players in the distribution chain is a precondition for fast and hassle-free delivery to the markets.

Adding to the above problem was the fact that export items in this industry were in the high-volume and low-value category. Most items, such as potatoes, were bulky meaning one container load represented a rather low money value but took up a large physical space. Shipping by sea container was the rule unless the produce was processed and for "immediate consumption". The latter category required fast delivery by airfreight: "Airfreight problems determine which product can be exported and which cannot" (A2). As for many seasonal products at harvest time there was often a shortage of container space as well as shipment facilities. On top of that, shipping services to some countries seemed to be less regular and incurred higher costs: "So containers can be a problem to get. And then it is just getting space and just logistics." (A1)

For this industry delivery time was the central factor:

> It is New Zealand's proximity to the rest of the world, the transit times for us; we are competing with a lot of firms out of Perth, so going to Singapore or Hong Kong is only eight to ten days, for us it is three weeks, so that poses a problem. (A2)

> It is generally just transport and transit times." "We have sent carrots to Ireland before; that was nearly a nine week transit time. (A1)

Part of the time problem was getting the Ministry of Agriculture and Forestry (MAF) certificates on time. The certificate is necessary before a product leaves premises:

> NZ Ministry of Agriculture belongs to the International Plant Protection Convention and there are a number of countries which also belong to that.

> They establish requirements in regard to importation of produce into their countries, so they will list certain diseases and insects that are not permissible by way of import entry or list tolerances for insects and diseases. And New Zealand MAF then accepts responsibility to police on behalf of importing countries, so we have to obtain what we call an 'Import Inspections' which then is done within the realms of the importing countries requirements, so if they say for example "We will not accept potatoes grown in an area where a disease is present" then the shipment will not be shipped...MAF will issue a 'Phyto Sanitary Certificate' ... that is submitted to the buyer. (A4)

New Zealand has entered an international agreement on plant and environment safety known as the "International Plant Protection Convention". This treaty provides a legal arrangement with various countries to prevent the spread of pests and diseases for animals and plants. In New Zealand, MAF have taken on the role of controlling and enforcing these regulations. The regulations and especially the paperwork documenting the compliance with these rules caused concern for many exporters. One issue was the time delay caused by the inspections and the subsequent documentations that were not performed in a timely fashion. The exporting firms wished for more speedy and flexible services. The main problem seemed that government departments and private enterprise had different work modes which were at times incompatible. It was suggested that MAF staff did not support or respond in a flexible way to emergency situations, nor did they understand the sometimes "impromptu" work approach of small exporting firms. MAF would not change to less bureaucratic behaviour and exporters had serious complaints about MAF staffs' attitude, effectiveness and efficiency. There is the other side of this argument where perhaps exporters do not plan ahead sufficiently or take care to read and understand and follow the proper processes.

The shipment of containerised products requires full customs and tracking documentation including the satisfactory compliance of "Importing Country Phyto-sanitary Requirements" (ICPR) prior to containers leave New Zealand: "Every substance used during the growing period and harvest has to be documented. The most important export market is Japan, however it has the most strict quality requirements, and only first class produce will attract buyers there." (A3)

MAF maintains a website where they list the specific import requirements from every country. Of course, on a world scale, the regulations of individual countries tend to change quite often and exporters need to keep a close eye on the current development in the countries to which they export. MAF's website is updated regularly to incorporate new developments. Some exporters complained that the regulations changed while their export goods are in transit or "on the water" (A1). There was a widespread belief among exporters that MAF, in effect, was responsible for changing the requirements. However, MAF confirmed that this was not the case and that they do not influence the requirements in any way (MAF, 2006a). The accusations from both sides indicated that there was a considerable communication problem between the two parties involved: the exporters and MAF.

A general trend towards greater bio-security measures can be observed worldwide. This is true in particular for the USA and Japan. Government officials of these markets supposedly introduced increasingly controls to prevent biological terror attacks, thus ensuring the safety of their citizens. The continuously becoming tougher regulations now require a host of additional compliance measures and a greater extent of documentation. Documentation is generally due even before the containers leave the departure ports and well before the shipment arrives at destination. Growers argued that these measures were and still are used as bureaucratic export barriers to discourage exporters from trading with certain countries (e.g. Japan).

The changing documentation and compliance costs have made exporting of produce increasingly more difficult and costly. Exporters emphasised the cost factor as important when considering profitability. In line with decentralisation and privatisation of public services in New Zealand, some of the services that MAF used to provide are now outsourced to independent organisations which are required to return a profit and operate under new "user pays" conditions. The providers have a virtual monopoly to perform the required inspections and certifications of the export products on a commercial basis: "There are two service providers which work for MAF: Agri-Quality and SGS. The cost of compliance with the regulations is climbing quite quickly … and the market we are selling into is pretty competitive." (A4)

There were complaints that the services of MAF and their associates are too costly:

> The exporters generally feel that MAF ... is more like an impediment to export because of the high costs and the bureaucracy involved. (A4)
>
> Taiwan is opening up for potatoes, but they need to be PCN registered, which means they have to be registered and inspected by MAF ... And that is quite a high cost, that is sort of NZ$ 50 an acre. (A1)
>
> Nobody wants to be held accountable for anything. They all bumble around like in MAF. And how does quality come into the factory? How do I get round this? - They won't answer you. If what they say is wrong, they don't want to be held accountable. Like in America, everybody is running around and around and not prepared to put their hands up. (A2)

The costs imposed by MAF inspections put New Zealand exporters at a disadvantage to competition from unregulated countries that can offer much cheaper produce: "There is also a question of food safety with the Chinese products." (A1)

The countries that do not subscribe to the same high standard of health and safety regulations can, therefore, produce at a fraction of New Zealand's costs.

New Zealand labour costs in this industry were reported as one of the main barriers to growth in general. Competition comes from cheap labour countries, mainly China, which has a huge advantage concerning production costs. In China, there is little required in the way of compliance costs for health and safety:

> China is a big problem for us. They export very cheaply, 'cause their labour units are so cheap, and they do not need to get resource consent ... so their productivity cost are a lot lower. At present they are shipping stuff into Hong Kong for a quarter of the price. (A1)

The large geographic distance from lucrative export markets such as USA and Europe incurred high shipping costs and made New Zealand export products less competitive. The geographically closer markets of East Asia had other inherent problems, such as payment on time, payment to the full amount and generally a different culture of doing business ("high in psychic distance"). For example, there were suggestions that Asian customers made unsubstantiated claims for rebate due to the allegedly poor state of quality of delivered goods. In some cases exporters could not verify these claims and saw this as a way of reducing the purchase price using unfair means:

> One of our biggest problems we have is getting money out of our customers especially in Asia. We have claims, but sometimes we have claims that we are convinced that they are not genuine so that makes it difficult to get payment ... They want to see the product before they pay for it. (A4)

In the primary sector it is difficult to establish a niche market through product differentiation with commodity products. Exporters confirmed the general rule that most customers want to buy cheap products. As profit margins are small, firms struggle with finding money for professional services, such as marketing. This explains why the firms felt they needed to become creative with their marketing effort and unsolicited orders were perceived as the cheapest way to access international markets. Unsolicited orders often were the centre point for building up an internationalization strategy. Networks evolved around overseas customers and distributor channels. The most cost effective way to build up distribution networks was from a base of satisfied customers.

6.4.2 Primary Sector - Animal and Other Natural Products

New Zealand's good reputation and capability for generating high quality animal and other products such as meat, wool, hides, honey, or animal nutrients, supports the development of these industries. The moderate climate, good grasslands and forest areas provide generally favourable conditions for a high yield.

Some highly perishable animal products, such as meat, require fast transport to markets. This also calls for specialised containers that keep the same low temperature continuously in order to maintain chilled or frozen conditions. Firm A7 reported shipping problems: "There is strong competition at times, mainly during harvest season, for containers with other firms wishing to ship produce. Our firm requires containers with facilities for 'chilled and 'frozen' goods." (A7)

The export items in this industry were generally of a higher value per export unit than agricultural produce. Thus, shipping costs could normally be recovered through higher profit margins per volume. Shipping by sea containers was the rule, depending on the nature of the products, unless it was a speciality product and of very high value and required delivery by airfreight (for example, firm A7 reported that they fly out some high quality meat cuts). The industry appeared to suffer from a shortage of available containers at certain times of the year when substantial amounts of fresh produce are harvested and shipped. Furthermore, shipment facilities to certain countries, such as South Africa, seemed to be less regular and incurred higher costs.

For meat and dairy products the persisting import quotas of the USA and European markets have to be taken into consideration by exporters before entering into an international contract. However, the main export barriers for this industry were the even more rigorous health and safety regulations than required for the export of produce. This applies especially to meat and honey products (A7, A9). Firm A7's export products, for example required therefore not only "chilled" or "frozen" transport, but also a "host of health inspections including the required documentation" (A7) which were costly and time-consuming to undertake. Firm A7 exported globally and each of their markets required a variety of entry procedures. To be able to manage this hurdle successfully the firm had to pay careful attention to details. Above all, they had to maintain effective communication with all involved parties during the whole export process. Documentation and paperwork had to be faultless to be able to export the items to countries with high security requirements such as Europe, Japan, and the USA. Exporters reported the rule of thumb that the more profitable the markets, the stricter the requirements for health and safety documentation. It is now standard practice for U.S. customers to require a complete chain of documentation for imported meats; this means from the animal producers to the retailer, every single step on the way needs certification and documentation. Thus the compliance costs in this sector were much higher than for the produce sector.

MAF have taken on a similar role here to enforce the international regulations by implementing compliance inspections and documentation as they do with agricultural products. Again, MAF's website informs about the current regulations of all countries to which New Zealanders export. However, MAF have outsourced the veterinary services to independent bodies which carry out the required inspections and issue certificates for the export products. Many complaints surfaced that these veterinary services of MAF were not user-friendly and very costly indeed. Exporters claimed that veterinary services are now centralised, and not accessible on weekends or after hours:

MAF are very hard, they centralised their vets ... They are a bit too thin on the ground. We are an exporting country and all they are doing is centralising all the time. That's probably the sign of the time, 'cause everyone is doing it, but it just makes everyone so much more remote. Simple straightforward information is not getting out there, they send you pages and pages of absolute rubbish on what might happen and on what might not happen and going into all sorts of details ... They need to get basic information out, just people who know the job. (A6)

Some criticism from exporters went even further, stating that MAF is overly zealous:

There is more and more paper work to be done to export ... NZ likes to show everybody that we have got a good system here. And I think some of the systems are forced on us. ... Not all markets require the same standards, but I feel that the same standards are now put on every market. (A6)

There were communication problems on both sides and working relationships and processes could be improved. Again, in this industry compliance to international standards made exporting difficult. Overseas competitors from mainly South America and Australia seemed to have gained a competitive edge concerning production costs whilst maintaining good quality. New Zealand's geographical distance from the most lucrative export markets such as those in the USA and Europe, together with the high shipping costs made export products more expensive and aggravated the declining competitiveness.

Firms in this industry tried to differentiate their goods from cheap labour countries and build up niche markets. Some high quality products such as superior cuts of meat and specialty Manuka honeys were established successfully as high quality niche products:

Just from the beginning I realised three main factors in dealing with Japan: one is quality and guarantee of quality; two is supply ability. You must be able to guarantee supply and that was very important with maintaining this relationship with this catalogue firm ... And the third one was stability in price, so you have to take sometimes losses. (A9)

For other merchandise like New Zealand sheep wool, a niche market was not easily established. Wool is traded as a commodity. Coarse NZ wool is used for mainly carpet making and like any other commodity is traded on the world market which is wide open to global competition. Exporters reported that the price for wool was in continuous fluctuation and world prices were low in 2005. Competition was fierce and came also from inside New Zealand itself: "There are 10 maybe 15 NZ wool exporters and each one tries to undercut the competitor in price ... There is no cooperation between the different exporters to get the price up." (A5)

When firms operate on small profit margins then the fluctuation of the New Zealand currency becomes a real problem. The wool exporters saw Australia as the main competitor for New Zealand wool on price and quality. Australian production facilities are state-of-the-art which impresses foreign customers who visit. Australian producers achieved better standardisation of cattle and sheep and so were able to maintain a better and more consistent quality. Thus producers have achieved a very good reputation in the U.S. market for sustained quality. Additionally, the Australian currency seemed to be more stable while New Zealand had great difficulties in maintaining its currency within a realistic range (see Figure 11 -12, Appendix 5).

6.4.3 Primary Sector - Horticultural Products

The horticulture industry seemed to be hardest hit by the phyto-sanitary requirements. MAF regulations were seen as a severe organisational and financial hurdle. This was for both the export and import of plant material:

> And in these hard times of the high [New Zealand] dollar the service I get from government departments or former government departments that are set up as state owned enterprises, they doubled or tripled their fees, but their productivity has not improved, because they have a monopoly. So if I can pay my staff more and become more productive, possibly her [Helen Clark, Prime Minister of New Zealand] staff could become more productive. (A10)

The shipments of these speciality products were normally done in small batches, each of which needed a separate inspection and certification from MAF: "Every year there is a new set of restrictions to export ... Government agencies make it more and more difficult." (A10)

Exporters thought that the organisation of border crossing for plants and bulbs had gradually developed into a bio-security nightmare being complicated by the excessive demands from the U.S. border control. One problem seemed to be that many countries, including the USA, employ inadequately qualified personnel to perform the inspections. Most employees do not know what they should be looking for in the plant material:

> The inspection staff in the US are not very well trained, they are not sure what constitutes a bio-security risk and any black spot on any plant would suddenly constitute a bio security threat, so we had quite a few hold ups in shipments through the year. (A10)

A discolouring of plant bulbs which often occurs naturally is not necessarily an indication of a plant disease. Untrained overseas customs staff, however, often misjudged the spots of changed colour as a sign of viruses or infections. Thus, delays of shipments occurred and in the worst case scenario it resulted in the complete destruction of an entire shipment.

Exporters stated that New Zealand's relatively high labour costs and a general lack of financial resources, which prohibited investment into automation, made it more difficult to compete in this industry in the global market. Firm A10 had severe financial constraints: Shipping costs to the USA had doubled within a short time frame. The fluctuation of the New Zealand currency hurt this business as they operated on small margins. Innovation of horticultural products based on conventional breeding of new varieties was too slow compared with new technology using genetically modified material elsewhere in the world: "Production has been lost to third world countries to which technology and knowhow was exported." (A10)

New Zealand's competitive advantage in this industry has weakened considerably during recent years. Strong international competition made it very difficult to export horticultural products profitably with Firm A10 giving up exporting at the end of 2006.

Table 9 below provides the overview of export barriers which have been identified and experienced as 'most important' by the primary sector.

Table 9 Barriers of the Primary Sector

Barriers	
Resources	MAF services not user-friendly
	Veterinary services not available at times, not available at short notice
	Unforeseen product shortages
	Lack of financial resources / financing export ventures
	Insufficient finances for automation of labour
Logistics	Availability of containers
	Availability of special & chilled transport
Costs	High cost of MAF compliance / Phyto-sanitary requirements
	Other compliance / inspection / documentation requirements
	Medium - high labour costs
	High shipping costs / low value (per volume) products
	Large distances to many important markets
	Very high cost for fast transport / airfreight
Risks	Diminishing product quality during transport
	Highly perishable products which require uninterrupted cool chain
	Weather / climate impact on products
	Unforeseen variation of product quality and quantity
	Unexpected delays in transport
	Long transport times to distant markets make products unsuitable / unprofitable for certain markets
	Currency exchange rate fluctuations
	Small profit margins which are eroded in times of high NZ$
External barriers	Import restrictions / quotas for US, EU, Japan
	Extensive customs requirement for US market
	Phyto-sanitary requirements for certain markets
	Overseas customs officers not sufficiently trained
	Bio-security compliance difficult to achieve
	A high level of corruption / theft in several Asian markets
Legal framework	Delays in payment, problems with payment to the full amount
	Problems with legal framework, missing contract laws
Competition	Stringent New Zealand labour laws and health safety requirements
	Strong foreign competition from countries with low labour costs & low compliance health safety

6.4.4 Secondary Sector – Manufactured Products

The major export barriers facing the manufacturing sector can be summarised as distance to the international markets, a general resource constraint, and high labour costs which weakens the product competitiveness in global markets.

Successful export for the manufacturing sector meant that manufactured goods had to get to their target markets on time. This incurred premium costs for transport without time delays. The manufactured products need to be competitive to similar, locally produced or other international products but there is the added cost of shipping long distances "They are big pieces. So you know a freight proportion of the value of machinery that exported is something like over 8%. So it is 8% that we lose compared to a local manufacturer." (B8)

It is therefore understandable that exporting manufactures focussed on the nearer regional markets, such as Australia and the Pacific Islands. Shipping costs to these markets were lower compared to other destinations. This explains why the preferred target market remained Australia in spite of efforts from the New Zealand development agencies to change the situation. For other markets, especially to Europe, products had to be shipped very long distances which took up time and increased costs. For firms that imported part of the raw material it was worse. For example firm B1 had to cope with high transport costs twice; first for acquiring raw material and second for shipping of finished export products "The tyranny of distance" (B1). This firm imported nearly all their raw materials and exported over 99% of their output. Product development and manufacturing was done in New Zealand but high transportation costs caused a struggle to remain competitive.

The shipping mode was chosen depending on the product: "It is normally part containers; a lot of it is air-freighted depending on the need." (B1) Exporters complained that New Zealand is not well connected to the major container shipping route network. The present trend of worldwide outsourcing - meaning relocating production to cheaper facilities in low labour cost countries, and the tendency of MNCs to establish global supply chains – increases the demand for freight and shipping facilities worldwide. Great amounts of raw material, half-finished goods and end-products are shipped around the world, mainly to and from China and the rest of Asia and back to Europe and North America. According to the exporters, shipping lines do not cope with demand and there seems to be a world-wide shortage of capacity in freight shipping: “It is tough; there is not enough capacity on the lines.” (B8) This caused unacceptable shipping time delays for delivery to certain markets: “The shipping firms are overcommitted and dump containers in Fremantle or Mauritius.” (B8)

The shipping and logistic firms are also subject to efficiency and economic pressures. This creates a situation where the logistics industry focuses on large customers to achieve economies of scale for profitability. Freight firms favour profitable destinations and give preference to customers with high business volume. High volume destinations are serviced fast and regularly, while containers to other market destinations require longer shipping times with often extensive waiting times and delays in transit ports. Thus New Zealand’s small exporters experience difficulties in getting their products shipped to selected markets on time: “Timing is more critical, really to get stuff to the markets in time.” (B11)

Even when the transport was organised well in advance, there were sometimes long time delays, and unhappy customers were unlikely to continue business relationships: “Lately [2005] it has taken 12 weeks to get a container to South Africa, it is just a joke.” (B8) There seems to be a relationship between the countries of psychic distance and less established trade routes and the availability of shipping and transport connections.

With freight facilities in such high demand, shipping firms can ask a premium for their services. Exporters reported that the few shipping firms that operate in New Zealand did not seem to compete against each other and they saw it doubtful that the market model really worked in a small country: “Freighting from here proves to be quite expensive.” (C2) “There are high costs involved with shipment and transportation from New Zealand. Competitors in Australia have a distinct advantage through much lower shipping costs from Australia.” (B2) Exporters complain that they pay much higher prices for transport of their goods in New Zealand than their counterparts in Australia to the same destination, transport costs being comparatively higher in New Zealand than in Australia.

Occasionally, the quality of transport services seemed an issue. Costly errors occurred where delivery was made to the wrong address: "My products were delivered to the wrong customer." (B6) Freight problems also involved extra time for security and documentation checks:

> The security levels of freight and oil have put the prices up something terrible. And our dollar is just not working for us. (B17)
>
> Nowadays I have to ship two weeks sooner than I had to before 9/11 because of all the world wide security requirements. (B15)

Some products were shipped in organic packaging material, such as timber crates, which needed special certificates from MAF to ensure that they were free of pests and diseases. Strategically-minded exporters moved to less controversial packaging material to avoid the delays and the costs involved: "It is more along the lines that we have to make sure that the product is not shipped in wooden containers, because of the MAF regulations. That takes so long to clear customs. So, we send them in steel." (B6) However, it depended on the product and destination, and some exporters did not experience shipping problems: "No issues with transportation ... freight is a reasonable expense, but it not significant in the overall costs." (B7)

Higher labour costs in New Zealand compared to that of cheap labour countries is diminishing New Zealand's competitiveness in the global market place. Labour costs in developing countries - such as China - are low compared to New Zealand. Many manufacturers thought that wages in New Zealand's manufacturing industries were high in comparison:

> I can't get our guys to work for a dollar an hour. (B5)
>
> We cannot afford to send qualified staff who are experts in our particular product to go out and carry out the construction. Unless it is a very good value job it is not worth our while. (B2).

Low wage countries have the volume and the necessary numbers of workers for firms to achieve economies of scales. There is a global trend that Western manufacturers are relocating to these low labour countries, where production costs are low: "If you look at overseas manufacturers, how big they are and how far away we are from markets ... I believe that New Zealand will only ever be a niche manufacturer." (B5)

Competition for manufactured goods from Asia on price was reported as severe: "The Asians are really competitive." (B8) Thus, New Zealand firms cannot pursue an internationalization strategy solely based on price leadership:

> New Zealanders are not doing the export cleverly enough. They can never compete in the mass markets, they need to develop a special niche product and command a premium for it. New Zealand with limited resources cannot compete against low wage countries and its only chance is to identify something special and do this well, not spread it too thinly. (B18)

New Zealand manufacturers are part of this global trend and had to think about outsourcing. Even New Zealand development agencies, such as NZTE, promoted relocating manufacturing to low labour countries as a valid option. They suggested this choice as the only chance for one well-known New Zealand outdoor clothing manufacturer to stay in business, making contract manufacturing in low cost countries part of a viable internationalization strategy. Smaller manufacturing firms generally disliked this option and undertook great efforts to keep their manufacturing operations in New Zealand. They believed that their business success meant to include the provision of employment opportunities for the local communities. Looking after their local employees and providing sustainable jobs was part of that ethos.

One point most manufacturers complained about was the fluctuating New Zealand exchange rate. A high New Zealand dollar was seen as a big problem; however, the periodic tendency of the dollar to fluctuate within a large range was perceived as an even bigger problem. This created uncertainty for many exporters, especially those who imported raw material and those who operated on small profit margins:

> For us, it is not the level as such, of course it is much better if it is low, it is the movement ... It does not matter in what currency you trade, they all fluctuate at some stage, we just only want stability ... Our biggest barrier is the

> exchange rate currently [it] is a huge barrier for us, not so much for the Australian market, we think we can keep growing that, which is our biggest market overseas, but certainly a lot of the South East Asian firms we are dealing with. All their currencies are pegged against the American dollar … we can't compete, we have a lot of trouble competing. (B14)

Table 10 below provides the overview of export barriers which have been identified and experienced as 'most important' by the manufacturing sector.

Table 10 Industry Export Barriers – Manufacturing Sector

Barriers	
Resources	Special & skilled labour shortages
	Limited time of management
	Lack of financial resources / financing export ventures
	Lack of financing R&D & commercialisation
	Insufficient financing for automation of labour
	Insufficient financing to increase production capacity
Logistics	Shipping delays to certain markets
	Lack of available containers
	Sparse shipping facilities to less common markets, e.g. South Africa
Costs	High labour costs
	Distance to markets / costly & lengthy transport for deliveries to distant markets
	Generally high transport cost; e.g. much higher than compared to Australia
	Very high costs for fast transport / airfreight
	High cost of raw material & supplies sourced internationally
Risks	Currency fluctuations
	Small profit margins; erosion of profits in times of a high NZ$
External barriers	Language & communication problems
	Lack of access to markets and networks
	Custom requirements in certain countries
	Access to appropriate distribution chain
	Finding new customers / appropriate market development
Legal framework	Problems with differing legal frameworks, missing contract laws in certain countries
	Problems with protection of IP
	'Litigatious' culture of the U.S. market
Competition	New Zealand's demanding labour and health & safety regulations
	Very strong competition by cheap products from countries with low labour costs

6.4.5 Tertiary Sector – Services and Products

This industry sector provides services or products which generally represent high-value and low-volume. Thus, transport costs were less important here. Products and services were generally designed in a way to get to the customer easily and quickly e.g. electronically. The problems of logistics were not reported as an export obstacle for this industry:

> The DHL man comes to the door and takes it away. I mean what we sell is basically a bat size in weight, that just goes in a courier pack and it's gone. And it is with our customers within 2 to 3 days depending on the country ... Freight is not an issue for us. We have very high value per kilogram if you like ... We could be anywhere; location does not really matter. (C3)

Service firms rely very much on the availability of a good infra-structure system. Most service firms found New Zealand's infra-structure inadequate. Especially slow and unreliable internet connection was a major problem for this sector: "There is not enough capacity for a fast internet connection, for broadband." (C3) This firm had mainly clients in Australia, the USA and Europe, and fast internet access was vital to the business: "Everybody has the same grizzles [complaints] as we do about you know Telecom having the monopoly on broadband, which is a bit of a rip off." (C3)

Time shortage was a severe problem in this sector. Most often it was the firms' owners who provided the service products and who worked overseas on-site with the clients spending long periods away from their families. Time constraints were especially a serious problem for very small firms, such as C4 and C3, where the owner manager had also important other technical functions: "First main obstacle is my time; that is travel time. This affects my family life and home life ... I do not want to spend more time away from the family – 3 months away is enough." (C3)

The time problem was aggravated through unavailability of skilled staff. Many New Zealand service products were customised, which meant their export units were labour-intensive. In some industries finding suitably skilled employees was particularly problematic. Firm C7 for example looked for staff "with an engineering degree in food technology". Service firms complained that in New Zealand there were no general financial initiatives that help with the training costs for staff. There were also no initiatives to promote development and internationalization through tax rebates and tax breaks.

New Zealand's international service firms reported a credibility issue with their products and services overseas. This is also true for firms from the secondary sector which provided R&D and prototype development but lacked an international reputation. New Zealand is only a small player in the international field and international customers do not associate New Zealand's firms with quality service: "A 'credibility problem', clients do not recognise New Zealand as a base for trustworthy business." (C8)

Some clients from distant international markets did not consider a firm from New Zealand as a potential business partner. New Zealand is just too far away:

> One of the problems we have had with the [United] States is that they do not really recognise New Zealand. I mean the majority of people we know do not even know where New Zealand is. They think it is a small attachment to Australia. And it is a long way away and how can anything good come out of New Zealand? ... There is a perception; they do not know who we are. We are just a little island somewhere. (C2)
>
> "The Americans [United States] are probably a bit of a classic here, the fact that we do not have an office in America has been a bit of a barrier ... Because they have a culture of 'eye contact' and sitting around a table. But having said that, we do not have a problem of putting people on a plane across to America provided it is paying it is covered in our fees." (C3)

In order to overcome the real disadvantage of lack of prestige and trust, New Zealand firms relied on referrals from satisfied customers. Praise from a satisfied customer is most likely to persuade a new client to trust a firm and the products which the firm provides. It is therefore understandable that particularly service firms seek to internationalise along their network structures including existing customers.

The service sector suffered different export barriers compared to the other two sectors. They, therefore, have different needs in regards to internationalization. Many firms were aware of this point when they planned their international business. In order not to waste valuable resources on futile marketing campaigns they made market entry decisions when opportunities occurred. The U.S. market for example was particularly difficult to reach as many potential U.S. clients were not aware of New Zealand's physical location. Even fewer Americans knew that New Zealand's service firms provided good value for money. Firms that achieved success in the U.S. market declared the absolute necessity to make "face-to-face" contact with the customers before firms could obtain a contract. This required a lot of travelling and firms had to send a representative overseas on a regular basis. Additionally, the point was made that keeping up effective communication was essential for maintaining good customer relationships. Good communication was also a vital part of the customer's perception of good service and consequently influenced their satisfaction. The main barrier therefore for the service industry was the access to international markets.

> It is probably getting access, the marketing and prospecting ... It is actually finding the opportunities, filter through them, I guess and then establish credibility. In the consulting field a lot of credibility comes through 'word of mouth' and established networks and if you don't have those it is probably much harder to break in. (C10)

Firms servicing international markets suggested that the larger the customised service component of the product is, the more difficult it becomes to internationalise and to manage it successfully in a cross-cultural situation. Firms reported that firms and clients were failing to agree on what constituted "the service" after the service was delivered. Of course, this caused problems concerning payment and, in particular, questioned what the appropriate payment for the product was. A solid base of shared language and culture helped here considerably. Services are products which carry subjective values. These values are much in the eye of the beholder: "Consulting is very much employing yourself personally; it is your own personal credibility often that just comes through networks, people you know rather than through advertising or marketing." (C10)

In service industries, psychic distance seemed to play a bigger role than for other industrial sectors. Many service firms reported to restrict their internationalization efforts to markets low in psychic distance. A good understanding between the customer and the service firm was perceived critical for success: "Communication with customers: Understanding what the customers exactly want from the service." (C2) This included cultural and language proximity: "Because they speak English, they have a tradition of using consultancy, so we do not have the hassle we have with the Chinese. And their meat industry is successful so they can afford to use us." (C7)

Language barriers were dealt with in different ways:

> If they cannot speak English we tend to avoid that market. ... In the case of South America we have developed a relationship with a lady, she used to work at Massey actually, and I met her ... and she has since gone back to Chile and she does all the translations for us. (C7)

Some firms had bad experiences, for example in Asian markets where the concept of "paid consulting services" had no tradition. There, consultants' services were taken for granted as part of the mutual business relationship:

> They use them [consultancy services] but they don't like paying them. They generally look at these things to be free. So we don't bother we do not even go looking there. ... Malaysia, Indonesia, Philippines too corrupt so we avoid them ... too risky, we avoid them. (C7)

One aspect of psychic distance is the presence of an effective Western style legal system. Internationalization barriers for Asian markets in this industry were mainly related to intellectual property issues:

> The reason that we kept away from Asia is largely because of our technology. And we don't believe in the majority of the Asian countries that they have the 'patent protection laws' to support our technology; we believe it will just be copied. (C2)

Asian firms seemed to have a habit of negotiating on price. There were reports that processes were drawn out and that it was difficult to receive payment on time:

> Payment is an issue particularly in Asia and particularly in places like Malaysia ... clients there have the culture of getting the very best deal out of a contract, it is a bit of a game in many ways. There is not enough of professional integrity or loyalty in our experience. I have recovered two debts in the last week from 3 to 5 years ago. (C8)

China, in particular, was not a good choice for internationalization of services: "Too fraudulent, too complex, too culturally different. We are just dealing on behalf of third parties, such as multi national firms." (C4) Thus, most New Zealand service firms restricted their efforts to countries where their intellectual property was recognised and an expectation to pay for services was customary.

> We have learned a lot but we are still well off the mark in terms of being able to know a lot, in terms of making sure that we get the money for the work we have done. We have never taken anyone to court. (C8)

Another major barrier to internationalization in this industry is costs:

> Just costs of marketing. Just costs and risks, it is very high. To be able to do business with the firm just round the corner or next door is very, very much cheaper and much lower risk. As soon as you are looking to work internationally, you are much more exposed to competition. Your costs are many orders of magnitude higher, risk is many orders of magnitude higher. (C8)

The costs of maintaining staffed offices in overseas markets especially in Asia were reported as high and: "the clients there are not prepared to pay high fees." (C4)

To reduce the risks in this industry, firms occasionally took out insurance cover. Here again, the disadvantages of New Zealand being rather isolated from the rest of the world were visible. Exporters reported that insurance levies in New Zealand seemed generally higher than elsewhere.

In this sector the complaints about the fluctuating current exchange rate for the New Zealand dollar varied: "We quote in New Zealand currency. Currently the New Zealand dollar is high and that causes some problems for the customers." (C9) Others however, did not have this problem: "If I have a client in America, they easily pay twice as much than what they pay here … which is an advantage of export." (C5)

The service sector criticised what they call failed policies of economic development and "unsatisfactory services of regional development agencies". There were suggestions that these services did not reach an effective level of expertise which exporting firms require for true assistance. There were also complaints that these services are neither monitored concerning their effectiveness nor were these services really able to address the issues of export barriers and internationalization for practising exporters. Help for this sector is difficult as the most important element of service is the close and trusting personal relationship to customers. It was argued that this can only be established by the firms themselves. However some financial help with building up an international market would be very much appreciated but seemed not to be available:

> There is no financial initiative for internationalization and sharing the cost with Government and there is considerable criticism of the 'failed' policies of employing regional economic development agencies, which are not reaching an effective level of expertise and are neither effectively monitored nor are really addressing the issues of export promotion. (C4)

Table 11 below provides the overview of export barriers which have been identified and experienced as 'most important' by the service sector.

Table 11 Industry Export Barriers – Service Sector

Barriers	
Resources	Special labour shortages
	Lack of management time, lack of professional time
	Time shortage of administrative staff
	Infrastructure issues, e.g. slow internet connection
	Financial resources / financing of marketing
	Financing of R&D
Costs	High costs of local representation / market presence in overseas markets
	High labour costs for staff travelling and working overseas
	High insurance levies
	High costs associated with U.S. market development
Risks	Uncertainty in regard to access to networks / markets
	Lack of international reputation
	Credibility problem / "where is New Zealand?"
	Ambiguity of export product in relation to cultural difference / psychic distance
	Consulting products poorly suitable for Asian markets
	Serious communication issues outside Anglo-Saxon countries
	Communication & language problems
Legal framework	"Unrecoverable" debts; problems with speedy payment in general, payment to the full amount
	"Western" style legal system is not always available
	Problems with protection of IP
	High level of corruption in certain countries

6.5 External Barriers That are Shared and Common

6.5.1 Barriers Resulting from the Domestic Environment

> It is terrible. It is the bottom of the world. All we do here is grow a good grass and that is what we are really good at. But for a manufacturer it is not! But if we want to get into the creative side of manufacturing, small scale very creative, a lot of thought processes are now going into design and development, yes, it is a good place. (B23)

Across all industries New Zealand's geographical distance from most international markets was by far the biggest disadvantage with regard to transportation costs and time. Closely related obstacles were the limited availability of shipping facilities and logistics services inside New Zealand. Many exporters handled these difficulties as part of their planning for internationalising.

Since the mid 1980s New Zealand has opened up its economy and entered into several bilateral and multilateral free trade agreements. International trade for New Zealand firms is much more liberated from domestic restrictions than ever before. However, the international agreements which have been entered affect export. New Zealand has entered into the legal treaty IPPC (International Plant Protection Convention) with various countries to prevent the spread of pests and diseases for organisms and plants (Commission on Phytosanitary Measures, 1999). MAF maintains a website to inform about the current regulations of all countries to which New Zealand exports (MAF, 2006b). "MAF is about agriculture, horticulture and forestry, safe food, a protected environment, the wise use of the land, the creation of clean, green product and the economic success of those who produce it." (MAF, 2003). All exporters now have to declare and document any organic matter crossing New Zealand's borders. This applies, of course, to imports as well. MAF regulations include all packaging materials; therefore, documentation requirements are not restricted to the primary industries and may be of interest to all industries.

The export of animal products from New Zealand is organised by the New Zealand Food Safety Authority, Animal Products Group. Food items additionally require compliance with the Overseas Market Access Requirements (OMAR) (MAF, 2006a).

These legal requirements act as an important barrier to export. This was found to be even more so when exporters do not know about them before they embark on an export venture:

> It really is quite a logistical nightmare ... it is the paper work, knowing what you have to get to comply, and all that sort of thing is ... once you get in the first time, I suppose it is not so hard. (B21)

Successful exporters, however, had incorporated these regulations into their exporting procedures. In doing so these barriers became manageable, however, they still increased the overall costs for products.

Complaints about MAF's slow procedures surfaced during the interview process. Additionally some of MAF's services were outsourced to independent organisations that now have a monopoly but do not live up to the expectations of the clients. There was widespread criticism that the services of MAF and their related service providers were inconsistent, very costly and little user-friendly. The exporters generally felt that MAF was more like an impediment to export because of the high costs and the bureaucracy involved:

> MAF, their perspective is one of relationship with the country rather than they servicing the grower and the supplier in New Zealand, and I believe they should change their focus, they should better serve their country than the importing country. (A4)

> Another difficulty is sometimes MAF's attitude to exporters. They seem to be very rigid and depending who you deal with you get a different response and that is equally frustrating. (B1)

Several sectors, including seeds and nursery stock, reported a lack of consistent implementation of security standards. In some cases there was "a letter of the law" approach taken by MAF personnel, usually involving less experienced personnel, to applying bio-security standards. In addition, there were considerable problems where MAF staff were not available within a reasonable period of time - within a day.

6.5.2 Barriers Resulting from the International Environment

Exporters had a clear idea about which markets they would like to develop and the markets they thought were unsuitable. Many agreed that they would like to target the affluent markets of Europe, North America and Japan: "Why? Because we are selfish! These countries can afford to buy top end of the market quality." (B9)

Markets in poorer and developing countries seemed generally less attractive for export. Firms feared that those markets did not provide enough purchasing power for expensive niche products and were not worth developing. However, overall any export market was of interest where exporters were able to make a profit. In general, international markets needed to have good potential for higher profits than the domestic market to make them attractive to exporters.

Competition in the target markets varied. In certain Asian markets competition left exporters exposed to high risks. For some industries, such as high quality produce, the Chinese market did not look promising for international ventures. Firm A3, for example, stated that they would not consider exporting to China as they thought the local competition was too strong.

Although the economic hurdles had generally decreased over the last twenty years, different other barriers had been established such as bio security protection measures. Since "September 11" the USA and many of the Western countries have introduced extensive border controls and documentation requirements with the idea of preventing biological or other terror attacks. The countries consider these new measures necessary and appropriate to increase the safety of their citizens. For exporters the new safety regulations entailed a host of compliance measures, for example, documentation acfirming transport and shipment were required to be cleared by customs well before the containers arrived at port. This called for even more careful planning on the part of the exporting firm in order to meet deadlines and keep time duration for transportation at a minimum. Exporters, especially from the primary sector shipping to the USA, found these new measures excessive.

Many of the global markets still have bureaucratic barriers. Japan is one of the champions of these informal types of obstacles and, as a result, effectively restricting imports. Firm A2 suffered great losses when air-freighting fresh organic lettuces to Japan and customs refused to process the goods in a timely manner. The bureaucratic barriers in Japan are the reason why this firm stopped trading there completely.

Tariffs and quotas are still in force for many markets in spite of the prevailing trend to liberalise global markets worldwide. Meat imports, for example to the USA and Europe, are heavily restricted. Import duties are still in place in many countries and pose an export barrier:

> In Thailand they [import duties] can be as high as 81%. So a ten dollar product, when it gets through the border, it gets to 18 dollars. But a lot of countries now have special exemptions for PC type of equipment, so we tend to slot in under that. (C3)

Other products, such as minerals and food supplements for human consumption, need registration and permission for sale in the USA as with many other countries: "High compliance cost for dietary supplements and vitamins in certain markets ... We have lost millions of dollars of market opportunities because we deal with animal products and the animal diseases have stopped business." (B1)

Some products are required to comply with safety standards issued and certified by official authorities. For example, for firm B20 the compliance assurance certificate of the Australian Standard Authority became necessary for them to be recognised as a suitable supplier for official equipment for Australia's electricity firms:

> The biggest hurdle in Australia has been the lack of a standard document to cover that product because it is 10 years ahead of its time ... Is it covered by Australian standard requirements? No it is not. Sorry we can't buy your products. (B20)

Differences in the legal system pose a problem for international trade. In the USA for example, the general culture of "litigiousness" and their habit of pursuing manufacturers for damage and compensation, led to the withdrawal of the export products of firm B22:

> There has been a time when Keith has had them [the product] in the USA, but because a lot of their legalities and the laws where people can sue for this, that,

> and every other thing - now like when a cow gets mastitis for instance and they blame the product and it is very risky. (B22)

Other firms have had bad experiences too, and actively avoid the USA market for similar reasons: "Too big orders, and just the fact of being liable for anything and everything, and they are just too arrogant to deal with." (B17)

The contrary situation applies to many Asian markets. The firms reported that the issue here was mainly the lack of a Western style legal system. Some exporters believed a Western style legal system offered strong protection against theft and guaranteed the respect of their IP (Intellectual Property):

> Exporting beyond Australia [meaning Asia] the barriers there are immense. But they are not impossible but they are just huge. (B23)

> We have some huge opportunities in China. But most people don't understand there is no definable legal system you can work through. It is a problem in China. You got a real problem in China. It all just disappears (B12)

> Hong Kong has had a legal system. The dealings through Hong Kong had a legal system you could use and you could work through without problem. It does not apply in China (B23)

> We do work with Japan, which is relatively straightforward, but slow and difficult to get into it. We work with Taiwan which is not too bad. We work with Korea which can be difficult. (B23)

Some firms were aware that these markets operate in a different legal system to Western countries. Firms reported that in these markets the power of the law and the legal system is weaker than the influence of relationships and business networks.

Sometimes a country's legal system prohibited work permits for service firms who wanted to send their staff overseas, for example in the European Union (EU) or the USA, visas and work permits for periods longer than three months were a problem to obtain. Firm C6 had an example which required a work permit for the EU:

> Work permit [for work in EU] wise is a difficult one, because I am a New Zealand citizen and I am not on a European passport, less than three months in a year a business trip does not require work permits. (C6)

International environments are posing barriers for New Zealand's exporters mainly through lack of familiarity with the local situation and business practices, lack of knowledge and lack of access to suitable networks.

Table 12 below provides the overview of external export barriers which have been identified and experienced as 'most important'.

Table 12 External Export Barriers

Barriers	
Costs	Large geographic distance to most international markets which accounts for high transport costs
	Compliance costs ("red tape"); NZ culture of "user pays" related to export
Time	Lengthy transport & travel time
Compliance with legal frameworks	Various bi- or multi-lateral agreements and treaties require compliance and documentation ("red tape")
	International Plant Protection Convention (IPPC), enforced by both domestic market and certain target markets
	Overseas Market Access Requirements (OMAR)
	Issues with New Zealand governmental organisation; "letter of the law" approach
	Services of governmental organisations related to export rather "non-user-friendly"
	Inexperienced and unqualified government officials & border control staff, both in domestic and target market
	Inconsistent implementation of security standards; excessive security for certain markets, such as the U.S.A.
	Little IP protection in Asia (& other markets)
	Target market's legal system operates less effectively.
	High level of corruption, bribery & theft in certain markets
	Bureaucratic export barriers in target market
Product related barriers	Unsuitable product for target market; little demand in target market,
	Domestic market is perceived as more attractive for certain products
	Quality expectation of target market cannot be met
	Quantity expectation of target market cannot be met ("gusher")
	Product concept is not transferable to target market ("psychic distance")
Other barriers	Target market is highly price sensitive
	No appreciation for 'organic' or 'biologically grown' produce in target market
	Quotas for export product
	Tariffs for export product
	Not sufficient purchasing power in the target market

6.6 Concluding Summary of Chapter Six – Results (Part One)

The chapter started with a brief overview of the participating firms. This allowed for a categorisation concerning their size, annual turnover, the years when the businesses started up including export delays, and some indication of their achieved export performance through their export ratios.

The analysis of the export barriers indicated that the single most important obstacle across the industries was related to management. Some firms did not consider internationalization as a valid option for growth. An attitude of management opposing internationalization was the major obstacle towards increased growth of New Zealand's firms in international markets. It applied to all industry sectors present in the study.

Wide-spread resource constraints limited directly and indirectly opportunities for the relatively small firms to progress with their international ventures. For the primary sector a big problem was to obtain certifications from MAF concerning the IPPC. For the manufacturing sector the biggest problems were costs and the severe competition from low labour cost countries. For the service sector the limited market access and the lack of networks were the most important obstacles to growth. Achieving export success in spite of these critical barriers was definitely difficult. After having identified the export barriers for the participating firms, the next chapter will show how firms managed to overcome the implications of these obstacles and how they accomplished success. Thus, the next chapter is concerned with export performance and what practices firms employ to achieve this objective. Cases of highly successful firms are selected and insights are provided how they realised superior performance in their internationalization efforts.

7.0 CHAPTER SEVEN – RESULTS (PART TWO)

7.1 Introduction

The previous chapter presented the firms' profiles and an in-depth analysis of the barriers encountered in exporting and the internationalization process. This chapter shifts the focus to the firms' export performance. The first section explains what constitutes "export performance" in the given context and which criteria are used to assess performance. This allows firms to be clustered according to their level of achievement. The analysis showed that similar export barriers have a dissimilar impact on firms. Some firms coped well with the export barriers while others reported that they were struggling. The following section presents five exemplary cases which were selected based on their very high level of international performance. These cases are not from one single industry but come from the three sectors and are presented as vignettes. When comparing the selected firms with the lower performing firms using cross-case analysis a pattern emerges which shows that firms that have high export performance intervene before the export barriers can fully impact. Thus, the third part of this chapter will demonstrate in detail what kind of strategic interventions firms developed in response to the type of export barriers they experienced. The last part is a brief summarising review of the main findings.

7.2 Export Performance

Achieving financial success through export activities is the primary aim for any business embarking on internationalization. It is common knowledge that profits that flow back into the firm's resources and support the cash flow are necessary for the survival of the firm. However, annual turnover, return on investment (ROI), and especially taxable profit seemed delicate topics for managers which they were not keen to talk about. Thus, not all firms were prepared to provide commercially sensitive information. Nevertheless, most firms were willing to report their turnovers, which ranged between NZ$ 94 million and NZ$ 100,000. The highest turnover was earned by a firm with a 100% export ratio. The second highest turnover was achieved by a firm with only 5% share in export. These examples demonstrate that firms were diverse and not each of the successful firms was necessarily engaging intensely in international business. The following sections focus on what constitutes export performance, being assessed through export ratios, perceived success, and time delay between formation of the firm and time before the first export activity.

7.2.1 Export Ratios

The relationship of international sales (or income from international operations) to domestic sales (or income from domestic operations), commonly known as "export ratio" has been widely accepted as a good and reliable indicator for the degree of a firm's internationalization. When looking at this indicator the firms in this study achieved ratios ranging from 1% to 100% of international sales to domestic sales.

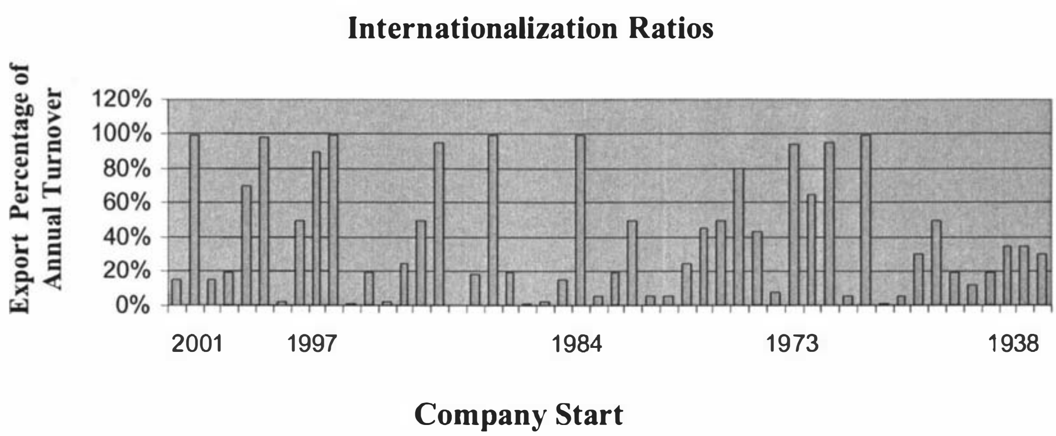


Figure 1 Internationalization Ratios

Figure 1 shows the relationship between the year a firm was founded and the achieved export ratio.

While examining firms that had a strong to a very strong international base, thirteen firms (26%) out of the total 50 firms participating in the research reported a much higher international than domestic turnover as follows:

- A3 (70%), A7 (100%), A9 (100%)
- B1 (99%), B3 (99%) B8 (65%), B12 (80%), B18 (94%), B25% (90-95%)
- C2 (95%), C3 (98%), C4 (90%) and C9 (99%)

The ratios above indicate that every fourth firm of this cohort earned most of their income from international business. Another important point should be emphasised is that all three sectors were represented.

The group of firms that had an approximate 50/50 split of domestic to international business was made up of the seven (14%) following firms:

- A5 (50%), A6 (50%), A10 (50%),
- B13 (50%), B14 (45%), B15 (50%)
- C7 (20-60%)

This means that a further seven firms earned about as much from export as from domestic revenues. This group and the previous group combined made about 40% of the total cohort which had internationalised to a significant or very high degree.

The interviews revealed that four firms had developed an interest in export and were at the beginning of their international activities. These firms were B9 (20%), B27 (very little, maybe 1%), B29 (2%). A8 (CS) was in the process of resuming the export activities after having sold off the exporting part of the business previously.

A group of eight firms (16%) could be observed where export was (kept) steady over many years. These firms were satisfied with the volume of their international activities and no changes were to be expected in the near future:

- B5 (20%), B4 (5%), B7 (1%), B10 (30%), B24 (5%)
- C1 (2%), C8 (20%), C10 (15%)

The reasons for keeping the same level of international activities varied: an attractive domestic market which provided sufficient and easy opportunities for growth; a serious lack of management time, and / or little interest to internationalise in general; and sometimes, for firms that were the local branches of MNCs, opposing strategic directions from their central main offices limiting their options for international development.

Finally, there was a group of five firms (10%) whose "de facto" export ratios were much higher than was obvious at first sight. These firms supplied other domestic exporting firms with components for their products. Products of the first firm group were purchased by a second domestic manufacturer and ended up in the second firm's supply chain. Thus, although the export ratio was small, most of their products would still be sold in overseas markets. As these products were exported through a domestic network channel the reported export ratios did not reflect the true picture of export activity.

- A1 (15%), A2 (20%), B21 (5%), B26 (1%), B19 (25%)

Figure 2 shows the firms grouped according to their internationalization ratios. The first cluster of exporters, that achieved small ratios under 30%, is the largest. A second cluster is around the 41-50% ratio. A third cluster achieved very high ratios between 91-100%.

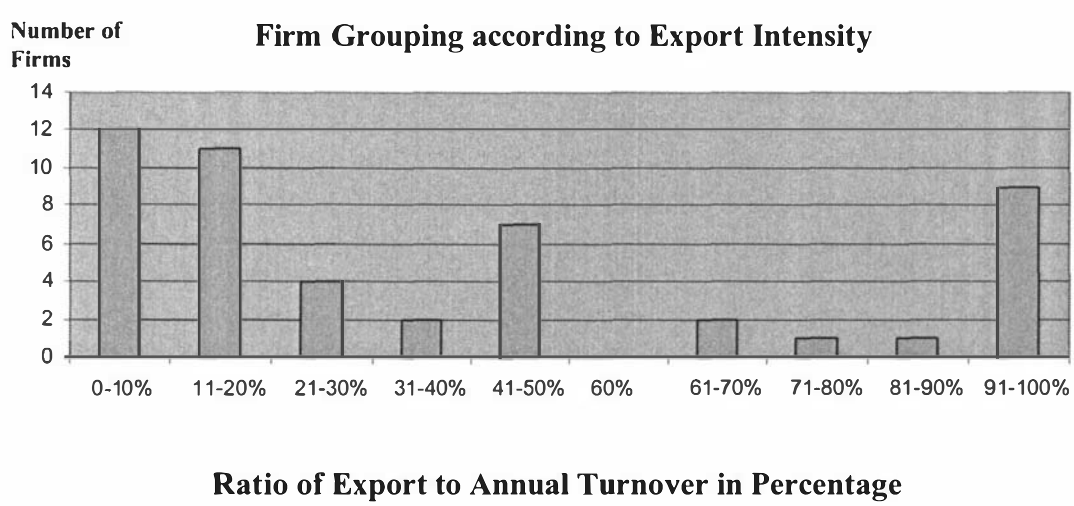


Figure 2 Export Intensity Grouping

7.2.2 Perceived Success

While increasing exports could be important for the firm's development, the main aim for many firms was an overall growth that was perceived as sustainable and manageable. This meant that firms at times actively tried to slow down their growth rate to keep the risks associated with internationalization low and controllable. Firms were prepared to forfeit some of the profit potential for this purpose. One way of doing this was to actively limit the turnover deriving from exports so it stayed within a certain range. For example, firm B10 feared that if they went beyond a 30% internationalization ratio, their operations would become cyclical and difficult to manage. B10 targeted an average of 30% export share because they did not want to neglect their domestic business. They intended to maintain a continuous flow of international contracts but were not willing to become too dependent on them. Needless to say, that their export ratio was due to a strategic decision and was not the result of the inability to grow their exports. This firm had reached the target level of internationalization and had no need for any help from development agencies regarding their exports.

Many firm owners reported a strong feeling of allegiance to their workforce. They disliked the idea of laying off workers at times when there was less demand. The ability to look after staff and maintain consistent staff levels was an important part of perceived success. This situation might be contrary to larger firms where management normally do not know their factory workers well and therefore make the decision to dismiss staff more easily.

The wisdom that many firms shared was that the demand in international markets for New Zealand export products was and probably would be always cyclical. Managers emphasised that they believed that this had its origin in the exchange rate movements of the New Zealand dollar. When the dollar was high export items became more expensive for buyers in foreign markets and less competitive and, therefore, fewer items would sell. With decreased sales the profit for exporters would diminish. Consequently, if a firm's turnover derived to a very high degree from exporting the firm would be highly vulnerable to changes of the international demand. Firm B10 and B19 were committed to providing a stable employment environment for their long-term workforce and they saw their priorities in keeping the operations steady. Thus, these firms would limit their international exposure to a manageable level and tried to keep the risks involved low.

Another important contextual aspect for evaluating the export ratios is related to lifestyle choices. Several firm owners intended to keep their operational mode at a convenient and easy to manage level. They did not want to give up their comfortable lifestyle for the sake of growing their business. The purpose of their business is to maintain this lifestyle choice. Time was split between leisure and work and business growth not given a priority. To change organisational structure or increase production capabilities in order to accommodate growth was, therefore, not an option. It seems quite a common attitude in New Zealand as it applied to five firms (10%): A9, B22, C4, C6, and C9

Particularly manufacturing firms are under high pressure from international competition. Relocating production to low labour-cost locations as a viable strategic option is becoming more frequent, even in New Zealand. Some cases have been reported where New Zealand development agencies advised firm owners to consider this option. Such was the case with a well known outdoor clothing manufacturer from Levin whose owner became rather upset and went public about the recommendations which he got from one New Zealand government development agency. In his opinion - which is identical to the opinion of many participants in this study - a New Zealand government organisation should primarily look after the well-being of the New Zealand workforce.

Relocation of manufacturing might make financial sense; however, many New Zealand managers disliked the idea. They perceived their success in business differently from larger firms. Many small firm owners said that they want to keep their manufacturing base local and continue to provide work and income for their New Zealand communities. This fact appeared to be a very important part of their perception of overall business success.

Good financial performance is important for the survival of the organisation, but according to the managers, it is only one part of a firm's definition of success. Export performance has a subjective component and perceived success has to be evaluated in relation to the firm's goals. It was expressed with statements such as "we are happy with our export situation", "we are doing well internationally".

In order to be able to assess export success for this research, three criteria have been used: internationalization ratios, perceived export success, and thirdly, time delay in taking up export.

7.2.3 *Successful and Less Successful Exporters*

When looking at the achieved export intensity (expressed through export ratios) and the level of export satisfaction and aspirations (based on self-evaluation) the exporting firms can be grouped into specific categories. These categories, assessing how effective the businesses are dealing with their export barriers, help with the selection of exemplary cases. They also permit to evaluate firms' interventions and tactics which they developed in response. The following Table 13 presents the firms categorised according to their export success. It differentiates between their satisfaction levels based on self-assessment, their wish to increase or not to increase export activity, and their actually achieved export ratios.

Table 13 Export Satisfaction and Achievement

Self-Assessed Satisfaction &Aspiration Level	Export Intensity (export ratio)			
Export Satisfaction & Export Aspiration	a) little (0-20%)	b) medium (>20-35%)	c) high (40-65%)	d) very high (>70%)
1) Satisfied with current level of export and wishing to increase export activity	B23	B11; B15; B19; B20	B8; B14; B17; C7;	A3; A7; B1; B3; B12; B18; C2; C3
2) Satisfied with current level of export; not wishing to increase export activity	A1; C5	B10; C6		A9; C4; C9
3) Unsatisfied with current level of export and wishing to increase export activity	B5; B9; B29; C8; C11	B16	A5; A6; A10; B13	B25; B26;B27
4) Little interest in export; instead servicing existing markets and responding to customer inquiries only.	A2; A4; B2; B4; B6; B7; B21; B22; B24; B28; C1; C10			

It is obvious that the majority of businesses belong to two groups. The first group with high export achievers and satisfaction levels and a second group with low achievers and little reported interest. In the first group **(1/d)** are the eight successful exporters with high export ratios and also a high satisfaction level and high ambition to increase the international growth even further. A further three business can be added that are unsatisfied with their current export activity in spite of achieving very high levels and with a strong desire to grow internationally. These are the typical exporter, motivated and successful with a desire for further internationalization. In the second group **(4/a)** are businesses with little interest and little achievement in relation to export. Twelve firms belong to this category. This group represents the reluctant exporter that is not really interested in international markets. Unsurprisingly, their export success in regard to export ratios is small.

7.2.4 Timing of Export and Internationalization

At the time of investigation all participating firms had been in business for more than three years. The age of the firms ranged from three to seventy-three years. The oldest firms had changed ownership a few times during its existence which was accompanied by some restructuring each time. Half of the firms started exporting only after having had some years' experience in the domestic market. The other fifty percent of the firms started their internationalization process either right from the beginning or within six years of operation. More than half of these early starters had been exporting for more than ten years. This supports the idea that born globals or early internationalizing firms are not a very recent phenomenon. Another important finding is that firms that internationalized early did not belong exclusively to the high technology sector but were identified from across the three sectors. For example, the oldest exporter who had been exporting right from the start belonged to the primary sector, and had done so successfully for 52 years.

7.3 International New Ventures / Born Global Firms

The criteria of what constitutes a born global or international new venture vary in the literature (Chetty & Campbell-Hunt, 2004; McDougall & Oviatt, 1996; Zahra, Ireland, & Hitt, 2000). To qualify as born globals in this study the two following conditions had to apply: firstly, following the suggestions of Zahra, Ireland, and Hitt

(2000) the maximum time between the start of the firm and the internationalization activity should have been no longer than six years and secondly, following the suggestions of G. Knight and Cavusgil (1996) the export ratio should be at least twenty five percent of annual turnover. Using these criteria nineteen firms were identified as belonging to this category of born globals. The start-up years ranged from 1953 to 2001; however, most firms began their operations after 1984. Figure 3 shows the born global firms with their inception year (when they started their business) and export ratio.

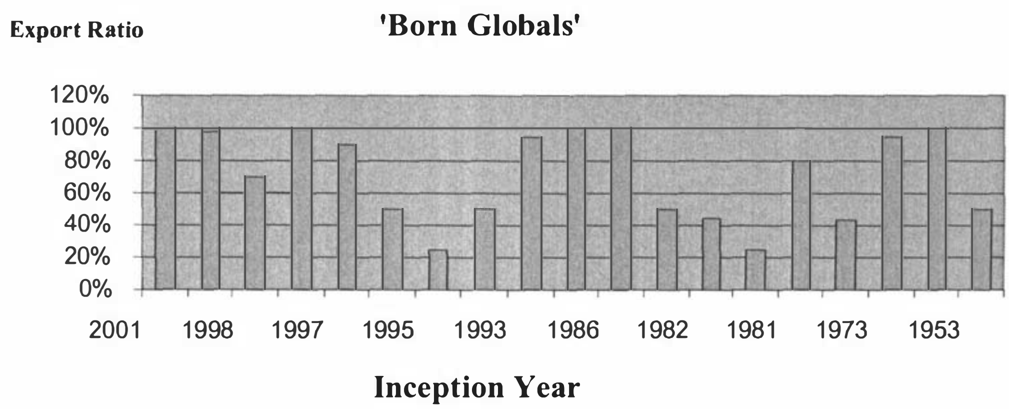


Figure 3 Born Global Firms

Firms identified through these criteria can be assessed as high performers in regard to export and international trade. The selected firms belong to all sectors.

For about one third of the firms the inception year is before 1984, the year identified as critical for New Zealand's economic deregulation (Chetty & Campbell-Hunt, 2004).

The analysis of the export practices of these cases provides insights of how these firms achieved this high level of performance in spite of the identified export barriers. Further, a comparison with cases of less successful firms clarified what made the differences.

When tightening the selection criteria for export success even further, the researcher can identify five born global firms which had never had a domestic base. The revenues of these firms derived entirely from international business as they service exclusively overseas markets. They did so right from the start of their firms.

Two firms belong to the primary sector, one firm is a manufacturer and two firms are from the service sector. Taking into account the severe export barriers inherent to the primary sector and the additional aspect of short shelf life of goods, the assumption should be possible that if exporters from the primary sector are able to accomplish high ratios right from the start, then there have to be good reasons why these firms were able to perform successfully while others in the same industry did not. The cross-case analysis revealed that, indeed, these firms had approached their export barriers differently to other firms in their industry. Comparison of these cases to the other highly successful firms identified common behavioural patterns which were shared among all the five firms independent of their industries or products.

7.4 Exemplary Cases of High Performing Exporters

The cross-case analysis revealed the following common behavioural patterns. The main point of difference is that the firms were set up with a well defined target market in view. Subsequent internationalization behaviour shows that they overcame export barriers by using all available resources, and access to networks, and focused on their core competencies. To provide a better understanding of how the firms achieved this in practice the five cases are presented below.

7.4.1 Firm A9

The owner of Firm A9 created the firm in order to be able to visit Japan on a regular basis. She chose her market destination long before she started the firm. She also selected a suitable export product which she developed to the special requirements of the Japanese market. While visiting Japan she built up an extensive network of friends and business contacts. She took great care to get familiar with the Japanese culture and the specific conditions of the Japanese market. Additionally, she undertook extensive other preparations before starting up the enterprise. For example, she began to learn the Japanese language because she understood the importance of Japanese language skills when doing business in Japan. Eventually she developed a great network of people helped by her sensitivity towards Japanese culture and Japanese business practices. Her network includes a perfectly functioning distribution chain involving two Japanese retailers which take care of her distribution requirements in Japan.

The limits of her New Zealand supply capabilities determined the extent of her involvement in the international market. Two Japanese retailers were sufficient as these two firms bought all her export volume. On the other hand the retailers were also satisfied with the volume of her exports as it fitted their needs. The firm owner assured the researcher that this was a prerequisite for any sustainable business relationship: the size and features of the export ventures have to match the ones expected by the customer in order to create a good fit and sustainability. She has maintained a mutually trusting and beneficial relationship with the same network for over nineteen years. Information technology, internet access and email have allowed her to keep in regular contact with her network partners. She said that she was very content with her business; financially she was doing very well with only minimal expenses and overheads and she operated her business single-handedly from an office room in her own home.

Her two main initial export barriers were obtaining access to the rather difficult Japanese market including establishing a distribution chain and managing the difficulties related to organic products such as limited supply with varying quality and quantity as natural occurrences and the compliance with MAF regulations including their documentation. She overcame the first obstacle by carefully establishing a long term trusting relationship with her Japanese customers who organised the whole distribution for her. She solved the supply difficulties by developing and maintaining a very good relationship with her domestic supplier whose loyal commitment guaranteed preferential supply even when overall stocks were low and this supplier had to stop delivering to other clients. She solved the MAF based export problems by becoming very familiar with their regulations and organised her exports around these requirements.

7.4.2 Firm B3

Firm B3 was formed as a local subsidiary of a MNC of German origin. From the start B3 targeted the Australasian market in accord with their parent firm. Their initial barrier to the lucrative Australian market was the lack of reputation and trust for their products and services, typical of a foreign firm which had little exposure in Australasia. The export products are highly customised and had a large service component which made them very difficult to sell if a firm lacked market access. The firm's core competencies are the design and installation of high quality customised cooling systems for trains, ships and airplanes. The German MNC realised that in order to compete with regional firms in the Australasian market their subsidiary needed a strong local component to build up trust with customers. They also recognised that the Australian business practice is to award contracts preferably to regional firms. That was the reason why all staff of this small firm had to be local New Zealanders who brought with them a good understanding of the regional situation and business culture. Local personnel were able to build up an effective business network with local and regional businesses. In doing so they could create a good reputation for a high quality product. B3 managed to secure lucrative contracts from the Australian Railway operators. With only sixteen full-time and one part-time employee, they achieved a turnover of NZ$ 18 million for the year 2004. The firm confirmed that they were fully satisfied with their business.

7.4.3 Firm A7

Firm A7 is a meat processing firm who delivers quality New Zealand meats world-wide. Their export strategy is to target the high-value and high-profit markets of North America and Europe. Their initial export barriers were immense. They had to comply with MAF regulations, the imposed restrictions of the New Zealand Food Safety Authority and the various regulations, and quotas and tariffs of the U.S. and E.U. markets. Additionally, the nature of the products is that they are highly perishable and need fast and chilled or refrigerated transport. To secure a good reputation A7 cannot afford any lapse in quality. Therefore they need to keep a firm control on their export procedures. High transport costs and shortages of shipping capacity add to their export problems. However, A7 overcame all the obstacles with a cleverly built network system of distributors and logistics firms. The network system was supported through a highly sophisticated state-of-the-art communication system. It was necessary to keep control of all the ever changing regulations and documentation requirements. Effective and efficient communication was absolutely necessary to manage the supply chain involving the farmers who grew and delivered the cattle for slaughter.

In addition to their main international distributors who supply the overseas retailers, they entered directly into the supply chain of two large MNCs: McDonalds and Burger King. This part of their business grew very well and represents now a big share of their business. Supplying the two MNCs without intermediaries offered A7 the security of fixed contracts. It cut down their costs by achieving large export quantities and volumes (economies of scale) to the two major clients. Direct contact with these large customers provided the opportunity to meet their specifications and quality expectations. This in return established a mutual relationship of trust and satisfaction. In 2004, A7 was able to achieve an annual turnover of NZ$ 94 million with only thirteen permanent staff. As is often the case in the primary industry they relied, however, on extensive numbers of casual workers during peak time. They have achieved their export success by overcoming their considerable export barriers and integrating them into a carefully developed export process.

The next two exemplary cases of firms that realized nearly a 100% internationalization ratio, and did so from the start, belong to the high technology sector. This is the typical industry where born global firms have been described in earlier research (Crick & Jones, 2000; Crick & Spence, 2005).

7.4.4 Firm C3

Firm C3 supplies software and hardware products for petrol pump stations world-wide. The owner-manager of the firm acquired his international business experience through prior employment with a firm that has developed and manufactured petrol pumps since the 1940s. Before the owner started his firm he identified the opportunity for a niche product fitting into the industry he had been working in for many years. The main export barriers for the service sector were identified as access to international markets and international networks and the problem of convincing the customer to trust and accept the product. When the owner knew that he had established reliable access to a network in the oil industry including Shell, a major player in the petrol industry he was ready to start the firm. He designed his product to fit into an existing market and, in doing so, he considerably reduced the risks involved with starting up a global firm. He runs a very efficient fast-growing operation from a cost-effective office with few overheads. In 2005 his firm had only seven permanent staff and he was able to achieve an annual turnover of NZ$ 2.8 million in 2004. The impact of his export barriers are kept to a minimum using a strategy around his core competencies with the help of the established network. Financial constraints are not a problem as the growth of the operation is entirely financed through retained profits. This firm has achieved high productivity and has little expenditure.

7.4.5 Firm C9

The fifth exemplary case is firm C9. This firm is a one-man software consultancy which operates in the retail automation business for convenience stores and petrol stations. The owner-manager gathered international business experience as well as technological expertise through former employment in the similar industry. During this time he developed a good solid network of satisfied customers that trusted in his ability to provide quality tailor-made services. It enabled him to start his business without the usual problem of the lack of access to international markets. It worked so well for him that there is no necessity to market his services actively. He locates new contracts through referrals from satisfied customers. A simple but carefully designed website where customers can obtain information about the type of services and contact details was all he needed for his international success. He confirmed that his constraint for growing his business is determined through the amount of time he has available. As he does not want to employ staff he has now reached the final level of possible growth. He said that he was comfortable with a turnover of NZ$ 380,000 per year in 2004.

7.4.6 Conclusions on the High Performing Exporters

What do these five examples from very different industries have in common regarding export barriers and success? All five firms overcome the impacts of their industry-related and common export barriers by identifying the difficulties in advance before they embarked on the export venture. The firms manage the export barriers by integrating them into their internationalization strategy. They designed a suitable export product(s) around their core competencies incorporating whatever was available to them, especially using their already established networks. The access to their networks is very important and it enabled the firms to minimise their risks and to reduce the costs involved with internationalization.

The firms can considerably stretch energy and time when they enter an established network and do not choose to build their own marketing and distribution chain. They all selected networks such as the supply chains of MNCs, established industry connections through former work or staff, or networks around global products. It is not surprising that the networks shape the selection of the export markets. This is where the concept of psychic distance might have its application. Networks are developed on the ground of sharing common characteristics; this can be industry or product related. Helpful are also informal networks with friends or business partners.

7.5 Tactics and Strategies that Promote Export Performance

While the preceding five exemplary cases of high performing companies highlight the successful avenues towards export performance and internationalization the majority of the fifty participating firms also developed tactics and strategies in order to circumvent the impact of their difficulties. The Aaby & Slater (1989) model locates export barriers between strategy and performance. Thus, according to Aaby & Slater (1989) export barriers impact directly on export performance. This is certainly true if no intervention takes place to alleviate the impact of export barriers. The results of this study show that successful exporting firms intervene and manage their export barriers actively. They do so most successfully rather early in the export process. Details and examples of their practices are presented next.

7.5.1 Interventions to Overcome Internal Barriers

The decision-making of management in the successful firms seems to be quite individualistic and spontaneous. Additionally, in many cases it does not follow a pure rational approach. In effect, many decision makers are guided exclusively by their sixth sense and entrepreneurial spirit. These managers exhibit a great deal of effectuative thinking (Sarasvathy, 2001) and bricolage approach. This attitude helps them turn selected barriers and disadvantages into positive assets and innovations. It also allows for using available resources creatively. Thus, even under severe resource constraints managers can keep the options and goals flexible and open.

Managers know some basic rules that guide their decisions. For example, it is of great importance to find a compatible buyer regarding the size, volume, specifications and level of quality of the export unit. Success depends on the suitability of the export product and the good fit with the market. Successful management is intimately familiar with their products which can range from a generic and standardised item to a highly specialised or custom-made one. Serious errors in management decisions involve resolutions to choose markets with a lack of purchasing power for high value products, markets that are too small with insufficient demand. Unsuitable export products or a higher demand situation than the production capacity allows lead to issues such as "counterfeits" or "gushers". Inappropriate distribution channels and unsuitable markets are costly errors: "One cannot sell products to China, it does not make economic sense, they can produce it there ten times cheaper." (B12)

In order to make export ventures less risky and less draining on the firm's resources managers identify their firm's core competencies. The knowledge about what they can do better than other businesses gives managers the flexibility to adapt fast to new demand situations and opportunities.

They also know the domestic and global situation in their industry. They know the current trends. They keep up-to-date with new developments world-wide. Thus, managers are able to assess the market potential for their intended export items.

The question of how managers acquire the necessary knowledge and expertise is answered in most cases through the business experience gained through former employment and earlier export ventures. Exposure to successful international business ventures in a previous employment situation enhances managerial capabilities to a great extent. In fact, in some cases, managerial capabilities are shaped decisively by prior work experience and learning on-the-job. Product knowledge, an understanding of production capabilities, access to networks and resources and familiarity with the business environment in general and of the target market are crucial. International entrepreneurs and export managers acquire this special knowledge before making decisions to export and through successful venture feedback.

Some of the managers have formal tertiary education qualifications in management or a business-related area and some hold business degrees. Few of the interviewed managers, however, use their university knowledge to assist them in formulating strategic plans. Many have no formal plans at all and are guided by their business instinct for good opportunities. Many successful exporters conduct their businesses successfully and never gain any formal business education. They learn the "tricks of the trade" through experience, analysis and reflection, and through advice from a network of friends, customers, and business colleagues.

Since the internet has become available in New Zealand, albeit with limits in speed and convenience, up-to-date information is now easily and cheaply on hand. This increases the opportunity for small and resource poor firms to access valuable information. Firms can now exploit online news, media, and databases, as a means for cheap, fast, and convenient information gathering about potential international markets. And they do so frequently. E-mail facilities provide an economic and fast way for contacting and communicating with people from all over the world compared to the previous use of telephones, telexes and faxes. Developments in technology openes up the world market especially for small and resource-poor firms. Additionally, many managers are aware of various trustworthy governmental websites from where they can obtain reliable information. Even search engines like Google or Yahoo seem to be extremely popular tools for finding current information. Firm B15, for example, uses the internet frequently: "How do you identify your potential markets? ... By eye sight" (B15). This firm's manager collects all kinds of newspaper and printed journal publications. He uses this for developing a "feel" for what is going on internationally. In this way a series of new business opportunities are identified and innovative products targeting the new markets were developed. Firm B15 emphasises that they do not have the financial resources to employ professional market research from professional consulting services - a situation which applies to many of the observed firms.

The results of this study show that management finds some way to export in spite of sometimes critical export barriers when they recognize a good and realistic export opportunity and a potential to make some profit. Firms become creative in order to overcome their resource constraints and export barriers. Many are also able to identify an appropriate finance structure even if main-stream finance institutions will not provide assistance. The findings also indicate that in a situation where the domestic market provide sufficient growth opportunities there is less incentive to go through the trouble of setting up an export or international venture:

> Domestic markets are not so bad because you are paid quicker and you can come to some arrangements, but if we're exporting then they are not interested and it can take months until you get paid. This is prime example of the problems of exporting in a large amount. (A2)

Firm C10 and B2 focus on domestic growth. Their management does not see any attraction or reasons to internationalize unless there will be some tax incentives offered by the New Zealand Government.

Successful exporters identify the range and volume, the strength and weakness of their business and their export products, the costs of production and their marketing position: "Most people are motivated by either money or enjoyment; we are in business to make money." (A3) Management has to be aware about the limitations of their resources. However, through minimising costs and leveraging networks and capabilities the little resources available go a long way.

Although, managers consult on a regular basis with friends, staff, and network members they generally make decisions fast and independently, and implement decisions quickly. They are normally confident in their decisions. However, they enjoy meeting fellow exporters at business meetings where they can discuss their current issues and exchange ideas. Because the main hurdle toward exporting is the negative attitude of management itself a very effective intervention to alleviate managerial issues is providing the opportunities where managers are encouraged by their peers to develop exporting. This function was performed well by the former export institute. Unfortunately for many exporters, this institution does no longer exist in its former setup.

7.5.2 Interventions to Overcome Industry Barriers

Some interesting interventions evolve where exporters reach international markets without the normally great costs of establishing a distribution chain in the target markets. Many small exporters are clearly not able to achieve economies of scale. Thus, successful exporters understand the necessity to create a niche market for their products. They realize that the New Zealand domestic environment does not support a market entry strategy which is based either on low price or large volume. Manufacturers claim that wages in New Zealand, although not very high in relation to wages in other Western economies, are still too high to compete with low wage countries. Compared to low-labour-cost countries, the labour expenses in New Zealand prevent competitive positioning in the global marketplace as price leaders. At the same time, some exporters acknowledge that they do not have sufficient staff available to fill large scale export contracts. Especially is this the case when firms do not have sufficient notice in advance and do not have enough time to prepare for large contract. Consequently, most exporters develop an export strategy aiming for high-quality and high-return niche products regardless which industry, product or service is concerned. The export items require a clear quality distinction from cheap mass manufactured goods or services in order to achieve sustainable profit margins.

To accomplish niche positioning for global commodities like wool, hides and produce is not easy. However, there are several firms successful in doing just that. For example, the produce exporter A3 has achieved a 70% export ratio within five years of operation. For an exporter of primary goods this is truly extraordinary. How does A3 accomplish this? A3 began by selecting the lucrative markets of Japan and the USA with the rationale that exporters can command a premium for high quality in these markets. Wealthy customers are prepared to pay a premium for high quality fresh produce. On a global scale, the demand for healthy, residue-free, and high-quality vegetables increases steadily and this firm delivered accordingly:

> Every substance used during the growing period and harvest has to be documented. The most important export market is Japan, however it has the most strict quality requirements, and only first class produce will attract buyers there. (A3)

Firm A3 is able to position itself in the high-quality niche market by complying with the elevated standards of the lucrative markets:

> We know that most markets have ICPR [Importing Countries Phytosanitary Requirements] requirements and to meet those we have to be able document our procedures right from day one right through to the markets. We also have to make sure that our products do not exceed the MRI [Maximum Residue Index] ... Last year we chose not to export to Europe because our products did not meet the required standards. They have to be 100% to go to Europe. A superior product will result in a high price and good profit. (A3)

7.5.3 Interventions to Minimize Resource Input

Further, many export barriers are limitations of capabilities or deficiencies of resources. For example, the lack of financial resources is a huge barrier to exporting for many resource-poor firms in the sample. This deficiency, however, does not prevent the firms from exporting altogether; it just forces them to select the most appropriate and efficient way to do so.

Resource-poor firms use innovative ideas to overcome resource constraints when developing international markets. They try to keep expenses as low as possible and use their limited resources wisely. As a rule, many firms refuse to commit money to big budget advertising and marketing campaigns. Many cannot afford to build up expensive distribution channels either. Thus, they try to identify opportunities within already established networks such as the supply chain of MNCs, and networks established through the use of international products e.g. Microsoft products: "So the firm that we are dealing with at the moment, the people that we would like to commercialise the technology is the third largest chemical firm in the world. And they have offices everywhere." (B3) Other possible networks are satisfied customers, overseas friends, and trustworthy business partners, networks of distributors and logistics firms. Last but not least the internet is gaining importance as the probably cheapest and most effective and by far the most flexible way of building up a global network.

Born out of the need to conserve resources, self-made interventions emerge that address the most pressing export barriers. For example, the service industry is reliant on a clever way to overcome the main barriers inherent to this sector: the low international profile for New Zealand-based consultancy operations and other professional services. A low profile equals a lack of trust which results in a perception of low quality. The results for low quality are little demand for services and very few contracts from overseas. Some firms, therefore, build up a network of new customers relying entirely on referrals from satisfied clients which save them the costs and time involved with advertising.

Resource-poor firms usually do not have the means to develop target markets which are expensive to develop. The same applies to high risk markets when they cannot find investors who are comfortable to finance ventures with a high level of exposure. Only firms with plenty of own resources have these choices. However, small firms rather resourcefully take advantage of the possibilities which they detect by chance. One very good example for such an inventive idea to overcome severe resource constraints and still pursue internationalization was the case of firm B9. This firm would have required an extra NZ$ 5 million to develop their potential European markets adequately. They neither have nor are they able to raise sufficient funds for a conventional market entry strategy. They apply effectuative thinking and a bricolage approach and focus on the assets what they have. They started entering the European markets anyway.

How do they manage to do this? The export product of B9 is a combination of specialised agricultural equipment and highly innovative technology. In their case it is a "cross-slot cutter" which enables farmers to sow seeds without conventional ploughing the fields. The benefits for the customers and farmers are environmental protection of their agricultural land against wind and water erosion with a bonus of additional savings in time and energy.

> We have got through the stage of going from a University development through to commercial product and we use some unusual methods of funding, e.g. when we purchased the intellectual property - we had to buy that essentially on the international market and it cost us a lot. I mean I had to mortgage my farm, David had to mortgage his farm just to set things up. (B9)

The value of the export product is NZ$ 200,000 per unit plus the costs of shipment of another NZ$ 20,000. It is obvious that for the firm every single export venture is perceived as risky and no finance firm is willing to support B8 with additional loans. Thus, B8 develops a very creative way to overcome their lack of finances:

> We had a scheme where the client or the farmer had to pay one third up front, and then two thirds before it left the factory and to do that we had a comprehensive 14 page long sale and purchase agreement. (B9)

Because B9 sells a whole new concept and not just simply new machinery they need a good network of capable agents who teaches the new agricultural method as well as trains clients on how to use and maintain the machinery. There require high intellectual compliance of both, the potential customer as well as the agent: "There is a demand on the expertise of the farmers as they need to observe the environment more carefully, e.g. moisture content of the soil, temperature, weeds status and pest infection like 'slugs'." (B9) The intervention B9 designed to overcome the obstacles is to turn their satisfied European customers in into "product champions" who represent the products in their particular market. A network of the newly recruited agents works as "product specialists" who promote and sell the firm's products. They also provide after-sales services all over Europe. In doing so, B9 is able to build up an efficient and effective distribution and service network within their limited budget.

7.5.4 Interventions to Reduce Environmental Barriers

Especially firms in the primary sector have to keep up-to-date with the MAF requirements. The tedious export documentation requires careful planning and attention to detail. Successful firms build these requirements firmly into their operation processes. MAF requirements become a vital part of the export procedures, thus, the phyto-sanitary barriers lose their severe impact on export performance. On the contrary, compliance with these requirements is turned into a distinctive food safety and quality features which are now internationally recognised. By doing this they can use the MAF certificates creatively for differentiation from cheaper products. Embedding the requirements in the export procedures saves delays in transport. Additionally, refusals of entry at the foreign border are reduced to a minimum. Further results are now that export products arrive in good time and perfect condition to the customer. Of course, firms are able to demand a premium for high quality because customers are increasingly prepared to pay a premium for high quality produce. As a bonus, in many sophisticated markets the competition of cheap imports does not exist because these markets do not allow uncertified produce to enter.

7.5.5 Interventions to Develop Export Markets

> Understanding the market, what the markets want and how much the market is willing to pay for the product … is an ongoing learning process and it leads to a better product which fits better the market requirements. (A3)

New Zealand's "clean and green" image helps with marketing of niche products. The integration of New Zealand's beautiful natural environment and its internationally known sports teams, such as the "All Blacks" or "Team New Zealand" into an international marketing strategy makes good economic sense. Manufacturers of sport products and outdoor equipment especially reported this strategy as proven and very successful for promoting their product overseas. The typical marketing philosophy for this product group is to sell a part or a slice of New Zealand's "Great Outdoors". The label "New Zealand made" conveys an image of clean green environments and a beautiful landscape. Many international customers have been in New Zealand as tourists previously. Successful marketing campaigns integrate effectively the customers' preceding experience of an intense and wonderful holiday in an extremely beautiful country. Thus, many firms exploit "New Zealand, the great tourist destination" or "New Zealand, the beautiful movie land of the Lord of the Rings". The message sends a clear signal to potential customers who do not just buy a quality product; they also buy a piece of the New Zealand experience and the beauty of New Zealand. Exporters reported that expensive and innovative high-quality products are successful and attracted continuous demand, even with a high New Zealand dollar exchange rate:

> It is a very visual country … If I get into the South Island I am still blown away by the scenery. It is just stunning. If we can continue to play on that and build an image of 'freshness' and 'young-ness' I think there is a future for New Zealand export. But it is not going to be large scale. (B23)

Under this umbrella firms are able to build their own good reputation for sustainable quality over time.

7.5.6 Interventions to Achieve a Good Fit of Product and Market

In the past many firms developed a product for the domestic market and then moved on to export it. In some cases firms select one particular overseas market/ country before they try to export the original or slightly modified domestic products in this market as the next step towards internationalization. This strategy works for many firms. Occasionally, it becomes necessary to redesign a product completely to make it more suitable for a particular international market. Today, however, the global market situation is continuously changing and the demand for products in international markets tends to vary a great deal according to fashion and trends. Successful firms are aware of this and use their quick responsiveness to keep up to speed in their industry. They say they need to be able to alter their production lines fast and bring in constantly innovations in order to maintain their competitive edge. Successful firms make large profits from exporting products which have a superior advantage in technology and design and are available at the right time:

> The major advantage most New Zealand firms have is innovation. The way they look at problems is very different to the way other countries seem to look at the problems. We have people that seem to give a far more holistic solution. Because New Zealand is small the technical people tend to have a much wider background and so that when they look at a problem, they come at it from an engineering and an electronic point of view, they bring more skills so that when you come up with a solution it is actually a very good solution. They are not so specialised. (C2)

In order to achieve a good fit of market firms are required at times to fill opportunities and demands as they arise. This can entail to change the export product completely. Therefore businesses need to establish what their capabilities are and how far away from their original export product they can go. The advantage of firms that know their core competencies well is that they are able to rearrange their export products quickly to better fit the changing international market situation. This is especially important for the manufacturing sector:

> From our point of view, if we want to export that is not a level playing field. You know we have to compete against markets such as China where, you know the human rights are not existent in effect. So I say we have to develop some product, some kind of special product, export for our range of stuff is fairly limited, unless we can get on to development of high tech stuff ... That is my long term aim, to get into what the firm name is 'developments', create

> new products that are specifically high tech or something and then, maybe license them overseas or something ... That is the only future I believe. (B21)

Firm C2 is a good case to demonstrate the successful rearrangement of an export product. They developed an injection pump system which they originally intend to manufacture locally. The idea is initially to export the finished product. However, when they look their profit forecast they realise the venture is not going to be profitable because of the high production in New Zealand and transport costs to their target markets. At the same time they cannot have the product manufactured offshore in a low labour cost country because they fear to lose the IP to counterfeiters. In order to make this venture viable and they have to change their internationalization mode. Firm C2 realises that the core competency is the development of technology and not manufacturing. By focusing on their core competence it becomes obvious what they need to do. They change their internationalization strategy from exporting of the manufactured product to exporting the technology only. They locate a large U.S.-based MNC as a manufacturer that is willing to produce and distribute the product. C2 enters into a licensing and further R&D agreement and the forthcoming royalties make internationalization for the firm very profitable and successful indeed:

> We started with manufacturing and then we realised quickly that we could not compete in manufacturing ... So what we said was that we have some really good ideas, and the most strategic way for us to go forward is to actually utilise these ideas and obtain an income stream by it, royalty and joint development agreements. (C2)

Another manufacturer (B19) produces protective clothing for the Australian motor sport industry. They eventually lose the long-standing supply contract to an Australian retailer. The Australian customer changed their supplier in order to take advantage of cheap imports from China: "We do not have the capability to compete with the likes of China and places like that." (B19)

This manufacturer has to quickly rearrange their export products. Their core competencies are design and manufacturing of high quality textile protective clothing. They do small factory runs, reliable service and fast deliveries. They start manufacturing other high quality durable textile products, such as cold protection wear "for workers in freezing works and chillers" (B19) and army equipment, as well as the textile parts for baby strollers. They supply a domestic “stroller” manufacturer which export their products to the EU such as Germany, Holland, France and Belgium, but also to the USA: “We can do odd ball sizes and we can do small volume runs at very short notice ... We call ourselves an innovative textile fabricator.” (B19)

Table 14 below provides a list with the major encountered barriers and challenges and the responses that are developed in order to deal with the impact of these difficulties.

Table 14 Bricolage Tactics and Strategies

Barriers & Challenges	Bricolage Tactics & Strategies
Staff Shortages	Train suitable staff, offer attractive compensation package to retain staff Recruit skilled staff from overseas Provide initiatives to attract skilled staff to move to rural place Provide very attractive organisational culture, good staff retention Use satisfied customers as product champions for overseas sales, service and marketing representatives Build & maintain effective networks
Finance / Cash Flow Problems	Minimise costs and expenses through 'bricolage' thinking - reduce waste Consider alternative financing, such as to mortgage the private home to finance export ventures Leverage networks to save costs for setting up distribution chain, for market research, for product development Use the internet for product promotion, low cost advertising, and internet sales Use satisfied customers for product distribution Enter the supply chain of MNCs or other exporters Enter into a licensing agreement instead of direct export Use FDI acquisition of firm in the biggest export market to lower costs Avoid clients who have bad ‘payment’ habits

Barriers & Challenges	Bricolage Tactics & Strategies
General Risk	Hedge against currency exchange hikes Deal with minor currency changes through sufficient profit margins Utilize niche product positioning Match customers in size and quality expectation Develop markets which offer best opportunities and openings Develop close and promising markets first Use knowledge of network, partners to reduce risks Leave risky or expensive markets alone Follow clients and their recommendations Avoid certain Asian markets with regard to service products & products with high IP
Management Capabilities	Solve problems intuitively 'by eyesight', & through 'trick's of the trade' Learn on the 'job' Develop a 'can do' attitude Make speedy and individualist decision Know your export product closely and intimately Use former work experience
Product Specific Capabilities	Develop products around core competence Change and improve existing products according to demand Maintain flexibility in regard to volume 'short runs' Maintain flexibility in regard to the export products Customise products Improve & increase IP for existing products
Market Development	Leverage New Zealand's clean green image Leverage New Zealand's good reputation for agricultural technology Leverage New Zealand's beautiful landscape Leverage MAF regulation as a point of quality distinction Use existing networks of international firms Build & maintain effective networks in overseas markets
Environmental Barriers	Keep up-to-date with Phyto-sanitary requirements Make the MAF regulation a central point in the strategy Use MAF regulations as a point of quality differentiation

7.6 Concluding Summary of Chapter Seven – Results (Part Two)

This chapter presented detailed interventions, tactics and strategies that small firms develop in order to overcome the barriers and achieve export performance. The analysis of the cases of high performing exporters identified successful practices through the management of obstacles towards internationalization. The results are drawn from fifty case studies, compiled through triangulated data, complexities that required both in-case and cross-case analysis as proposed by Eisenhardt (1989).

Following suggestions from the literature the criteria "internationalization ratios", "time delay in taking up export" and "perceived export successes" were selected to assess the firms' level of export performance. Cases of high achieving export performers became the exemplars for how internationalization is possible to achieve in-spite of the presence of severe resource constraints and other export barriers. Comparing these cases with the ones of less successful firms made an understanding possible of what is conducive to success. The born global firms from the three main sectors that operated without ever having had a domestic base represented arguably highly successful forms of internationalization. The pattern these firms shared revealed that their market entry strategy was designed to deal with export barriers before they could impede their export performance which was independent from the actual product. The secret for their success were home-made interventions that took advantage of the resources they had.

New Zealand's successful export firms understand that their internationalization strategy cannot be based solely on price competitiveness. Resource-poor firms focus on their core competencies that provide a solid basis for establishing and maintaining a niche market. Creative interventions are developed to alleviate the impact of export barriers. For example, exporters reduce costs considerably when they use existing networks to reach international markets. Successful exporters do not focus much on the negative impacts of export barriers but seem to apply effectuative thinking and a bricolage attitude when concentrating on what was available as a positive asset. The main identified factor that enhances export performance are capable managers with entrepreneurial spirit, who use available resources conservatively, gained access to markets through networks, and designed strategies around core competencies.

In the next chapter the key findings and implications are discussed. Internationalization behaviour of firms is explained with the assumption that "barriers drive strategies". Strategies developed in response to export barriers reveal how firms carry out their internationalization process. The researcher discusses which concepts of internationalization theory are supported by the results of the current research and which are challenged. To synthesise the results at a theoretical level, a new model is developed. It reveals the relationship among factors that determine export performance and provides a useful framework for future discussion. Finally, an indication is outlined of how this piece of research contributes to advancing knowledge in the field of export and the internationalization of the firm.

8.0 CHAPTER EIGHT – DISCUSSION OF THE KEY FINDINGS

8.1 Introduction

In this chapter the main parts of the present research are brought together and the key findings are discussed in relation to the literature. The chapter is structured according to the topical sequence of the previous chapters to keep the logical flow.

Key findings in regard to the export barriers are discussed first with the conjecture that the export barriers drive the strategic interventions.

In the second part the factors are argued which have been found to be critically important to export performance. In particular, how export barriers relate to the factors that drive export performance are examined. Some examples that show how successful export firms have used their resources efficiently are evaluated. Each group of factors that determine export performance will be discussed under a separate heading.

The next section deals with strategies which link the factors that determine export performance to the actual export performance outcome. How the barriers are overcome and how strategies are designed to achieve productivity and international competitiveness is discussed. Core competencies which have been found significant to success are discussed in this section together with strategies. At the same time concepts from the existing internationalization theories are examined to see where they apply.

The following section gradually develops a new theoretical export performance model that should provide a framework for future discussion. This model is based on the key results of the present research and establishes relationships between the factors that determine export performance. The new framework is modelled on the Aaby and Slater (1989) model and integrates later work by Chetty and Hamilton (1993).

The penultimate section compares internationalization theory and practice. An attempt is made to reconcile the views of different schools into the "big picture" of internationalization practices by integrating existing concepts.

The limitations of the present research are considered, as is the appropriateness of the research design to achieve the aim of the thesis (to advance the understanding of the internationalization process). The conclusions and implications of the research are presented separately in the following and final Chapter 9.

8.2 Export Barriers

The export barriers identified in this study are similar to export barriers described in earlier work (Campbell, 1996; C.S. Katsikeas & Morgan, 1994). Shaw and Darroch (2004) who investigated export barriers in New Zealand had comparable results. Their results revealed that financial and other resource issues are the most serious problems that impact on a firm's ability to achieve a competitive advantage in export. Other difficulties that firms face are: shortages of skilled labour in certain industries. This skill shortage causes big problems concerning R&D, the possibility to increase productivity, and the development of new markets.

The major export barrier that most cases in this investigation share is that of limited resources. This is in line with findings from Crick and Spence where similar issues are mentioned (Crick & Spence, 2005). All cases face the challenging situation of a small but competitive domestic environment and the large geographical distances from most international markets. These problems are inherent to New Zealand (Shaw & Darroch, 2004; Simmons, 2002).

The majority of the investigated firms have few resources and fit the SME category. The literature normally defines SMEs through employee numbers and not through availability of resources in general. However, limited resources have often been associated with small operations. The often proposed barrier of a firm's small size as a critical obstacle towards internationalization (Mittelstaedt, Harben, & Ward, 2003) cannot be confirmed by this study. The findings support that the small size of firms does not mean that these firms are automatically prevented from internationalization through lack of resources. A few studies in the literature show similar results and support this argument (McAuley, 1999).

Since the previous study of Shaw and Darroch (2004) little has changed with regard to export barriers in New Zealand. Access to international markets and finding overseas customers is still a major problem. The 'beach head' programme by the New Zealand government is not taken up as widely as planned because the benefits for small exporters do not match the costs involved. The results show that the export managers spent a considerable amount of time and resources attempting to solve the access problem. The time available to management is generally very limited and a big concern. This lack of managerial time is aggravated by the reluctance to buy professional services such as market research for customary reasons. New Zealand has a tradition of DIY ("Do-It-Yourself") and this seems to coerce management of small businesses to perform as many tasks as possible. Adding to this is the major challenge to keep business costs as low as possible in order to be able to achieve high productivity and maintain competitiveness and profitability in overseas markets. Small firms feel that they need to conserve funds and make something out of "nothing". Baker and Nelson (2005) have similar results in their U.S.-based study. Therefore, traditionally in New Zealand managers are involved in various functions, such as product development, marketing, distribution issues, information and knowledge acquisition, as well as general management functions.

During the analysis of the export barriers it became clear that it was necessary to categorise the export barriers into only three main groups; the internal barriers, the external barriers and the industry barriers. This follows the example of Leonidou (1995) and Alexandrides (1971). The rationale for selecting these groups is that this design offers the researcher the necessary set-up to detect patterns for export performance which the successful firms display. Having a group with industry barriers allows comparing how businesses react to obstacles in similar circumstances. It also means that firms belonging to a related industry experience similar types of barriers which are typical to the export products involved. Firms from the same geographic location experience common problems when they use the same infrastructure, operate under the same legal framework, and have to cope with the same long distances from the major export markets. The shared domestic environment accounts for much of the external obstacles. The differentiation allows comparisons as to how firms with similar export barriers respond to them because similar barriers impact on firms differently. Both, the industry specific barriers and the shared barriers require tactics and strategies to achieve export success.

The analysis of the firms' export performance in the light of their export barriers confirms the assumption. Firms that operate in related industries report similar or comparable barriers. However, although the barriers appear similar, the firms achieve different degrees of export success. Another significant finding is that high export performance is not restricted to a particular industry, sector or even export product. In fact, every industry has both high and low performers.

The "high tech" and IT industries have been described as typical industries for producing the prototype of the born global firm (Anderson & Wictor, 2003; Moen, 2002). The research findings support the notion that, although the IT industry has produced a large amount of early internationalising firms, they do not have exclusivity to being born globals or international new ventures. High export success is not restricted to this industry, other industries, including the primary sector, have successful early internationalising firms, too. The findings suggest that the differences in degree of export performance are caused by the varied managerial responses to the export barriers and that is regardless of the industry.

The results suggest three main phases in the development of businesses where difficulties and obstacles are most concentrated. Please see Figure 13 (in the Appendix section) for Case C2 as an exemplar. The first stage is the period of R & D. It is the time of acquiring technical know-how, gaining experience and turning experience from previous work into good ideas. It is also the point where managers and entrepreneurs develop their ideas for specific international markets. The next phase in the advancement of an international business can be identified as the stage of commercialisation. This is where decisions have to be made on how to best turn these ideas into products and commercial goods which can be sold in international markets. The third stage covers the time of strategy formulation and the attempt to put the export ventures into viable business operations.

Although, all the firms had to go through these three stages they experienced varying degrees of difficulties. Some solved their problems alone while others sought help. Regional and national economic development agencies in New Zealand offer services and support. These organisations are publicly funded and most portray themselves in a very positive image as highly effective. Exporters, however, do not always perceive their assistance as helpful and question the wisdom of spending much of tax payers' money with little outcome. This problematic situation does not seem to be country specific or limited to New Zealand. Research elsewhere also queries the effectiveness of development agencies with sometimes far-going policy implications (Nauwelaers & Wintjes, 2002).

8.3 Factors that Determine Export Performance

The various export obstacles, albeit severe in impact, do not prevent firms from achieving excellent export performance. A discussion follows of how the firms move from experiencing export barriers to identifying the factors which sustain their export and internationalization efforts. It focuses on the managerial responses to the barriers which have been put in place in order to reduce their impact and achieve international competitiveness.

8.3.1 Globalisation of Business Environments

With the speed and extent of globalisation ever increasing the differences between the domestic and the international markets have decreased greatly over recent years. Advances in information technology and in logistics are the main causes for this, but there are also changes of legal frameworks such as international trade agreements or treaties which have liberalised trade. In fact, in a country where the principles of a free market have been implemented to a large extent as in the case of New Zealand since 1984, the domestic market is no longer as protected behind tariffs and Government subsidies as once was the case. It also means that in New Zealand the domestic market no longer provides a "safe haven" for a local business that wishes to operate only in the domestic market (Etemad, 1999).

Various legal frameworks shape the global environment. International agreements and treaties between countries and groups of countries integrate markets. For countries that do not subscribe to the legal standards and agreements of Western economies it has become more difficult to export of these lucrative markets. New Zealand exporters of primary sector goods perceive the international agreement on environment and plant safety (International Plant Protection Convention) and bio security regulations as the biggest export hurdle. Exporters, however, who realise that they should incorporate these barriers into their strategic planning can overcome the barriers' impact and achieve successful niche positioning. Firms use the MAF certificates to differentiate their export products from the cheaper goods that are without safety assurance. They become the quality trade mark for their products to gain their overseas customers. In this way the firms are able to position themselves in the lucrative niche markets of wealthy countries. Countries that subscribe to bio security regulations normally have environmentally conscious customers who are willing to pay a premium for quality. These countries also restrict access of export products from countries that are not enforcing the regulations. In this way, belonging to the countries that strictly enforce the regulations, it becomes a point of difference for New Zealand's quality agricultural export products.

Another phenomenon of globalisation is that worldwide, increasing numbers of small and very small firms are able to start international trade (Oviatt & McDougall, 1994). This was found to be the exact situation in the present research study as many small firms take up exporting as a proactive measure against international competitors who operate in the New Zealand market. The availability of the internet has increased the opportunities for firms willing to engage on a world-wide scale in internationalization (Oviatt & McDougall, 1997). This avenue for affordable international exposure has been taken up by many firms in this study.

Various New Zealand organisations, such as Tourism New Zealand (Tourism New Zealand, 2007) have successfully built up a positive international reputation for the country that through various initiatives focuses on natural beauty and pure nature. The theme has been used by many firms from the tourism industry and other related industries to market New Zealand as an unspoilt tourist destination, successfully using "the clean and green" branding of "100% Pure New Zealand". In particular, exporters of sport equipment and outdoor gear pursue this image successfully to market their products.

Moviegoers globally learned to recognise New Zealand as the location of "Middle Earth" in the "Lord of the Rings" movie trilogy. The impressive images of New Zealand's natural environment inspire many international customers to buy high priced products in order to acquire a memorable piece of their fantasy world. It really does not matter which product it is as long as it can be vaguely related to New Zealand's image. Like-minded exporters from various industries have, with growing success, achieved a synergy for marketing their products using the same New Zealand image for their export ventures. Even New Zealand's geographic location does not put a stop to the domestic and the target markets which are continuously moving closer together to form one global market.

8.3.2 Product-specific Capabilities

The limited size of New Zealand's domestic business environment however, restricts the achievement of economies of scale concerning production. Only very few New Zealand firms, such as Fonterra (Fonterra Co-operative Group, 2007a) have a significant output on a world scale and can compete with other major global players. A market entry strategy based on low price therefore, is out of question for the many small businesses in New Zealand. This leaves niche positioning as the only viable option.

A successful low price positioning is even more unrealistic when the fluctuations of New Zealand's currency are taken into account (see Appendix 5). The volatility of the New Zealand dollar, especially during the times of a high New Zealand dollar exchange rate, makes it nearly impossible to compete when exporting products with low profit margins. In these situations only sufficiently large profit margins are the way to achieve adequate returns on a sustainable basis. Large profit margins can be demanded only for high quality niche products. It is not reasonable to assume that a small New Zealand exporter can achieve outputs that enable cost leadership. Thus, the theoretical options for common generic market entry strategies described in the literature (Porter, 1980) are in practice unrealistic choices for New Zealand's exporters.

The service sector faces a special challenge regarding product capabilities. Service products have inherent ambiguities, in the sense that customers might question that the product lives up to its promises. Customers' trust in a service product is essential. Therefore, service firms need to build up the trust aspect for their products. This normally happens over time which, in this sense, supports the views of the incremental school of internationalization. A shortcut for the lengthy development process of building trusting relationships is to use recommendations from satisfied customers, preferably customers with a high influence on networks. This supports the views of the network theorists.

Confidence in the service product and the concept of consumer trust is an area where the concept of psychic distance and closeness has its place. The findings of this study support this relationship strongly. Several examples show that service products have not proven suitable for international markets that have a large psychic distance. The reasons for this vary. In some Asian countries the general concept of a consulting service product is uncommon. In these markets consultancy is something firms provide free of charge for business partners when they sell manufactured products. Payment for a service product which is unconnected to a "physical" product is perceived as inappropriate. The results for firms which are not aware of this phenomenon are problems with recovering the payment for their services. Another example for the differences of psychic distance is the challenging U.S. market. Here customers expect the firm that offers the service products to have local representation. No local office of the service firm equals "no trust". That means service firms wishing to do business in the USA successfully need to set up a costly local office. Successful service firms seem to know that and choose to target close psychic markets where the concept of the service product which they are offering is well established.

The volume of a firm's export venture is related to their production capacity. The production capacity depends on the availability of resources. This entails financial and human resources. New Zealand's challenging and generally resource-poor conditions have created a situation where, over time, the firms learn to work with little capital, using their few assets wisely. This has gained New Zealand firms a reputation of the "number-eight-wire mentality". Often used in this context is "Kiwi ingenuity" an expression for being able to create added value, innovation and product improvements with few available resources.

New Zealand exporters believe in the necessity to adapt their products - or even develop new products - to suit the problems and needs of their foreign customers. This applies especially manufacturers who improve the quality and add value to their export articles to have a better chance to successfully compete with cheaply manufactured goods. Competition from low labour cost countries is fierce and these firms can manufacture generic products much cheaper than any New Zealand manufacturer is ever able to do. Therefore, successful manufacturers attempt to be innovative and improve the quality of their export products.

The findings support the notion that export products and markets need to match in volume and quality. Any export venture tries to satisfy the demands of the customers and markets. Small firms do not have the production capabilities to considerably increase their outputs at short notice without compromising quality. For very small firms this means that a suitable market might consist of only one firm in one target market taking the whole export volume. The size-related issue of export has been previously described as the "gusher" situation (Chetty & Campbell-Hunt, 2003, 2004). It explains this mismatch of supply and demand and the challenging problems which result for the firms involved. One outcome might be losing market share to the competition that steps in when the market demand is created but cannot be satisfied. Another result might be the difficulty for the firm to maintain the quality of the product to the expected standard. Thus, product specific capabilities for many firms are limited and successful firms attempt to find a suitable market which matches them in size.

Previous work has given attention to the optimal number of export markets that a firm should serve (McNaughton, 2003). The findings support that optimal number of export markets is closely related to product capabilities and the export product itself. The main aim of firms is to sell their products at a profit which can be done in just one market or in many. Most firms have a neutral position on the numbers of countries involved in their exports. Some firms are exceptions, however, and show some tendency towards "empire building" believing that the more export countries, the better and that depends greatly on the type of export product. Only two firms in the study target the global market. They use internet exposure to reach their customers. In general, firms that sell to end-users are more concerned with high numbers of export markets. Firms that export commodities or bulk products are satisfied with a limited number of customers in a few markets.

The same requirements for a good fit of market expectations with the offered product are in regard to quality. For products from the primary sector, it can become necessary to switch to a different buyer when exporters recognise that a particular product does not match the quality requirements of the original market. The limited shelf life of the product dictates rapid intervention from the export manager. Overall, the area of export product capability matching the market in size, quality and time expectations would benefit from further research and offers great potential.

It is self-evident that an increase of available resources through retained profits will lead to improved product capabilities in terms of financial and human resources over time. This aspect of resource constraint will be discussed in the next section.

8.3.3 Resources

Global financial markets have become increasingly more integrated over recent years and international finance can now be obtained for domestic firms in most countries. New Zealand firms, however, have not experienced the full benefits of this development. Financial barriers for new exporters are omnipresent in New Zealand which has been identified by previous work (Campbell, 1996; Shaw & Darroch, 2004) and nothing much has changed.

One reason for limited financial resources is that New Zealand firms tend to be small to very small and of less age compared to, for example, European firms. They do not have time to accumulate sufficient assets themselves. The idea that older and more mature firms have usually acquired larger financial resources, which allows for more intensive engagement in international markets, is not new. This is central to the Uppsala model or the stages model of internationalization (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1999). Thus, "young" firms which do not want to grow slowly from a domestically based firm to an international firm and willing to follow the steps of the stages model will almost certainly need financial assistance or face financial constraints along the way.

New Zealand firms requiring external funding have difficulties accessing the necessary finance for export ventures. One reason is that finance and credit are rather expensive as New Zealand's interest rates have been, and still are, among the highest in the developed world (Reserve Bank of New Zealand, 2007). The official cash rate (OCR) in New Zealand, which is the bench mark for lending institutions when setting their interest rates for loans, has been always higher than 4.5% since the introduction of the OCR in March 1999 (Reserve Bank of New Zealand, 2007). Qualifying to obtain finance is another problem. The difficulty arises mainly for new export enterprises, because finance institutions and banks explore the firms' economic past of the last three years. Viability and risks are thoroughly assessed before financial institutions make any loan decisions. This is to reduce their exposure to risks when lending money. It poses a problem particularly for start-up firms and for born global firms in a climate where a lot of domestic firms struggle to get sufficient capital. Private financiers in New Zealand investing in international ventures are few because they traditionally prefer investment in real estate and the housing market or financial institutions since the local share market crash in 1987. Investment in newly established firms is considered risky as many firms do not survive their first year in business because of serious cash flow problems (Simmons, 2002).

The successful firms in this study find ways to deal with financial constraints through careful budgeting and strategic allocation of their resources trying to keep their spending to a minimum. Thus, many aspiring firms are forced to innovate their processes and create novel ways of saving money while developing international markets. This study finds that, while internationalising, one of the biggest and least controllable costs is developing a suitable overseas market including an appropriate distribution chain. This is the area where most money can be either saved or spent. Thus, successful firms focus on this point using effectuative thinking while conserving their limited resources.

8.3.4 Networks

Globalisation has increased the occurrence of various types of networks and New Zealand firms have taken good advantage of this trend. The results confirm that successful firms select and develop their markets by using their access to established networks. Networks can take various forms and shapes. In this study the nature of the identified networks varies considerably. Some firms use virtual networks such as the internet. Others maintain data bases with former customers and access these to market and sell their new products. A good example is firm C11 which achieves international performance selling on the internet by using a website based product catalogue. Other useful networks are formed through industries. This can be the network of a large MNC that supplies oil and petrol. Firms also enter the supply chain of large virtually global firms, such as McDonald's and Burger King. The network can take the form of a global product such as a Microsoft computer programme. Again other firms use networks of freight forwarders, professional distributors or local agents, or the firm's own staff and customer base as product specialists for access to foreign markets.

Sometimes networks are shared with competitors with whom these firms have licensing agreements for a common product. This, for example, applies to two firms in the study manufacturing the same trade mark product. Their licensing agreements also regulate the allocation of export markets. In effect they restrict the choice of export countries that the business is allowed to develop. Consequently, this practice influences the options for licensees when they select their export markets. This is a valid explanation of the sometimes unusual patterns regarding international market selection. An in-depth investigation into this issue reveals that some small businesses are not autonomous or independent regarding their internationalization plan and behaviour. Although some firms are not direct subsidiaries of MNCs, but live in a mutual symbiotic relationship, they are still directed by the large firm towards their strategies for internationalization. For example a MNC agreed that one of the participating firms entered into licensing agreement instead of directly exporting products to the MNC's subsidiary. Another example would be that a service company from the energy sector entered into a supply contract with a large MNC to conduct maintenance work for them in the Australian market. The dynamics are not obvious in the initial postal survey, but the subsequent interviews make this clear.

Accessing existing networks can be an effective way to conserve resources. This is not a new concept. Supporters of the network theory have claimed this for a long time. The results confirm that for many resource-poor firms in this study accessing already established networks is the only possible way towards internationalization. In accordance with the network literature (Chen, 2003; Chetty & Campbell-Hunt, 2003; Mort & Weerawardena, 2006) networks perform a range of functions. This can be the supply of information, logistics and distribution, sales and after-sales service. Firms use access to networks to obtain and verify market information. They export and distribute through customers' networks. Businesses use networks for promotional and servicing purposes. This does not just save financial resources but also human resources in regard to time and energy. The findings of this study are in line with the views of the network perspective (Axelsson & Easton, 1992; Bell, 1995; Coviello & Munro, 1995, 1997; Johanson & Vahlne, 1992). Networks are also used to provide feedback on the product. There are instances where networks indentify opportunities for a new product to be launched into a particular market.

Sharma and Johanson (1987) were among the first to identify the critical importance of networks for service firms. This point is well supported by the results from service firms. Their access to networks has turned out to be their by far most critical asset in international performance. Many small service firms follow a differentiation strategy by customising their products. This is to focus on the customers' needs and accommodate their preferences, a feature which larger competitors in the tertiary sector cannot provide. However, international and domestic clients are only prepared to pay a premium for a specialised and customised product if they perceive it to be superior to a standard and cheaper one. Small and little-known service firms targeting international markets particularly have these kinds of problems. In order to succeed they need to demonstrate the benefits of their value added products to their potential overseas clients. The typical international customer does not know New Zealand, let alone a small service firm from New Zealand. Thus, international customers lack confidence in the quality and reliability of the service product. To build up a trusting relationship takes time. Referrals and testimonies from a network of satisfied former customers or peers help to speed up the internationalization process in the service sector. This also applies to businesses in the manufacturing sector that offer additional service in combination to their manufactured goods. There are instances where the export product is a mixture of manufactured goods and consultancy or after-sales service. Results confirm that the bigger the service component of an export product the more essential trust becomes for customers.

The significance of networks as an effective and efficient avenue to internationalization is supported by all of the five presented cases of born global firms that operate without a domestic base. None of the firms started their business until suitable networks and access to markets had been identified. Doing so reduces the risks considerably and makes the success in international markets more likely. In particular the owner/manager of the firm C3 sees access to an established customer network as critical. When he made the decision to quit his former employment and to start up a new firm he knew he had a secure access to an established network. In this case entry to the network becomes the driving force for both, starting the firm and instant internationalization. The export product is designed to fit the special needs of his customers. Thus when an export ventures has been successfully completed the network will guide the process for the product development. This feeds back into product specific capabilities. When a business knows its core competencies the firm is more flexible when designing the export products. An increase of flexibility regarding the export product permits the ability to exploit opportunities successfully. The five presented cases show that pre-established network became a matter of organisational survival. In less extreme cases the results show that the identification of an existing customer base greatly reduces the risk of business failure.

What networks do not do, and that is where the network perspective seems to deliver limited explanation, is make the decisions for internationalization. Thus, network theory cannot on its own explain the entire internationalising process. The decision to export or internationalize undoubtedly is left to management. The next section discusses the human factor in the internationalising process.

8.3.5 Managerial Capabilities

The results of this study support strongly the notion that the export manager is the key figure in the firm's export performance. Capable export managers make the difference when it comes to successful exploration and exploitation of business opportunities internationally, an idea which is central to the international entrepreneur literature (Coviello & Jones, 2004; Minguzzi & Passaro, 2001). The results confirm that analytical skills, effectuative thinking and a bricolage attitude are essential skills to the managers / entrepreneurs who decide on internationalization. Successful export managers anticipate export barriers before the negative impact of the barriers is felt. A firm exporting fresh produce, for example, cannot afford to ignore the MAF requirements, and only find out about these barriers when the shipment is not allowed to clear customs in the target market. At that stage there is not a lot a firm can do about the barrier. The impacts for the firm are severe when a whole shipment is lost. Early identification of export barriers gives the manager a chance to integrate the obstacles into their export strategies and processes. Thus, when managed well, export barriers do not pose an absolute hurdle towards internationalization but become part of the constraints when formulating export strategies.

For managers the access to reliable and affordable information is crucial to minimise risks and prevent failures, in line with the findings of Vyas and Souchon (2003). Firms use the internet widely as a means of inexpensive and current information gathering. Previous work by Moen, Endresen and Gavlen (2003) presents similar findings. As discussed earlier knowledge and information is also obtained through networks, such as customer or industry networks. The ability to assess the information's truthfulness and relevance together with a commitment to export is a prerequisite for efforts towards internationalization. Although the decision to internationalise is thought to be rational, the decision making is not always formal. Crick and Spence (2005) found that serendipity plays an important part in the decisions that are made and the present findings support their results.

Studies have characterised entrepreneurs and international entrepreneurs as high risk takers (Carpenter, Pollock, & Leary, 2003; Sarasvathy, 2004). The findings of the present research hardly support the notion that international entrepreneurs are more likely than their domestic counterparts to take on high risks. Export managers of successful firms describe themselves as medium-risk takers and the risks involved in their international venture as moderate to low. However, they emphasise that they feel that they are in control and able to manage and therefore minimise the risks. An important key finding, though, is that the international entrepreneur is comfortable and capable of dealing with complex situations which, when handled well, do not equate to high risks. A successful way to reduce risks which the managers employ is the creative use of networks and innovative techniques to stretch resources.

The unwillingness to engage in international markets and the non-commitment to exporting has been identified as the biggest export hurdle in regard to export success (Littler & Sweeting, 1985). Thus a positive attitude towards internationalization by the person in charge of exporting is an important factor which determines export performance. Various reasons contribute to a negative attitude towards export. One reason might be that the manager lacks the sensitivity for detecting realistic business opportunities in the international market. The skill to identify business opportunities is attributed to entrepreneurs. Perceiving a business opportunity internationally is the critical characteristic of the international entrepreneur (Coviello & Jones, 2004; Crick et al., 2001; Loane, 2005). However, not every manager displays these features. For some managers the task of exporting is "just too hard". Other reasons for indifferent or negative managerial attitudes towards internationalization are bad experiences with former unsuccessful export ventures. Export ventures which have gone wrong force firms to take a break from exporting while recovering from financial losses. In some cases it gives them the impetus to rethink their export strategy. Occasionally, managers do not want to expand their international business further. These managers point out clearly that they are satisfied with the level at which their businesses are operating and that they do not strive for further growth.

Some business managers are able to identify international opportunities better than others. Which features are necessary for a person to be a successful business manager has been the focus of some research but results have been inconclusive (Ibeh, 2003; Moini, 1995). Scholars have compared, with mixed results, the characteristics of entrepreneurs and export managers, such as their age, education status, and ability to speak different languages, previous exposure to international assignments, and so forth in relation to export performance. The findings of this study do not support a relationship of the managers' age or educational status with firm performance. What is supported, however, is that the level of confidence is enhanced with increased business experience and that includes both positive and negative experiences from previous export ventures. The acquired confidence has been reported as necessary to overcome the times of uncertainty during the internationalization process.

Managers of small firms generally make rapid decisions. This is possible because the decision making process involves only a few people, and in many cases only one. The decisions are often made in an intuitive way, sometimes using the subconscious mind, entrepreneurial "sixth sense" and "gut feelings". Small businesses normally have a non-complex organisational structure and small staff numbers. They are also used to being short of time and work under time constraints. To compensate for the lack of time, the managers are forced to set up efficient and effective channels for information gathering and sharing. This allows for speedy operations. Their managerial counterparts in larger, more complex, organisations normally do not have the choice of shortcuts but have to go through tedious formal processes. For small enterprises speed seems to be the point of advantage. The findings show that small firms are able to adapt quickly to changes in the environment and can exploit opportunities when they arise. As speed of change in global environment is constantly increasing, new windows of opportunity are opened all the time. These openings can be seized by a capable export manager. Large MNCs normally take longer on this decision level. Therefore, in this sense they are no real competition for speedy, smart and flexible operators. Successful managers use the right timing to the firm's advantage.

Many export managers of small firms exhibit excellent strategic skills. For example, they utilise flexibility as an important element for building competitive advantage. Even at short notice they are able to offer customised products. They are also willing to do small or odd volumes of production which they call "short runs" in which larger organisations are not interested. Flexibility increases when the features of the export products can be changed to adapt to customers' needs. The basis for the capacity to change quickly is the knowledge about the firm's core competencies. Export products can be kept flexible and solid core competencies allow for the design of multiple new products.

In many small businesses the export managers show good operational skills, such as the ability to identify and decide how best to put the export venture into practice and keep control of the implementation process. The main goal for any firm is survival and profitability, thus a potential international undertaking can bear risks which can threaten the existence of the whole organisation. Managers find ways in which they are able to manage the risks involved. Overall it is up to the managerial capabilities of the individual export manager to assess a business opportunity correctly and undertake strategic steps to achieve the desired degree of internationalization.

What differentiates a capable manager from a less skilled one is the ability to design an optimal strategy merging all available, but limited, resources. Successful managers know which the most efficient combination of available resources is in order to achieve the best possible outcomes. In this way they can realize low costs coupled with high productivity which leads to superior competitive advantage. Successful export managers nurture their creative skills and this leads to process innovation and to competitiveness. They do so by formulating individual export strategies with speed and flexibility, which makes optimal use of all their product capabilities, available resources and access to networks.

8.4 Internationalization Strategies

Firms perceive the additional effort and expenses to develop international markets as worthwhile when internationalization promised profitability and potential for growth. Large MNCs might strive towards internationalization or globalisation for long-term strategic reasons and immediate profit from one of the export markets is not always their main concern (Hill, 2003). Small resource-poor firms normally do not have this choice. The firms in this study do not have the resources to conduct international ventures on a sustained basis without timely financial returns. Immediate or short-term profitability is critical for their organisational survival. Large MNCs are able to fund their new ventures using retain profits when an export market is not necessarily immediately profitable but strategically important. However, the fifty participating firms are not in this comfortable position. Small, resource-poor firms are much more limited and cannot increase the costs of production and marketing without eroding their platform for competitiveness. Therefore, in order to develop a competitive advantage they need to find a suitable market niche.

The common notion is that a firm wishes to sell export products to customers overseas at a profit. The business attempts to do this in a best possible and a least costly way. At this basic level firms evaluate the options that they have to develop a well fitting strategy. In many cases businesses use a product for export which has been proven successful in the domestic market. Generally, the effectuative thinking of export managers starts with an existing product and is followed by efforts to select an appropriate market for it. If a product turns out to be unsuitable for one market it might be still appropriate for a different market. This applies to the primary sector in particular where export products are beyond the immediate control of the exporter. The final product features are caused through weather influences and seasonal changes. Even if greatest care was applied to the growing and harvesting process the produce can still turn out as poor quality. In the extreme, it can mean that businesses from the primary sector have to cancel contracts with high quality markets because the products turn out to be of lesser quality than expected. Thus, businesses from the primary sector need to act fast in order to find an alternative buyer who is willing to purchase the produce at a discount within the shelf life of the product.

The field of international marketing has produced two seemingly opposing philosophies that argue the inter-relationship of product and consumer (Kotler, Adam, Brown, & Armstrong, 2003). One school supports the "selling concept" where a market has to be created for an existing product. Other scholars subscribe to the newer "marketing concept" where products are designed to suit an existing or well-defined market. In reality however, this is not a situation of "either/or" but "as well as". There is demand for customised products to meet the special needs of the market and existing customers. In most cases both approaches coexist and it is up to managerial capabilities to reach an optimal fit solving the problem from both ends. The majority of fifty case studies show support for using both marketing concepts simultaneously.

The literature suggests a variety of strategy options are available (Porter, 1990). However, most of these seem more appropriate to larger firms. In most cases small firms have fewer strategic options. Cost leadership, for example, is hardly an option. Small firms adjust their products to market gaps (time, volume, customisation, niche products) which they find using serendipity (Crick & Spence, 2005). In many cases they cannot employ systematic planning as prescribed by international business text books (Hill, 2003). Their markets are often chosen because of networks that provide access to customers. Sometimes the product determines the network. Volume and product adaptation have to fit their capabilities.

In cases of limited resources, bricolage strategies are developed that allow flexibility where export products are concerned. A good fit of product and market is essential. Therefore, it makes good sense to identify the range of possible products which could be produced utilising the firm's specific factor endowments. The range of possible products is dependent on the core competencies of the firm, relating to technology, professional and managerial expertise, and is restricted by time and production capability. Every firm has specific core competencies which allow it to create a range of products or services. Export managers who have the ability to realistically assess the firm's core competencies are able to create flexibility and to achieve a good fit of target market with export venture. This good fit relates to the features of the export product, the quantity and quality, volume, timing and price and the expectations of the market.

New Zealand managers with exposure to a culture valuing resourcefulness, develop a more generalist view of problem solving compared to the more specialised positions within MNCs. From this perspective managers design strategies that are holistic. They see a strategy as the answer to a particular problem; whether this relates to individual export barriers or limited resources in general ("barriers drive strategies"). This means they are trained to think creatively and come up with innovative small budget solutions. Successful firms know well the particular skills that are central to their business which set them apart from competitors. It enables them to design a new product around their core competencies when they are exposed to demand conditions (Porter, 1990). This attitude makes use of demand from customers and unsolicited orders as the central point when building their bricolage strategies

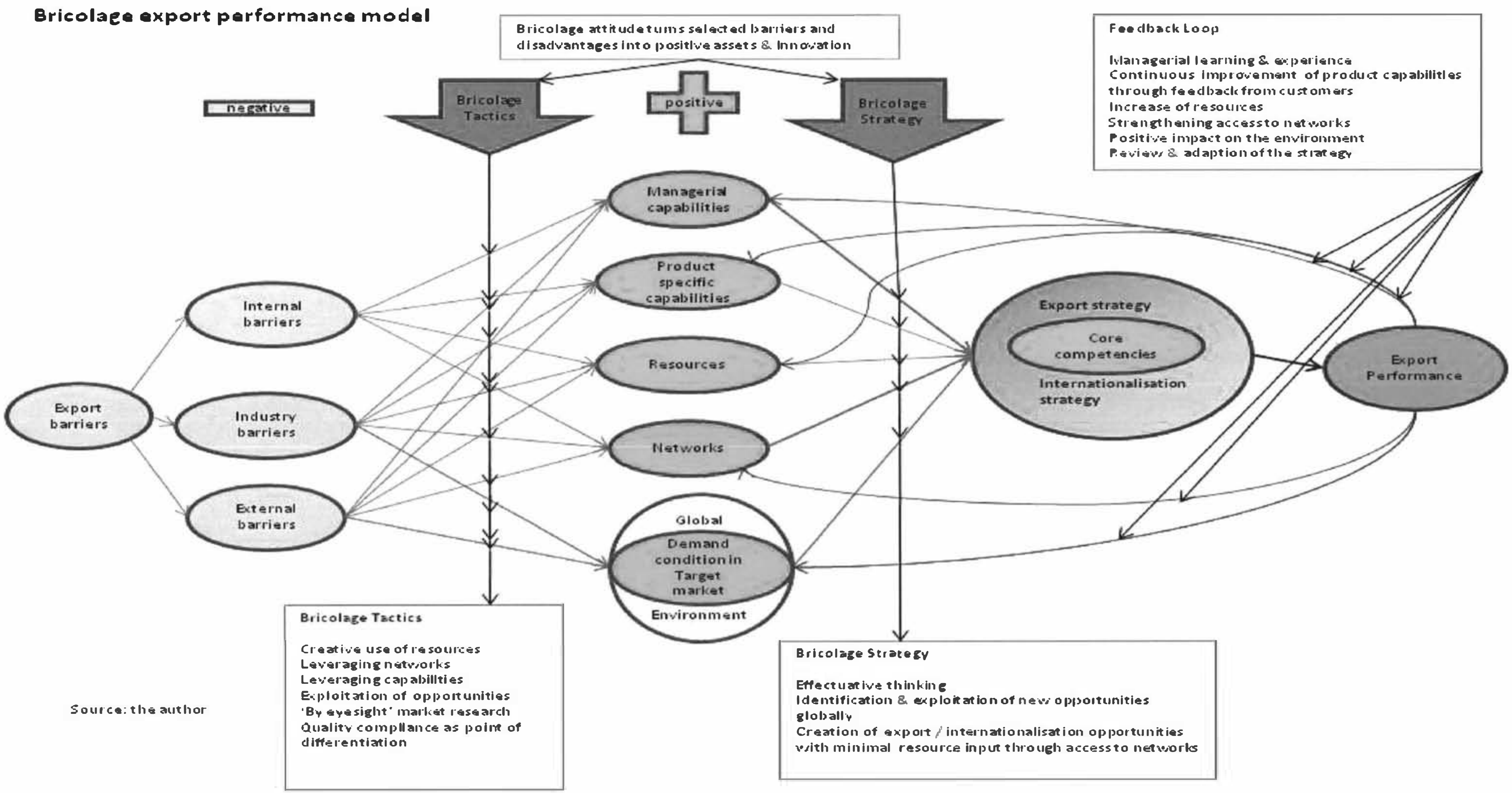
Firms that are prepared to modify their products according to their export markets with a "can do" attitude using few resources can achieve high efficiency. The valuable feedback from clients and customers leads to reduced costs of research and development. Lower R&D costs are reflected in the lower price of export units and this increases the competitive advantage.

In one of the five exemplary cases the manager successfully selects Japan as the target market. This owner-operator does not fit the characteristics of the risk-taking international entrepreneur but rather of a conservative business woman with a clear and common sense approach. Neither the stages view, nor the resource-based view, nor the networks theory, individually, can explain the success of her operation.

The observed practices can be differentiated into tactics and strategies depending on their function. The underlying attitude, however, is the same and can be best described by the "bricolage" approach of Lévi-Strauss (1969). The basic concept of making do with what is to hand and including the important element of the ability to invent one's own tools rather than rely on standard ones has been linked to the essence of entrepreneurship by Sarasvathy (Sarasvathy, 2001). To achieve export success and internationalization in competitive international markets, New Zealand firms, in a situation of limited resources, need to use whatever materials or avenues happen to be available to construct their own strategy for internationalization.

New Zealand's holistic strategies show concern for caring for limited resources, staff, finance, geographic distance, logistics, personal preferences and lifestyle, "number-eight-wire mentality" and, last but not least, core competencies. Every aspect is woven together into an individualised "bricolage" approach.

Figure 4 Bricolage Export Performance Model



8.5 Bricolage Export Performance Model

The Aaby and Slater (1989) framework in particular, and the subsequent work of Chetty and Hamilton (1993), Zhou and Stan (1998), Leonidou, Katsikeas and Samiee (2002) and Morgan, Kaleka and Katsikeas (2004) are essential in the development of the above model (Figure 4). First, these frameworks set the high standard which the author attempts to match with her research project. Second, at the same time the author wishes to use a similar visual set-up in order to outline the differences and similarities of the developed model with the preceding frameworks. It is believed that doing so will facilitate communication and ease the understanding of the proposed model.

The bricolage model shows the key results of the present study concerning export performance and the practice of internationalization. It locates the major factors determining export success for small resource-poor firms in their relationship to each other. The starting point in this model is the obstacle to export. As explained, export barriers are distinguished into three major categories, internal barriers, industry barriers, and external barriers. The results confirm that the three groups of obstacles have direct influence on the factors that determine export performance. Successful businesses develop interventions to alleviate and to reduce the impact of the barriers. These interventions can be distinguished into two categories. The first group are the immediate tactics that turn the selected disadvantages into positive assets and innovations, thus increasing the capabilities and improving the use of resources and leveraging the networks. The second group of interventions are based on a similar attitude and are more far reaching. These interventions are strategic in nature and can turn the competitive global environment into positive territory where opportunities are plentiful, waiting to be exploited. Adopting a bricolage attitude combined with effectuative thinking, businesses utilise all available positive assets to the maximal potential when designing an export strategy around the firm's core competencies. This allows flexibility, taking into account the rapidly changing international environment which makes it more likely to succeed in exploiting opportunities as they arise. One of the competitive advantages of small firms is the speed with which they can respond to fresh market demands and opportunities. This is different from large firms which take much longer in their responses in most cases. Large firms proceed more slowly and can do so because they have the resources to increase market demand and also market their products intensively (Kotler et al., 2003).

The feedback loop reflects the repatriation and reinvestment of profits and the accumulation of knowledge and experiences. The loop demonstrates the dynamics of the framework. Each successfully completed export venture provides additional resources which flow back into the business increasing capital and assets. The improved resources enhance the product specific capabilities through investment into the manufacturing plant, new and additional machinery, better technology, and additional financial resources spent on R&D. Profits are also used to improve the staffing situation; either to increase staff numbers or to spend on training and other staff development. This is not the only benefit a firm receives from export success. Managerial capabilities increase through immediate learning. Further, the willingness of management to commit additional resources to other and maybe larger export ventures also increases. The experience and knowledge gained by the export manager concerning operational issues is enhanced. At completion of every successful export cycle the manager reflects on the process of the export venture as a whole and might review the usefulness of their export strategy and reshape it. Some aspects of the strategy might need changing or adapting, which is a learning process for management and increases their managerial capabilities for future projects.

The network is also affected through positive feedback and improving relationships and increased trust. The strength of the network will grow with success. However, the opposite might also happen with unsuccessful ventures resulting in a deterioration of networks. This may lead to a total abandonment of exporting. Feedback from the network, such as from customers, helps with the improvement of product specific capabilities. This should result in an improved export product which better matches the market requirements.

There is also support for an indirect relationship between export success and the economic environment, both in the domestic and overseas markets. The successful firm repatriates the profit from the export venture, which will increase the tax income for the country. Through business growth the business will provide further employment for the population. The target market is affected, too. However, this is somewhat less direct. The successful sales in the target market increase awareness and appreciation for the products of a particular firm so that subsequent export ventures involving the same target market will have easier access and a better reception by customers. Each successfully completed export venture will bring additional experience, increased learning and new resources to the firm. In that way, the feedback loop provides the model with a dynamic dimension.

Overall, the bricolage model shows that the careful management of export barriers through bricolage tactics and strategies achieves a more efficient use of available resources which then enhances export performance. It should be emphasised that the creative combination of all available positive assets into a custom-made internationalization strategy which builds around a firm's core competencies is in most cases the only way for small firms to succeed in international markets. In doing so, resource-poor firms can achieve taking advantage of international opportunities where they normally could not. The standardised text book internationalization strategies cannot be considered as realistic options in many cases. In practice the small firms match their organisational capabilities with a suitable target market or an appropriate selection of international markets. Suitability and compatibility, concerning time, export volume, product specifics, quality, and firm objectives, are important in order to achieve success and sustainability.

What is unique about this model and what makes it different to the extant models that are based mainly on Meta analysis? One important point of difference is that this model is based on the analysis of fifty case studies using a different methodological approach. Another critical point of distinction is that the performance framework is developed by using export barriers as the starting point. Since the work of Aaby & Slater (1989) barriers to export have been accepted as a variable directly influencing performance. This widely accepted knowledge provides the theoretical foundation for this new model. Specifically, in order to be able to perform cross-case analysis the export barriers had to be differentiated into three major categories. First, firms from similar industries face similar industry related barriers. Second, firms that share the same business environment experience similar external barriers. The new model takes into account that successful businesses turn barriers and disadvantages into positive assets and innovation. The third major point of difference, and which extends preceding frameworks, is that it introduces the dimension of bricolage (Cunha & Cunha, 2007) and effectuative thinking (Sarasvathy, 2001). This distinct attitude generates effective responses and interventions towards barriers and difficulties. The bricolage tactics are designed to affect the barriers directly. The bricolage strategies impact on the positive assets of the businesses directly and are instrumental to export performance. Moreover the model is explicit as to how core competencies fit into the picture. Entrepreneurs build strategies around core competencies which are clearly the centre point when exploiting opportunities in international markets. This third point, in particular, makes the bricolage framework relevant to literature concerned with the international entrepreneur.

Obviously, Morgan et al.'s framework (2004) has far going similarities with the proposed bricolage model. Therefore the differences between the two frameworks are discussed in the following. Morgan et al.'s model (2004) suggested a tentative feedback loop from export performance back to the positive assets. Morgan et al.'s assumption has so far remained untested. The results of this study firmly support Morgan et al.'s (2004) proposed relationship as correct. The bricolage model shows a strong feedback loop relating export performance directly to managerial capabilities, product specific capabilities, resources, networks and business environment. The link between export performance and export strategy is also confirmed. The relationship here is that managerial capabilities, and that very much includes the skills to design appropriate strategies, are enhanced through experience and learning. However, how far going this influence is cannot be calculated through data from this study. On the other hand, there is no reason to doubt that this influence is very strong at least in a situation when export performance is negative. In two cases the negative export performance led to a speedy discontinuation of exporting. The question whether the extent of the relationship can be measured is certainly interesting and might provide an opportunity for future research. Another proposition for future research might be that the feedback loop should be measured through well designed quantitative methods.

Morgan et al. (2004) suspected a link between positional advantage in export market and export performance through competitive intensity of export market which could not be confirmed at the time. What was supported, though, was a relationship of ‘competitive intensity of export market’ on the relationship of ‘export venture competitive strategy’ and ‘positional advantage in export market’. The results from this study confirm this interesting finding and suggest the following explanation. Export markets with high competitive intensity are not targeted by those businesses that use a bricolage strategy. Markets with high competitive intensity are deemed unsuitable, too expensive to develop and, therefore, are not selected. Thus, the ‘competitive intensity of the export market’ seems to have no direct impact on export venture performance.

A new relationship which does not appear in Morgan et al.’s (2004) work but which is fundamental to the bricolage model is that of bricolage attitude (Baker & Aldrich, 2000; Baker et al., 2003; Baker & Nelson, 2005; Cunha, 2005; Cunha & Cunha, 2007; Garud & Karnøe, 2003; Kincheloe, 2001; Levi-Strauss, 1969) and effectuative thinking (Sarasvathy, 2001, 2004). Both impact on available resources and, in particular, on the effectiveness of the available resources. The bricolage tactics are designed to use resources creatively. Additionally, they are leveraging networks in order to minimise resource input and make the available assets go a long way. This has been found important especially for small resource poor firms and might be also applicable to larger firms. In this way the bricolage model confirms the extant framework in its major part and at the same time extends further the understanding of how the export performance is achieved in practice.

8.6 The Practice and Theory of Internationalization

The literature debates the way firms pursue successful internationalization. Various theories have been developed to explain the internationalization process of firms, however, the many aspects of how firms internationalise cannot be explained satisfactorily from one perspective alone. All theories contribute important aspects to the body of knowledge. So far there has not been an integrated framework which accommodates all aspects of internationalization and which could be widely accepted by the discipline.

The export performance models are based on Meta analysis largely using quantitative research. Previous researchers have, for the main part, focussed on the internationalization process of larger firms such as typical MNCs. Approaches that use qualitative methods as the primary research method are few. Recently there have been calls for a more holistic and integrative work to advance the understanding of the internationalising theory. This investigation attempts to contribute to this debate. It is hoped that an in-depth insight into the internationalization practice of regionally based New Zealand firms might lead to a better understanding of internationalization theory in general. The findings suggest how the different internationalization perspectives might fit the overall picture of internationalization theory.

The resource-based perspective has received strong support from the findings of the present study. Participating firms have worked under financial and resource constraints for years. Limited resources, especially financial constraints, are identified as a big export hurdle requiring "lean and mean" operations in order to succeed. The firms have to learn to be thrifty. Thus, each firm utilises any available resource to its best potential. Access to customers or networks becomes critical in their quest for export success. In many cases the access to networks and to customers decides the selection of export markets. These findings support both the perspectives of the network theory and the RBV. The resources available are often not sufficient and restricted important tasks, such as conducting structured market research. Exporters use entrepreneurial "sixth sense" or what Crick & Spence (2005) call "serendipity" for spotting and realising business opportunities in complex overseas markets. Sarasvathy (2001, 2004) terms this attitude as "effectuative" thinking. Levi-Strauss (1969) and Baker et al. (2003) depict the same stance as a "bricolage" approach. Whatever the terminology, the described practices act as a shortcut that saves resources, time and money, thus reducing the costs.

Any successful exporting firm grows and expands over time. The stages model of internationalization can explain this gradual growth which leads to the accumulation of resources through re-investing profits from successful export ventures to finance new ventures. It can also explain why, over time, the intensity of commitment to export markets strengthens. Surplus profits can reinforce the firms' resolve to increase their international engagement even if risks and exposure are raised at the same time. This theoretical perspective has, however, difficulties in explaining how firms can become born globals immediately upon, or shortly after, their inception.

The five high achieving born global firms derive from across the sectors. This is an interesting result in a situation where it is widely assumed that born globals come mainly from the high technology sector (Crick & Jones, 2000; Gabrielsson, Kirpalani, & Luostarinen, 2002). The phenomenon of born global firms has been the major challenge for scholars investigating internationalization theories, in particular for the stages model. However, it is not as paradoxical as it may at first appear. The situation of many born globals is more complex. In most cases these firms are set up only after years of thinking through a business concept, planning and waiting for the right time. The founders of the businesses, who might or might not fit the category of international entrepreneurs, are exposed to the industry long before they even conceive starting up a new international firm. Please see Figure 12 (Appendix 14) which displays Case C2 as an example. This prolonged time of preparation or gestation does not appear under the new firms' operating time. When using a survey tool for data collection this point is often missed and only a qualitative in-depth investigation can explore the background to the birth of a firm. Usually, during the long preparation time, the export products are developed and networks are selected and carefully built up. In many cases the products are developed with the help or feedback from these customer networks which allows a good fit of product and market, so that when the firm finally begins its operations the crucial factors for success are already in place.

Network models help to explain the early internationalising firms and their internationalization process. Globalisation of the world has created a wealth of networks. Features and capabilities of these networks vary greatly and need to be identified as to whether they are suitable for a particular firm. Networks are outside the firm's immediate control, and members of network normally develop and carefully nurture good relationships. Export managers have to decide which networks are appropriate for their industry or product. Networks can be compared to living organisms and are continuously changing. Being organic they require maintenance and timely attention. Gaining access to networks is sometimes the most difficult part of internationalization and has to be negotiated. The good communication skills of the export manager are crucial for building up stable and reliable relationships. For networks to stay effective they require the building up of mutual trust. Common language and a shared culture normally help this process and that is where managerial capabilities come in, the human factor able to cross language barriers and psychic distance.

The concept of psychic distance explains and supports the networks models, especially when the export product has a large service component. Although the pattern of international market selection does not necessarily follow the concept of psychic distance, there is good support for the cases from the service sector. Agreement on what constitutes a particular service product is vital for a satisfactory customer and client relationship.

Regarding the preference for a target market, Australia is clearly the most favoured export market for New Zealand exporters. The reasons for this can be various and psychic distance is only one of them. Other reasons might be pure convenience, such as short geographic distance, good available shipping facilities and a short transport time. Australia's attraction certainly results from their striving economy, a high living standard, and increased disposable income.

How can the resource model explain why exporters prefer Australia as their favourite export destination? This appears difficult. For example, shipping to Australia is rather expensive. For little more cost, goods can be shipped to Japan or the United States where markets are more promising and much higher profits are likely to be made. Export to Japan which has neither close psychic distance nor close geographic proximity requires a different explanation. In effect, some exporters deliberately chose Japan as their target market because it is a market which promises good returns. Unsolicited orders from Japanese firms are other reasons for firms to take up export to Japan. However, a sustained export business with Japan is only possible if a firm is willing to invest great effort in building up relationships with the Japanese distributors or customers. It involves regular travel and well maintained communications channels. The product might require additional adaptation. The resource model on its own does not explain the selection of target markets satisfactorily.

The contingency approach is the most flexible perspective and can accommodate many of the observed practices (Robertson & Chetty, 2000; Yeoh & Jeong, 1995). Successful firms strive to achieve a good fit of their core competencies with their strategic behaviour and available distribution channels. The contingency approach is somewhat vague on factors which determine export success. Therefore the flexibility of this approach is also its weak point as there is no strong attempt to provide a prescription towards successful internationalization. However, the good fit between strategy and product in the firm's specific context is critical in explaining why firms can achieve export success in spite of severely limited resources.

The stages model was developed using research based on manufacturing firms. This might explain why the gradual expansion in stages became the most important feature. The findings support the fact that many manufacturing firms gradually expand. This seems to be due to the nature of their products which require a carefully designed distribution chain. Manufacturing firms that integrate their products early into the supply chain of a large MNC of course do not show this staged growth behaviour.

Overall, one important insight is that every firm has to assess their available resources, skills, technology, product capabilities, and networks before designing a path or strategy towards internationalization. Factors differ between firms and cannot be given the same ranking. Sometimes the network is the dominant factor guiding internationalization, sometimes it is the excellent product which is specifically designed for a particular market, and sometimes it is the sheer determination of management to export and to achieve economic benefits for themselves and their community.

8.7 Limitations of the Research

This last section addresses the limitations of the research and discusses the appropriateness of the research design in order to achieve the research aim.

A mainly qualitative research design was chosen in order to deal with a complex research question in a situation where there is no consensus in the literature. The approach was adopted although the researcher feared but at the same time expected the usual criticism associated with qualitative research in international business. The great reliance on the quantitative research designs of the past has reinforced the trust in quantitative studies while qualitative investigations are still perceived by many as being inferior or of second choice. This research design is believed to be sound as it incorporates both quantitative and qualitative data collection methods which allowed data triangulation and a more robust approach than simply using one method.

Whilst the research is subject to similar constraints that impact on most qualitative studies such as the amount of time and other resources available, there are limitations that are of particular interest to this study. One of the major limitations of this study is that it is based on the case study method so it cannot make statistical generalisations. Statistical inferences, however, are not intended in this study and the findings should not be evaluated from this perspective. One of the most common critiques of mainly qualitative studies has been that the sample size is small and provides only anecdotal evidence and therefore no strong conclusions can be drawn from this type of research. However, fifty in-depth cases is a large sample for this methodological approach, and can be put into perspective by examining the sample sizes of some prestigious international studies that have used similar methodologies. Many seminal and prestigious studies have been conducted on smaller samples than the present study. For example, Johanson and Vahlne (1977) as well as Johanson and Wiedersheim-Paul (1975) investigated the export activities of four firms from Sweden; Crick & Spence (2005) used twelve in-depth interviews of UK high-tech small and medium sized enterprises; Chetty and Campbell-Hunt based their 2004 study on sixteen in-depth case histories of New Zealand firms and Baker and Nelson's large 2005 study was conducted on a sample of twenty-nine firms in the USA. Case study research though, is able to allow theoretical generalisation (Eisenhardt, 1989) which previous research has done with success (Baker & Nelson, 2005; Chetty & Campbell-Hunt, 2002). Overall, the total of fifty case studies has proven to be a sufficiently large sample to select exemplary cases. Following Eisenhardt's (1989) recommendations the cases have been drawn on successfully for theory building.

The use of mainly qualitative methods for this research has had clear benefits and led to convincing results. For example, while the occurrence of common export barriers has been well documented by numerous surveys, the severity and impact of these barriers on the firms' ability to achieve export performance has not been described in such depth. The use of case studies made it possible to qualify the export barriers according to their severity of impact and their ability to hinder the internationalization process. The collected data provide a deep understanding into the nature and context of the export problems. At the same time the case studies facilitate the in-depth insights into the interventions which lead to export success. Further, detailed insights into the management of export barriers allow the understanding of the causal relationship of why and how firms internationalise.

The most obvious perceived limitation relates to the context-specific nature of the research. The sample of participants is drawn from the Manawatu region of New Zealand and the study focuses entirely on New Zealand firms. The findings are New Zealand specific, and, arguably, exporters in New Zealand operate under different circumstances than exporters elsewhere. Thus, there are limits to the generalisation of the research. Similar criticisms can be levelled at other studies that focus on just one country such as the well known and extensively quoted and accepted Scandinavian studies (Johanson & Vahlne, 1977; Johanson & Wiedersheim - Paul, 1975). What the sample limitations of this study lack in international breadth, is compensated for in the richness of its nature as an in-depth, qualitative study, a notion which is supported by Chetty (1993). Indeed, from a New Zealand perspective, this specific location feature is the strength of the current study.

This leaves room for future research in comparative and cross-cultural settings in order to be able to look at internationalization behaviour across different countries. Despite these obvious limitations, this thesis makes a significant contribution to the field of knowledge as well as providing signposts for improving practice.

The ability to understand how successful firms manage their export barriers should help policy makers to identify effective and timely support mechanisms for the development of the export sector for the benefit of all.

9.0 CHAPTER NINE – CONCLUSIONS

9.1 Introduction

The aim of this doctoral research is to advance the understanding of the internationalization behaviour of firms. The research looks at export barriers and their impact on export performance in relationship to different management interventions. The scope is limited to the aspect of internationalization practices that deals with export performance in a wider sense through the successful management of export barriers. Export managers' perception and attitudes are the basis for the study which is placed within the New Zealand context.

A research design is chosen that allows an in-depth investigation of export barriers and at the same time explores how firms manage obstacles successfully. The data collection involves a combination of quantitative and qualitative methods which constitutes data triangulation. The research path leads first to the identification of export barriers as perceived and reported by the firms' management and their impact on the firms' ability to achieve export performance and successful internationalization. To control the impact of a product or industry on export performance it is necessary to look at firms across the three major sectors: primary, secondary and service. Thus, firms belonging to these three economic sectors participated. It allows the assessment of barriers from a holistic and integrated perspective without the limitations imposed by only one industry. This means the barriers can be distinguished into those which are internal, industry- or product-specific and those which are common or shared obstacles.

The fifty New Zealand firms surveyed achieve varied degrees of export performance. It is assumed that successful firms "do the right things" and, or "have the right things" to achieve excellent export performance. The next stage is to investigate how exporters manage their export barriers and which factors allow them to successfully internationalise. The use of case studies makes it possible to compare firms from different industries and the results are used to build an integrative theory.

The research is performed without limiting the approach to one research paradigm or one particular philosophical view of internationalization. Instead, the research deliberately endeavours to explore the management practices of export barriers without preconceptions, bringing together the various theories explaining internationalization through the observed internationalization practice.

In practice, the New Zealand context provides export firms with special challenges. These include the large geographic distances from most international markets and resource constraints regarding finances and human resources. This economic environment has produced a multitude of small resource-poor firms that are struggling to earn reasonable revenues from international ventures. The New Zealand Government wishes to strengthen exporters in order to grow its economy and achieve a positive trade balance, reversing the current trade imbalance. There are official export development programmes available, but support is limited and the money offered needs to be spent judiciously to accomplish the best possible outcome for New Zealand's economy. The current policy of Government is to identify "winners", which are those firms that show promising signs for developing successful long term growth. The selection criteria for this policy are somewhat ambiguous, as are the factors that government believes determine export performance. To fill this knowledge gap for practitioners has also been the intention of the present study.

9.2 Conclusions and Implications

9.2.1 Export Barriers

While export barriers have the potential to greatly impact on a firm's export performance and the willingness to pursue internationalization, they are not absolute hurdles towards export and internationalization. This applies to small firms as it does to larger firms. The critical export barriers for exporters can be categorised into three groups:

- Internal barriers
- Industry barriers
- External barriers

Export barriers when they are identified early in the export or internationalization process can be managed, thereby lessening the degree of impact on export performance. Contrary to a common myth, the small size of a firm is not an obstacle towards export and internationalization but can be used as an excuse by firms for not exporting.

The presence of export obstacles actually acts as a challenge and for successful firms will lead to product and process innovations. However, small and resource-poor firms which perceive themselves as unable or do not wish to innovate their processes and products might see export barriers as too difficult to overcome. The situation is less clear for larger firms that have more resources at their disposal.

9.2.2 Policy Implications

Many of the internal export barriers are time and context specific and should neither be perceived as given nor inevitable. Effective policies and interventions might influence here a great deal. The New Zealand government is well aware that SMEs need to overcome serious difficulties before they can develop into successful international businesses. There is definitely a determination in New Zealand to offer some public support and help the undertaking. National and regional economic development agencies are available and offer export training and development programmes. The effectiveness of these activities, however, is doubtful and many exporters do not find the help they require. The process of trying to obtain financial support, for example, is tedious and time consuming. The application requirements of the funding agencies are invariably so complex that many businesses have to use the help of costly consultants to get their applications underway. That leaves exporters disenfranchised with the public system and many exporters have given up seeking help.

Exporters would value assistance that is easily accessible, user-friendly, transparent and fair and would help solve their problems. The offered support programmes in New Zealand are very broad and unspecific which constitutes basically a 'one size fits all' approach. Exporters have different needs at different times. Therefore, cleverly designed policies that are well focused on alleviation of export obstacles and difficulties would make life much easier for exporters.

The results suggest customised policies that target specifically three main developmental stages of firms where support would be particularly beneficial. During the initial stage of R&D businesses would thrive through incubators, collaboration with peers and industry, technology or science clusters around universities and tertiary and research institutions. Public agencies should attempt to facilitate a supportive environment that stimulates creativity. A provision of effective help in this stage might lead to innovation, new technologies and inventive ideas on a broad scale. During the next phase commercialisation decisions have to be made on how to best turn the developments into marketable products. This is the stage where many businesses require individual assistance. At this point professional help from financial advisors and planning and management assistance would be of great help. The third stage deals with strategy formulation. Here would be of great importance to take into account the available resources, networks and core competencies of the business in order to find a 'best fitting' strategy for each individual circumstance. Consultancy that is based on effectuative thinking and bricolage attitude could offer good solutions. Text book approaches applying strategies designed for MNCs are not always the right way for small businesses. Support agencies and consultancies should pay attention to this important fact.

For many exporters access to markets is the main problem concerning their export and internationalization success. Where this is the critical point an informal network of people with international connections or backgrounds might be the budget solution for gaining access to international clients, customers and markets overseas. Some firms deliberately target expatriates and nationals from target markets, employ them as staff, and utilise their network connections as access to the markets. However, it could be a real opportunity for development agencies to do this on a larger and more effective scale. They could organise such a group and use their international links for networking to the benefit of the entire New Zealand economy.

New Zealand could also reduce the extent of some of the external export barriers if the Government attempted to change some guiding principles that impact on the general economic environment. In a bold move a restructuring of the tax system, such as tax discounts for income from export would certainly be an initiative welcomed by exporters. However, even smaller but focused interventions would also have great results. The extent of industry-specific and external barriers could be reduced considerably if New Zealand authorities understood that the specific fast-paced and sometimes ad-hoc operation mode of small exporters is necessary to achieve competitiveness and use opportunities as they arise. This should be supported by responsive agencies. For example, MAF's bureaucratic and time-consuming procedures which slow and complicate the process of exporting might be revised to be better fitting the target group. Other expensive contracted-out private services, operating in a rather unresponsive mode, could be better aligned with the needs of the exporting clients rather than the interests of the providers of the services. Improving communication and facilitating a mutual understanding of all parties involved in the exporting process and international ventures might be a good start here.

9.2.3 Factors Determining Export Performance and Internationalization

The human factor is the single most important contributor to the internationalization of firms. This might be the export manager, the owner manager, and/or the international entrepreneur. To increase their managerial capabilities will, therefore, improve export performance. Formal education is only one way to achieve this, and much can be learned from peers and other exporters when sharing their experiences and information. A negative attitude towards exporting will most certainly result in little or no export performance. Increasing the willingness and preparedness of the person in charge seems the most promising way to increase the likelihood of success in international markets. Financial initiatives are fine but some public recognition and an attitude of respect towards the achievements of New Zealand's exporters will go a long way towards motivating successful and struggling exporters alike.

Production capabilities are limited in New Zealand. There are only a small number of firms that achieve economies of scale, such as Fonterra. The majority of firms in New Zealand are small to very small. Large export quantities and volumes are difficult to achieve. It might be a good idea to accept this fact free of emotions and get on with stabilising the existing small firms. The development agencies focus their attempts into growing the few firms which they deem to have potential to reach a large size. The majority of small firms are left alone and do not get effective help. It is doubtful that New Zealand's society will benefit as a whole if authorities try to follow the conventional path and force the model of larger developed countries upon the realities of the New Zealand business sector. Providing appropriate help to small exporters will strengthen the whole economy, as in New Zealand's situation an important part of the economy is carried by many small firms. These firms also have a very significant role for providing employment and with that, delivering social security and wellbeing for the whole country, especially in rural areas such as the subject of this study, the Manawatu. This is sometimes forgotten when only economic factors are considered.

Networks work well in particular for small firms with little resources. Networks provide shortcuts concerning time and money. This is not a new insight and it is astonishing that New Zealand's potential for developing more effective and efficient networks has not been exploited further. New Zealand as a multicultural and multi-ethnic country with immigrants from all around the world has the opportunity to utilise its diverse peoples, their skills of language and culture, and their connections and knowledge in regard to their former home countries. This is a major opportunity to build up truly global networks.

Foreign and domestic markets are moving closer together in this globalised world. Formal communication channels, such as fast internet, and accessible and affordable transport facilities with good and reliable infrastructure are no longer an option but a prerequisite for commerce and international trade. This applies especially to New Zealand with its remote geographic location. There is a great opportunity for New Zealand to improve its infra structure including the communications channels which would help with export and internationalization.

9.2.4 Internationalization Strategies

The concept that "export barriers drive the strategies" applies to small and resource-poor firms in particular. The formulation of strategies needs to integrate the export barriers in order to alleviate their impact. It also means that firms need to utilise all their resources and factors available in order to design a well fitting strategy which takes their strength and core competencies into account. Focussing on core competencies rather than on fixed export products allows flexibility to cope with the fast pace and change of today's international environment. The Bricolage Model explains which factors are critical and which factors will eventually determine sustained export success. The model applies to all types of industries and is not limited to the manufacturing sector.

While the generic market entry strategies are options for larger firms with plenty of resources, the full range of options does not exist for small firms with limited resources. What small firms can achieve, however, is that they can realize a "best fit" of available resources, networks and core competencies. The cases of the early internationalising firms or born globals that have achieved this optimal match support this concept and explain why these firms can achieve superior export performance and internationalise instantaneously.

9.2.5 Internationalization Practice and Theory

Internationalization theory is still fragmented. The separation into different specialist fields has done nothing to bring about a generally accepted theory which integrates and explains the internationalization process. None of the current theories is superior to other perspectives and none can claim to be able to explain all aspects of internationalization. However, each perspective contributes important aspects to our understanding of how firms internationalise.

A researcher normally approaches a research problem from the relative certainty of a particular field, which leads to small but tidy research studies and neat findings. Continuing in this research mode can result in more fragmentation and the loss of the view of the bigger picture. This can lead to a distorted view of the practice. Only bold approaches which focus on internationalization practice, rather than unduly respecting the boundaries of the subject paradigms, and that tolerate untidiness and the acceptance of chaotic complexities are able to overcome some of the fragmentations which are present in the field.

9.3 *Final Comments and Recommendations*

The thesis advances the understanding of the internationalization process of firms. Limited as it is to a regional New Zealand context, it looks at firms across the industries regardless of the export product. In this way it bridges some of the fragmentation of existing research and extends the understanding of concepts like psychic distance and its important application to networks and service products.

Specifically, the case study method allowed looking at a large pool of fifty cases across industries. The in-case analysis identified internal and external barriers of the firm and how the individual business dealt with them. The cross-case analysis distinguished barriers that are industry specific and therefore shared within the industry. It also confirmed the external barriers as shared and common among all firms that operate in the New Zealand business environment. The cross-case section of the analysis gave insights into how different management interventions effected (and alleviated) the impact of barriers and difficulties. The most valuable lessons from the cross-case analysis, however, were the insights into why some firms were not able to deal with their barriers while other firms experiencing the same problems could.

Using export barriers as a starting point permitted to look beyond the process of successful exporting to the factors that determine sustained export performance. In this way the internationalization process of firms as the consequence of their repeated export successes over time could be investigated from a holistic perspective. Moreover, designing the research in this way led to the development of a new framework. The theory that is developed from this innovative angle forms this research's contribution to knowledge. The new framework is named after Levi Strauss's anthropological concept "bricolage model". It reflects the observed practices of small internationalizing firms and provides insights into the entrepreneurial and internationalization process. This model extends earlier work by identifying managerial capabilities and networks as the most important factors in export performance while the feed-back loop adds the aspect of dynamics.

Ultimately, the bricolage strategy, designed around the firm's core competencies, becomes the central position for export performance. The focus on core competencies and not on export products is the main reason for success of resource-poor firms, because it allows flexibility and speed of response which are the strengths of small businesses. The dynamics of successful export ventures are integrated into this framework in order to explain the time factor's impact on export development, which is the key element of the various stages models. The aspect of incremental development over time is still valid today albeit not in a deterministic way. Even born global firms grow over time and extend their operations.

The results of this cross-sectoral study from one geographic location are encouraging. As the participants were selected on just two criteria: firstly, belonging to the Manawatu region and secondly, involvement in some form of international economic engagement or export, there was no need to categorise the firms on the basis of size or structure. The study was able to look at the realities of export practices with an open mind. It is hoped that the Bricolage Model which developed as a result of this research can be accepted and start the integration of the different schools of internationalization literature.

The conclusions from this thesis have implications for New Zealand's academic and business practitioners. The findings support a model that shows how in practice very small firms and those with few resources can successfully achieve and maintain export performance and internationalization, an outcome which was previously thought to be unsustainable. The cases show that there is hardly any firm that is too small for internationalization. This is probably news to government agencies that believe otherwise. Resource-poor means that resources need to be spent wisely in order to keep the costs at a minimum and achieve export and international success in spite of severe obstacles. If this works for small firms then surely it must work even better for large firms. Thus, the results identify strategies which can be used to improve efficiency in regard to export management in general.

The bricolage approach might be accepted as a valid framework for internationalization of small and resource-poor firms. The way small firms, compared to larger ones, develop different export strategies should not be belittled as pragmatic or unsophisticated. "Unsolicited orders", as a means for small firms to access customers, should get more recognition as a legitimate point of cost savings which increases their competitive advantage in international markets. Official development agencies have a "one size fits all" approach which does not cater to the needs of small firms and their programmes suit better larger firms. The help could be more specifically tailored to the unique needs of the individual firm.

9.4 Suggestions for Future Research

The outcome of this doctoral research is an improved understanding of the different aspects of internationalization and helps promote the integration of theory. This should provide encouragement for future researchers with a similar focus.

The newly developed framework needs to be tested further through both quantitative and qualitative studies particularly in other countries.

The factors that determine export performance need further in-depth investigations. What relationships do they have with each other? Can these relationships be quantified? It would be interesting to see how far the networks can be credited with their central role in export performance.

Future research should also focus on different geographic locations within New Zealand or in a cross-cultural setting to develop a better understanding of the impact of culture on export practices.

Other issues seem to be worth investigating. The area of export venture fitting markets in regard to export volume, export intensity or quality compliance seem to promise a deeper understanding of export sustainability and risk reduction.

The scope of research into export and internationalization issues could be widened and should not focus just on profit issues, but should also investigate ways of efficiently providing products in an environment-friendly manner.

It is hoped that future research could also look at the role of export and internationalization in regard to the overall benefit for communities both within a country and within the whole international community.

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APPENDICES

Appendix 1 ABRF Survey Questionnaire

Massey University VISION MANAWATU leading economic development New Zealand TRADE & ENTERPRISE

STAPLE BUSINESS CARD HERE

EXPORTERS IN THE MANAWATU

INAUGURAL SURVEY (2004)

This questionnaire should take you about 10 minutes to complete.
If you feel unable to answer any of the questions for reasons of commercial sensitivity, simply put 'CS' All the answers you give are confidential and the results will be compiled in such a way that no single company will be identified.
If you have any questions, please contact: Dr Romuald E J Rudzki on tel. 06-350-5799 ext.2778

COMPANY INFORMATION

Company details:
please staple your business card to the top right hand corner of this page.

1. What business are you in?
2. How long has your company been based in the Manawatu?
3. Where is your head office located?
4. What is the legal status of your business?
   - ☐ Sole trader
   - ☐ Partnership
   - ☐ Co-operative
   - ☐ Limited company
   - ☐ Public company
   - ☐ Other (please describe):
5. How many *full-time* staff do you employ?
6. How many *part-time* and *casual* staff do you employ annually?
7. What is the annual turnover of your company?
8. Do you have a web-site and if so do you take customer orders through the site?
9. In what currency do you quote your prices?
10. Do you manage foreign currency exchange risk and if so how?

Figure 5 Questionnaire page 1

EXPERIENCE OF EXPORTING

11. In what year did you first start exporting?

12. What countries do you export to?

13. Which is your most important export market?

14. Approximately what percentage of your business is based on exporting?

15. How did you get into exporting (what was your first experience of exporting)?

16. How do you identify your potential export markets?

17. Is there a person within your company who is responsible for exporting, and if so who are they?

18. Do you undertake research about potential new export markets and if so how?

PROBLEMS IN EXPORTING

19. What are the main problems you face in exporting?

20. What is your biggest time-waster in exporting?

21. Can you name any specific 'red tape' that causes problems for you and explain why?

22. Who or what has been the biggest help to you in exporting?

Figure 6 Questionnaire page 2

HELP AND ASSISTANCE

23. Do you receive help from any government or other body with your exports and if so, which body/bodies and what kind of help?

24. What is the single most important thing the New Zealand government could do to help you export?

25. What is the single most important thing Vision Manawatu could do to help you export?

26. What is the single most important thing NZTE could do to help you export?

27. What is the single most important thing Massey University could do to help you export?

28. Do you have any export research projects suitable for a postgraduate student to undertake over the course of a year (February- November) and if so what?

29. What knowledge and skills do you expect graduates to have and what would be especially useful to you?

Figure 7 Questionnaire page 3

FUTURE

30. Are your exports likely to increase, stay the same or decrease in the next 12 months? Why?

31. Does your company have any plans to move from the Manawatu and if so why?

32. Do you face any trade barriers to your exports and if so what are they by country?

33. How do you deal with language and cultural differences?

34. Do you employ any foreign-born staff that may be available to overcome these language and cultural barriers?

CONTACT

35. Do you give permission for your company name to appear in the Appendix of the report as a Manawatu exporter taking part in this project?

☐ Yes ☐ No

36. Would you object to being interviewed about your export experiences by a Massey researcher?

☐ Yes ☐ No

37. Do you wish to receive a free executive summary of the findings of this report?

☐ Yes ☐ No

38. Is there anything else you would like to add?

Thank you for your help in answering this questionnaire.
Please place it in the postage paid envelope provided.

Figure 8 Questionnaire page 4

Appendix 2 Case Studies - Vignettes

Firm A1

Introduction This family business is in the produce industry; they do packaging and marketing. The firm has been located in the area for nearly 12 years. They employ 20 full-time staff plus an additional 6 temporary workers during peak harvesting time. Their turnover is in the vicinity of NZ$ 6 million a year, 15 % comes from export mainly to Hong Kong and Malaysia. They have been in exporting for nearly 15 years. They do not maintain a website.

Products Their main products are various varieties of potatoes, onions and carrots.

Core competencies Packing and marketing of produce.

Barriers Their main export hurdles are logistic problems due to the nature of their export products: the export items are highly perishable, and require cooling of the containers while in transport. The shelf life and quality of products at the arrival point in the export markets is the main issue and they would like some help here to improve the situation. If the cool chain is broken, containers will arrive overseas with the produce in a poor condition and little freshness and quality, which leads to customer complaints and disputes over price and payment. Time is a crucial factor for getting products fresh to the markets. Transport time is sometimes excessively long and that prohibits export of certain products to distant markets. "*It is New Zealand proximity to the rest of the world, the transit times for us; we are competing with a lot of firms out of Perth, so going to Singapore or Hong Kong is only 8 to 10 days, for us it is three weeks, so that poses a problem…it is generally just transport and transit times.*"

Cost of transport for these products is relatively high, meaning 'low value - high volume'. The shipping rates to Australia are non competitive.

Poor coordination of the domestic transport system causes problems, such as regulations for truck transport and train transport. Shipping containers can only be filled three quarters full because of weight restrictions. "*The forty foot containers we can't fill them to capacity, because they are not allowed on the road, 'cause the weight…The problem for us is the internal transport. The most cost effective is rail.*" "*The rail network needs to be more user friendly, that's what it is…So containers can be a problem to get and then it is just getting space and just logistics.*"

Some export countries require 'phyto-sanitary' certificates, which need to be prepared before the shipment leaves New Zealand and which add to the costs and sometimes causes delays for the shipping. MAF requires these certificates. "*At the moment we do not have to MAF any of our products because of where they are going.*" There is also the problem that an exporter cannot switch easily between different markets as it is basically required to document the whole planting and harvesting process for certain countries. The documentation has to be controlled by MAF officers who need to be strict in order to protect their reputation as trustworthy. "*There is also a question of food safety with the Chinese products.*"

Strong competition from the Netherlands who seem to be also quicker with shipping.

Competition on price from China. "*China is a big problem for us. They export very cheaply, 'cause their labour units are so cheap, and they do not need to get resource consent… so their productivity cost are a lot lower. At present they are shipping stuff into Hong Kong for a quarter of the price.*"

Strategies Their strategy is to service easy and close markets using established networks. In Hong Kong they sell direct to a big super market chain. "*We have gone* *for safe markets.*" "*Exporting for us is going to be only be about 30% of our income and I do not envisage it any bigger, because potatoes are basically just a commodity product. It is not a high value product...And there is not huge money in them.*" They use an NZ exporting firm / NZ export agent for logistics, transport and customs documentation requirements. They take care of their biggest problem "*Damage of products during long transport*" by using cooling containers and pay attention to adequate shipping.

Management This firm has two people involved with general management and the exporting side of the business. The decision to export came through filling an unsolicited order through their export agent and the Australian firm.

Networks They mainly export as a subcontractor for an Australian firm: "*We just export for an Australian firm. We have not exported last year in our own right but we do contract for an Australian firm. So we export for them. But we send it for them from New Zealand to Hong Kong.*" Australia has an advantage for accessing Asian markets as they maintained good networks with their former international students who eventually returned to their home countries in Asia: "*usually that makes them more disposed to use the country that they have been educated in, and Australia did a big programme educating Asian students 20 years ago.*" Additionally there are a number of Australian expatriates who live in Asia: "*there are a lot of 'Expats Australians' in Asia working in produce, so they tend to use Australian firms.*"

Market Development This firm does not actively look to increase the export share. "*We have sent carrots to Ireland before, that was nearly a 9 week transit time.*" "*We used to do Japan, send carrots to Japan, but it is too risky in terms of: the market can change while the carrots are on the water. And they can get there and they do not want to pay for them...we are not actively seeking, we could probably pick up another couple of factories, then, yes.*"

Potential future markets "*Taiwan is opening up for potatoes, but they need to be PCN registered, which means they have to be registered and inspected by MAF...And that is quite a high cost, that is sort of NZ$ 50 an acre.*" "*And Korea is not far behind. Probably those 2 markets we might have a go at.*"

Development Agencies They would like the agencies to organise a better coordination for the domestic transport system. "*Vision Manawatu does a lot of work with Centreport in Wellington. Trying to get closer. That has made a difference." So maybe V.M.* [Vision Manavatu] *can look at the network, the rail network, working alongside them.*"

Comments This produce firm concentrates on the domestic market. However, they do export their products for an Australian firm, using their market connections and networks. Their current export markets of Hong Kong and Malaysia, do not require MAF Certificates. The potential future markets in the Philippines, Taiwan or Korea do require MAF inspections which seems to be a big hassle and increased costs. Their strategy is to service easy and close by markets using established networks.

Firm A2

Introduction This firm is a large vegetable and fruit processor and packaging firm. They employ 15 full time staff and up to 20 casual staff during harvest season. Their turnover is about NZ$ 1.7 million per annum and 20% of this is earned through their international business. They supply their speciality products to Australia, USA and Japan. They maintain a web site for marketing.

Products Their products are fresh prepared fruits and vegetables which they sell to wholesalers including supermarket chains or to other food processing firms who will use their products as supply into their final products.

Core competencies They are approved as an AgriQuality New Zealand certified organic food processor and AgriQuality New Zealand approved supplier. The prepared vegetables are 'ready to cook' and are distributed for same day consumption.

Barriers Logistic problems: export to Japan is usually done by 'airfreight'. "*There is no actually chilled airfreight in the world. And also problems are on the tarmac in the summer. Not so much getting off the plane but getting onto the plane it can sit on the tarmac for an hour or more waiting to be loaded. And it just heats up something unreal and that is where the problems are when you doing a delicate product like lettuce and things like that.*" A different product to USA is shipped by sea containers, which is reasonably hassle free.

Time constraints for shipping: high value organic produce to reach the markets in perfect conditions. Some export markets impose sometimes unfair treatment in spite of full documentation and a MAF certificate: "*We were told, when one lot was fumigated at 30 degrees Celsius that they'd found a caterpillar in it. But we since found out, and we were told by the importer in Japan, that it was not a caterpillar in it but it was just our turn to be fumigated. And lettuce you just cannot fumigate with 30 degrees.*"

They work under financial constraints and rely on prompt payments for goods. They are weary of the Asian markets: "*Domestic markets are not so bad because you are paid quicker and you can come to some arrangements, but if we're exporting then they are not interested and it can take months until you get paid. This is a prime example of the problems of exporting in a large amount.*" Guarantee for payment is a problem in Asia, such as Korea. Provisional tax payments are a problem, such as finance for new ventures and innovation "*in this industry as contracts and harvest are cyclical and you have not a continuous income stream.*" There are no tax breaks or flexible tax payments for new developments; R&D is fully funded from the firm: "*to get things going there need to be some tax help, not as a gift but to get people into it, to help them into an initial hurdle like this.*"

Obtaining MAF documentation and meeting their requirements is a problem, not so much in theory but the process seems to be neither straightforward nor user-friendly: "*Nobody wants to be held accountable for anything. They all bumble around like in MAF and how does quality come into the factory, how do I get round this, they won't answer you, if what they say is wrong they don't want to be held accountable. Like in America, everybody is running around and around and not prepared to put their hands up.*"

Strategies Their strategy for exporting is opportunistic by making use of chances which arise from contacts within their networks such as customers (or larger competitors) who pass on small orders that they cannot fill (small batch productions).

Management The owner-manager has a farming background and has good skills in machine design, modification and construction. He is able to design new machinery to be able to satisfy customer requests for innovative products. His management and exporting knowledge relies on long-term experience in the industry.
Networks Good network with customers and larger competitors.
Market Development Their market development occurs around their network of customers. They started exporting through unsolicited orders and 'word of mouth'. For example they took on small contracts which bigger firms such as 'Watties' could not fill. "*Some customers require smaller sized orders*". This firm acts as a subcontractor for a large exporting firm in Auckland. Currently the export to Japan is on hold due to communications and shipping problems: "*Airfreight problems determine which product can be exported and which cannot.*"
Development Agencies NZ T&E helped once: "*We were given a grant about fifty, sixty thousand to help with development of the apple slicing machine. If it had not been for that grant I would probably not have gone ahead with it*".
Comments This firm has grown through utilising serendipity and entrepreneurial 'sixth sense'. There is no formal growth strategy behind internationalization, but it is more an exploitation of opportunities coming from networks, such as customers or larger competitors who pass smaller orders on as they cannot fill small batch productions. Currently the export to Japan is on hold due to communications and major shipping problems.

Firm A3

Introduction This firm exports fresh produce to Europe, UK, Japan, Korea, and South East Asia. They employ seven full-time staff and over 200 casual staff during the harvest season. The firm moved to the Manawatu area seven years ago and has been exporting for two years. Their turnover is about NZ$ 5 million and over 70% derives from exporting. They actively make market inquiries to explore further perspectives for internationalization. They do not maintain a website.

Products Fresh high quality produce which satisfies the highest demands globally. They target markets which demand MAF certification and product traceability and quality assurance and offer high return. Their products comply with the highest health and safety standards.

Core competencies Export of high quality produce from certified growers according to MAF requirements.

Barriers Their main export obstacles are logistic problems to maintain the high quality of products from '*field to the marke*t'. They need to ship their products to the markets as fast as possible, preferably in chilled containers.

Compliance costs are high: before shipment containerised products require full 'Customs' and 'Tracking' documentation to satisfy the requirements of 'Importing Country Phyto-sanitary Requirements' (ICPR). "*Every substance used during the growing period and harvest has to be documented. The most important export market is Japan, however it has the most strict quality requirements, and only first class produce will attract buyers there.*"

Certain chemicals are not allowed for specific markets and these requirements go into the definition of strategy: they produce specific crops according to the specifications of certain target markets. These crops then go to these specific markets: "*We know that most markets have ICPR requirements and to meet those we have to be able to document our procedures right from day one right through to the markets. We also have to make sure that our products do not exceed the MRI (Maximum Residue Index).*"

Strategies High quality niche product which satisfies customer demand in high price countries, such as Japan. Timing of product is very important, as they use strategically the seasonal difference for delivery to the Northern hemisphere. They adopt a proactive approach and subscribe to continuous quality improvement. They operate a highly efficient process model and cut waste to a minimum in order to achieve maximum profits at very low costs and therefore have the resources for further expansion.

They know the specifications very well and try to build up a relationship based on trust and integrity. "*Last year we chose not to export to Europe because our products did not meet the required standards. They have to be 100% to go to Europe. A superior product will result in a high price and good profit.*"

The MAF web site is used for current information on markets. This website changes frequently, so they need to observe the changes. They routinely examine their operation systems to meet the demand of the market, this is an ongoing process.

Management No formal management training. Expertise and knowledge of production and understanding of the customer's requirements. "*Understanding the market, what the markets want and how much the market is willing to pay for the product*". "*It is an ongoing learning process and it leads to a better product which fits better the market requirements*".

Networks The market research and identification through networks, such as other export firms and/or websites. They keep in close contact with their markets and networks by email, telephone and digital photos of the products for agreement on quality and price. No branding of their products exists but they have a good reputation for high quality and reliability for service and delivery, which is very important for the Japanese markets.

Market Development They actively research new markets on the internet and through the distributor and customer networks. They would wish for financial support or tax initiatives for the first few years of international market development especially in emergency situations like the February 2004 floods which devastated the whole produce industry in the area.

Development Agencies They have not used development agencies. This firm is a member of Vision Manawatu, but they have had no dealings with them so far. They would like to see the New Zealand government build and maintain market access, which includes overseas '*in-market representation.*'

Comments This firm has positioned itself at the higher end of the produce export market. They know that they can only maintain their competitive advantage by delivering exceptional quality of products and maintain effective communication channels and superb customer relationships. They managed to grow their business considerably in only seven years in spite of the difficulties inherent to their industry and products.

Firm A4

Introduction This produce exporting firm has operated in the region for 55 years. For the last 25 years they have been exporting. They have a full-time staff base of 35 employees with additional casual workforce of 10 during peak times. Their annual turnover is considered commercially sensitive, but they indicate that 12 % of this turnover comes from international business. They started exporting through unsolicited orders from overseas customers. They maintain a website for marketing.
Products Fresh produce packed on pallets, mainly potatoes, onions and carrots.
Core competencies Packing of local produce.
Barriers Their main barriers are domestic competitors and overseas firms competing for the same international market. China has a competitive advantage concerning production costs and overheads as they do not have 'Health & Safety' requirements.
Problems also with payment especially in Asia: "*One of our biggest problems we have is getting money out of our customers especially in Asia. We have claims. But sometimes we have claims that we are convinced are not genuine so that makes it difficult to get payment...They want to see the product before they pay for it.*"
Logistics problems: the produce takes about 3 weeks to reach the market. They have problems with mildew for onions and 'blackhearts' for potatoes caused by lack of ventilation in the containers. "*We still have some difficulties with product degradation and transportation.*"
Important barriers are requirements by MAF: "*NZ Ministry of Agriculture belongs to the International Plant Protection Convention and there are a number of countries which also belong to that. They establish requirements in regard to importation of produce into their countries, so they will list certain diseases and insects that are not permissible by way of import entry or list tolerances for insects and diseases. And NZ MAF then accepts responsibility to police on behalf of importing countries, so we have to obtain what we call import inspections which then is done within the realms of the importing countries requirements, so if they say, for example, we will not accept potatoes grown in area where a disease is present then the shipment will not be shipped...MAF will issue a 'phyto sanitary certificate' ... that is submitted to the buyer.*"
Strategies The strategy is to service their traditional markets and long time customers. This firm has no clear differentiation to their competitors and has not identified a special market niche. As they have to compete on price with low labour countries they are losing market share in their overseas markets. This has turned out to be a major obstacle for export growth. Additionally, the geographical distance from the export market incurring high shipping costs makes their products less competitive. To achieve MAF clearance - which is required for some of their markets - this firm resorts to retrieving their crops from areas which are disease-free. This is however, not a pro-active way to manage the MAF requirements. "*There are two service providers which work for MAF: AgriQuality and SGS, the cost of compliance with the regulations is climbing quite quickly... and the market we are selling into is pretty competitive*" "*The exporters generally feel that MAF ... is more like an impediment to export because of the high costs and the bureaucracy involved.*"
Management The export manager is part-owner of the firm, he holds a tertiary qualification in business.
Networks Agents and brokers are their market contacts in international markets. Currently they are visiting the existing export markets on a 2 yearly basis. They also

have manufacturing firms which buy the product directly and, for example, turn the produce such as potatoes into potato chips.

Market Development Each individual export market has their special product, e.g. onions go to Holland, which takes six weeks shipping time. (Potatoes would not go there as they do not last the time in a container.) To secure payment they use 'Letters of Credit', for clients with long established and good working relationships they will supply on the basis of 'payment via electronic transfer against fax documents'. "*And as we get to know the customer better, we will then supply against fax documents, we fax the document to the buyer and they will make payment before we release the original documents by courier.*"

Market research for future growth is done through their representational body: Vegfed, which do market research for their members.

Development Agencies This firm did not receive any support from development agencies.

Comments This firm has been in the industry for a long time; they have a well established network with agents and brokers and some manufacturers to whom they sell directly. They have kept this arrangement constant and further market research is done by their industry representation. They are currently experiencing strong competition from low cost countries and they have lost market share in recent years.

Firm A5

Introduction This firm has been in the wool exporting business for over 50 years. They employ five full-time staff and have a yearly turnover of around NZ$ 5 million. Exporting makes up 50% of the business volume. Their main markets are India, Australia, Taiwan, China and Japan. They have no website.

Products New Zealand (sheep) wool and sheep manure (pellets). NZ Zealand wool is mainly coarse and used for carpet making while Australian wool is much finer and softer and used for manufacturing cloth.

Core competencies Processing and exporting of various sheep products.

Barriers Wool is traded as a commodity on the world market which is wide open for worldwide competition. World prices are currently low and continuously fluctuating: "*Raw material is probably different kind of business, just saying you got take a chance when you see it. And be quick to move in the right direction. It is speculation as much as anything else. Markets are manipulated*".

Coarse New Zealand wool is mainly used for carpet making and does not allow any niche market positioning. The range of suitable markets for the product is limited and worldwide demand is currently static. Competition for wool markets comes also from the synthetic fibre industry. Competition comes from inside New Zealand: "*There are 10, maybe 15, NZ wool exporters and each one tries to undercut the competitor in price...There is no cooperation between the different exporters to get the price up*" and from overseas markets like Australia. Irish wool is in high supply and cheaper than it can be produced in NZ. The whole industry operates on a very small margin. "*The profit is not high enough to do any promotion. So fluctuation in the currency does hurt...'So, we are exporters, but we really are chance takers. If you take the right chance you make money, if you take the wrong change you lose money.* "

Sheep manure export is high in documentations and very difficult to export because of MAF regulations and compliance costs.

Some problems with payments: Europe operates on a different payment system which leaves the firm vulnerable to post-delivery negotiations. They do not want to expand their business in these markets. They prefer markets where Letter of Credit is the norm, which gives protection to the exporters.

Strategies The price situation for wool is fast changing. Time in this business is a crucial factor because of the competitive market situation, the small margins and the currency changes: "*After all we are not in the trade of foreign currencies, our business is wool.*" They try to sell their product when the currency exchange rate is in their favour (they can put wool in storage for a few months).

Management The owner-manager has been in the industry all his life. He learnt the industry as an apprentice and obtained a degree in economics from Massey University.

Networks The former NZ Wool Board promoted NZ wool to the global market. They also upheld certain specifications and standards which made it harder for NZ exporters to compete on the world stage. They use local agents in the export markets who arrange the sale to the local manufacturing firms. These agents command a percentage (around 2% to 3%) of the sales price as a commission. All contacts overseas are made through networks and informal meetings: "*Networks are important, you meet your markets through networks*"

Market Development They developed exporting by following up contacts and unsolicited orders. China is a good market for wool but very volatile. The traditional market Portugal was neglected in order to service the much bigger Chinese market. Portugal had to restructure and is no longer a potential customer. Export has become a necessity as the domestic NZ market is shrinking, because NZ manufacturers are relocating their manufacturing plants to cheap labour countries such as China. The second export product is pelleted sheep manure to Asia which has good growth potential.

Development Agencies This firm has outgrown possible help from existing development agencies. "*I do not think they can possibly give me any assistance at all. Not in our line of business anyway.*" "*No, I do not have any benefits from Trade & NZ Enterprise.*" "*It is very hard to give you advice, because they do not know your product well*".

Comments For this industry, globalisation of markets and the advances of information technology have not really improved their market situation. The competitors use the same technology and information channels. The whole industry operates on very small margins, and the right timing for the exchange rate is very important. The export market has turned into be a buyer's market.

Firm A6

Introduction Exporting business which trades with wool, skins and hides employs eight full-time and four part-time staff. They turn over NZ$ 3 million per year, international trade makes up 50% at present. They have been exporting for nearly 18 years, five years after starting up their business. They shifted their main focus from wool exports to export of possum skins, grub-salted sheep skins and grub-salted cattle hides. The main export markets are China, India and Europe. They maintain a website.
Products Wool, skins and hides, mainly from sheep and possum.
Core competencies Processing and exporting of animal products.
Barriers Their main obstacles are compliance issues with MAF regulation and associated costs. All government services are based on 'user pays' principle. "*Red Tape*" for example, the premises require yearly inspection and licensing for exporting animal products; the export certification is not just for each container load of product but also for pallets and packaging material made from organic matter including timber pallets. "*I just had them fumigated, and that cost some extra $300 for a container.*"
There are problems with the delivery of MAF services: Staff at MAF seem to have little experience and knowledge about what is involved with exporting, they seem to have too little staff with expertise and long time experience: "*They are a bit too thin on the ground. We are an exporting country and all they are doing is centralising all the time...Simple straightforward information is not getting out there, they send you pages and pages of absolute rubbish on what might happen and on what might not happen and going into all sorts of details...They need to get basic information out, just people who know the job. There is more and more paperwork to be done to export...NZ likes to show everybody that we have got a good system here. And I think some of the systems are forced on us...Not all markets require the same standards, but I feel that the same standards are now put on every market...That has been called for to a certain extant by the countries who are purchasing the products, but I am a little bit confused because what MAF is to do is to go through about 3 to 6 people the other day and pushing the post through until I found someone who knew what they are about; so it did not work out really, so it goes through it all 3 or 4 times to get the product correct.*"
Shipping is done out of Napier and Tauranga. The logistics firms look after custom declaration and MAF regulations. Payment is on a Letter of Credit basis. A container load is worth between NZ$ 60,000 and NZ$ 25,000.
Strategies They shifted their focus from wool exports to export of possum skins, grub-salted sheep skins and grub-salted cattle hides, which has increasing demand and is more profitable.
Management No formal business qualification but long time experience in the industry.
Networks They work with a network of established customers and logistic firms. Additionally they receive unsolicited orders through their websites.
Market Development The demand for possum skins is currently growing worldwide. Orders per internet and from their customer network for their products come frequently at short notice and they cannot deliver to their full potential because the MAF system is so tedious and slow. They would be able to export more if the MAF system worked better.

Development Agencies They need to organise a better coordination for the different parties involved in the export process: "*They should stay practical and help to keep export procedures as simple as possible.*"

Comments This firm exports various animal products and struggles with both MAF services and compliance costs. They see MAF as their obstacle for filling internet-based orders quickly. The request for faster and better MAF service has been dismissed as unjustified. Veterinary services seem not to be sufficiently available, and information from MAF personnel seems to be inconsistent. Additionally some MAF staff are unhelpful and not prepared to speed processes up. Therefore urgent orders cannot be filled and some business is lost.

Firm A7

Introduction This is the local branch (of nine in total) of a large public meat processing firm. A central export division in Hamilton is responsible for a global export strategy and coordination of logistics and compliance. The turnover of the Manawatu plant alone is NZ$ 94 million annually. Export and international business is the organisation's main purpose; basically100% of the business comes from international sales worldwide, mainly to the USA and Japan. The local permanent workforce in this branch is a standard 13 fulltime staff with additional 240 seasonal employees during peak times.

Products Processed beef, sheep, lamb, and venison meats.

Core competencies The firm's strength is the delivery of quality meats and meat cuts to a solid international customer base. They have a commitment to be in constant contact and communication with the customers 24/7, and they have also invested heavily into mobile communication systems including digital photo and video facilities.

Barriers Export products require observing NZ Food Safety and Health Regulations. MAF uphold high quality standards for all NZ animal and food products to provide respectability and credibility for NZ products. Barriers are compliance with MAF requirements, documentation and cost, availability of shipping facilities and transport costs and maintaining the quality standards at all times. The New Zealand Food Safety Authority (NZFSA) formerly within MAF now has a separate organisation which provides the certification services, but operates on an allegedly inflexible and bureaucratic system. There is neither good cooperation nor a collegial climate with the industry and this creates considerable problems, e.g. NZFSA refuses to assist in special circumstances or emergencies and make no exceptions to their rigid schedule. Consequently, the firm, including supplying cattle producers, have to comply with regulations required for export, MAF is auditing the processing plants and certifying the quality of meat. These compliance costs are high in the meat industry.

Additionally, there are customer specific specifications: high quality standards demanded by their major customers McDonalds and Burger King. For example, McDonalds inspects the premises on a regular basis and takes samples from the plants and from animal tissue for further examination. They themselves certify the meat processing plants for fitness to be their meat supplier. Burger King, the other major customer, has similar requirements. Some customers and certain markets require full documentation of the product such as a 'tracking system from farm producer to plate' for certain products.

Competition in the industry is fierce. Australia is the main competitor on price and quality. The Australian meat industry has achieved a better standardisation of cattle and meat and therefore has a very good reputation in the USA market for sustained quality. Their production facilities are state-of-the-art and they are not working under severe resource constraints.

NZ currency fluctuation is a problem as this firm works on small margins.

Logistic problems: there is strong competition for suitable containers with cooling facilities for 'chilled' and 'frozen' goods during harvest season when produce exporters wish to ship their products. This branch normally ships from the ports of New Plymouth and Wanganui; sometimes they use other ports. They solved their domestic transportation problem of "*Getting it [the product] to the port*" which is done through a combination of their own truck fleet and transport firms: "*It is* *practically non-existent, the effective railroad system, so we only do transport by road.*"

Strategies They manage their supply chain effectively: maintain a network of local farmer / producers who have to adhere to the strict MAF regulations. To reduce transportation costs and time delays the local processing plants are situated in the major areas of meat production. Export and international operations are centrally managed. The Hamilton division controls the whole export volume to global export markets. They cater for a top quality niche market, such as Europe and USA.

Management This is one of New Zealand's larger firms, not so much as regards employee numbers but regarding the turnover. Head office develops the strategies and manages tariffs and quotas actively to supply the markets in the most efficient and effective way. They also organise the compliance requirements during the exporting procedures. They employ professional business staff with tertiary qualifications in international business and marketing.

Networks This local branch is part of the internal firm network, all their export is organised by the export division in Hamilton. They maintain a network with producers, logistic firms and customers worldwide – including global chains like McDonalds and Burger King. They maintain close contact through a sophisticated telecommunication system.

Market Development The selection of suitable markets incorporates the various restrictions and quotas of diverse markets, for example, the EU and the US have strict quotas and no quotas for Japan albeit heavy tariffs. Sheep meet is exported mainly to European markets. Beef is sent preferably to the USA. Chilled premium cuts go to Asian markets such as Japan. Currently the firm is in a 'holding pattern' for export market development because the firm is going through a restructuring process.

Development Agencies No contact. The firm is beyond the stage where they would need help from development agencies.

Comments This is one of the larger NZ firms. They are exporting product which carry a high New Zealand reputation: fresh and frozen meats. The product is a food item for human consumption and requires health inspections and compliance with health and safety standards including the required documentation which is costly and tedious. Logistic issues are obvious: it can become difficult to maintain 'chilled' or 'frozen' transport conditions at all times and preserve high quality standards. They export globally, so there are various markets with differing rules, each of which require separate procedures. This entails careful attention and effective communication with all involved parties during the entire process. The considerable barriers are taken care of at the strategy level.

Firm A8

Introduction This firm exports animal health products, including 'Queen of Calves' which is mixed from specific New Zealand plant extracts, marine and land organisms to boost the immune system and nourish young calves. It is mixed with milk and fed to the calf for a specified period. The 35 staff strong firm has been based in the Manawatu area for 12 years. They exported during 1970 to 1982 until selling off another exporting part of the business to an Australian firm. Currently they are reviving their international trade with the launch of a new product. They neither want to reveal their annual turnover nor the percentage of their export business. They also do not want to disclose ingredients of their product: "*both marine and land plants, as well as probiotic in the form of living microorganisms, to boost the immune system and nourish the young calf. It is mixed with milk and fed to the calf for a specified period. The product is a low-milk system.*" They maintain a website for exposure and marketing.
Products Organic products developed for improved calf nutrition to improve weight gain and better health in calves.
Core competencies Ability to develop and modify products to the conditions for various market requirements.
Barriers The main export barrier is finding overseas contacts, developing them into functioning business relationship. Costs are also a problem for license and approval to sell the product overseas. One problem is the innovativeness of the product: "*We need to break new ground*". They need to convince potential customers about the usefulness and benefits of the product. They need to get MAF approval, documentation and certification, because the product is organic and could be categorised as a food supplement for animals. Transport costs are a factor, it is relatively expensive to ship. The availability of containers sometimes provides problems as there is not enough container space available.
Strategies Their strategy is to develop and export an innovative, niche, New Zealand based product which is marketed in respect to New Zealand's strength in dairy and cattle industry. They launched the product with an acfirming CD where they explain the benefits of the product. They used to focus on the domestic market but have now revised their strategy to develop overseas markets. "*I have always seen export as a bit of an 'add on' for the business, so the biggest problem with export is changing my thinking from seeing exporting from being 'an add' on to being a vital part of the business.*" They intend to concentrate on one market at a time and wait until this market has settled. Obviously, the Australian market is the closest and has a potential for a prosperous future including the major advantage of widespread cattle and dairy industry.
Management The owner / manager is the export decision maker. He has worked internationally and knows how to do business through experience. He does not hold any formal business qualifications. His advice for people who want to do business: "*Be passionate about your product and know the market.*"
Networks In Australia they have access to an existing network. This group has sufficient infrastructure and an effective distribution system in place: "*Contact with the market, if you are in contact and you relate well with your distributors...I don' t find exporting difficult at all, it is easy.*" They normally set up a distribution network first when they enter a new market.

Market Development They are in the process of developing two new exporting ventures in Papua New Guinea and Australia. They will use their experience in these markets to internationalise further.
Development Agencies No dealings. They suggest, however, that NZ T&E could develop overseas contacts.
Comments This firm is in the process of changing from a domestic base to international markets. Their product is originally developed for the NZ market but has been modified to fit the overseas requirements. They are confident that the Australian market has good growth potential and a similar attitude towards calf rearing (an example of close 'psychic distance'.) They have access to a distribution network in Australia. The main export barrier is finding contacts in further overseas markets and developing well functioning business relationships. Besides a lack of financial resources, getting approval and licenses to sell the product overseas is a problem, so they can develop only one market at a time. This firm shows a traditional incremental approach to internationalization.

Firm A9

Introduction This firm is a sole trader (one person) export business which exports and markets New Zealand honey to Japan. It has operated since 1986 from a Manawatu base. The firm turns over NZ$ 600,000 annually and all revenue is earned from export.
Products Various types of New Zealand honeys partly in small gift packaging. NZ honey represents health promoting products using New Zealand 'clean and green' image.
Core competencies Marketing various types of NZ honey to differing market segments.
Barriers Sufficient and continuous supply is a problem because honey is a natural product and there are differences in NZ annual output.
Export of the product requires MAF certification which includes a lot of documentation and careful organisation to be able to meet the export deadlines. "*You need one license for the year.*" Additionally there are compliance costs. "*MAF certificates are about NZ$ 77 each.*"
Customs clearance for new products such as 'bee venom' is a general problem and especially difficult for Japan.
Maintaining the Japanese network is hard work: "*There are daily emails from business partners; they have a habit of sending vast numbers of emails with queries, such as potential benefits of treating race horses with NZ Manuka honey to prevent stomach ulcers.*"
The prices are quoted and paid in NZ$ and currency fluctuations affect the business and profit.
Strategies The firm was started with the aim of establishing an international venture in Japan ('Born international'). The first idea was to go to Japan and then a suitable export product had to be found. The honey producer is a Hawkes Bay business which supplies the honey and also packages it under the label of this export firm. While the Hawkes Bay firm sells their honey under another brand domestically, they also export to a few markets overseas, such as the Middle East and the USA, both firms share the international export markets and have an arrangement as to who supplies which markets. The markets are distinguished into differing segments. The most important segment is targeting the top of the gift range product industry with high returns: "*The third part of my market is very much a niche market, a very top shelf specialty honey...The niche markets are going through my representative in Japan.*"
Management The business experience of the manager comes from growing up in a family business environment; the parents were wool exporting merchants. "*When I look back, our home was always an open home, long before other people actually were in the international world.*" To prepare for this venture the owner/manager attended Japanese language courses at Massey University to get a good working knowledge of the language and culture of the export market.
Networks The owner / manager knew Japan from several visits in the past and has developed a close network of people in different situations in the market. "*We had a real network of friends and acquaintances in Japan. I think that probably has been one of the great advantages, because some of them are students, some of them are old, they range from 15 years old to ninety years olds and they are all around Japan and they are all in different sorts of lifestyles. So that is a wonderful way of getting a feel for what a country is like.*"

Market Development The idea of starting this business was born in 1980. The Japanese market is divided into different segments. "*One is supplying a honey firm with comb honey which brand it under their brand. So that's quite, that's probably about a third of the business. The other third of the business would be a supermarket, that sells 'xxx', a supermarket chain. It is a discount type store. Unbelievable, their whole layout is similar to the one of the 'two dollar' shop. Like 1 dollar, 2 dollar, 3 dollar shop! It is primarily liquor... So they use good brands to bring people in and sell them cheaply.*" "*Just from the beginning I realised three main factors in dealing with Japan, one is quality and guarantee of quality; two is supply ability, you must be able to guarantee supply and that was very important with maintaining this relationship with this catalogue firm...And the third one was stability in price, so you have to take sometimes losses.*"
Development Agencies Economic development agencies were helpful in making overseas contacts. "*It was called 'Trade development' in those days, I think. I paid for 5 appointments in Osaka. And the first 4 were hopeless, I mean, one really could speak with a woman, and the others only interested in bulk, because that's all they did with import from NZ. The last one was a new firm, associated with JTB [Japan Travel Business], and they were looking for gifts for travellers...it was a woman and we got on very well together.*"
This business got funding from NZ Trade & Enterprise to help with marketing and branding and design of the packaging. But also for re-branding or marketing a new product ('*single serving pottles*'). However, the firm emphasises also difficult features of the agencies: "*They are very set in the way what they fund. Innovative ideas are very difficult to get supported.*"
Comments This firm can be classified as a typical 'international new venture' or 'born global', because the aim for starting up the firm was always the international market. This firm has never traded in the domestic market. The firm owner had extensive international exposure and export experience from home, through parents and husband. Before the firm was established, extensive preparations in market development, acquiring of Japanese language skills and securing of a reliable domestic supplier were necessary. The product was carefully chosen to mach the target market. This strategy achieved export success.

Firm A10

Introduction This firm grows and commercialises subtropical and tropical flowering plants, bulbs and seeds. It is a small firm which employs two full-time staff and has four additional part-time employees. They have been based in the Manawatu area since 1994 and exported right from the start. 50% percent of their annual turnover of NZ$ 200,000 is coming from international markets such as Holland, Japan, Kenya, China, USA, Canada, and the Philippines.

Products Subtropical and tropical flower bulbs, plants and seeds.

Core competencies Professional grower of 'niche' seed and bulb material for nurseries and private customers.

Barriers Their main barriers to export are the requirements for compliance with New Zealand's phyto sanitary legislation, as well as certification and documentation which are implemented by MAF. Delays in shipment are caused by allegedly ineffective and inefficient service by inexperienced MAF and 'AG Quality' staff. Their unhelpful attitudes towards exporting businesses cause unnecessary hardships and incur costs which take up the limited resources necessary to growth for this firm: "*And in these hard times of the high dollar the service I get from government departments or former government departments that are set up as state-owned enterprises, they doubled or tripled their fees, but their productivity has not improved, because they have a monopoly.*" "*Every year there is a new set of restrictions to export...Government agencies make it more and more difficult.*"

Complications also through excessive border control measures of some target markets such as the USA. These countries employ under-qualified inspection personnel who do not know what they are looking for. Any discolouring of plant bulbs, which often occurs naturally and is not necessarily an indication for a plant disease, will hold up the shipment and in the worst-case scenario will result in destruction of the whole batch. "*The inspection staff in the US are not very well trained, they are not sure what constitutes a bio security risk and any black spot on any plant would suddenly constitute a bio security threat, so we had quite a few hold ups in shipments through the year.*"

There is also strong competition for their markets from low labour cost countries: "*Production has been lost to third world countries to which technology and 'know how' was exported*". Additionally there is competition from Western countries which were able to invest into "automatisation" such as robotics to save on labour costs.

Financial constraints: shipping costs to the US have doubled during the 11 years of operation. Fluctuations of the New Zealand dollar value hurt this business as they operate on small margins.

Strategies This firm specialises in speciality plants and novelty crops and they have created a niche market with the help of an established network of friends and customers. Flower bulbs, however, is not a 'hassle free' product for the lucrative markets in the Northern Hemisphere: the time zone does not work in favour of selling flower bulbs as they need to go with the season of the markets. This firm solved this problem by having negotiated some storage capacities in their overseas markets. They have put some strategies in place to alleviate these financial difficulties: they own shares in similar businesses elsewhere and keep the transaction currency for their international business.

Management The manager has a tertiary degree in horticulture and has worked in a scientific area before.

Networks They have a small network of brokers and customers to act as agents in their international markets. They identify and develop their export markets through a network system of personal contacts and referrals. "*My business is very much on a personal basis. A friend introduces me to a friend introduces me to a friend, a business friend... Very much by word of mouth, contacts.*" Another venue for meeting new customers in new markets are trade shows and exhibitions. They also make use of the internet and email facilities to send images and keep in contact with customers and suppliers.

Market Development Markets are recognized through study of scientific climate maps to identify climate zones where the type of product would grow and where also sufficient purchasing power is available. They develop markets slowly and need to have a long term perspective because they require three growing phases (3 years) to establish a viable basis.

The Chinese market is impressive but difficult because the Chinese have an import tax or tariff of over 50%. This firm sees their future pessimistically: international market forces and unhelpful government policies will cause a decline for horticultural products over the next 20 years.

Development Agencies No help from these agencies. They have not enough expertise for assisting them in their industry.

Comments For this firm, the MAF regulations are a real organisational and financial hurdle. In contrast to exporting produce, shipping of these speciality products is done in small batches, each of which needs separate inspection and certification from MAF. The export situation for this firm has gradually developed into a bio security nightmare being complicated by the excessive border control measures of some target markets such as the USA. Alleged plant diseases will hold up the shipment and in the worst-case scenario will result in destruction of the whole batch. The risks for exporting these products for a reasonable profit are high.

Firm B1

Introduction This 34 year-old firm is major manufacturer of natural bio-chemicals that have been extracted from a range of plant and raw animal materials. They employ over 75 people full-time and additionally 5 staff part-time. Their annual turnover reaches NZ$ 30 million and the business focuses on export and international activities, achieving 99% of the turnover from international trade. They maintain a website, but do not sell online. Their first export market was Japan in 1973, but eventually other countries have been added to the list such as Australia, UK, France, Germany, Poland, Hungary, Italy, Switzerland, Spain, China, Taiwan, Korea, USA, and Argentina.

Products The firm was set up initially to create products from waste material of the local meat and agricultural industries. Their products range from biochemicals used for production of pharmaceuticals, dietary supplements, cosmetics, biotechnology /diagnostic and aquaculture products. Products derive from plants and from animals and are by-products of the meat industry such as the bile derivatives choleic acid. Customers are normally pharmaceutical firms.

Core competencies Development and manufacturing of biochemical raw products from organic material for production of drug and pharmaceuticals on customer demand.

Barriers "*Tyranny of distance*" – high transport costs for raw material and finished export products. The way of shipping depends on the products: "*It is normally part containers; a lot of it is air-freighted depending on the need.*"

Fluctuating current exchange rate of the NZ$: "*For us it is not the level as such, of course it is much better if it is low, it is the movement…it does not matter in what currency you trade, they all fluctuate at some stage, we just only want stability.*"

Their biggest barrier is the current negative attitude worldwide against animal products: "*We have lost millions of dollars of market opportunities because we deal with animal products and the animal diseases have stopped business.*"

This global culture led MAF to require thorough inspection of any raw material through veterinarians and MAF staff following extensive documentation: "*Increasing red tape from MAF, special concerns related to BSE…Bureaucrats all over the world who are not prepared to evaluate scientific evidence for BSE risk reduction and persist on unnecessary troublesome traceability documentation is a big hurdle…Another difficulty is sometimes MAF's attitude to exporters. They seem to be very rigid and depending who you deal with you get a different response and that is equally frustrating.*"

Skilled professional staff is in short supply: "*We were looking for a scientist and it took about 4 months to find one and then another 5 months for her to turn up.*"

Factory staff however, are available: "*No problem because they are trained on the job*". "*I think I pay above award wages, it is not an easy job and at least they are paid well.*"

There are trade barriers and/or tariffs for some markets and strong competition in the European markets: "*Europe has traditionally been more difficult, because of tariffs. So we compete against some countries that don't have the tariffs, like South American countries used to be a strong competitor of ours and they had Third World status. So that was Brazil and Argentina and we had First World status, so our export products had a tariff on them but the South American products have no tariff on them. So the South American were always cheaper than us. And we are further away, so we had*

more costs." "*Customers will buy on the difference of a few tenths of cents per kilo.*" "*High compliance cost for dietary supplements and vitamins in certain markets.*"
Strategies They try to expand their market leadership for bile products: "*We have a world dominant position in the bile products areas, so it gives us some opportunity.*" On the back of this good reputation they like to push their other products. They have several specific products for three main distinct market segments: the pharmaceutical industry, the micro biological diagnostical industry and the dietary supplement industry: "*We like to grow the bio-tech market, because that is a high growth opportunity around the world, and so we like to keep in there*". In the past their market development strategy was to wait for orders and inquiries from other firms or their distributors. They have now moved to establish a customer network with pharmaceutical manufacturers and expand the '*business to business*' trading to cut out the 'middleman' or broker. In order to achieve this, they are improving their communication system with internet and email facilities. They do not target a 'retail' market. "*It is all going out in bulk. So we are targeting, I guess it is the next bigger up the chain pharmaceutical firms, bio-tech firms.*"
Management The export manager has been with the firm for 9 years. He holds a PhD in Chemistry.
Networks They use logistic firms which deal with the logistics and make sure the deadline for delivery is met. They use a distributor network for the traditional markets: "*Most of our traditional business has been through distributors and agents and they know what we do and they do not know what we would like to do and they only often want to deal with what we already sell and they are not particularly interested in seeking new business for us.*" They are looking for access to a network which proactively identifies new market opportunities.
Market Development They intend to develop markets with high population and high growth like the USA and China: "*The US market is the biggest bio-tech market and arguably the biggest pharmaceutical market, we want to go to markets where the population is, so we are very keen on the US and I going there to a trade show in the middle of the year and we also try to grow sales into China which would be interesting.*"
Development Agencies They obtained some funding from NZ Trade& Enterprise. "*Some NZ T&E and FRST assistance related to product and market development.*" The NZ T&E is giving some assistance to a new marketing concept which should increase their profitability.
Comments This larger firm is utilising waste products from the meat industry as raw material and grew in the traditional incremental way. To process very cheap and plentiful available material was, in the days of the firm start-up, innovative and provided a competitive advantage. Today they are still market leaders for this product, however the firm has grown and diversified and probably needs to refocus. Many raw materials are now imported and the competitive advantage has diminished. They are still doing very well in delivering traditional products to a well established distributor network. They are now in the process of locating suitable manufacturing pharmaceutical firms globally to become their main supplier to improve efficiency in distribution and marketing.

Firm B2

Introduction This manufacturing firm has been operating for about eight years and exported from the start, however only to a small degree, maximum of 2 %. They employ 30 full-time and 2 part-time staff. They do not wish to reveal their annual turnover, however, they say that they are doing fine domestically and only about 2% of their turnover comes from international trade mainly to the Pacific Islands.
Products Manufacturing of insulation materials, mainly 'Polystyrene' based products for construction material, and insulation of cold stores and freezers. They also install the material on site.
Core competencies Insulation solutions for cold stores and freezers.
Barriers The product is extremely bulky and deemed unsuitable for export. There are high costs involved with shipment and transportation from New Zealand. Australian competitors have a distinct advantage through much lower shipping cost from Australia. The products are generally assembled on site, not just delivered, and therefore additional costs occur when sending construction personnel abroad. These costs for high skilled construction labour overseas are making it difficult to achieve a profit and make the international venture viable: "*sending qualified staff who are experts in our particular product to go out and carry out the construction, unless it is a very good value job, it is not worth our while.*"
Strategies The focus of this firm is definitely the domestic market which provides enough opportunity for growth. The fact that the product is costly to ship and assemble, meaning that international markets are not actively developed. However, they fill customer requests from overseas if they are promising and lucrative: "*Very high value projects are taken on as an 'add on' for the domestic market.*"
Management They do not focus on exporting and have no real interest in international business development.
Networks No networks are used.
Market Development Internationalization not actively undertaken, the focus is on the domestic market.
Development Agencies They did not approach any development agency, but they are aware that there might be some help available. "*Trade & E NZ can offer some limited help. We have not actively tried to seek their help or look at the export market.*"
Comments Management does not want to develop or expand their international ventures; their main aim is the domestic market which seems to be very successful.

Firm B3

Introduction This firm is a local branch of a large multinational firm whose head office is in Germany. This local office has operated since 1997 and has been set up to export since day one. From being a 'one man' firm they have expanded now to 16 full-time employees. About 99% of the local branch turnover of NZ$ 18 million derives from exporting.

Products Specialist air conditioning equipment, fire protection equipment and cooling system for ships and trains "*rolling stock*". Their main work consists of contract work for the ANZAC frigates in Australia.

Core competencies Air conditioning and safety equipment installation.

Barriers They are relatively new in business and still lacking an 'excellent' reputation in Australasia; access to established networks to get high profile large contracts seems to still be a problem. "*Australasian markets tend to stay with old supplier and not willing to give newcomers a chance*".

Staff shortages *"Obtaining the right skilled staff is an issue at the moment" "We have to be literally a jack-of-all-trades."*

Strategies This firm has been set up to service the Australasian market with technology products developed by the German mother firm. The local branch is staffed with local staff who understand the Australasian business culture. They are working hard to attract large international contracts.

Management The local export manager has a tertiary education in business and marketing. He is a New Zealander. This local branch works separately from the headquarters. "*We do operate as two separate firms, financially. We get technical assistance from Hamburg. However, the majority of developments in research that we carry out in New Zealand is based in New Zealand. And we rely on our engineers here to give advice for the contracts and come up with the goods.*" Technology: "*certainly there is technology transfer between Hamburg and New Zealand. It is limited.*"

Networks This firm is rather new to the area (duration 8 years). Access to effective powerful networks is still their problem which they tried to overcome by joining the local development agencies. As they are operating in an industry which is deemed to be an area with substantial growth potential, support from development agencies is available.

Market Development The main office overseas gave direction for the export strategy when the local firm was set up to cater for the ANZAC contract. They functioned as '*implementers*' for an overall strategy of the multi-national firm as a local agent for large regional contracts. Since then the firm has been encouraged to develop the regional market further on their own. One new major contract is the "*Rolling stock*" contract with the Australasia train system. "*We target what we believe is the most profitable efficient way for the firm*".

Development Agencies They received good support from NZ Trade & Enterprise. "*NZ Trade & Enterprise was good help...Their network of contacts was especially helpful. Being able to talk to a lot of people...We are also a member of Vision Manawatu and also the Manawatu 'Defence Cluster'. The main reason that we are involved with the two organisations is due to our size at the moment. There is no real gain by being a member of the two organisations, but we will be foolish not to participate given that we are a fairly major organisation within the region.*"

Comments This firm uses local and regional development agencies for access to networks in order to secure highly profitable contracts. They obviously belong to the group of potential 'winners' and attract funding and other help from public development agencies. They service the Australasian region in the internationalization strategy of the main firm in Germany.

Firm B4

Introduction This family firm has been based in the Manawatu area for over 37 years and manufactures filtration and pumping systems for swimming pools. They have 6 full-time employees and a turnover of around NZ $3 million. Exporting started from the beginning of the firm but is only around 5% of the total business volume. They maintain a website for marketing.
Products Manufacturing of filtration and pumping systems for all sizes of public and private swimming pools.
Core competencies Water cleaning systems for pools.
Barriers The main barriers are the costs of transport and the odd payment problem. Logistics procedures are handled by a reliable and effective shipping agent. The domestic market is sufficient for this firm; currently they do not wish to actively explore the export market or grow beyond their domestic business capability.
Strategies They focus on the domestic market. They are willing to fill unsolicited international orders, but are not active in developing an internationalization strategy.
Management Shortage of time is a major problem, which is specifically the time of the management. As they do not want to do any changes to their organisation structure or increase staff numbers concerning export, there is no further development likely.
Networks They maintain a network with selected local business people and domestic customers.
Market Development They are not actively looking for expanding their export markets but are willing to fill unsolicited orders. There were times when NZ products were price competitive, so customers form the Pacific Islands, who normally buy in Australia would rather purchase products from NZ. Export activities are currently low.
Development Agencies They used them as opportunities to meet up with fellow business people and for networking: "*Vision Manawatu was called something prior? Wasn't it? We used to go to the "business after five things" or whatever it was called. And which was quite good for networking and talking to other exporters and other local businessmen. But we really don't have time.*" They do not use their services now.
Comments This family business is happy with what they have achieved in the domestic market and do not really want change. In fact they do not want to grow their business. They value their lifestyle and time for them is already a problem, therefore they do not wish to grow internationally.

Firm B5

Introduction This manufacturing firm is a family business and was established in the area 60 years ago. They employ 150 full-time staff. They do not reveal their annual turnover, however they say that 20% of their business volume derives from export, mainly to Australia and Asia. They have exported since 1974. They maintain a website.

Products They manufacture a range of high quality metal products which include wine tanks, sink units, wash hand basins, laundry tubs, shower trays, urinals, cleaner sinks and multiple washbasins. They also supply a range of stainless steel products, a variety of standardised and custom made items. "*We have good traditional lines and we have good manufacturing systems and we have got a very good product*." Their only export products are lawn mowers. They do customised products to certain markets "*it is mainly badging, we do not change the specifications of the product too much, but we will paint another colour, call it another name, put another engine on it, you know, varying things like that. Our product is reasonably flexible in its specifications anyway.*"

Core competencies High quality niche products: lawn mowers "*the only reason that we are able to manufacture is that we have niche products and we have been involved for such a long time.*"

Barriers Acquiring suitable senior staff. They are facing huge competition for their products from low wage countries. Wages in New Zealand's manufacturing industries are a barrier to growth: "*I can't get our guys to work for a dollar an hour.*" Their export product has come under severe competition from products from low wage countries. This trend to cheap imports is prevalent even in their well established and traditionally quality appreciating markets and therefore sales are declining. *"Manufacturing in New Zealand compared to manufacturing overseas is expensive. And when you are competing with the Asian countries Thailand, Taiwan, Korea, India, China, we can never compete".*

Strategies They manufacture a niche product for export: high quality lawn mowers. They have moved from a solely manufacturing firm to a mixed firm providing a distribution network: "*We have a very relatively niche product, we pitch in manufacturing to the top end, so hopefully we are not competing with China, which we can't.*" "*It is a top end product. Our whole firm is pitched at the top end...Over the last 10 to 15 years, I suppose, we have gone from primarily a manufacturing firm to a manufacturing and distribution firm. We were 100% manufacturing here and now we are 45% manufacturing and maybe 55% distribution. So we will eventually become a distribution firm, I guess. As the rest of New Zealand will be...if you look at overseas manufacturer, how big they are and how far away we are from markets, I believe that New Zealand will only ever be a niche manufacturer.*"

Management This experienced owner/manager learnt the business from his father who owned and operated the firm before him.

Networks They do regular visits to see customers and distributors overseas: "*we use distributors for all countries*". Also industry contacts are very helpful: "*Maintain by email, by visits, phone, by all manner of communications...The firm goes overseas once or twice a year to Europe and to Australia probably 3 or 4 times. We have a distributor in Australia and we see him probably 3 or 4 times a year.*" "*There are trade fairs in the United States and there are trade fairs in Europe which is in Germany in Cologne. They have them in Cologne every 2 years and I go every 2* *years*" They deal with long time customers: "*We only deal with people where we have a long standing relationship with*". For Europe they have an agent located in Italy who services all European distributors: "*...and he goes and sees all our distributors.*"

Market Development Entry into the European market seems to be difficult. "*We are always looking at other markets. We had quite a lot of expansion in the last 3 or 4 years in two areas. I mean globally it is a very saturated market.*" They go to trade fares in the USA to see trends, but they do not export into the USA. "*It [North America] is the single biggest market for outdoor equipment in the world and we need to go there and just see what's happening.*"

Development Agencies The services which the agencies provide are pointless for this firm. "*I don't have a lot of confidence in them, personally. They are an utter waste of money. But having said that; they probably can't do a lot. What can they do for me that I can't do for myself? I mean I probably know more about exporting than they do in terms of our market. So what are they going to do - send somebody up here to show me how to put a pro forma invoice through or protect our account market?*" Their suggestion is that the government should support R&D with tax incentives.

Comments This firm has seen a decline of manufacturing over recent years. They aim for the high quality market of lawnmowers; however, the high price market for these products is in decline because of competition with cheap products from China. They will need to refocus in order to survive in the long-term.

Firm B6

Introduction This is a manufacturing firm for industrial tools and machinery with a focus on the timber milling / processing industry which also offers maintenance and repair services. They have been based in the area for 23 years and for the last 15 years they have exported mainly to Australia. They employ 31 full-time staff and have 6 part-time office employees. They can also fall back on 10 additional casual workers if need be. They do not reveal their annual turnover, however they say that they are satisfied with their business success, and 5% of the business is coming from export activities. They maintain a website for marketing and exposure but do not take any orders online.

Products They manufacture components for machinery for the paper mill industry. Most of their products are developed on customer demand. They invented a high quality tool for wood chips processing into paper pulp: "*Big screw and the cone*" as equipment for the paper industry. They do service work for Australia: "*we do a lot of service work for Australia, probably more service than we do for the domestic market.*" Projects within the pulp and paper industry form the mainstay of the firm's research and development activity, with a culture of continuous improvement for the products being worked.

Core competencies Any heavy tools made to order.

Barriers Logistic problems and time delays "*getting the product to the customers on time*". Some courier firms made costly errors in the past.

Steel racks instead of wooden containers are used to get around the requirement from MAF. "*The customer pays both ways of shipping. So there is not a problem for us. It is more along the lines that we have to make sure that the product is not shipped in wooden containers, because of the MAF regulations. That takes so long to clear customs. So, we send them in steel.*" New Zealand's reputation in Australia: "*They look at New Zealand probably in the same way as they look at Tasmania. It is more like another country away from the close to home bases. But once you break through, we have had regular contact with XXX for quite a few years now*". A joint venture with an Australian foundry firm fell through some years ago: "*We felt that we were seen as sort of awkward, we were not big enough. And we were difficult to manage, because we were too independent from their process, systems, you know.*"

Strategies Their export strategy is to fill unsolicited orders. However, there are some ideas about which product would be suitable to export to other markets and who the target customer should be. They mainly rely on orders through customer referral from satisfied customers.

Management The owner manager has an engineering background and a lot of experience in the engineering industry. For management and marketing expertise he relies on the skills of their office personnel. There is not a strategic focus on internationalization by management.

Networks They maintain a customer network and do not involve distributors or agents, they always sell direct to the customer. Association with some of the largest paper mills in the region has proved beneficial to the organisation's success to date.

Market Development Their potential target market might be North America and Chile. "*It is definitely our aim: I like to see that we can get into North America and Canada initially and then down to Chile where there is a very high wood and paper mill industry.*"

Development Agencies Never sought help, no dealings with them.

Comments This manufacturing firn has a niche market for specialising on paper mill machinery components and repair and service (24 hours a day). The firn concept is based on old fashioned 'Kiwi ingenuity' and they take pride in developing technical and engineering solutions for the industry. Marketing and management is not their strength, however they are well known in the industry and they are making out of this a profitable business.

Firm B7

Introduction This manufacturing engineering business has been situated in the region for over 35 years; they are a local subsidiary of a Melbourne-based multi-national firm. They employ 35 full-time staff and achieve an annual turnover of about NZ$ 7 million. Only about 1% of the turnover derives for international activities to Australia and the Pacific Islands. This has been so since the start up of the business. They maintain a firm website but do not take orders directly online.
Products Metal construction products "*we have got two manufacturing streams, we've got the 'grating' and we also got the 'hot galvanising' plant. Now the galvanising plant services the lower North Island, customers in the lower North Island and that's about 30% of our business. The balance is manufacturing and supply of grating.*"
Core competencies Manufacturing and hot galvanising of metal building materials.
Barriers They are restricted for their potential export markets by their own sister and mother firms. "*To go East [Asia] we are pretty restricted by having manufacturing plants elsewhere. The only export we do is really to the Pacific Islands and occasionally we export into Australia, if our plants in Australia are overloaded. And that happened only twice that I can recall since I have been here. Direct export is pretty limited.*" "*A fair bit of our products end up being exported by our customers where we supply material...*" No issues with transportation: "*freight is a reasonable expense but it not significant in the overall costs*". No other problems for exporting or manufacturing, however as they are only 'allowed' to service the Pacific Islands as a potential market, finding the right customers and building up a network in this small market is difficult.
Strategies They implement the export orders from headquarters concerning internationalization and focus on the development of the domestic market instead. There is no strategy in place to develop the international market further, as the domestic market is profitable enough and lucrative international markets are serviced by the other firms of the multinational family. "*I guess you can say that we are stuck here*".
Management Major management decisions are passed down from the Australian headquarters and implemented locally.
Networks They are building up a network with domestic customers "*to be fair, in the past we have just concentrated on New Zealand and a couple of key clients overseas. If we pick up anything else: good, but it is not a big issue.*"
Market Development "*The two manufacturing plants are beneficial to each other, synergistic.*" This is the reason why they would like to stay in the area with both the manufacturing and the galvanizing plant. They see their potential for growth mainly through expanding their product rage in the New Zealand market. They maintain a stable workforce: "*we have not had to recruit for a long time. I do not think we have a problem to find suitable staff.*"
Development Agencies They have not approached these organisations for any help.
Comments This firm operates as an '*implementer*' regarding the internationalization strategy. Headquarters regulates the internationalization process centrally and there is hardly any room for this local branch to grow. Only the Pacific Islands are potential export destinations. Instead this firm services the domestic market rather well.

Firm B8

Introduction This firm manufactures agricultural machinery. They employ 65 full-time and 3 part-time staff. They have been in the area for 32 years and commenced exporting in 1984. Their annual turnover is between NZ$ 10 – 15 million a year and 65% of this volume is earned through export. Their main export markets are: Australia, USA, and South Africa, however, they also trade with Uruguay, Chile, UK, France, and Japan.

Products Farm machinery such as mowers, rakes, bale feeders and so forth. New Zealand's reputation as a very good agricultural industry base helps to market the products overseas. The high quality of the products matches with New Zealand's good international image in agriculture.

Core competencies Agricultural machinery with special quality features.

Barriers Logistics problems: there are unacceptable delays shipping time for delivery to certain markets. "*The shipping firms are overcommitted and dump containers in Fremantle or Mauritius.*" "*Timing is more critical, really to get stuff to the markets in time.*" They give the example of South Africa: "*Lately it has taken 12 weeks to get a container to South Africa, it is just a joke.*"

Big barriers to growth are the financial constraints together with the fluctuations of exchange rate and currency: *"We try to hedge, but we run out of currency."* "*Money being expensive, makes it hard to buy equipment, to get our capacity up*".

Labour cost for skilled staff is relatively high in New Zealand and not all staff are skilled enough and have to be retrained: "*So we are on the back foot, we can't get skilled staff; the wages are going up, because there is no unemployment in the labour market. On the other hand it is also hard to increase your production capacity because money is expensive.*" "*Our advantage is our staff, lack of skills is not so good, that is, I guess, a little bottleneck at the moment.*"

There is strong competition from Asia on price: "*The Asians are really competitive.*"

Strategies They are aiming for a niche market: high quality agricultural machinery. They include New Zealand's good reputation for agriculture in the marketing strategy. "*Like most things in life you have to make your own success...Our [NZ] strength is in agriculture. That is our competitive advantage. We have land that you can obviously profitably farm and the things that go with it.*"

Management The manager is highly educated, experienced in international markets and very committed to exporting.

Networks They form and maintain good relationship with customers and distributors in a variety of countries. They see good growth opportunities in these markets. "*As a small exporter you are always vulnerable...It is just a matter of building relationships and maintaining those.*"

Market Development The general manager visits trade shows: "*we do 16 in a year*" and customers overseas on a regular basis. Internet searches are done regularly and intensively to identify other opportunities for new export markets. "*If you spend a lot of time and a lot of effort in trying to develop your export markets and you have got a product that is of interest to those markets – which I suppose is the first things you need to find out – you need to have some products which have a little bit of IP. I mean they have to be a little bit different from everything else in those particular markets that you are trying to export to. There has to be some interest, otherwise why would somebody be interested in buying your products. We can't really compete on* *price, because, we are obviously far away, and in our case we make big equipment.*" No plans for entering the Asian market. "*The market is too political.*"

Development Agencies They had some help from them. However, they think their market development scheme seems to be under-resourced and the administration of it lacks planning. "*They granted the money to some people in the first pile of applications which come in and then the money was run out. And then they go OK we run out of money. And then of course if you give a firm some money in the first year you need to support it in the second year to make sure you get some dividends and the thing is actually come to fruition. It is a joke!*" "*And in all reality people in those government agencies, that are supposed to be involved with us like NZ Trade & Enterprise, those people often have not got much experience themselves, so, really it comes down to the individuals that run those firms to actually go out and make things happen. But I think as a government you can create an environment that is conducive to exporting whether it is export credits which they do in the European countries or whatever. We obviously have nothing like it in New Zealand.*"

Comments This firm has developed superior products for niche markets. They use New Zealand's international image and reputation for agriculture to market their products successfully. They focus on building networks with customers and distributors worldwide. They do not seek Asian markets because they are deemed too complicated and political. Their biggest problem currently is the shipping delays to certain markets caused by a lack of freight capacity. This causes disappointment for customers and might weaken the relationship. Production specific obstacles are the high cost of finance and the current shortage of skilled labour. Overall the firm is doing well in spite of their problems.

Firm B9

Introduction This firm manufactures agricultural machinery and exports to markets in Australia, USA, UK, Germany, Norway and Denmark. They have been operating for 9 years and exported fairly soon after start-up. Currently they employ 6 full-time staff and achieve an annual turnover of NZ$ 2.25 million, 20% of this is earned through export. They maintain a website which informs, advertises and markets their products. Selling is done through agents.

Products This product is a specialised agricultural machine for planting. They own the intellectual property for the development of the no-tilling system as a new environmentally friendly way of agriculture. In contrast to the conventional way of ploughing this technology drills or cuts slots into the paddock while inserting seeds and fertilizer at the same time. This has huge benefits for wet and windy areas as it prevents soil erosion. It can be customised to accommodate specific requirement of different countries, for example, the size of "*tramlines*" (the width between the furrows) and also road restrictions. The machine comes with a new agricultural concept.

Core competencies Innovative agricultural technology.

Barriers Financial constraints hamper exporting a product of high costs concerning development and assembly and costly transportation to the overseas markets. However, they have developed some innovative strategies to alleviate the impact of this: "*We have got through the stage of going from a University development through to commercial product and we use some unusual methods of funding, e.g. when we purchased the intellectual property - we had to buy that essentially on the international market - cost us a lot. I mean I had to mortgage my farm, David had to mortgage his farm just to set things up, yeah.*" "*We had a scheme where the client or the farmer had to pay one third up front, and then two thirds before it left the factory and to do that we had a comprehensive 14 page long sale and purchase agreement.*" There are high costs involved in developing a profile and a distribution system in new markets. As they sell a whole new concept and not just simply a new appliance, they need a suitable system to support the innovative technology. Agents as well as customers require considerable technical and intellectual capability to utilise the system efficiently and successfully. "*There is a demand on the expertise of the farmers as they need to observe the environment more carefully, e.g. moisture content of the soil, temperature, weeds status and pest infection like slugs.*" Soil condition and climate vary in different parts of the world; with the right timing this technology should work for most farming situations but also in wet and windy areas.

Strategies They manufacture a superior agricultural machine which revolutionises the conventional agricultural practice of 'ploughing'. They target the environmentally concerned agriculture business especially in areas where wind and water erosion is high. With pricing and quality they aim for the top end of the market. "*Why? Because we are selfish. These countries can afford to buy top end of the market quality.*" The price excludes markets in poorer Third World countries. "*African and South American countries are generally too resource strapped to buy this sophisticated machinery.*"

Management The managers (professor and academic staff in soil science and technology at Massey University) have academic and engineering expertise. After resigning from academia 10 year ago they commercialized the research findings.

International academic and practitioner conferences continue to be utilised for presentations to promote the technology.

Networks They developed a network of satisfied customers who used this technology and machinery successfully. This firm had to be creative in order to overcome severe financial constraints. "*We cannot use any contractors because the clients won't pay the extra*". Instead they use their satisfied customers as agents for sales and distribution. '*Product specialists*' developed new markets and promote the technology. These people give their time for a commission to show interested farmers/buyers how the system works. "*I think we picked the right people; they are really enthusiasts about the machines. I think it is wonderful. You risk your time and if you sell a machine, we pay you a commission.*" Together with the commission and an additional fee they also provide after-sales service for three years to look after the new users during their start-up period. "*The downside is that they are not sales people. Some are good at it but some are not. We are now refining this model.*" Marketing is done mostly at conferences or field shows (combination of farming practitioners and scientists) and this works well for US markets.

Market Development Theoretically the machinery can be used in all countries where agriculture occurs, however wet and windy agricultural areas will profit most. Western countries with sufficient purchasing power and environmental protection laws and supporting policies with financial incentives are the main targets. They are aiming mainly for the lucrative US and European market: "*Europe is where we want to be*". They have identified their network of '*product specialists*' around the world with which they can develop the international markets further.

Finance and funding is the main problem for this firm at this stage: they require NZ$ 5 million to develop their potential markets adequately and quickly. To obtain credit, finance institutes and banks evaluate a firm retrospectively and assess their credit worthiness: "*In New Zealand we are looking backwards, what you have achieved in the last 2 years, while the US values potential for the future and values of firms are much higher. A US valuation put the amount of US$ 32 million as what our firm is worth. NZ does not do it.*" They cannot obtain funding from development agencies because they have left the R&D phase of the product. There is no funding available for development of production and new markets: "*A lot of NZ invention [is] sold off overseas, because there is not enough money in the country to develop the successful commercial exploitation. The same is with young scientists with innovative ideas. They all go overseas for better funding and job opportunities and career prospects. Currently only R&D is funded sufficiently, development of the export market is left to the firm itself.*"

Development Agencies They received some help from NZ Trade & Enterprise. This firm is critical of Vision Manawatu which should become an advocate for exporters like an '*exporters watch dog*' and provide current information about what help and initiatives are available. They recommend tax breaks for investment in indigenous innovative technology of New Zealand owned and operated firms for around 2-3 years to help with the cash flow and financing.

Comments They know their product and new technology extremely well. They have managed their resources constraints very creatively and innovatively to be able to set up a marketing and distribution network. Their distributor network is a good example for the Bricolage Model and strategy building around the core competency or core product.

Firm B10

Introduction This firm is a family business which has been manufacturing metal parts for agricultural machinery for over 50 years. They employ 18 full time and 2 part time staff and have practically no staff turnover. All staff has been working for the firm for a long time. Their annual turnover is somewhat around NZ$ 10 million dollars annually, however exact figures were perceived as commercially sensitive and not available. They are very satisfied with their financial return. About 30% of the business derives from export to markets such as the USA, Australia, Canada and the UK.

Products They export only one product, a small metal device which is used in agriculture when putting the seeds into the soil and which is mounted on agricultural machinery: 'agricultural carting device'. It needs replacement at regular intervals. They supply these products to distributors or other manufacturers of agricultural machinery.

Core competencies Various foundry tools.

Barriers No serious problems. There is plenty of potential to increase the exports, however this business likes to keep exports at about 30% of their annual turnover for stability reasons.

Strategies They have only one export product which is a secure income earner and provides a good profit margin. It is sold to a network of reliable customers. They like to keep exports at 30% to 40 % of the turnover to maintain a stable and sustainable growth rate. The firm is very efficient and profitable, and 'low tech'. Management is comfortable with the results and does not want to grow beyond sustainability and wishes to guarantee secure employment for the firm's long-time employees.

Management The manager has been with the firm for 19 years. In his view, real life skills are much more important than academic skills. He has no tertiary qualifications in business or management but completed an apprenticeship in the metal workshop. He has accumulated large experience in running the business.

Networks This firm has a well developed network of customers in New Zealand and overseas. They do not spend money on advertising; everything concerning market development is done through the effective network.

Market Development See above.

Development Agencies The firm has never used their services.

Comments The manager of this firm declined to have the interview taped, however, he allowed note taking. The competitive advantage of this firm is based on a well-functioning network and efficient management. International markets are accessed through this network with good potential for growth. The firm's aim is to manage expansion carefully to sustain a manageable growth rate and reduce the risk of 'a gusher' in order to keep the workplaces safe. The firm seems to be very efficient with limited wastage.

Firm B11

Introduction This manufacturing firm has been operating since 1932, and since 1995 they have exported to the UK, Australia, the Pacific Islands, North West USA, France and Ireland. Their biggest international market is Australia. They employ 50 full-time and around 10 part-time staff. Their annual turnover is over NZ$ 10 million per year and around 30% of this is earned from exports. They maintain a website through which one export product is sold exclusively online, other products are however, distributed in a conventional way through onsite distributors and agents.

Products Agricultural accessories for all terrain vehicles. The designs and manufacture is done on-site. Some special parts or functions are contracted-out such as protecting the metal surface with zinc or paint. Plastic-modelling is done under a licensing agreement by another firm and delivered for assembly onsite. Design and intellectual property is owned by the firm. More recently they have produced spraying equipment for tractors for the domestic market.

Core competencies Development and manufacturing of equipment for the agricultural sector.

Barriers Access to local networks in target markets is their problem. They experienced huge differences in various target markets for which they need to have different strategies. "*I think in New Zealand and in Australia you tend to look that a land mass is a single market. I don't know if you can necessarily do that with the USA. There is a separate market in the West. There is a very distinct market in the North East and likewise there's a very distinct market around the Florida panhandle. You do not go through there to go anywhere, so it has to be serviced independently. And the Midwest I think represents a market as well. There are 5 or 6 markets there certainly maybe more.*" The biggest problem is to identify proactive business partners in target markets who act like agents: "*I think there is a whole heap of barriers*".

Strategies The firm has developed a niche product: high quality and safe farm equipment for all-terrain-vehicles "*farm bikes*". They aim to be the '*Leading manufacturer of agricultural all terrain accessories*'. They developed light and small products for exporting as larger products are difficult and expensive to ship.

With an effective network of competent people to act on their behalf in the target markets they could easily service a market increase of 30% or even 50% per year.

They own a subsidiary in Australia which acts as their local agent and sells their products in East and South Australia. Western Australia and Tasmania are serviced differently; this is caused mainly by different shipping routes and other import procedures. They are well represented in Europe where they need to treat every single local European market there as a separate unit. They emphasise that landmasses are not equivalent to the market. "*We became very much aware of the fact that we really do not matter to the US economy. We are not treated with scorn as such, but they do not look outside the US for products. You might get a little tiny niche where you get some 'early adopters' but it is pretty hard to grow beyond that unless you have got something which is going to be generally embraced by the US consumer.*"

Management The manager originates from Australia and has a university degree in commerce. He is committed to internationalization and has a clear plan for future growth of the firm.

Networks They have some good networks in place, however in some countries the networks could be improved. They need access to the right people who are resident within the target market and who possess genuine skills and connections. In Australia they have a subsidiary which is the most efficient and effective means in a high volume market. However other markets do not warrant foreign direct investment at this stage.

Market Development The USA would be their dream market, however it is difficult to realise. "*We spent two or three years looking and trying to learn about it [the US market] and then realised that it is a particularly difficult market. In fact it might be a number of contiguous markets. So we decided that there were easier nuts to crack in other markets where we could focus our efforts more effectively. So we basically left the US alone, but it represents the pinnacle or the Holy Grail as far as an exporter is concerned with a consumer market potentially at 300 million I guess.*"

Development Agencies This firm finds that '*New Zealand Made*' as a brand standing for quality products is not well known overseas and the New Zealand Government through their various economic development and trade agencies could do better. Much firm resources are spent just promoting New Zealand as a trade location which would fall under the responsibility of general strategy for New Zealand's development. Their view of NZ Trade & Enterprise and Vision Manawatu is very critical and pessimistic: "*NZ Trade & Enterprise and its affiliates are simply a waste of time.*" "*They are selling only themselves...Develop an integrated and effective commercial strategy to represent the interests of NZ exporters! Vision Manawatu would need to first understand how this would be achieved...They have not yet come to see what this firm is all about. They are good willing but incompetent.*"

Comments Very tidy and well managed firm with clean premises and a clear functional structure. They have an exhibition of their products in the firm's foyer. Management is very knowledgeable and passionate about internationalization and growth. They have a written strategic plan for their internationalization ventures.

Firm B12

Introduction This electronic equipment manufacturing firm has been in the region for 24 years. They employ 9 full-time and 2 part-time staff. Their annual turnover is about NZ 1.5 million, 80 % is earned from exports. Their main export market is the USA, but they sell to customers in a variety of countries, such as Poland, Hong Kong, Malaysia, Reunion, Russia, South Africa, Canada, Netherlands, Korea, Greece, Germany, Portugal, Norway, Sweden, France, Slovenia, Singapore, Israel, Egypt, Trinidad & Tobago, Indonesia, and Australia. They maintain a website as an information and marketing tool. They do not sell online.
Products A high quality stereo system at a high price: "*we design our own circuit boards and everything is brought in and we make everything here*." They are targeting the HiFi enthusiast who is prepared to pay a lot of money for their hobby. "*Seems a lot of the people are very into their music and HiFi equipment, the people that have originally been buying it, there are very much 'music' people. They know the product and it is the quality of the product that they like and the sound it produces.*"
Core competencies State of the art stereo music equipment.
Barriers No barriers! There is only a small market of wealthy music enthusiast prepared to pay the purchasing price; the high costs of the product is not helped by a high NZ$ exchange rate: "*In certain countries there is quite high taxes, duties and stipulation for products coming in.*"
Strategies They focus on the European niche market: "*They are looking to go into Europe more. They want to push into Europe for us.*" "*Rather than identifying the markets, I think it is really finding out what sort of person is going to buy our products and then set our strategy.*" They position themselves into the niche of very high quality. "*You could never compete against the Sony's, that level that is not the level that we are on. So you know we use high quality components…and it is a high quality look as well.*"
Management The firm has recently had new owners who manage the firm differently from before, and who are in the process of developing the firm internationally. "*Everything really is run from here apart from that sales side which Peter is based in Australia.*"
Networks Trade shows helped to make contact with customers and distributors world-wide. "*Because I know a lot of people around the world go to that Las Vegas show…we use distributors…we are spread around the world.*" Communication tends to be more with email than with telephone calls, which make possible language problems easier to handle. They maintain a good relationship with logistic firms: "*Everything that is exported is sold 'ex works' and all it is, is an overnight truck to Auckland and then it is flown out. All our orders are air-freighted, so we don't have a problem in that area.*"
Market Development The development is done from Australia: "*We have taken on a Professor at Christchurch University who is very experienced in the marketing field and he is putting together a marketing plan. That is with the new firm and he is working through that*". They also use industry shows and special music journals to market their products. "*We go to the important electronic shows, e.g. Las Vegas a very big show and we are always there and very shortly we are going to Munich HiFi show as well.*"

Development Agencies "W*e have not used Vision Manawatu and we have had to do a little with NZ Trade & Enterprise.*"
Comments The manufacturing firm has had recently a takeover from another firm which is now pushing internationalization and exploring further export markets.

Firm B13

Introduction This electronic manufacturing business is a subsidiary of a New Zealand manufacturer based in Oamaru (South Island). They have been operating since 1997 and have been exporting their products from the start. They employ up to 30 full-time and 4-5 casual staff. Their annual turnover is NZ$ 2.5 million and international business makes up 50% of this. The main export markets are Australia, Japan, Thailand, Philippines, Indonesia, Germany, Denmark, UK, Sweden, Chile, Uruguay, and Paraguay.
Products Electronic scales: "*Digital scales; it is used for agriculture mainly for weighing livestock, sheep, deer, and cattle, but it is also used for industry trade scales weighing pallets, and so there are many uses.*"
Core competencies Manufacturing of electronic weighing systems.
Barriers Lack of resources to do market research especially for North America. "*We are competing against huge international firms and we do not have the funds or resources to match the big boys. So we depend on our name getting through via other customers and distributors. But we are happy to do it this way.*" No resources for marketing: "*Resellers do advertising.*" Time constraints: "*We do not have time for this.*"
They lack the contacts in new countries: "*Breaking into new countries is the biggest barriers.*" They experience difficult communications with customers: "*We are dealing with South America, in Europe and Asia and in all those countries we find big problems with communications…It is all in Spanish but we have one of the managing directors who can speak and write in Spanish now.*"
There are delays in money transfer: "*It is mainly TT, Telegraphic Transfer, and all the established firms would have accounts with us.*"
Strategies They market a niche product. *"You need to have a product which is very good."* The domestic market is limited so it is mandatory to internationalise. They use a network of distributors in global markets. They offer no customised products but they supply other manufactures who manufacture customised products on a smaller scale. The trade scales are very precise and accurate while the scales used in agriculture are mainly for weighing livestock and are more robust. Their products incorporate the latest technology to achieve a superior product. "*To keep innovating*" "*Every year we have to develop our products further.*" Continuous innovation and improvement of the products keeps the competitive advantage. They want to grow slowly: "*We don't want to grow overnight…Firms which have been taken over by foreign owners tend to grow faster.*"
Management The export manager has a business degree from an Australian university and has worked in Australia, Fiji and in other multicultural work situations.
Networks They developed a domestic network with the dairy industry; they work with one particular firm which supplies Fonterra. The domestic market is serviced through distributors. They established an international distributor network. The former owner of the firm was already exporting, which means an established customer base came with the business. Communication is done via email and fax, little use of the telephone which is too expensive.
Market Development Development is mainly through distributor feedback: "*In Germany it is been done through a single distributor, he looks after all the marketing and distribution aspects, we just supply the goods: in Australia we do the same.*"

The firm has little resources for market research, but relies on limited market research or feedback by distributors and trade shows. "T*he biggest market in the world is the US, and Canada, but we have not enough resources to do market research there…the same applies to India. It is a very big market and…the international market is unlimited actually*". Production capabilities: they have downsized after change of ownership but are capable of increasing the production output ad hoc "*we have the potential to come back*".
Development Agencies They have had no contact with development agencies. "*Assistance in finding new export destinations would be helpful.*" They would like to develop the relationship with Massey University and another firm for R & D. They rely on constant product innovation to keep their competitive advantage in the very competitive global environment: "*China produces a lot of cheap import.*"
Comments This firm works closely with the head office in Oamaru, however they manage their own export business.

Firm B14

Introduction This firm has operated since 1982 and manufactures canoes, kayaks and accessories. They employ 35 full time and 5-10 part-time staff. Their annual turnover is NZ $ 4.5 million. Three years after the start of the business they went into exporting mainly to the regional markets such as the Pacific Islands and South East Asia (that is, Malaysia, Singapore, Hong Kong, Philippines), as well as South Africa, UK, and Canada. Currently 45% of their business is based on export.

Products Canoes and kayaks and accessories. They manufacture under license a US brand and have developed their own New Zealand brand.

Core competencies Sports equipment for water sport.

Barriers It is a very competitive global market for this industry; the domestic market is in decline, so internationalization is mandatory. The exchange rate of the NZ$ makes the product even more expensive in relation to cheap Asian products: "*Our biggest barrier is the exchange rate, currently a huge barrier for us, not so much for the Australian market, we think we can keep growing that, which is our biggest market overseas, but certainly a lot of the South East Asian firms we are dealing with. All their currencies are pegged against the American dollar...we can't compete, we have a lot of trouble competing.*" It is difficult to establish a suitable distribution chain or find suitable partners: "*It is very difficult overseas especially the South East Asian countries, its developing market is very difficult...we have to go back twenty years within our market and draw on the things we have done in our market twenty years ago...they are on a lower income, they are in a lower income base, it is a different challenge...So if you want to find a partner in those countries it is very difficult.*" There is also corruption and illegal business practices in certain markets which causes problems: "*And to a certain respect corruption in those countries. And it is all who you know and necessarily what you have and what the price point is and what you are willing to hand out for free.*"

Strategies They manufacture two brands, a well known US brand which they have under license, but which is limited to certain export markets, and their own brand which is freely exportable but not so well known. They target the Australian market which is similar to the domestic one and has a low 'psychic distance': "*You deal with countries like Australia which is very much like our own except it is a larger market.*" Other markets are carefully approached "*trial and error, support from XXX. I mean I come from a business background.*"

Management The export manager has a degree in international finance but finds the real business world so much different from what he had learnt in school. "*The tertiary education I had is 'international finance' and I can't think of anything that is too applicable for my job to be honest, from my tertiary training. In our industry it is product driven basically, they wanted me for a lot of support and guidance on the product, and I am a kayaker and I understand all our products...You need technical expertise.*"

Networks They maintain good business relationship with a UK based firm which manufactures similar products. "*With the UK firm we share designs and ideas. We are on the same levels*". Relationships with their distributors require a lot of attention and communication. On average they do 4-6 visits per year to Australia alone. They use a logistics firm which takes care of many of their problems: "*When I have problems overseas I have my freight firms...They want my business they can find out what barriers I am going to have. And they are pretty good, I mean the big freight* *firms they have got offices in the countries and they have somebody on the ground as well to give you the advice for specific barriers you are going to face, as far as getting the product there...They want our patronage...Because of the volume that we do move it is pretty free*."

Market Development They respond to unsolicited orders mainly but also have a website. They manufacture branded products under license from US based firm. The US based firm 'owns' the Americas as export markets and Japan. A sister firm in the UK has the rights for Europe. Market research is done as cheaply as possible: "*...because although you have a forty foot container it is actually low value it is only 50,000 dollars to 80,000 dollars...So you do not get a lot of return, it's a small market. So it is a lot of informal over the 'net', contacts driven, somebody knows somebody, some thing along those lines...I have no idea. We just work most of the things out ourselves. We do not have too many problems; there is not a lot of trade barriers in our country."*

Development Agencies Their market research services seem to be too costly for this firm: "*It is very difficult to justify going to Trade & Enterprise and asking them for a market survey because of the price. And the return does not match up*." They go to the occasional seminar. "*From a support level, outside of the structure, it would be nice having an exporters' forum, something you'd expect in a bigger city seems to be lacking here. If it is here it is on a clearly 'ad hoc' basis*."

Comments This firm produces branded sports gear and exports them mainly to Australia. They use the logistic firm as a source for information and problem solving. They need to operate in a cost effective way to stay competitive. Market development is done through a network.

Firm B15

Introduction This is an established family firm which employs about thirty people. Their annual turnover is NZ$ 3 million, 50% of which derives from export. They design and manufacture oars and paddles. Their export markets since 1972 vary from the Pacific Islands to USA, Canada, South Africa, UK, The Netherlands, Czech Republic, and East Asia such as Malaysia, Singapore and Japan. Their main market, however, is still Australia.
Products Quality brand oars and paddles.
Core competencies Design and manufacturing of timber oars and paddles.
Barriers Financial resources are a big problem. There is not enough finance available for R&D, new ideas and new products. The product has become a 'mature' product: "*The demand for the product is ceasing...old product.*" "*The demand for oars and paddles is tapering off. People are buying bigger boats. They are buying little electric motors for their dinghies instead of oars. I don't think I am losing any market share, but the market is diminishing.*" The export is hardly profitable as they are exposed to a high dollar having only a small profit margin. "*The dollar is pretty high at the moment.*" And there are no real logistical problems. "*Occasional damage during transport at sea...nowadays I have to ship two weeks sooner than I had to before 9/11 because of all the world wide security requirements.*"
Strategies The products have been a good export earner, however, the product has reached maturity stage and the export is in decline. They service their network of existing customers. This firm would like to develop an innovative export but struggles with financial resources.
Management The owner manager has long time experience in the industry and knows the production side very well.
Networks They are selling through distributors. Occasionally they sell directly to the retail shops which have been longstanding customers.
Market Development The development of new markets is hampered by the lack of financial resources. Management thinks they need a new product for this effort.
Development Agencies When they started exporting in 1972 there were good exporting incentives available. These initiatives have disappeared. There has not been a lot of contact with the development agencies recently.
Comments This firm currently suffers from poor financial resources, a problem mainly caused through a family problem. Management has realised that a new export product would increase the chances for international growth. The business and technical expertise is promising.

Firm B16

Introduction This small design and manufacturing firm was established in 1989. It has three full-time employees and turns over slightly more than NZ$ 0.5 million annually. Their export volume makes up 20% of their business. They ventured into exporting through unsolicited orders. They design and develop sports equipment for rugby. While they manufactured in the past, they currently contract out the manufacturing part but still develop the prototypes. They maintain a website.

Products Rugby sportswear, training equipment, and accessories.

Core competencies Design of innovative rugby equipment.

Barriers This firm has severe financial constraints and time limitations concerning management. One particular problem is the cost of market research. "*Because it costs money. We have done research in the past; we were extremely disappointed in what we got in value for money [Trade and Enterprise]. They offer research for the market. If you want to go off there, they'll assist you with getting contacts and all that, but it is not cheap. It is expensive. And we had research done in the [United] States some years ago, and paid quite a bit of money and quite honestly we could have gone on the net and found it out myself. It was extremely disappointing.*" Finding the right agent in new markets is a problem: "*I guess it is the type of product, it is because of the type of product, well it is not finding a distributor, but has to be somebody actively selling in that market. I mean it is not selling like meat or clothes or something like that, it is a niche market, rugby training equipment...It has to be somebody, I believe and I have always said, if we have an agent overseas he needs to be actively involved with rugby. He does not get to the right people. He does not understand the product. He needs to be interested in the game.*"

Strategies They developed niche products and utilise New Zealand's reputation for rugby success: the 'All Blacks'. This firm has provided training equipment to the All Blacks in the past and the All Blacks act as a show case for the quality of training equipment through their sport success.

Currently they contract their manufacturing out to a domestic manufacturer, a situation which provides some control over quality and timing. However, to grow the business further they need to move their production offshore to a low wage production site, for example to India, to achieve better cost effectiveness. "*We could import all out equipment from India tomorrow and we could land them here about 10 to 20% cheaper for what we could do it here for. But it is a big commitment and we have to carry a lot of stock because of time delay and we have got full control over the manufacturing I guess.*" Doing so, however, they fear they would lose control concerning quality and timing. In order to manage these difficulties they would need bigger warehousing facilities to be able to meet supply deadlines.

Management The owner/manager had a career as an active rugby player, having been a former All Black. He uses his formerly established rugby contacts to develop the rugby training equipment to superior quality.

Networks A network of 'New Zealand expats' made it possible to get into the international rugby market. Several logistic firms do the supply chain. "*We keep a check on them to keep them honest. We tend to change them. Price is not everything, service is also very important.*"

Market Development This firm is very optimistic about future export opportunities as rugby markets develop all over the world. The USA, Japan, and UK are well-established and China and India are looking to rugby training as part of training for their armed forces.

Development Agencies These agencies are perceived as time consuming and not very helpful. "*We are in touch with Vision Manawatu a lot...Say you are going to apply for a grant it is a lot of work involved in it for time...and even though it is a grant you still have to spend money, so we are weighing up if we want to do that...And we have done a lot of it in the past and not much has come out of it.*"

Comments This firm has a good niche market position and use their network with rugby players and rugby staff globally to enhance their international business.

Firm B17

Introduction This firm manufactures kayaks and employs 16 full-time and 4 part-time staff. Their annual turnover is around NZ$ 3.2 million a year and export amounts to 43% of the total business volume. The most important export markets are Australia and Japan, however they also export to Singapore, Hong Kong, Scotland and to some of the Pacific Islands. They started exporting by agreeing to manufacture for a Canadian Firm.

Products Good quality kayaks: "*we have got a good enough product to export that's fantastic, but you really have to zone in on what you know and do it well and be careful.*"

Core competencies Design and manufacturing of various types of sea and river kayaks.

Barriers Time constraint is a barrier. To maintain a network with distributors and agents need a lot of travelling, time and communication, and money. "*It is time consuming and you have to have your contacts when you set out, there is no point in setting off before you got all your contacts. And even in Japan you can't just go over there and expect to spend just one day in Japan. We can spend a whole week with our agents in Japan and the most important things will be left to the last day. It is the way that they do business. That is spread over X amount of days and there is a certain time and way of how you do things, and you have got to stick very much to their traditions. You can't be rushing anywhere.*"

Freight costs, fumigation, import duties and taxes are adding to the costs and increase the sales price, making it difficult to be competitive. "*The security levels of freight and oil have put the prices up something terrible. And our dollar is just not working for us.*" They operate on small margins and the NZ$ currency situation is unfavourable.

Lack of general export knowledge is a problem. "*Exporting is knowing who you are dealing with, because everything is email these days, we are not very good at visiting overseas countries, and seeing dealers etc. over there; so it is investigating from here what they are doing, trust is a huge thing, because I am not keen at all to export into America, because we have been bitten like three times. There is an email in today from America, but does not interest me one little bit, plus for in America's sake if we going to do something we like to do it well, and we can't do it well in America, because we are not big enough.*"

The Australian market has a lot of bureaucratic hurdles and the USA market is too difficult because of a climate of excessive litigation cases. "*And we ship to Australia and Australia is terrible to get things in and out of and there is always charges for this and the docks can hold up this, that and the other...We can cope with that. America is just too much 'red tape.*'"

Strategies They focus on high quality products for niche markets. "*You would have to be huge to do that in America [USA] and I don't want to be huge in that respect, I would rather be unique and we are doing well at what we do...in Norway or Scotland or somewhere like that, America is just too big and I don't trust them, first because of dealership and second their laws, being sued for things...I don't mind Canada, Canada is fine.*"

They aim for a high quality and high price product. "*We are lucky. We are not lucky, but we have taken into account quite a big margin, so that we can work back, and our margins are dropping back. And back now with the dollar, so if we had not done so* *we would not be exporting now.*" They do not want to grow too fast and fear loss of control: a 'gusher': *"We would be very cautious to expand too quickly…we could do a 10% increase, but for China that's nothing really…I don't think we could handle more that 10%, 20% maximum increase."*

Management Experience in export for about 20 years. Collegial system and shared decision making.

Networks Network development in Japan needs a lot of careful work, but once a network is established it is very stable and reliable. "*Japan is fantastic to deal with*". Logistic firms are also part of this successful system. "*It has been fantastic. Whereas Wayne deals with all the Australian stuff. And he deals with DHL, purely because he has a good relationship going with them. Price is a factor, but relationship is huge. We need to have good information, straight away from these guys."*

Market Development Big markets bear the danger for a small firm that it cannot fill the demand in these markets once the product is known and the demand is created. That leaves these small firms vulnerable to counterfeits and copyright infringements: "*We have got an agent in Hong Kong…and we supply to the 'outward-bound schools' over there. It would be fantastic [going into China], but what I have just said about America, the same applies to China: it is a huge market…And I am a little bit concerned that things are getting ripped off so quickly. But then that happens around the world too. China is not any different; they just do it faster."* Asian markets: *"And also going through some of the Asian firms, everything is done through the government…and so there is a lot of paperwork there, you have to be accurate, you have got to be prepared to come back to them three times with a revised price and then you have got to get their money before anything goes. Nothing leaves this place until we got our money."* The target market is Japan which still needs development. "*It is not just about your product which is going there it is a slice of New Zealand…We are selling not just our product but we are selling part of our country.*"

Development Agencies They have not been used.

Comments Successful exporter of high quality kayaks to Australia and Japan. In about 20 years they established an export ratio of 43%.

Firm B18

Introduction This small design and manufacturing firm with 18 full-time and 2 part-time employees is trading in hockey and cricket sports gear. They turn over NZ$ 3 - 4 million annually. Their income derives 94% from export. They service a global market with more than 42 countries worldwide.
Products They produce and sell branded products, such as sports protection gear for hockey goal-keepers and they have achieved market leadership in most of these countries.
Core competencies Superior sports protection gear leading in quality and design.
Barriers They themselves do not have barriers to internationalization as they have a well maintained website through which they also sell.
High manufacturing costs in New Zealand do not allow manufacturing firms to compete on price/volume. "*New Zealanders are not doing the export cleverly enough. They can never compete in the mass markets, they need to develop a special niche product and command a premium for it. New Zealand with limited resources cannot compete against low wage countries and its only chance is to identify something special and to do this well, not spread it too thinly.*"
Strategies They achieved their successful internationalization by developing and producing high quality niche products. Their strength is the beautiful design, long lasting product endurance which is continuously improved and innovated. They have also integrated a feedback loop from the customers - sports people and product users - back to design and manufacturing. "*We involve goal keepers in several countries to provide ideas on gear and to test ideas as we develop equipment. Because goalkeepers do the development work, our products are based on real need, and sound testing.*" This process ensures a market leadership which competitors find hard to contend with. The export sale is supported by an excellently designed website. This allows communication with the sports community: "*All we do is design, make and sell equipment that helps goal keepers play to their very best potential. This means that all XXX's equipment protects you really well, but also lets you move your body naturally and quickly.*"
They have developed a team of highly skilled staff and there is hardly any turnover. In spite of these high standards people are feeling valued and are achieving: "*I found some very good and creative people who are working for me now. My people have a perspective on life and also like to solve problems practically*".
Management This firm has an owner-manager who has had industry experience for more than 25 years. He describes himself as a personality which is that of a '*born entrepreneur*', meaning he likes challenges, always "*wants to know what is behind the next corner*" and is happy to take some risks. He comes from an entrepreneurial family and also has a tertiary educational degree specialising in marketing.
Networks They maintain a network of distributors who sell and deliver directly to the customers worldwide. They also operate a website which takes online purchases through credit card payments. This firm takes care to keep this good relationship with these distributors. So they make sure that the internet sales do not go in competition to distributors. "*We will not accept purchases through our website in areas where we have a distributor.*"
Market Development They identified a niche market and accordingly designed a suitable product. At first it was only hockey gear and for the last two years now they have targeted the 'cricket gear' market. Their market development is incremental. "*I*

identify markets by first looking at all the countries which engage in these two sport activities. These countries then become my target market." They develop gradually by getting one agent per country who works on a commission basis. Management travels overseas to find the best possible person for this position.

Development Agencies They have not used the services of Vision Manawatu as they seem to target the 'start-up' firms and this firm has definitely reached the mature state. However, they had some help from NZTE and one other agency (they forgot the name). NZTE were helpful providing generous R&D funding; they were identified as a 'potential winner' and got a lot of public funding.

Comments This firm is managed by a marketing professional. This firm designs their strategy around the core capabilities. They identified their strengths clearly and bring them to bear in a suitable export strategy. Suitable products are designed for a well defined global niche market. This firm applies all the elements of the Bricolage Model.

Firm B19

Introduction This firm has been manufacturing high quality sports equipment and apparel for nearly 22 years. They employ 30 full-time staff and have a turnover of NZ$ 1.5 million a year, from which 25% derives through exports mainly to Australia and European countries.

Products High quality durable textile products, such as 'cold protection wear' ("*for work in freezing works and chillers*") and army equipment, textile parts for 'baby strollers'. They supply custom-made product parts to a 'stroller' manufacturer which exports baby strollers to countries within the EU (Germany, Holland, France and Belgium), but also to the USA. In the past they had been a contract manufacturer for an Australian firm. They used to manufacture automotive seat covers and automotive guard covers to protect the cars while being serviced by mechanics. *"We used to sell motocross clothing on a direct basis to Australians and used to direct advertise in automotive and sports magazines. We manufactured for the Australian Air Force special products"*. They stopped because one of the Australian firms has gone out of business, another one moved to a cheaper supplier.

Currently they have gone into 'military supply', which is similar equipment to sports gear. They also do 'freezer' clothing. "*I think we are the only freezer clothing manufacturer in New Zealand. We have been doing this since the year 2002.*"

Core competencies Their core competency is manufacturing specialist sports apparel. This competency is based on well-maintained and versatile textile processing machinery and supported by highly-motivated and reliable staff and good knowledgeable management.

Barriers They experience no barriers! Their strategies work for them. They have tripled their turnover in the last few years.

Strategies They established a niche market and developed a reputation for high quality products, an ability to run a small volume and delivery in a short time frame. This gives this firm a competitive advantage over low-cost imports from China. The firm's philosophy is to look after their staff: *"We don't like to lay off staff. We have our staff for years and years. We are one big family here."* They develop products to the specific needs of customers: *"We can do odd ball sizes and we can do small volume runs at very short notice...We call ourselves innovative textile fabricators."*

They are dedicated to maintaining high quality and employ a strategy of built-in quality control, output control ("*two ladies who control all outgoing pieces*") and also process control ("*a little man running round, making sure that everything is perfect*"). Therefore the firm has hardly any rejects or complaints. *"We do it right the first time, because we are getting paid only once."*

They no longer need any advertising. Every contract comes from referral through personal or other firms' networks. In the past they used to advertise in an Australian Motor Sport Journal (and it provided some direct sales) but they do not that any longer.

They currently work at more than full capacity for domestic contracts "*Army, Toyota, and so forth.*" They have to let some work go to another local firm to be able to fill the orders on time. The owner-manager likes to keep the number of staff consistent and opposes laying staff off. So, in a 'gusher' situation work will be tendered to other local firms. Workers are plentifully available and will be trained "*on the job, they just require the right attitude.*" This firm does not require any formal qualification. They employ a diverse work force. "*Maori, Pacific Islander, Philippines, Kiwis, Germans.*"

Management The philosophy behind this business is: very low costs, no frills, no waste, highly efficient business with a desire for excellence and quality, 'lean and mean' business management. They have a self taught business manager with very long business experience who has secondary education ("*school certificate no university diploma or such thing*"). There is a love for all technical things and high quality machinery. The firm is equipped with only the best machinery and tools available and which seems to be very well maintained. Workshop and firm premises are tidy and well maintained, low noise level, low dust and dirt, safety procedures and equipment, such as safety metal gloves against cutting accidents while cutting material.

Networks They build up networks for distribution and supply. All business comes now through these networks. They are supplying domestic and international firms.

Market Development Word of mouth and networks "*...yeah, personal network, word of mouth; we could advertise here and there and everywhere and spend a fortune. Penny in the office keeps a record of inquiries and she always asks how they found out about us. And it is always word of mouth. We don't waste money on advertising now*". They maintain a website and visit international trade fairs occasionally.

Development Agencies They have had no contact.

Comments This firm is very resourceful, independent and self-reliant, very good network connection, highly ethical business attitude. They might represent the prototype of a firm using the 'bricolage strategy'.

Firm B20

Introduction This firm produces and exports high quality wooden ladders for use by electricity firms. They have been exporting for over 33 years and have achieved an annual turnover of around NZ$ 3 million. 35% of their income derives from export.

Products High quality timber product which uses economical plantation timber: well designed security step ladder to be used in work environments which require high safety precautions. The quality design is continuously improved according to customer feedback and demand. The typical customer is an electricity line firm which looks after the safety of employees. "*A much superior product than a ladder made from four pieces of the traditional timber which come from virgin forests which are no longer available...But even if it were available at a reasonable price, what I am offering is a far superior product, much stiffer and stronger and longer lasting and lighter. And it has got lots of other nice little features which I have designed and built into it in response to customer demands.*"

There is strong competition from cheap products from low wage countries. "*And the biggest problems I have got is competing against the very cheap fibre glass ladders made overseas from India, Pakistan and former Communist countries and China and Brazil and wherever. It is not a very good product, but it is almost like a disposable product and the big firms buy a thousand of them and next year they buy another thousand more.*"

Core competencies Design and manufacturing of a high quality timber niche product.

Barriers This firm has resource constraints. *"I do not have the finances to set up a plant overseas. That is beyond my means, at the momen*t". *"The timbers are available [in several places all over the world] and I have the technology, but one needs not only to develop a factory but the markets as well"*. There are difficulties with developing new markets: *"To me manufacturing is the easy part, selling is the hard part. Finding the customers."* High quality products are difficult to sell currently in a situation where electricity firms are looking for short term profits and are not willing to invest in long lasting equipment. *"The people who are going to decide on the product are most certainly not the people who are going to use them." "The biggest hurdle in Australia has been the lack of a standard document to cover that product because it is 10 years ahead of its time."*

The requirements are for MAF certification, as the product is a timber product which must be made from processed and treated material to make sure there are not infested with pests or diseases.

Strategies They know that they need to develop a niche product which is suitable for international markets. So far they have not established a well functioning network with overseas distributors or customers. *"Most of my ideas I get from the customers. My latest idea came from an inquiry from the USA for a product that is made in Europe." " Me, I know manufacturing. People with money are not always skilled in manufacturing. And the product they do not have any knowledge of they are not going to be nearly as enthusiastic about the market potential of it. So I do not think that is going to be an easy thing...But I need to convince the bank."*

Management The owner-manager has engineering and carpentry skills. The experience in business comes from growing up and working all his life in the family business. *"I am home grown. I went to all the seminars of the old exporters institute* *in those days. I read a lot, everything that comes across my desk. But most things that come I scan them, you see."*

Networks The problem for this firm is to get access to overseas networks and international markets.

Market Development *"They [ladders] are going to Australia, Pacific Islands and Czech Republic." "When the wall fell over in 1989, shortly after that, I read an article somewhere that some of the big enterprises like the World Bank and things like that. There are a lot of offered schemes where by they would fund Western firms to set up in the former communist countries to employ local resources of people and materials available locally to make products which will be sold in the West. So I wrote to all of the Trade and Industry Departments of the former communist countries. And I got a response from 3 of them Czech Republic, Ukraine and Bulgaria....So the only country to take it any further was Czech Republic and the lady who is the private secretary for their top civil servant in the Trade and Industry department helped me find these electricity firms customers in the Czech Republic. And she still helps me with translations, travel and stuff like that."*

Development Agencies They do their market research on their own because the agencies do not know much about the product. *"NZ Trade and Industry has done some market research for me, but it is a very specialised product, and a very specialised market. And it is not a cheap product."*

Comments This firm has good design and manufacturing competencies. However, access to international networks is currently poor and financial resources for private reasons are very tight.

Firm B21

Introduction This manufacturing firm has been in the region for over 30 years. Their turnover is between NZ$ 5 - 6 million per year. Only 5% of that comes from export. They employ around 50 full time staff.
Products High quality fibre reinforced plastic products (FRP) - also called 'composites' - and distributes supplementary products like Steridor, Plyglas, and Kemlite Glasbord.
Core competencies Any fibre reinforced plastic material for use in the car and sport product industry.
Barriers Export barriers for them are the difficult logistics, not so much the shipment but rather the documentation and customs formalities. *"It really is quite a logistical nightmare…it is the paper work, knowing what you have to get to comply, and all that sort of thing is…once you get in the first time, I suppose it is not so hard, but yeah".* Staffing is a problem for this firm as they need skilled workers in this industry and the skills are more likely to be available in the bigger cities of Auckland or Wellington. Manawatu and Palmerston North do not offer enough attraction for urban workers. They are recruiting staff from overseas to fill the shortage, currently 6 workers from overseas (5 from the UK, 1 from India, one trainee from France for 3 months). International work force: they have 7 different ethnicities working. The main problem here is to get skilled and suitable administration and management staff.
Strategies They have developed a niche market. *"So I say we got to develop some product, some kind of special product, export for our range of stuff is fairly limited, unless we can get onto development of high tech stuff…That is my long term aim, to get into what the firm name is 'developments', create new products that are specifically high tech or something and then, maybe the license them overseas or something…That is the only future I believe."* They think that New Zealand manufactures are disadvantaged in regard to production in low wage countries like China: *"From our point of view, if we want to export, that is not a level playing field. You know we got to compete against markets such as China where, you know the human rights are non existent in effect."*
Management The firm's owner-manager has a background in agricultural science; he got into this manufacturing business through his interest in motor cars. They are actively seeking a general manager to go to the next development stage. *"Most firms go from middle size up to a certain level and then you need to take some major changes to go to the next level. From the SMEs to something a little bit bigger where you have to be much more structured."*
Networks Their main customers are domestic firms like a firm which produces petrol pumps and uses them as their contractors. In co-operation with this firm they export the products to Australia as currently their sole foreign market. In the past they have exported to China, the Pacific Islands, and Bangladesh (airport counters) however also in cooperation with another firm. *"Apart from those door jobs, no direct exports ourselves".* They mainly do not have 'end user products' but are contractors for other firms, and fit into their supply chain: *"We customise products on demand, so we are really a sort of a service firm you might say."*
Market Development No active market development currently as they are too busy with the demands of the domestic market. Management time is also very limited. *"My requirement is now the next level. We are building a bigger business, not*

building up a business...There is not really a lot here, maybe I could find a consultant and then grab the right person and pass it on to him."

Development Agencies The local development agencies such as Vision Manawatu and NZ Trade & Enterprise are not hugely beneficial to their development other than the seminars. *"We have not got a lot of dealings with them. We are not getting a great deal of benefit from them apart from maybe the odd seminar or two. Yeah, not a great deal of assistance, to be honest. We have sort of gone beyond that. We are in the middle row, really. We are in the smart business acceleration program, but which is a huge time commitment for us not going to take us much further than where we are."*

Assistance from government level is not the answer; they might change the labour laws to make it easier for employers to get rid of unsuitable workers.

Comments The Manawatu area as a business location is a quite comfortable situation for this firm concerning its domestic base, as it is centrally located in the North Island. *"It is good for us. We are sort of central New Zealand, isn't it? So, we have markets all over the country we send stuff to. So, it is as good as you can get for equalizing trade."*

Firm B22

Introduction This small firm has manufactured dairy equipment for 13 years and during the last 9 years they have been exporting to Australia, USA, and Europe (including Hungary). Their biggest export market is Australia. The firm employs 4 full-time and 2 part-time staff. Their annual turnover is around NZ$ 750,000 and about 18% comes from export. They maintain a website and they take enquires and orders by email. The firm does research within the Bio-Commerce Centre of the Manawatu.

Products They produce milking machines including the necessary software programmes. As a special IP component this device uses compressed air to protect the electronics in wet, chemically harsh environments, like cowsheds. It can measure accurate flow rates which enables better ways to detect mastitis in cows. The infra-red based software programme is what they actually export. Another product is an airflow meter: *"We manufacture air flow meters and we export those. An air flow meter is a 'testing' equipment for the dairy sheds to test the vacuum on."*

Core competencies Design, production and repair of milking machines and including electronics and software programmes.

Barriers Competition for this niche market product is fierce. *"The opposition has sort of cut the price. We are not in a position where we could cut our price because we have a good quality product and it is basically like the 'Rolls Royce' we make the thing from the electronics right through to the – we have our own injection moulding machines to mould all our own components, do all our electronic assemblies."*

The legal system and especially the litigious culture in the USA led to withdrawal of the whole milking system. They are therefore selling just the electronic component and software. *"There has been a time when Keith has had them in the USA, but because a lot of their legalities and the laws where people can sue for this, that, and every other thing - now like when a cow gets mastitis for instance and they blame the product and it is very risky."*

The product is not a universal international product; it needs to have 'specifications'. It has to be customised to the conditions of every country: *"plus the fact that the conditions; you have to make a product and develop that for that country."*

Strategies They specialise in niche products for dairy farmers which are specially developed for New Zealand's conditions. Every international market requires product modification which is costly and time consuming. The firm aims to keep the business flowing in a steady state, servicing the domestic market and exploit the overseas market through their established customer networks. There is no market research going on and no effort to explore new markets. *"First thing is to get established in New Zealand, and then perhaps the next move will be looking at countries...We are providing for the dairy farmers and that's where we basically are."*

Management The manager has expertise in middle management, however he also has technical skills such as electronic skills: *"My expertise would be sort of on at the management side of it."*

Networks This firm has purchased the original product and its IP from another domestic firm and refined the design. With the purchase came an established customer network and distribution channel. They have entered a strategic alliance with another firm for a similar application product. *"After exhausting and spending a lot of money we found that it was not successful. The research and development firm* *has taken that on themselves and have developed it and gone in a different direction and have a stand alone device which can detect mastitis."*

Market Development They are not actively looking for international markets. *"No, not at this stage...To grow we would have to set up production lines, we look at it and say 'No'. Do we want to grow or do we want to have a good and comfortable life style job, and I think at the moment that's the latter."* New Zealand manufacturers cannot compete with low wage countries like China: *"you are relying on a product that is unique, developed by New Zealand. Sort of there is a market for it."*

Development Agencies No dealings with any of them.

Comments There are no plans for further development of the export markets. This firm is happy with using opportunities which become available, and they have worked a lot with such opportunities in the past. Their export strategy is to fill unsolicited orders and requests from long time customers.

Firm B23

Introduction This knitwear manufacturer has been operating since 1984 and from 1985 onwards they have exported to Australia, USA, and Japan. They employ 45 full-time staff and have additionally 5 casual workers during peak times. Their annual turnover is around NZ$ 6.5 million, 20% of this comes from export. They are in the process of establishing a website through which they will market and advertise as well as sell online.

Products Fashionable high quality knitwear and garments for men and women.

Core competencies NZ designed knitwear using local materials, such as possum fibre. *"I guess the quality of the product has to be given, it has to be there, but the only reason they buy from us is that there is a point of difference...If you don't have a point of difference don't go into the market, because the competition is so hot."*

Barriers Managerial attitude towards internationalization. *"The biggest barrier is between the ears...Taking transition from a nice comfortable domestic environment which we understand well going over to - the first stop is always Australia or should be - because everything is pretty easy to handle, the culture is pretty similar. That's a barrier: wanting to do it first of all...Most firms leave it far too late, they do it when the domestic market has collapsed and they don't have the money to go and do it overseas, because it requires a lot of capital and a lot of time...It takes time to build it, takes times to develop agents and the structures that we need in the market."*

Financial constraints: *"I guess finance is a barrier for most firms."*

Global barriers: in Asia it is mainly the lack of a Western style legal system which offers protection against theft and guarantees IP. *"Exporting beyond Australia, the barriers there are immense. But they are not impossible but they are just huge...We have some huge opportunities in China. But most people don't understand there is no definable legal system you can work through. It is a problem in China. You have got a real problem in China. It [the export product] just disappears...Hong Kong has been a legal system. The dealing through H. K. had a legal system you could use and you could work through without a problem. It does not apply in China...We do work with Japan, which is relatively straight forward, but slow and difficult to get into it...We work with Taiwan which is not too bad...We work with Korea which can be difficult."*

In some industries the biggest barrier is conforming to international legislation and regulations: *"Then you get into a minefield of regulation and legislation...And each state is different regulations and they overlap and that drives them mad...most of his time is spent sorting through conforming with regulation and legislation."*

New Zealand as an export location: *"It is terrible. It is the bottom of the world. All we do here is grow a good grass and that is what we are really good at. But for a manufacturer it is not, but if we want to get into the creative side of manufacturing, small scale very creative; a lot of though processes going into the design and the development, yes it is a good place...It is a very visual country...If I get into the South Island I am still blown away by the scenery. It is just stunning. If we can continue to play on that and build an image of 'freshness' and 'youngness' I think there is future for New Zealand export. But it is not going to be large scale."*

Management and time: *"The biggest resources will be time. Time and the senior people in organisation. You need a lot of time. Nothing happens quickly."*

Strategies They focus on high quality, high priced, 'top end of the market' products. *"The strategic advantage we have is that the products we use are made in New*

Zealand and we have got something different, in our case the 'possum blended mix' or...We have to have a point of difference to go on the market. We will never ever compete on price...You get the first 'burst in' based on price. That is not a great thing actually. A lot of people go over and cut the price and get in. Long term it is going to be very expensive, to do that. You are going to fail."

Lower price range has disadvantages: *"Sometimes we do if we need to with certain people in Australia for example, but the majority of our market there we have got to have good margins, because it is expensive to develop. Not just the freight but the distribution network is so expensive. The internal freight in Australia is expensive. The systems are quite slow and arduous. Agents are more expensive than they are in New Zealand...All of these costs come in; there is nothing cheap in developing an export market." "In China a foreign owned firm is opened every 26 minutes, on a 24 hour cycle. If you want to compete on that you can't do it. Find some other reasons to compete...Our reason to compete will be design and our New Zealanders design to contract." "We can't become the factory of the world in New Zealand. So we need think creatively and smart all the time."*

They customise their product to the market requirements. *"We tailor, e.g. in golf business, in colour alone the difference between Australia and New Zealand is quite significant, which we found out. They have brighter bolder colours than New Zealand...You have got to modify the product to the market...And most niches will die. You have to constantly find another niche to get into. You never ever can stay on top in your niche. Somebody sees you and the next wave washes you out of the bloody niche."*

They are constantly reviewing their performance: *"We are currently undergoing a design audit, in the next few weeks to look at where we going now from a design perspective... Design will be the key difference between us and everybody else...Internet is a huge tool to interact... we are constantly watching what's happening in all those markets...We don't copy it. But we know what's happening there. If there is a colour direction e.g. we make sure that this colour direction is in our range coming out...the colours have to match what is happening world wide...Every year there are maybe 40, 50 little ' mini trends' and you have got to latch onto one or two of them."*

They take advantage of a low cost production site: *"It is a huge advantage for manufacturing: we got a very, very stable work force here. Very stable, it is probably the main reason why we stay in the Manawatu. The work force is very good; there is a large pool of good, well educated people you can tap into here." "But if you got to get senior marketing people, it is hard to get anybody at all. They just do not want to live here. Their lifestyle is Auckland."*

Management Very committed, very analytical and able management; proactive in identifying and developing international markets.

Networks The structure of their network and distributor varies according to the context and necessity: *"We have 2 structures: We have a distributor for one of our products, the 'golf side' and they buy directly from us and the reasons we did that is that there is lots of little customers to deal with, and we cannot effectively deal with them from Palmerston North...and the other side, we deal with the likes of 'David Jones' and the bigger retail stores, we deal direct. There is no distributor. We have an agent who just keeps the door open and solves all the little problems which inevitably creep in. But that is a different structure." "We still go out there and do retail visits and see customers and suppliers and we are travelling all those markets."* Their garment designs are contracted to designers all over New Zealand and overseas.

"I think Palmerston North is possibly a disadvantage from a point of view to attract designers and senior people to an organisation. It is difficult to attract thinking staff, creative staff. It is not that a lot of these people rush to live in Palmerston North; it is not a top of the list place to go. However, you could have designers based anywhere now; it is not a huge issue. You have got to find some way; we are working on that now."

Market Development This firm searches actively for new potential markets: *"You have to do some exploratory research work in the marketplace out there...Regions in China. The region in China around Shanghai fascinates me because of the wealth which is been created there...it is going to be a huge market."*

Development Agencies The agencies can help in the first phase of a firm's establishment: *"Knowing where to go. There is people like NZTE who are pretty good, but they do not really know the intimate details of the types of businesses. They can help you with introductions; we have used them before, they are a help but not really an 'integrator'. Nothing like getting on a plane once you are established. An agent or got something that can introduce you in talking and observing what the other people are up to...and asking them what it is they need. I have learnt some horrible lessons by not doing it." "I think Vision Manawatu has a role, a networking role most of all, to keep the networking going because I think that is crucial. One of the problems of Palmerston North is that we tend to be busy in our own little areas. We never network. Maybe that network does not result in business, but it will result in ideas flowing and all sorts of issues." "Cluster groups have a great potential for export, if they can network together and there is a big IF...I worked in 2 or 3 clusters, but they all went nowhere, because what we could not find was the purpose the cluster should stay together for, so the setting up of a cluster is so crucial at the start, and if a mistake is made it gets too general. It needs to be very specific...When pettiness and jealousness creep in, I want that business, I want this, that sort of nonsense."*

Comments This firm knows their core competencies; it developed a strategy including product adaptation and distribution specification for each market. They rely a lot on networks; they maintain these networks of distributors and customers and well as designers through local visits and regular communication through the internet.

Firm B24

Introduction By New Zealand's standards this is an old firm (founded in 1894). It delivers printing services and printed materials, such as brochures, newspapers and books. It employ 28 full-time and 10 part-time staff and their annual turn over is around NZ$ 3.5 million, of which 5% comes from international business with Australia and mainly Samoa.

Products Printed material, everything from labels to books. They provide quotes for customers within 24 hours; the printing job can take up to 2 weeks.

Core competencies They focus on '*middle sized runs*' of printed material. They run two 8 hour shifts at the moment. Their capacity can easily be increased to three 8 hour shifts taking it to full 24 hours including the weekend, which is work-free at the moment.

Barriers Freight costs and time delays are a major problem: air freight would be fast but is in most cases too expensive, because product tends to be very heavy. *"If it is shipped over [Samoa] it can take between 10 days to 2 weeks."* They use a freight forwarder which ships out of Auckland. *"The key barriers, I guess, would be turn-around time, especially to Australia. Not so much in the Pacific Island, because there is not a lot of capacity out there for printing...There are a lot of competitors in Australia. There are a lot of printing firms based in Sydney, who could have the books to them the next day, whereas we have to either fly it or ship it and there is not only the costs of the freight but also the turn around time."*

Strategies They cater for the medium sized market. *"We don't cater so much for the small market, which is letterheads and stuff, and we do not cater for the really, really high, high run market...we pitch for the middle market which is a big chunk."* They have the capacity to service all needs for the Pacific market. That is their key market, because competition is very low. They target the regional international market, South Pacific.

Management They have an export manager who together with the general manager deals with international activities.

Networks Satisfied customers referred them to their international branches. *"We had a contract with X Breweries to print their labels and they have an association with Samoa Breweries who are obviously based over in Samoa...Through that association we started printing the labels for Samoa Breweries and it has grown since then. They are our second biggest customer this year. That is one of our key export markets."* Business comes through referrals from good customers or the firm's website.

Market Development Their key markets are in Australia and the South Pacific; through purchasing smaller competitor they gained access to an existing customer base in the Australian Market for learning material. *"We are currently looking at some other opportunities in Samoa and in addition we heard that there is some quite good print opportunities in Fiji as well. So yeah, that will be our first target."* The general manager will visit Samoa to establish new networks and customers.

Development Agencies They do not use these agencies. *"Our customer network is quite well established; our systems at the moments are quite well established, so certainly if we were just going out, there would be a reason, but not now in our situation, no."*

Comments This firm knows their core competencies very well: reliable and high quality printing. Competition is low in the domestic and Pacific market, so they target this geographic location which is also cost effective. Product and resource constraints demand an incremental approach to internationalization, described as the 'Uppsala' or 'stages model'.

Firm B25

Introduction This manufacturing firm has operated for 32 years in the area and exported right from the start. They employ 38 full-time plus 5 part-time staff. Their annual turnover varies between NZ$ 5 to 7 million which is to 90-95 % earned through export mainly to Australia and China. They are a contract manufacturer for a big Australian car manufacturer.

Products They produce plastic automotive components, plastic injection moulding dies, polyurethane mouldings, automotive spoilers, cases, audio visual equipment cases, computer equipment cases, and custom-made cases.

Core competencies High quality and niche product, polyurethane based moulded parts. They manufacture custom-made components of various flexibilities.

Barriers Their main problem is information and knowledge gaps concerning '*service, supply, containers*' in regard to time schedules for supply and distribution. *"Limitations really are pricing for our customers, we are dealing with the car industry and they like to lock into long term pricing. They see any relationship with a manufacturer like us as a partnership."*

Compliance costs seem to increase steadily: *"Documentation and the necessity for it, the diligence that is expected of you. I can understand the need for it in terms that they need to make sure that we are not exporting bugs...MAF costs and all those costs add up." "Government regulations are tightening: we spend more time on compliance than we actually trying to do on focussing on growing and developing our business. If you are our size of business you cannot afford a number of people to look over their shoulders and see what government is basically doing in terms of all the compliance issues...Compliance matters are now taking eyes off the ball in terms of developing products, growing the firm and improving the firm and spending a lot of energy at looking at those compliance issues."*

Problems also exist with logistics, freight rates, price and costs: *"Freight rates, bunker adjustment charges, fuel, erode margins...it is very hard. We have a very expensive stretch of water between Australia and New Zealand and you see the fuel prices that hit us in two senses: one is raw materials and we purchase them out of Germany and out of the [United] States and our exchange rate has been reasonable from the buying point of view but it still adds an increase to the price of raw material, and the second aspect is essentially the barrel of oil being where it is and then we get a whole host of what they call 'bunker adjustment charges'...If we could do something to lower cost and be more attractive and competitive compared with the Australians. There is erosion in terms of the competitiveness of New Zealand manufacturing."*

Labour costs are high: *"There is an expectation of wage rates beyond productivity improvement and that is concerning, cause all that does it erodes our position against the Australians again...We enjoyed a slight margin against our Australian counterparts, and so that all adds up, so that we say how long do we stay in New Zealand for our main market at least 90% of it is Australia."*

Legal requirements in the domestic environment: *"Labour reforms, Holidays' Act, pressure is coming on regards to wage increases, or pressures from other things like Resource Management Act; Hazardous Substance and Notified Organisms Act. All of those things are putting in place in some sense constraints or barriers, we seem to lead the forefront of in terms of the world regarding the sort of acts and change in attitude towards the environment. That is all very profound but then when you are*

competing against people in Asia, that are supplying the same sort of components that are not working at the same pace as we for various reforms, whether it is labour reforms, whether it is industrial or whether it is environmental and those are the people we are competing against."
There are also problems concerning IP: when they develop new products for customers on request, these clients sometimes have the products then manufactured cheaply in Asia and other low-labour countries. *"They developed one particular product for a Chinese firm who now get this item manufactured in China." "That now is moving offshore to China. The volumes have grown. They have got an opportunity now to supply a lot of these trolleys into the US and they talking about 52,000 sets of trolleys a year…so it is sad, it is a lot of development that has gone in there by us to produce this particular part for them and now it is moving offshore."*
Resource constraint for them means that they cannot develop too many markets at the same time. They would like to have some help and advice with focussing on promising customers. *"I think that would short circuit type of things instead of 'broad brush' type approach."*
Strategies *"We tend to focus on low volume - high value products."* They aim for the low-volume high-quality end of the market and are able to manufacture according to the specifications of international firms: *"we wanted to focus on parties in the UK, Rolls Royce high value cars opportunities and low production volumes, because that's where we would compete in terms of our expertise."* They need a certain size of volume: "*A long as there is reasonable volume, let's say container lots*." They aim to enter the supply chain of high quality car manufacturers like BMW or Mercedes Benz. As they import their raw material from overseas sources like Germany it takes about 30 days to get the shipment here. This is not too bad concerning time; however attention has to be paid that they have sufficient stock and raw material available at all times to service their customers.
Management Management is experienced, analytical, intelligent, very interested in successful internationalization. They see New Zealand domestic environment critically as the burden for manufactures grows through increasing bureaucratic and legal obstacles.
Networks They established a network with logistics firms and other manufacturers. Their typical customer is not the general public but car manufacturers. This firm would like to expand their client base to develop their market and lower the overall risk.
Market Development They are very interested in developing the EU market further, but need advice on who to approach. At the moment they have one big Australian firm which they supply and there is also some export to one firm in China. Currently they are filling a big order for Toyota, which will give them work for one year. Facing resource constraints they are not able to tackle new markets without a point of access.
Development Agencies They attended seminars from Vision Manawatu regularly in the past and found them quite stimulating in regard to meeting other exporters. *"I enjoyed the training session of Vision Manawatu and the different aspects of networking. My wife said that I used to return after these meeting freshly energised full of new ideas. The daily grind of making ends meet and cutting slack in the firm for further improvement of efficiency has taken its toll."* However, they are also quite critical of their 'mentor' programme: somebody who had promised to work for them as a mentor never actually turned up. They are still waiting for the visit and

consulting meeting this person promised to give a year and half ago: *"They went in with a 'hiss and a roar' and then it came to nothing."*
Comments This firm has developed successfully the Australian market; however, to diversify into the European Market they would need a person assisting with access to the important network. Continental Europe also poses a language barrier.

Firm B26

Introduction This manufacturing firm was founded in 1996 with the aim to become a supplier for two local firms which sell hockey gear, kayaks and canoes. Since then one firm has pulled out of this supply arrangement and now the firm contract-manufactures only for one firm. They employ 6-12 full time staff, four of these work occasionally part-time. Their turnover is NZ$ 700,000 a year and their exporting is done in strategic alliance with the firm which markets kayaks.

Products They design and manufacture kayak and canoes; they develop the products themselves but this is expensive, so they keep one product as long as they can and introduce one or two new designs every year. *"We keep them running as long as we can, there are costs you know, some of them cost a hundred of thousands and a hundred and forty thousand to tool them up for, so you want to get as much out of those as you can...you want as much milk out of them as you can...The mould never wears out it is always a marketing thing...developing your product is expensive, really expensive...It is pretty hard finding the money up-front for new developments."*

Core competencies Design, development and manufacturing of sports equipment as a contract manufacturer.

Barriers Financial resource constraints and the access to networks and distributor is the major problem. *"Now that we are reasonably well established the barriers are quite different to when you start. From our point of view finding the right distributor, the strength of the distributor. And we can strengthen...double our export...but it just takes more money. So for us the main barriers are probably simply funding." "Currency is a problem. We are doing this for years and most of the time the dollars has been favourable for exporters. We always had a cost advantage. Now we don't."*

The access to networks is closely related to a lack of market knowledge and is also an obstacle *"...but then the danger is that our boats don't fit those markets, we don't understand these markets well enough. We have a range of designs, and some designs seem to work better in some places than in others."*

There is an increase in compliance costs and '*paperwork requirements*': "*up until three or four years ago, we could literally slam the door shut on the container at ten o' clock in the morning and threw it on the back on the truck and an hour and a half later they are putting it on the water in Napier or Wellington. It is no longer like that! It is basically gone. It is more 'pre-clearing'. It's got to be 'pre-cleared' before you virtually pack it. They require the documentation 48 hours before the container hits the port...it is just a lot more waste, a lot of the time is more waiting of goods and capital goods just sitting around waiting all the time*".

Packaging in containers is a challenge: they have so many different models of products, so they do not know exactly how many will fit into a container. They have to estimate a lower number that it is possible to pack because of the pre-clearing necessity. If they get containers from the US the containers are 30% empty which cost a lot in additional freight "*We couldn't make our Australian system work if we packed our containers as sloppy as they did, it would be uneconomical."*

Strategies They aim for the high quality sports equipment niche market concerning design and manufacturing. They entered into a strategic alliance with another firm which markets and sells the products for them: *"We are fairly in a niche market already with what we do." "We are currently getting better designs and to gain the market advantage that way."*

Management Management has been in business practice for a long time and has a lot of experience: *"I have had a lot of people coming from Massey with Management degrees over the years, and I think there is a lack of experience. James effectively has done a management degree the hard way here, we have seen a few people with management degrees over the years. A lot of people come in to give us advice, and it is all theoretical and it is not based on reality and it's been difficult applying that to real life situations...a lot of them do not understand the complexity of an organisation and the constant juggling of 9 or 10 things you always do."*

Networks This strategic alliance with another domestic firm provides the main access to international markets, and they also have a network of logistic firms which works fine. *"Our distributors, we have built them up through a process of 'trial and error', and it took a long time. We usually have gone to a country and found the people involved in that industry, picked out the ones that seemed the smartest and most interested and worked with them. In two or three cases they've fallen over after a couple of years or proved not to be up to the job and by that stage someone else has usually beaten a path to our door."*

Market Development These sport products are suitable for Western markets of close 'psychic distance'. Kayaks and canoes are not a global product; there are cultural barriers to exercising this sport and using this sports equipment: *"We tried pretty hard in most of the countries in Asia...but you run into cultural problems, you know they are keen to take on Western things generally speaking but in Malaysia for example they are not allowed to take 'roof racks' on their cars, so carrying a boat around becomes a major problem. And the other problem is that is often hot in these countries and they do not want to go out in the sunlight and sweat in the sun. We are fairly masochistic, aren't we? So there is often a cultural barrier."*

Development Agencies They used export development grants in the beginning: "*We had export development grants and they were like 70% sort of 'tax write off' which were effectively a 45% subsidy...That gave us a foothold in the sort of overseas world...Vision Manawatu became the successor organisation and got all the funding which went originally to the export institute but the standard declined...They [Vision Manawatu] wanted to put a computer system in and it did not take long to get the 24,000 dollars out of our bank account into theirs, I remember that...and they were going to continue with export activities, in practice it lapsed...They are running seminars and so forth. Helpful? Not to us anymore. We are grown well past the need for that...And the service industries that we feed that is just tremendous."*

Comments This manufacturing firm target a niche market for high quality water sports equipment. Their strategic alliance with the marketing and wholesaling firm works well as they have gained access to international networks using the other firm's connections.

Firm B27

Introduction This small firm has 5 full-time and 3 part-time staff, and has been operating for 15 years. They call themselves manufacturing screen printers, a combination of screen printing and manufacturing. They turn over NZ$ 500,000 annually and only a small percentage comes from export. They maintain a website for marketing.

Products High quality satin products with customised screen printing. Their niche market are products used as 'awards' and for 'prize giving' by amateur clubs, such as athletics, as well as beauty competition, equestrian events, bird shows, dog and cat shows. *"We make quality ribbons, rosettes, sashes and banners for all events and occasions.*"

Core competencies Customised high quality rosettes and banners for shows and award ceremonies.

Barriers Their export market is still very small; they have limited financial resources and no access to retail or distributors internationally. Their international customers are satisfied former customers who happen to live overseas. The product, however, is easy to ship and there are no problems with freight as the product is lightweight. They use courier services: for example, it costs NZ$ 30 to courier domestically to the South Island and only NZ$ 50 to send to Belgium.

Strategies They have developed a beautiful product which is suitable for markets which have a culture of club activities and prize giving, this includes most Anglo-Saxon countries but also parts of Europe. Their strategy is to deliver a high quality product and provide a friendly and responsive service: *"If there is somebody that shows up or rings up for a quote, you just get straight on it and do it. And if somebody shows an interest or there is a call you answer it. And that's how we have grown our business. Some of the big fish they don't worry about that so much."*

Management They have no particular expertise in management or business but learnt on-the-job and have the technical skills for screen printing.

Networks Currently they are solely relying on a satisfied customer network for the international trade.

Market Development Six years ago they started exporting to Australia and Belgium, however, their income from export is still quite small. They mostly fill unsolicited orders or are recommended by clients going overseas. They aim for the Australian market with a niche product, which seems promising because of close 'psychic distance' and absence of competition for high quality products. Australians have a similar culture in regard to 'prize giving'. In the domestic market they sell directly to the clubs *"our customers are ordinary people, mums and dads in clubs: cat clubs, pet clubs.*" For Australia they need to find a distributor.

Development Agencies As they are just in the start-up phase of exporting development agencies might offer them useful help. They have become members of Vision Manawatu and they enjoy the meetings with other exporters. They are also planning to join Export New Zealand. *"To be fair we are only little wee fish, when I went to this exporters meeting, well they were looking at firms that were doing 30 millions or more, OK, and I knew that it was going to be like that, but there are a lot of people that export that do little businesses, and I don't know whether the help is there. In fact that actually came out at that particular meeting, 'cause this particular meeting I went down to was for funding...How to fill out grants and do that sort of* *thing? And one of the guys stood up and said 'and what about the little fish here?' and actually there is not anything for them...And I don't think there is.*"

Comments This firm has developed a product which seems to have potential for many Western markets, shipping of this product is not a problem. Their main obstacles to export growth are resource constraints and the lack of access to international markets.

Firm B28

Introduction This thirty year old furniture manufacturing firm employs 28 full-time staff. Their annual turnover is about NZ$ 2.5 million and around 8% derives from export mainly to Australia. They do not have a website.

Products Range of exclusive, well designed but standardised furniture. *"Predominantly chairs, lounge suites and tables*". Customers can order the product per catalogue and then the individual piece of furniture is produced: *"We manufacture furniture that is sold by fabric houses. Basically it is furniture that fabric houses could put their fabric on as an added value for them and they are using furniture as a means of moving more fabric...The fabric comes to New Zealand, we manufacture the chair and upholster it and ship the finished product back to Australia."* This firm has severe problems with the shipping of their products.

Core competencies Design and manufacturing of upholstered furniture pieces, made to customer specifications.

Barriers Packaging, freight damage and freight costs are the biggest problems. *"We airfreight out of Auckland. We consolidate our freight until we got about between 5 and 8 cubic metres to keep the costs down. We freight it to our own firm in Australia."* *"We get damage from time to time such as broken legs on chairs and things come very expensive to pack and repair. One of the problems is that they are large and bulk...And because it is still packed, nobody can see that it is damaged, nobody wants to know about the damage once it has been done. It is an ongoing battle that we have with freighters. They turn round and ask was it signed for as being damaged?...There is no way that you could know that it has been damaged until it is unpacked."* Documentation and compliance cost are very high; compliance with MAF regulations for both New Zealand and Australia. *"And for a single shipment to Australia you are probably looking at between NZ$ 300 or 400 for documentation and all that sort of stuff."* Cost of freight is for some items as high as 50% of the total costs. *"But the major problem is that we got this huge freight cost. What we produce cannot be shipped by sea, which would be much cheaper, but then it is not a great deal cheaper because the damage is so much more."*

Strategies Niche market for upholstered designer furniture made to order for customers on behalf of fabric firms. Products are not specifically designed for the export market and there are big problems with logistics and high shipping cost.

Management Management is reluctant towards internationalization. They see it as a big hassle and react only to orders by their distributors.

Networks Strategic alliance with Australian fabric houses which are acting as their agent and distributor.

Market Development Only passive export market development. *"Our customers are already found for us because the fabric wholesalers have their customers, so it is their customers that we are supplying to."* Theoretically they would like to develop further markets, however, they see the Asian competitors as a real threat. They do not undertake market research.

Development Agencies No effective help from them. *"We have had some dealings with NZ Trade & Enterprise, but they don't actually know what they can do to improve it. NZ Government could help with financing."*

Comments Product distribution through fabric houses overseas. Niche market development is hampered by management's belief that their product which is very costly and difficult to transport.

Firm B29

Introduction This local ceramic manufacturer has been operating for 10 years in the area. They employ 3 full-time and 3 part-time staff. Their annual turnover is NZ$ 500,000 a year. They are in the process of developing their export markets. So far they have just filled unsolicited orders from customers mainly in Australia. They are also in the process of developing a website.

Products They manufacture high quality designer pottery and ceramics, specialising in kitchen and bathroom ware. They intend to position themselves at the nexus of arts and bathroom ware with a very high quality artistic and individual niche product in the exclusive global bathroom ware market.

Raw material: from around the world and mixed and refined and processed on-site in New Zealand.

Core competencies Their core competency is centred on the state-of-the-art production facility and the technical skills and long time experience of the owner-manager in the ceramic industry in South Africa. They try to combine craft with art: *"We have a full mechanised ceramic production facility... We have developed a range of vessel style ceramic hand basins which are essentially more art style basins than low style production firms have...So none of them have the individuality or spark that we believe ours have."*

Barriers Limited financial resources are a major problem. A knowledge deficit and inexperience in marketing and exporting is adding to it. *"As far as we are concerned it is mainly inexperience and access to the cash flow that would enable us to take the first step and make investigations."*

The product seems to be useful for export and transport and shipping is not a problem, additionally there are no or low tariffs for most export markets. *"If we can sell 20 or 24 vessel hand basins to a single distributor or stockist the cost of freighting are negligible, we are down to 30 or 35 NZ$ per vessel."*

Strategies The aim for a very high quality, high priced, but as far as possible standardised products: high value – low volume; very good cost/profit ratio. They plan to achieve adequate sale volumes which offer a price effective cost structure for shipping: *"Bathroom ware is the only product that we feel that we can produce for a niche market. We are not geared up to produce for bulk markets at all. And I think it would be a disastrous mistake...Only niche markets that we are looking for and at that stage it is only the vessels and a variation on that theme."*

They intend to use the internet to get in touch with the end consumers of their product: *"...and perhaps the internet will be our most valuable tool to reaching overseas markets. Because these items are really one-off purchases. Individuals spend ages making a decision, making a selection and coming to terms with their decisions and we find that we do end up interacting with the end users quite a lot." " We are busy developing a brand and busy developing a web site which we hope will turn out to be a low cost catalogue, so our marketing material will be electronic rather than printed."*

Management Expertise in ceramic technology, engineering, and manufacturing. *"Building machinery and designing equipment."* The manager has only two years of experience in marketing and management.

Networks They have limited contacts in Australia through the New Zealand distributor and long standing associations, however they need to develop relationships with potential agents or distributor in other target export markets.

Market Development They target niche markets with a high disposable income for purchasing arts and crafts and which also value ceramics. *"We have not conducted a world-wide market research but we sense that, through the internet mainly, the US is a receptive target market for the product we make...Principally all First World countries, the US, Europe especially Britain...Wealthy markets which fit the criteria for our target markets...And I know also that we should be probably seeking to put our domestic trade on a strong footing before we seek to enter the export market, however, we are so exited about our product that is really still in the stages of development that on the one side it is sucking up the resources for development and on the other side it really appears to have export potential and should advance the cash flow."*

Development Agencies They are participating in the Vision Manuwatu courses. They have received a grant and they intend to apply for further financial help. *"In fact we had 'Smart start development grant'...The application process is pretty arduous, but we are not doing them all the time...Vision and the various agents have been, I guess, central in informing us which opportunities are available...I know that Trade and Enterprise offers subsidised services which we intend to take advantage of in due course."*

Comments The competition from Asian producers in domestic market is becoming increasingly fierce. Cheap imports are flooding the domestic market, so they are looking for internationalization as a way out of it. *"And over the years we have enjoyed strong sales in the New Zealand giftware industry but these sales are drying up at present rather rapidly as we seem to receive wave after wave after wave of ever cheaper imports into New Zealand...Our traditional market which is giftware is drying up."* They intend to position themselves in a niche market of designer bathroom ceramics.

Firm C1

Introduction This contracting business operates mainly as a subcontractor for the electricity industry, power supply industry and telecommunications. The local firm is a subsidiary of a larger foreign-owned multinational firm which totals an annual turnover of more than NZ$ 300 million. The local branch earn about NZ$ 2 million per year. They maintain their own websites.
Products Maintenance, repair and construction services to power lines, transmitter stations, and the like.
Core competencies Service work in any kind for the electricity and telecommunication industry.
Barriers Skilled staff has been a problem, however, the current staff situation is satisfying. Currently they are recruiting from South Africa or the UK when they need qualified staff. *"The communication and electrical contracting part of the firm has just been sold to an Australian firm called...So yeah, there are job opportunities in Australia and NZ." "The government should support training and apprenticeship schemes to try and create more skilled staff."*
Strategies This subsidiary branch does not make strategic decisions. They receive orders and direction from the headquarters. Therefore this firm might belong into the category of 'implementers' which are not in control of their internationalization.
Management The local manager is not in charge of the decision making process in regards to the internationalization process, but they rely on their head office to make these decisions for them. *"We don't deal with overseas orders within our branch ourselves. We basically just are looking at local contracts."* This branch is mainly engaged in local work.
Networks The network lies within the multinational firm; the local branch is not informed about international involvements.
Market Development This branch does not deal with export markets. However, headquarters requires staff to work overseas but that is basically only in Australia and then only occasionally.
Development Agencies There is no sign of any engagement with development agencies. *"We don't locally have any dealings with them. Probably the national office would have had something to do with them."*
Comments This local branch fills the orders for overseas service work on the directions of their headquarters. They are not involved in the decision making process concerning internationalization.

Firm C2

Introduction This international firm develop precision pumps for use in the agriculture and health industries. They employ three staff and have a turnover of NZ$ 1 million a year. The business arose in collaboration with Massey University and has been operating for twelve years. For eight years they have been engaged in internationalization efforts and they have now reached a stage where 95% of their income is based on income from international markets. They target Western (Anglo-Saxon countries) export markets, mainly the USA, UK and Australia.

Products They developed a prototype for speciality pumping products used by a large manufacturing firm in the USA. This US firm manufactures and commercialises the pumps by integrating pumps into an end product such as infusion systems for hospitals.

Core competencies Solutions for pumping and dispensing systems of various applications. *"The major advantage most New Zealand firms have is innovation. They way they look at problems is very different other countries seem to look at the problems. We have people that seem to give a far more holistic solution. Because New Zealand is small the technical people tend to have a much wider background, right and so when they look at a problem, they come at it from an engineering and an electronic point of view, they bring more skills to bare so that when you come up with a solution it is actually a very good solution. They are not so specialised."*

Barriers There is a 'credibility problem' for the service sector; international clients do not recognise New Zealand as a base for trustworthy business. *"One of the problems we have had with the [United] States is that they do not really recognise New Zealand. I mean the majority of people we know, do not even know where New Zealand is. They think it is a small attachment to Australia. And it is a long way away and how can anything good come out of New Zealand?" "There is a perception; they do not know who we are. We are just a little island somewhere."*

Barriers for Asian markets are mainly intellectual property issues. *"The reason that we kept away from Asia is largely because of our technology. We don't believe in the majority of the Asian countries that they have the 'patent protection laws' to support our technology; we believe it will just be copied."*

Resource constraints for this young firm are huge: *"There isn't any avenue to achieve finance that will give you that medium to long term outlook...We have got to have our resources very much tied to specific opportunities and we can't afford to really trawl the market until the right things come up...What we need to do is start achieving returns on the investment and only by setting a basic commercial arrangement first up that will start to generate income can we then pursue further options...We have had had in the past 8 – 9 years three grants from Trade NZ, small grants probably up to 25,000 dollars each, but there is not the seed money around to get projects like this off the ground, so we had to go round and pitch to firms that we thought might be able to help us out and in the end an investment firm did take us up, but along with that comes the need for that investment firm to make a return. And they looking at returns not within five to seven years but looking at returns within three."*

Strategies This firm has transformed from a manufacturing firm to become a developer. *"We started with manufacturing and than we realised quickly that we could not compete in manufacturing...so what we are doing is we are going to be a developer."* The costs for manufacturing were too high and economies of scales cannot be done in New Zealand: *"We do a few trials here in New Zealand. We do not* *have the capability to compete with the likes of China and places like that…the volume requirements: we did not have the volume capabilities to cut the costs at a level that we needed to."* Additional reasons were freight costs: *"Freighting from here proves to be quite expensive."*

The export product needs to fit their core competencies. They had to give up on one particular product (ice cream machine cleaner) as they could neither maintain the distribution chain nor the servicing: *"We found it very difficult supporting it, because we have not got a support system around the world. We are too small. So our strategic review 3 or 4 years ago was to try and move away from a product that needed that to a consumable product with good technology that did not need training and was largely a 'throw-away' product. Use our pumps for 3 or 4 years and than replace it. And you did not need training, it was so simple to use you just pressed buttons. Very simple…So it was quite a strategic move to move away using a lot of the knowledge and experience that we'd had in working with the likes of McDonalds worldwide…we had to recognise where our weaknesses were."*

A technology transfer arrangement has become their product for international markets. *"So what we said was that we have some really good ideas, and the most strategic way for us to go forward is to actually utilise these ideas and obtain an income stream by it, royalty and joint development agreements."*

Management The manager has expertise in finance with an accountancy background. The other two staff are engineers.

Networks To form networks with big international firms is very difficult and time-consuming, especially if these firms are from the USA. *"And it has taken us three and a half years to get where we are now and to form a relationship and they are starting now to understand that we do have capabilities…It has taken a lot of time and 'face to face' contacts…we have phone discussions at least once a week and probably 2 or 3 emails a week."*

Market Development They are concentrating on Europe and North America. They actively seek out potentially interested firms and offer to supply them with their R&D services and attempt to enter into the existing network of this compatible firm. *"What we are trying to do is pick people that have distribution capabilities themselves throughout the world…So the firm that we are dealing with at the moment, the people that we would like to commercialise the technology, is the third largest chemical firm in the world…and they have offices everywhere."* Their product is tailored to the specific firm's needs. *"The product needs to be tailored to individual applications, because of that what we are looking to do is partner with firms for that final bit of commercialisation."*

Development Agencies Development agencies have provided good services to this firm during their start up phase. *"Trade & Enterprise NZ were quite good. We went to the US and we ended up in the New York office of T&E NZ and we had very good meetings with them, and they gave us information about dealings with the Americans and reaffirmed part of the strategy that we were using. We found that very useful. But in going forward, what we need to do first up, is we believe that we can have some commercial arrangement in place in the next 3-6 months which will define certain scopes with the product. Once that is defined then we will know what other opportunities we can pursue and maybe then with the likes of T&E NZ for firms that they may have contact with or may be able to contact."*

Comments This firm has built their strategy around their core competencies. Barriers such as IP issues for Asian markets, domestic environmental obstacles for manufacturing in NZ (costs, size, lack of competitiveness and lack of financial resources, human resources service capabilities) are taken care of during the formulation of internationalization strategy. Past experiences with internationalization efforts increased their knowledge and lead to reformulation of strategy and revision of their product. Every point of strength is combined to achieve a competitive advantage, providing a good example of the 'bricolage' approach.

Firm C3

Introduction This firm produces software and hardware (cards) for petrol stations, such as an integration system to control signage, dispensers, and tank gauges. The firrn started in 1998 and from the inception on the owners targeted international markets as part of the business strategy. The firm turns over about NZ$ 2.8 million per annum (however, in 2004 NZ$ 4 million in export alone) with nearly 98% of this deriving from international trade.

Products Their products include a service package accommodating customers specifications and an ongoing support network 24/7. This combination product made the firm successful and their product is now available in over 35 countries. *"Our software is supplied in six languages. We do at the moment six different languages...so our software will operate in Chinese. So that side of it we made a conscious effort to cross the language barriers with our software deliverables...Support we do only in English, although we have Portuguese and Spanish speaking staff here, so we are able to provide native Portuguese and Spanish support."*

Core competencies T hey provide a comprehensive control and support package *"Third level support"* for petrol service stations.

Barriers This firm develops the software and does the marketing on site. The manufacture of hardware is done by a domestic subcontractor (in Wellington). The economical, spacious but low key firm location has advantages; they have practically no customer traffic. Recruitment of qualified staff might be an issue in the future, because the typical software developer is more attracted to city lifestyle in the bigger cities such as Wellington or Auckland.

There are infrastructural problems, especially the slow internet connection. *"Everybody has the same gristles as we do about you know Telecom having the monopoly on broadband, which is a bit of a rip off."* No logistics problem either. *"The DHL man comes to the door and takes it away. I mean what we sell is basically a bat size in weight, that just goes in a courier pack and it's gone. And it is with our customers within 2-3 days depending on the country...Freight is not an issue for us. We have very high value per kilogram if you like... We could be anywhere, location does not really matter."*

International environmental barriers: Import duties are a barrier for many countries. *"In Thailand they can be as high as 81%. So a ten dollar product, when it gets through the border, it gets to 18 dollars. But a lot of countries now have special exemptions for PC type of equipment, so we tend to slot in under that."*

They spread their currency exchange risk by charging in different currencies: NZ, US and Australian dollars. Payment is not a problem: *"If we looked at our last year's turnover which is four million dollars in exports, our bad debts out of that would have been about a tenth of one percent. So it is chickenfeed."*

Domestic environmental barriers: a lot of paper work, statistics report every 6 weeks. *"I hate them. They are a pain in the neck. They take an hour or two to do. And they are just an absolutely waste of time. I know they need the information but I would rather not be doing it. GST returns, surveys are just a waste of time."*

Strategies Their market model is to provide a core product to two big multinational customers and use the international distribution network of these customers as a vehicle for internationalization. The oil industry has three layers: the domestic layer, the regional layer and the global layer. They have combined all three layers into one successful strategy. They need to keep good communication going between the different layers. *"Every market has its own challenges: language and ways of problem solving."* They anticipated language problems by providing their software packages in the six different languages. This firm has developed a successful strategy to overcome many barriers concerning distance from markets and New Zealand's lack of reputation. *"We compete against lots of firms and we have done very well."*

Management The expertise and knowledge concerning internationalization came with the general manager / business owner who worked for other exporting firms before and has a degree in economics. Business structure is simple: seven full-time staff and with management doing the administration.

Networks In former positions with another firm working in the same industry the owner-manager gathered knowledge of target markets and expanded networks.

Market Development Their most important export market is South East Asia, but they target markets all over the world. Their customers are the big oil firms, not the individual petrol stations. Their biggest customer is Shell Oil and they supply them with products for 24 countries. They also work with 'integrators' which take their products and build it in their overall management systems for the service stations. Future target markets are the markets in Europe. Their network is currently expanding all over Europe, starting off with only a few countries such as Ireland, the Czech Republic and Greece.

Development Agencies Local and regional development agencies are not able to give this firm effective help: *"We have little to do with them. We were involved with the 'High Tech' cluster for a while, but it seemed to be a bit pointless. At the end of the day we have got a specific business and specific market sector. And I have been in the export game for 20 years. Of course there are always things to learn, and we are always pretty busy trying to just get on with what we are doing. Trade and Industry, we had some help from them. We had a guy come up and gave a bit of, we have been on the 'fast forward' programme, but then we never heard from them again...Probably the answer is pretty much 'No'. They don't give us any help."* Economic development agencies cannot support them as they have accumulated much more expertise as these organisations would ever be able to supply. One thing the authorities could provide is better communication networks like 'broad band' fast internet connection and less heavy bureaucratic procedures like paper work and surveys on a regular basis.

Comments This firm fits the description of a 'born global firm'. They developed the internationalization strategy around a core competency and product, as well as effective networks of global oil firms and 'integrator' networks for its access to a distribution chain and market development. Simple, effective and efficient organisation structure provides an opportunity for a highly profitable business.

Firm C4

Introduction This firm produces products and services for automation, smart cards and 'contact-less' payment facilities as well as business development consulting and marketing services. They have been operating for about 8 years in the region and exported from the start. They do not reveal their annual turnover, however, 90 % of their business volume is based on international business mainly to Australia, US, Russia and UK.

Products Their products are customised service packages consisting of a consulting service, process and business analysis and problem solving, finance solutions, hardware, software, and maintenance.

Core competencies Solutions for general management and businesses with special expertise in the petrol industry.

Barriers The major barrier to internationalization is costs. *"Just costs of marketing. Just costs and risks, it is very high. To be able to do business with the firm just round the corner or next door is very, very much cheaper and much lower risk. As soon as you are looking to work internationally, you are much more exposed to competition. Your costs are many orders of magnitude higher, risk is many orders of magnitude higher. There are some positives, but I think it is important probably to get a balance of domestic and export and international work. However, the domestic market is generally too small for the sort of things we do."*

Strategies To be able to internationalise in spite of severe resource constraints this firm had to use their existing network and focus on customer demands and expectations. This has paid off as they could overcome New Zealand's lack of reputation for reliability and quality services.

Management The owner/managing director has gathered his know-how during his employment in a regional firm producing and exporting petrol pumps. The manager has also expertise in IT and management, sales, automation systems, and customer relationships.

Networks During his former employment he was able to build and maintain business relationships worldwide as well as a good reputation for quality and reliability.

Market Development Market development is done exclusively through networking, 'word of mouth', recommendations and referrals from former or existing clients. The target market is any organisation looking at complex automation, another target market are organisations which want to innovate and explore new avenues.

China and Asia in general, is not their choice of export market: too fraudulent, too complex, too culturally different. This firm deals with these markets only on behalf of third parties, such as multinational firms.

This firm likes to have a balance of business from domestic and international markets to spread the risks.

Development Agencies They acknowledge that public sector tries to help, but the economic development agencies are generally a complete waste of time and money. *"I think they try. And they are certainly in a political imperative, having been around the track now for a few years, I would consider generally them a complete waste of time and effort. There is no expertise, there is no understanding. Most of the organisations seek to provide a particular service or what they see as a particular, or meeting a particular need. There is not necessarily a correlation between their view and what in fact what is needed. And because they are in a position to provide financial assistance and financial resources, the tenancy is for everyone to take every* *money they can, say thank you very much and yes, you are doing a great job. There is no real, reliable feedback loop into that process. And I see that as a major flaw. There are at some time some quite good programs come up...I believe if New Zealand seeks to develop strong export markets in other than its primary areas it does need to apply itself in this area. Everything that it is being done to date has been very much a token effort. Tends to change a lot. There is no consistency. I agree that government should be doing more...but generally speaking the sorts of budgets we are talking about are high. It costs a huge amount of money to market internationally, there is a huge amount of risk involved, all of these organisations are risk adverse and they do not have the expertise anyway. They wouldn't know what's involved. No, I mean they get it out of a text book, but none of them have been there; very few of them. OK, there are some good people around. Like I said, I don't mean to dam it all."*

Comments This firm specialises in analysis and consultancy services for businesses. Obviously they applied their knowledge also to their own firm and have created an internationalization strategy that overcomes the inherent barriers of the service sector and works fine for them. This firm has accumulated a substantial amount of knowledge and expertise which gives their damming assessment on local development agencies credibility. They themselves have built their strategies around their products and services bearing in mind their resource constraints in regard to the high costs of market entry and market development and presence. This firm falls definitely into the category of the 'born globals'.

Firm C5

Introduction This very small consultancy firm (one employee plus one owner-manager) specialises in horticultural consultancy for greenhouse operations. They have operated the business for 6 years and they dealt with international inquiries from the start. Their annual turnover is NZ$ 100,000 and 10 to 15% derives from international business. They maintain a website for marketing and international exposure.

Products Consultancy services to growers and firms that work in the greenhouse horticultural industry. *"It is when growers have a problem they ring me or they email me and I try to come up with a solution, sometimes I do research to find a solution to the problem, sometimes it can be a court case occasionally, once a year or so, twice a year or so, and I can be an expert witness. I write articles for the 'New Zealand Grower' that's one magazine in New Zealand, and an Australian magazine and occasionally for an American magazine or European growers' magazine. That's basically the work I do."* The greenhouse technology in this form has been available since 1994.

Core competencies The owner-manager is a scientist in horticulture with a PhD specialisation in greenhouse technology from the Netherlands. *"My side of horticulture is very specialised, it is greenhouse technology and there are very few people who do that, and the industry here is very young."*

Barriers The barriers are mainly time constraints and resource constraints, such as shortages of well qualified staff. *"Yeah, I was lucky to find that person. Actually he found me...from Holland and he wanted to emigrate here and he needed a job, so he approached me. But I have asked many times at Massey and other places if there were students, who could either help me in a student project or if they were finishing their studies and were looking for a job, but nobody is there...so it is very hard to find people who specialise in this area...So probably you can find those people only overseas."* There is also a problem with 'Immigration' for getting visas or permanent residency for potential future staff: *"But he has very much trouble to get his residence visa...and the government is not giving him a visa and it is very annoying."*

Strategies The firm was started with a focus on the domestic industry. *"I never focussed on the export market at all, because there is enough work in New Zealand."* The international inquires are coming through the internet website: *"People can ring me or email me and occasionally they are just from overseas, so then I just treat everyone just the same way as I treat the New Zealand growers." "That is what I would like to develop: internet payments but it is an ongoing cost and I am not sure if it is feasible for us."* But they are not actively seeking the international market.

They have a different price structure for international markets. *"If I have a client in America, they easily pay twice as much than what they pay here. Which is an advantage of export."*

Management The owner-manager has had management training through training courses or former employment. She tries to avoid too much travelling because of family reasons. Travelling is left to her employee; however, occasionally she also visits customers on site: *"So occasionally I travel to Auckland or Nelson or Christchurch or overseas, wherever it is."*

Networks They have an extensive customer network: Growers are mainly in Auckland, Christchurch, and Nelson. *"...the majority of the industry is in Auckland."* However, they are also in other parts of New Zealand or overseas: *"They are* *everywhere."* Some clients get their visits on a regular basis. The industry is very young in New Zealand and constantly growing.

Market Development The firm does not focus on internationalization; so the international market development is just left to the opportunities provided through their website: *"So I can do the same thing for overseas clients in Australia or Europe. It is mostly in Holland...and occasionally Canada and Australia, occasionally in Asia, and America, a few firms there...There is so much demand for our services that I could easily employ 2 or 3 more staff."*

Development Agencies No approach, no help. *"Help, not really I would say. The problem that I have, I do not have enough time and I do not have enough staff. But there is no technical problem." "There is not really something I could think of that Vision Manawatu could help with. So far it has not been useful for me."*

Comments This greenhouse specialised service firm has good potential for growth in the domestic market. There seems to be also very good opportunities for internationalization, however, currently there is no desire nor strategy for internationalization. That might change when the major problem is solved: suitable staff.

Firm C6

Introduction This two person service business has been in the region for 10 years in the area and has engaged in international business from the start. Internationalization - meaning to service a network of clients in two countries - was part of the business idea. The business turns over NZ$ 300,000 annually and about 25% of this is earned from international activities, in Denmark and Sweden. They maintain a website with information and email contact.

Products The service product is pregnancy detection and foetal numbering in sheep and cows using ultrasound equipment. *"It is pregnancy scanning of sheep, so seeing if they're in lamb and counting how many lambs there are inside."* Timing is crucial *"about 80 days after the conception, so two thirds of the way through the pregnancy...it is very seasonal."*

Core competencies Application of ultrasound technology for pregnant sheep.

Barriers The main barrier is time constraints; the owner-manager does not want to spend more time than 3 months away from the family.

To obtain the work permit for the EU is difficult, so he works the maximum time which is allowed for work without a permit. *"Work permit [for work in European Union] wise is a difficult one, because I am a New Zealand citizen and I am not on a European passport, less than three months in a year a business trip does not require work permits."*

Cost for Visa Credit Card transaction system *"Looking what it was costing me in transactions fees...it was a good system. If you had more people paying that way."*

Strategies They are targeting a small niche market. The business is split 75% of the time for the NZ domestic market and 25% of the time for the European market. A permanent base for the international venture has been set up in Denmark since 1988 for management, tax and administration purposes. This is to leave the technical equipment and car in Denmark so only the main tool, the scanner, needs to be transported every season. *"I have everything over there: vehicle and equipment. Being agricultural you can't just move it backwards and forwards."*

They charge different rates for different countries. *"In Denmark I work in Danish Kroner – unfortunately Denmark and Sweden have stayed outside of the Euro...I have a pricelist in Denmark in Danish Kroner and another pricelist in Sweden for Swedish Kroner."* *"What we need to be doing, and I always said that, farmers are learning now but 'value added' is the only thing we can do."* *"The chances are if you get that big it ends up going offshore anyway so it is not helping the country at all."*

Management They do not have formal management qualifications, but attended some management courses with Vision Manawatu. They speak the Danish language fluently. *"I lived in Denmark for 10 years...and we tried to import sheepskins and foods and that sort of thing from New Zealand, only on a very small scale and I was quite interested in developing that, but the distance made contact and sometimes the shipment we got were not up to standards, we decided that it was more hassle than it was worth. We are always looking for opportunities."*

Networks They do the regular trip to Europe to service an established customer clientele: *"I am going to Europe every year. I am in Europe from November till February...It is a very solid stable client network I have, with a bit of promotion it probably could expand more...New Zealand is too small, we need to look at alliances and working with other places."*

Market Development These services are in high demand in New Zealand and the market is growing. However, the firm's own possibilities for growth are exhausted without changing the firm set up or employing more staff. *"It is just me for the overseas. I have actually got more work than I can handle."* Employing additional staff, however, has downsides: *"It is not enough for a second person. It is a difficult situation. To train someone up there to do it would be also difficult. It is really a difficult one. I am afraid of employing people. The risks involved and the costs involved make it difficult."* Potential market opportunities exist in South America.
Development Agencies They attended some management courses and enjoyed the good firm of other participants: *"That is why I joined Vision Manawatu, not that I ever really need to use this service, but I felt that I needed to be involved in something."*
Comments This firm has developed a viable niche market around their core competency operation of a high tech 'scanning device'. The strategy took care of an established client network from a former sojourn in the export market. The split of the business (25%-75% time share) works well in regards to the legal requirement of the target market.

Firm C7

Introduction This firm provides consultancy services for process and engineering design for the 'red meat' industry. They have been operating for 20 years and throughout they have been involved in international markets. They employ 12 full-time staff and 2 part-time employees. Their annual turnover is around NZ$ 2 million and generally they achieve 20% to 60% of their income from international business. Their main markets are in Australia, North America, South America, Middle East, and Europe. They maintain a website for exposure and marketing.

Products Process design for new and existing production facilities and business consultancy in relation to the 'red meat' industry. They also offer benchmarking, 'due diligence', and project management. *"Primarily it is the design of a new or an existing meat processing facility, so that is from the stock yard through to the boning room and the associated non-food areas."*

Core competencies They have extensive knowledge about every aspect of the red meat industry and they will customise their services to the client's needs. *"Mainly what we are doing is leveraging what we have learnt in New Zealand from the meat processing scene here and we are taking that technology offshore." "You have to have a good understanding of their life stock, because the type of animal they have in New Zealand might be called 'sheep' but they have in Australia is different, their 'sheep' is different."*

Barriers Lack of good reputation for New Zealand's service industries overseas. International markets do not think of New Zealand as a potential business partner, New Zealand is too far away. This geographical distance to the international markets makes presence there costly and reduces competitiveness and profits. *"The [US] Americans are probably a bit of a classic here, the fact that we do not have an office in America has been a bit of a barrier...Because they have a culture of 'eye contact' and sitting around a table. But having said that we do not have a problem of putting people on a plane across to America provided it is paying, it is covered in our fees."*

There are additional costs which are higher for New Zealand businesses such as insurance cover in a global market.

There are difficulties in communication with customers of non-English speaking countries: understanding what the customers exactly want from the service. Language barriers are dealt with: *"If they cannot speak English we tend to avoid that market."* For example the language barrier in South America: *"In the case of South America we have developed a relationship with a lady – she used to work at Massey actually – and I met her...and she has since gone back to Chile and she does all the translations for us."*

There are currently shortages for skilled staff with engineering degrees in food technology.

Strategies They reduced their international activities from an 80% ratio in 1998 to one around 20% now. *"When I first joined the firm I thought our international exposure was too high because it is more difficult to do business overseas." "We are going where the market takes us really."*

Close 'psychic distance' is important for the service sector. *"The market we are looking at are the ones who are doing things similar to us."* They target customers which have suitable size and work practices. *"We do avoid some countries and because they do not have a culture of using consultants and that includes China and South East Asia. We do not have anything to do with those countries."*

Management Management has an engineering background.
Networks They achieve their business through referrals of satisfied customers. *"Word of mouth, once he found out that we have worked in the Middle East before, he got in touch with us…The meat industry worldwide is not a large community. And everybody knows everybody else. A lot of the established players know who we are…Our people doing a lot of travelling."*
Market Development Mainly through referral from former satisfied customers.
The international markets have to match in size: *"USA to lesser extent, because we are only a small firm in New Zealand we don't target the large firms over there, we target the small and middle sized ones, the size that are similar to New Zealand. Because if we had a job with the 'Tysons' [large U.S. meat processors, including Cargill Inc., Tyson Foods Inc and Seaboard Corporation] one job would just swamp our resources here, so we do not even talk to those people."*
The Australian market is perfect. *"Good healthy working relationship between New Zealand and Australia."*
Language and cultural proximity are important in the service industry. *"Because they speak English, they have a tradition of using consultancy, so we do not have this hassle we have with the Chinese. And their meat industry is successful so they can afford to use us…They use them but they don't like paying them. They generally look at these things to be free. So we don't bother; we do not even go looking there. Malaysia, Indonesia, Philippines too corrupt so we avoid them. Too risky, we avoid them."*
Development Agencies NZ Trade & Enterprise helped with contacts in South America. *"Marketing trip to Brazil was funded with 50% by NZ T&E."*
They had no contact with Vision Manawatu. *"What NZ T& E people do is fine. We have used some TBG grants, to do a little R&D work around the edges, but most things we tend to do ourselves."*
Comments This firm uses their successful strategy for the domestic market and attempts to find suitable markets with close 'psychic distance'. They are aware that their long term success in international markets is subject to effective communication and negotiation outcomes, so they only target markets with an English language base. There is one exception: they have a proficient and trusted interpreter in Chile which solves the problem for the Chilean market. They try to target customers which match in size. Asian markets do not have sufficient close 'psychic distance and, therefore, are off-limits.

Firm C8

Introduction This 53 year old consultancy firm employs 23 full-time and 3 part-time staff including 11 professionally-trained advisors with experience in the management of both cool-and warm-season turf grasses. They also act in a central function for the New Zealand lawn sport industry, such as rugby, cricket, bowls, and golf. Their annual turnover is about NZ$ 2 million with 20% of this earned through international business. Their staff have worked in a range of countries outside New Zealand including India, Singapore, Malaysia, Fiji and South Africa.
Products Consultancy services for the construction and maintenance of all types of sports and playing surfaces (artificial and natural). This includes research, laboratory and analytical soil services and also educational seminars and training of clients. They specialise in the design, construction and auditing of golf courses.
Core competencies Soil management, drainage design and sports field construction.
Barriers They have limited resources: *"the limiting factor is probably trying to get resources."*
Staff shortages: *"People here with the skills to carry out the work to actually get the work done."*
Problem with overseas customers, especially Asian clients seem to like to renegotiate the price after delivery. It can get really difficult to get the payment in on time. *"Payment is an issue particularly in Asia and particularly in places such as Malaysia...clients there have the culture of getting the very best deal out of a contract, it is a bit of a game in many ways. There is not enough of professional integrity or loyalty in our experience. I have recovered two debts in the last week from 3 to 5 years ago." "We have learnt a lot but we are still well off the mark in terms of being able to know a lot, in terms of making sure that we get the money for the work we have done. We have never taken anyone to court."*
Adding to the problem is the cost of maintaining a presence (offices) in overseas markets especially in Asia where the clients there are not prepared to pay high fees.
"We are fairly new in the game and I think we have got some strength to our bow in regards to our products and services and we have been domestically focussed. We really serve sports organisation here, so the question would be why would we need an international arm?"
Strategies They see internationalization as a way to build up their international and also domestic reputation. To cut costs they employ local people in various overseas offices and also achieve a network with the local industry. Sending New Zealanders on overseas duties is a very costly exercise. *"We lost some money in the international market last year and our Board is questioning whether we should be in the international business albeit it is our strategic plan to be so." "But we focus on the international market for diversification of income and perhaps a higher net margin and for staff experience and to demonstrate that we are a global organisation. And there are some benefits to have an international involvement, the question is how much?" "The product...has great opportunity to make a considerable amount of money and certainly raise the profile."*
Management The Director has been with the organisation since 1987 and lectured in soil and water management at Massey University. The dynamic manager sees exporting as an interesting option for this service industry.
Networks They maintain overseas offices in Malaysia and Australia. *"In order to work internationally we have set up an office in Malaysia, so we have an office there*

with 3 staff, and we are currently setting up an office in Brisbane." "The idea being that the Institute here is globally recognised for its expertise. Some of the countries that have sport as the focus do not have necessarily the expertise." The clients: *"Most of the time we would be commissioned by a body such as the Asian Cricket Council or FIFA to visit a site and give some advice on what could be done to develop that site to get it into a first class ground." "We are getting into fairly high profile relationships."*

Market Development Markets are developed through Local feedback and Media. They intend to explore the Chinese market: *"China for sure; we have a new product that we think is a great opportunity; we want to do a marketing campaign in China and perhaps in other Asian regions to promote our new package." "Our firm is very well known throughout Asia in the cricket world and those coming in contact with cricket, probably more so than the 'Black Caps' actually because we are involved building new grounds for cricket in Asia, that includes more than 20 countries, including all the Gulf States...The business could be grown. We have just gone into a partnership with the Dutch Government to provide an international testing house service for FIFA and other national or international sports bodies.*"

North America: *"No, they are a very well serviced market, and a very well developed market and...our products and services they really would not accept it, same in Europe for a large degree, but Australia and Asia are closer, they are part of the region, and we do see opportunities."*

Development Agencies They emphasise the need for the development agencies to put New Zealand as a reputable trading partner on the map. The more positive exposure for New Zealand overseas the better; therefore the New Zealand government should do more. *"There had been times where we have been pretty frustrated with people who are paid for by the government to help small businesses develop export and other business. And I think everyone I deal with has the best intentions but when it comes to actually solving the problems we have on hand they have not been helpful. A good example would be when we first set up our business in Malaysia we wanted to know how do we set up a firm structure and what is the process we go through what are the costs?...And the general feedback would be: well, it is not really our domain you know, we could help put contacts that you could network and develop your business...We know the clients in the area, we got already business there...So they put it in the 'too hard basket' so no one really helped."*

"We have one small help through I think one of the business development groups to set up a seminar in New Zealand. I think we talk about a few dollars, but I don't think it secured a lot of money."

Comments This firm obviously enjoys a strong domestic base and would like to build up their global reputation. They see their potential market in Australia and Asia; however, the service industry in Asia has inherent problems with large 'psychic distance' which is reflected in the firm's ongoing problems of getting paid for their work. The USA and Europe, other than the Netherlands, seems to be unprofitable because of high competition and large costs. They certainly would benefit from a national campaign of some sort to raise the profile of New Zealand's industry.

Firm C9

Introduction This firm specialises in consultancy and software applications for retail automation in service stations and convenience stores. They offer a broad range of retail automation products. They have over 12 years experience in the industry but the firm has been operating only for 4 years in a variety of international markets. This firm consists of the owner-operator plus one part-time staff. They turn over NZ$ 380,000 annually and this is earned nearly exclusively (99%) through international business. The two main markets are in Australia and the USA. They maintain a website for global exposure and contact details.

Products Consultancy services and software solutions for service stations and convenience stores. Work for the customers is performed on-site overseas.

Core competencies (optional) They have got extensive experience in retail technology, retail related e-commerce and have worked with convenience retailers and POS (Point-Of-Sale) equipment vendors globally.

Barriers Time constraints are severe. The professional services of the firm are provided through the owner operator. *"First main obstacle is my time, that is travel time. This affects my family life and home life."*

There is inadequate infrastructure locally, such as fast internet connection, for broadband. They have mainly clients in Australia, the USA and Europe fast internet access is essential to service these clients.

The current exchange rate is also a problem. They quote their prices in New Zealand currency and when the New Zealand dollar is high it causes some problems for customers.

Strategies The firm has a well-established international clientele base which makes marketing and other promoting activities unnecessary. The owner/operator does not want to increase the current international business volume. They would be interested in domestic projects in New Zealand to improve his family situation but has no hope for this to happen.

Management The owner/operator is a former manager of a business consulting firm. He has a science degree in computer science from Massey University but no formal qualifications in exporting or management.

Networks They rely mainly on networking. They keep contact with all clients and former business partners. They go to trade shows and exhibitions to keep up-to-date and in contact with customers. There are currently no clients in New Zealand.

Market Development The most important international market is the USA. They do not want to increase the international business activity volume, so they do not conduct any market research. The expertise in internationalization and knowledge about international markets comes from working with overseas clients.

Development Agencies They have been to some meetings with New Zealand T & E, for example, one of creating 'business clusters' in the IT industry. However, nothing has come out of that and they have no time for this any longer. The development agencies cannot do anything for this firm.

Comments This interview was done by telephone as the owner/operator was in Sydney, Australia at the time of the interviews. The main limiting factor towards further growing the business seems available time, because the firm has no further specialist who could deliver the consultancy work.

Firm C10

Introduction This firm has been in the region for 3 years and provides general business consultancy services mainly to customers in the electricity industry. They employ 3 full-time and one part-time member of staff. Recent completed assignments are in Australia and New Zealand in the utilities, telecommunications, energy, local government and retail sectors. Their annual turnover is NZ$ 500,000 and 15% comes from international business.

Products Providing a whole range of business advice: *"Consulting is very much employing you personally, it is your own personal credibility often that just comes through networks, people you know rather than through advertising or marketing." "The type of clients? Virtually, exclusively in utilities, usually in the electricity sector."*

Core competencies (optional) The firm is focused on client's requirement and customises their products to the individual needs. *"We can make a decisive contribution to the success of your business irrespective of the size of the business or the stage in its development cycle."*

Barriers This firm does not perceive any barriers for themselves. However, a major barrier for the service sector industry might be access to networks: *"It is probably getting access, the marketing and prospecting." "It is actually finding the opportunities, filter through them, I guess and then establish credibility. In the consulting field a lot of credibility comes through 'word of mouth' and established networks and if you don't have those it is probably much harder to break in."* Especially difficult is access to international networks including the firm's professional credibility: *"It is either a domestic base or you had to work in another business that had and you had the overseas experience and you built the contacts...We don't have the government or the embassy or the offshore sort of network. You pick up more if you are based in Wellington."*

Strategies They focus on the domestic market, as this is the size they are looking for. *"The market is just too large."* However, they get some international business through network and referrals. *"We do not actively market to export."* They do not plan to expand their internationalization: *"We are pretty comfortable where we are at, we have got enough work locally, the overseas stuff is sort of interesting but it is a relatively small part of the business."* Generally there are plenty of international market opportunities for the industry: *"There is some potential there, there are quite a few New Zealand firms doing work offshore." "You could look at joint ventures or working with other people in those markets."*

Management One of the managers has had experience in commercial management at director and senior executive level for over twenty years. He has a background in electrical engineering. The areas of management expertise are strategic and business planning, governance, utility management and operations, risk management, business and project feasibility, and management development. *"Technical entrepreneur more than technical management background and utility management." "I guess the three of us all came out of an electricity firm in senior management roles. Various expertise and experiences sort of in general management, asset management, particularly as it relates to utilities."*

Networks The firm has developed extensive networks. Management is involved in the boards of several firms: such as 'The Bio Commerce Centre', Palmerston North Airport, 'Quotable New Zealand', 'Nissan' New Zealand, Wind-farm 'Central

Power'. Management is involved within a separate business entity with 'Vision Manawatu'. *"With some networks we get people approaching us to work offshore." "We have done some work on subcontracts for other firms that do have established business streams over there."*
Market Development This firm has definitely focussed on the domestic market and has been successful in doing this. It means the firm is involved in the major regional firms. *"International business is just a small part of our business...and a lot of it comes through referrals and networks. We do not actively market to export...From our point of view it is a good operational base for us, but in terms of exporting, probably Auckland or Wellington would provide more contacts and networks, but overall we are quite comfortable with our location."*
Australian market: *"The work we have done in Australia tends to be through industry networks we have had, we have all come out a background from the electricity industry, so there are people over there that have know us."*
Development Agencies This firm has no dealings with development agencies: *"Not directly in this side of the business, we have another business, we have dealings from there."*
Comments The success of this consultancy business is based on good access to effective networks for the domestic market as well as the international market. Having access to networks, a good reputation and good standing in these networks provides professional credibility necessary to attract new business. This good reputation probably can only be built over time. Involvement of senior management or memberships in boards of large domestic firms obviously helps further the access. This firm has structured their business strategy around their core competencies and these networks.

Firm C11

Introduction This firm is a retailer for embroidery and patchwork / needle craft supply for end-users. They have an on-site retail facility and employ 5 full-time and 20 part-time staff. Their turnover is about NZ$ 1 million, however, their current export volume stands at about 5%. It has steadily declined from 1997, where it was about 15% of the business. The 'mail order' arm of the firm has been quite successful over the last 10 years when they started using online catalogues which they have upgraded continuously. Now a website is in place which takes full orders and credit card purchases from customers.

Products Embroidery and patchwork supplies.

Core competencies They sell materials for sewing and handicraft to a global customer network using an online product catalogue and sales facilities.

Barriers Their export strategy is sales through an internet website with credit card purchasing facilities and straightforward mail delivery to a network of end-user customers. They have no impediments as such to exporting: shipment is done via the postal service mainly by air freight, which the firm says is very reliable. However, their strong competitive advantage which they had achieved a few years ago by fast and swiftly moving onto the internet has been eroded and many firms have followed suit. Now competitors have caught up with their strategy and more firms offer now the same service for a better price. Consequently they have seen a decline in their international sales caused by this increasing competition and the strong NZ$ made it difficult to achieve a good sales price to overseas clients. *"We are not exporting as such when it comes to selling products like container loads of products, pallet loads of products or anything like that. We do not have any involvement with Customs at this side, because we simply mail them out through the post office. And we don't normally have any problems with Customs at their side, because they go straight through to the customer."*

Strategies His target markets are customers of embroidery and patchwork material for home craft. Their typical customer is female, domestically orientated and normally orders material worth between about NZ$ 150 to $200 per order. This firm offers Visa credit card facilities for payment which works quite well for them. This firm has also a strong domestic customer base to which they send out a monthly journal. Club members, domestic or international, join up for one year and pay a 12 monthly fee of NZ$ 25, for which they remain in the database and get the monthly journal. Additionally they earn bonus points which they can redeem at the end of the year for a concession.

Management This owner-manager has long retail experience. He has computer skills and is open for advances in technology.

Networks They maintain a club membership facility for customers with a monthly newspaper and half yearly catalogues. They also keep up a database with domestic and international customers and analyse their purchasing habits. *"A lot of the Australian ladies are on the 'fabric clubs' and 'block of the month' programmes."*

Market development They use the internet intensively for marketing and sales. They also do a lot of statistical analysis to control the effectiveness of their strategies. However, the customer base worldwide that uses patchwork technique, crotchet and knitting is probably shrinking. Not so many young people these days find it appealing to work handicrafts. They work with small margins and their competitive advantage

"to be cheaper than the US or Australia" is difficult to maintain in a situation of a high NZ$.
Development Agencies They have had no contact with them. They have been well established since 1982.
Comments This firm has had international success while being a first mover in the business for online selling of handicraft material. During the first few years there was hardly any competition from regional and domestic markets and the USA firms were more expensive, so this firm could establish a competitive advantage on price. This unfortunately has changed and they struggle to maintain their market share internationally.

Appendix 3 Ethics approval

Massey University

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17 May 2004

Sabina Jaeger
Department of Management
PN214

Dear Sabina

Re: New Zealand exporters – critical barriers to growth

Thank you for the Low Risk Notification that was received on 10 May 2004.

You may proceed with your research without approval from a Campus Human Ethics Committee. You are reminded that this delegated authority for approval is based on trust that the Screening Questionnaire to Determine the Approval Procedure has been accurately filled out. The delegated authority is valid for three years. Please notify me if situations subsequently occur which cause you to reconsider your initial ethical analysis.

Please ensure that the following statement is used on all public documents, and in particular on Information Sheets:

"This project has been reviewed, judged to be low risk, and approved (*note to applicant: include the process below that is most appropriate to practice within your Department, School or Institute*)
by the researcher
by the researcher and supervisor
by peer review *(if you followed that process)*
by other appropriate process *(outline the process appropriately)*
under delegated authority from the Massey University Human Ethics Committee. If you have any concerns about the conduct of this research, please contact Professor Sylvia Rumball, Assistant to the Vice-Chancellor (Ethics & Equity), telephone 06 350 5249, email humanethics@massey.ac.nz".

Please note that if a sponsoring organisation, funding authority, or a journal in which you wish to publish requires evidence of Committee approval (with an approval number), you will have to provide a full application to a Campus Human Ethics Committee.

Yours sincerely

Sylvia Rumball

Professor Sylvia V Rumball, Chair
Assistant to the Vice-Chancellor (Ethics & Equity)

Massey University Human Ethics Committee
Accredited by the Health Research Council

International Market Development Strategies of New Zealand's Small and Medium Enterprises: the Bricolage Approach

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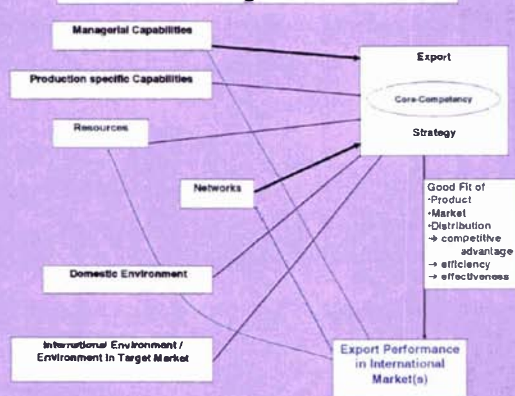
Massey University

Objectives

The aim of this cross-sectoral study was to explore how New Zealand's small export companies internationalize. A qualitative research approach was chosen involving 50 in-depth interviews with pre-surveyed exporte s in the Manawatu region. Our focus was on how these firms manage to achieve internationalization despite critical barriers such as severe financial or resource const aints and geographic distance from their export markets. A variety of industries were investigated utilizing the well known Aaby & Slater model (1989).

Bricolage Model



Methodology

180 expo ters in the Manawatu region were surveyed and 50 selected for follow-up depth interviews. Themes and relationships that emerged from qualitative analysis using a modified 'Grounded Theory' approach provided the basis for development of our Internationalization model. Combining information derived from surveys and in-depth interviews of the same cohort allowed for triangulation. This arguably can improve result and provide an understanding of the 'bigger picture', significantly raising the quality of research (Jick 1979; Marchan-Piekkari and Welch 2004). This approach might also be useful in generating new theoretical insights and contribute to the research field.

Results

The findings confirm that participating SMEs face severe resource constraints - financial, time, and professional staff - and that these represent critical barriers to growth. Some exporters, however, regardless of industry, do better than others. Their sec et fo export performance and success lies in their 'home made' export strategies, formulated around their core-competencies, overcoming resource constraints, managerial and production specific limitations, environmental impacts of both, domestic and target market and other critical barriers by using their entrepreneurial 'sixth sense'. This allowed them to combine all available resources, skills, capabilities, business goals and most importantly suitable networks to realize business opportunit es in complex and competitive international markets. Models such as 'stages' of internationalization, including the concept of 'psychic' distance, 'resource model' or 'contingency approach' were not able to explain the observed practice. It could best be desc ibed as a 'Bricolage' approach, an academic concept first introduced by Lévi-Strauss (1969). This ability 'to invent one's own tools rather than rely on standard ones' allows these exporters to use 'serendipity' to develop creative marketing strategies (Crick and Spence 2005), in essence creating their own internationalization strategies - an ingenious and nifty 'Bricolage' approach. This 'Bricolage model' developed as a result of our research is shown above and can be compared to the widely accepted Aaby & Slater model (1989).

Appendix 5 Exchange Rate Changes

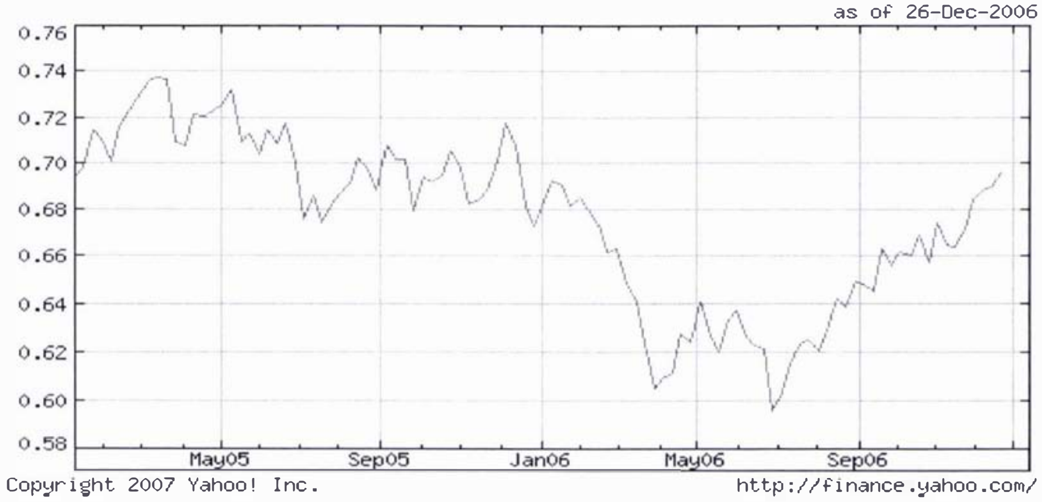


Figure 9 Exchange Rate: US$ converted to NZ$

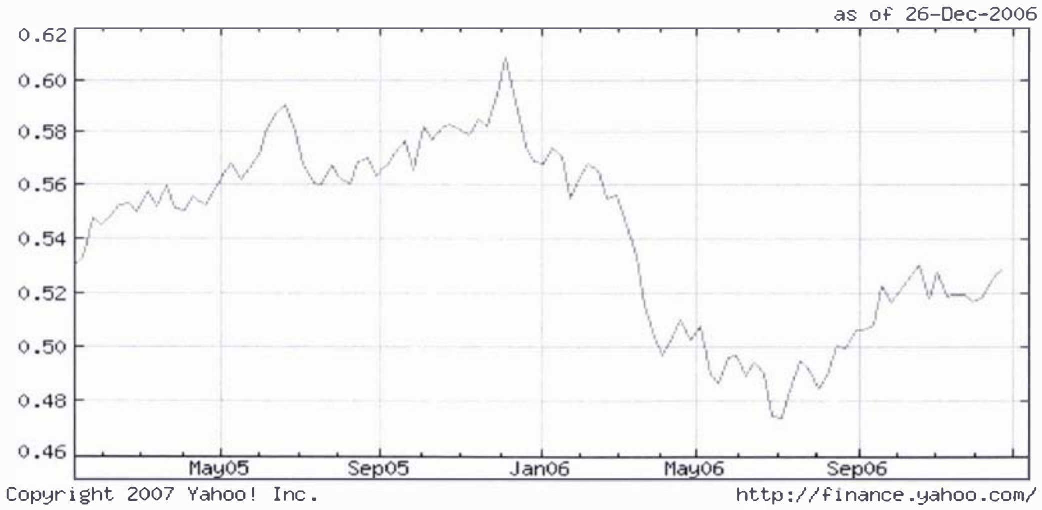


Figure 10 Exchange Rate: Euro$ converted to NZ$

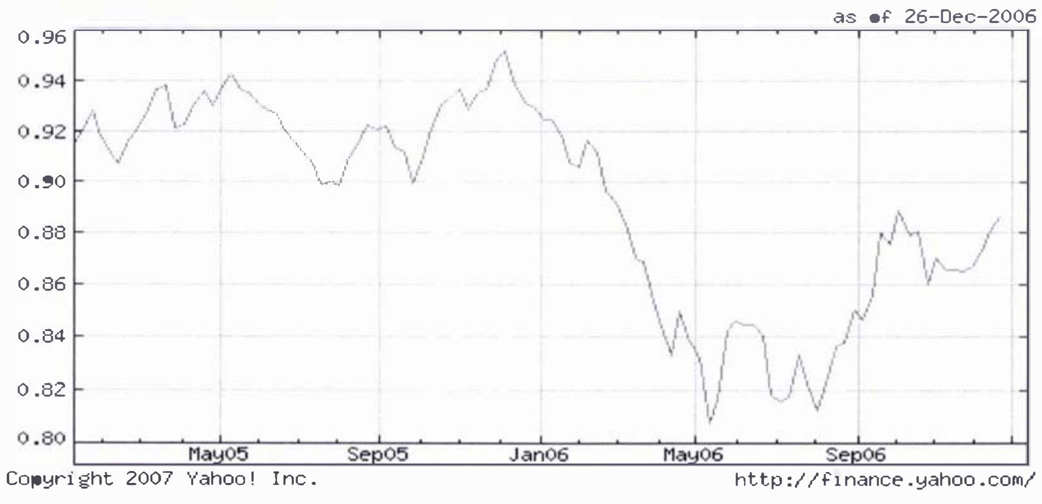


Figure 11 Exchange Rate: Australian$ converted to NZ$

Appendix 6 Conference Paper QRIB Symposium 2005

Jaeger, S. & Rudzki, R. E. J. (2007) *"By eyesight" – Mixing Methods (triangulation) in qualitative business research.* Qualitative Research in Business (QRIB) Symposium, Massey University, Albany Campus, Auckland, New Zealand, 28 October 2005

"*By eyesight*" - Mixing Methods (Triangulation) in Qualitative Business Research.

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Abstract

In this presentation we tell the story of a research project. Both authors - who are members of the international business team of Massey University - wanted to investigate the critical barriers that New Zealand exporters face to growth. Starting off with a quantitative method in the form of a mail survey, we soon discovered that we needed to employ a more in-depth interview technique to enable us to explore the meaning of the data collected. The ambiguity of survey replies such as "*by eyesight*" was challenging but also fascinating. We wanted to understand what the respondents perceived as critical barriers and what made them decide to export in spite of sometimes adverse conditions. It appeared that the reality and extent of the barriers were conditional on the respondents' perception of, and attitude towards, the barriers. In our opinion this application of a mixed method approach, sometimes called "triangulation", generated new insights into the complexities of making the decision for or against export activity.

Appendix 7 Conference Paper AWBMMD 2006

Jaeger, S. (2006) *Developing International Markets: The 'Bricolage' Approach of New Zealand Exporters.* 2nd Biennial Conference of the Academy of World Business, Marketing and Management Development, Volume 2, No. 1, 2006. Published in the Proceedings.

DEVELOPING INTERNATIONAL MARKETS: THE '*BRICOLAGE*' APPROACH OF NEW ZEALAND EXPORTERS

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ABSTRACT
This qualitative study explores how New Zealand's small and medium companies (SME) internationalise. 50 in-depth interviews with exporting companies in New Zealand (NZ), using 'Grounded Theory', provide the basis for this cross-sectoral research. The findings suggest that successful exporters are creative and use every possible avenue including entrepreneurial 'sixth sense' and networks to overcome their sometimes severe resource constraints, which would be best described with Levi Strauss's (1969) '*bricolage*' concept. In order to realise business opportunities in today's complex, fast changing, and competitive international markets they cannot rely on standard export procedures but have to build their own strategic tools.

INTRODUCTION AND REVIEW OF THE LITERATURE

New Zealand's domestic market is small (4 million in 2004) and free access of overseas competitors to New Zealand's home market forces its numerous small and medium enterprises (SMEs) to seek and develop international markets. New Zealand (NZ) relies for its economic viability mainly on the success of its SMEs (Akoorie & Scott-Kennel, 2005) as these constitute up to 90.7% of all firms and provide about 50% of New Zealanders (Statistics New Zealand, 2005) with work and income (Ministry of Economic Development, 2004). The purpose of this cross-sectoral study is to find out how they go about achieving successful internationalisation. A 2002 report initiated by NZ Treasury identified the two major constraints for growth in New Zealand: the distant geographic location from international markets and the difficulty to raise sufficient capital (Simmons, 2002). It is common wisdom that companies which have access to international markets attain the possibility for growth and long-term profitability. Export market development and internationalisation have long been areas of interest in business research. Bilkey (1978), Miesenbrock (1988), Aaby and Slater (1989) investigated exporting activities and Andersen (1993) Boter and Holmquist, (1996), Leonidou and Katsikeas (1996) Coviello and McAuley(1999) worked on a better understanding of the internationalisation process. Cavusgil and Nevin (1981), Miesenbrock (1988), Johanson and Vahlne (1977; 1999), Czinkota and Ronkainen (1994), Bilkey and Tesar (1977), and Coviello and Munro (1997) added to the wealth of knowledge in this area.

Theoretical Models of Internationalisation

The *'incremental'* approach, where a series of steps towards internationalisation reflect a company's increasing market knowledge and commitment over time is one way to describe this process. The concept that the internationalisation process

Jaeger, S. (2006) *Small New Zealand firms overcome export barriers and develop international markets.* ANZIBA Conference 2006, 16-18 November 2006, Victoria University, Wellington, New Zealand

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SMALL NEW ZEALAND FIRMS OVERCOME EXPORT BARRIERS AND DEVELOP INTERNATIONAL MARKETS

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Abstract

Internationalisation theory suggests that barriers towards export and internationalisation have inhibiting effects on export performance, especially for small resource-poor firms. However, in practice many small New Zealand firms are able to overcome these barriers and achieve fast internationalisation in today's complex, turbulent, and globalising economic environment. The existing theory does not fully explain why and how. There appears to be a knowledge gap which an in-depth observation of the internationalisation practices could close and potentially provide new theoretical insights.

This paper is based on a large triangulated in-depth study which explores the barriers for fifty export companies in New Zealand's Manawatu region. Studying behaviour patterns of firms across sectors enabled the identification of two groups of barriers: A - common or shared barriers independent from industries and products and B - industry and product specific barriers.

The findings suggest that barriers drive strategies: In a situation of severe resource constraints and extensive geographic distance from international markets New Zealand's exporters anticipate their export barriers before they impact on export performance in order to achieve export success. Successful companies alleviate obstacles towards internationalisation by building their strategies around their core competencies in a bricolage approach.

Keywords

Export Barriers, Internationalisation Strategy, SME, International Market Development, New Zealand, Bricolage

Appendix 9 Conference Paper ANZIBA Conference 2007

Jaeger, S. (2007) *Internationalization in the Face of Export Barriers: Cases of Five New Zealand Born Global Firms. 2007 ANZIBA* Conference, Thursday 8 – Saturday 10 November 2007, Newcastle Panthers Function Centre, Newcastle, Australia

Strategies for Entry, Expansion and Operations Abroad
Competitive Paper

INTERNATIONALIZATION IN THE FACE OF EXPORT BARRIERS:

CASES OF FIVE NEW ZEALAND BORN GLOBAL FIRMS

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Abstract

The paper reports selected findings of an in-depth cross-sectoral study that investigated export barriers for firms of the Manawatu region in New Zealand. The study aimed to identify how firms overcome their export obstacles and achieve success in international markets. The research design involved case studies and used data triangulation through postal survey, in-depth interviews and background research thus adding insights to existing knowledge from a holistic view.

The findings explain drivers and rationales of five born global firms that - without a supporting domestic base - designed their own internationalization strategies for international success.

Keywords

Born globals, internationalization strategy, export barriers, case study

Appendix 10 Conference Paper Oxford Business & Economics Conference 2007

Jaeger, S. & Rudzki, R. E. J. (2007) *How SMEs engage in the global economy – cases from New Zealand.* Oxford Business & Economics Conference, 24-26th June 2007, St. Hugh's College, Oxford University, England. Published in Conference Proceedings, ISBN 978-0-9742114-7-3

How SMEs engage in the global economy – cases from New Zealand

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ABSTRACT

The paper reports the finding of a large-scale innovative cross-sectoral study that looked at all the exporters within a single region of New Zealand. The aim of the research was to identify the obstacles facing Small- and Medium-sized Enterprises (SMEs) who are exporters, and how these obstacles are overcome. The research methodology utilised a postal survey, face-to-face interviews and triangulation of data with other sources such as national statistics. In addition, the examination of an entire geographical region was an innovation, allowing as it did for control of common factors (such as distance to market) and identification of industry- and firm-specific factors in the primary, secondary and service sectors which were represented in the group of exporters.

The value of this research is its in-depth exploration of internationalization practices adding depth to pre-existing knowledge, studies and research in the majority obtained by quantitative methods.

The findings show how successful exporters build their own internationalization strategies through the creative use of every possible avenue including entrepreneurial intuition and access to networks to overcome their sometimes severe resource constraints. The barriers toward internationalization need to be dealt with at a strategic level in order to realise business opportunities in foreign markets.

Keywords
Export, export barriers, internationalization strategy, international market development, SMEs

Appendix 11 Conference Paper AIB Conference 2008

Jaeger, S. (2008) *How to Go International? Internationalization Patterns of Small Resource-Poor Firms in New Zealand.* AIB Conference 2008, 30 June -3 July2008, Milan, Italy, AIB 2008 Conference Proceedings

AIB Conference Milan; 30th June – 3rd July 2008

Session 2.1.6 - Interactive Time: 09:00-10:15

Track: 9 - Internationalization and Intl. Marketing Room: N.1-6

How to go international?
Internationalization patterns of small resource-poor firms in New Zealand.

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ABSTRACT

Purpose – The purpose of this paper is to examine the internationalization behaviour of small resource-poor firms. More specifically the paper investigates the strategies which fifty firms employ in order to gain sufficient knowledge and internationalise successfully in spite of severe resource constraints. The question is do they follow the classical models in the internationalization process?

Design/ methodology/ approach – Cases of fifty New Zealand export companies are examined which were compiled using data triangulation. The study is cross sectoral and includes firms from the manufacturing, primary industry and service sector.

Findings - The findings suggest that internationalization behaviour is determined through export barriers. The situation of severe resource constraints, large geographic distance from international markets, and a limited production base needs to be taken into account in the design of the strategies in order not to let the obstacles impact on export performance.

Originality/value – The results indicate that successful companies follow an internationalization pathway by building their strategies creatively around their core competencies in what is described as a 'bricolage' approach. The classical internationalization models support certain aspects of the observed processes towards internationalization but on their own they cannot fully explain the firms' exhibited behaviour pattern.

Keywords: Internationalization, export barriers, international market development

Appendix 12 Conference Paper 'Oxford Business & Economics Conference' 2008

Jaeger, S., & Rudzki, R.E.J. (2008). *Understanding the Processes of International Trade at the Individual Level: New Quantitative and Qualitative Methodologies for Conducting Research into Exporters.* Oxford Business & Economics Conference 2008, 22-24th June 2008, St Hugh's College, Oxford University, England. Conference Proceedings

Oxford Business & Economics Conference, St Hugh's College, Oxford University, England,

22-24th June 2008

Understanding the Processes of International Trade at the Individual Level:

An Alternative Methodology for Conducting Research into Exporters.

Sabina Jaeger, AUT & Romuald E. J. Rudzki, New Zealand School of Export

ABSTRACT

The paper describes a useful methodology for researching exporters at the company and individual level. The approach allows for a greater understanding to be reached than is available through the analysis of macroeconomic trade data and will be useful to researchers who are trying to understand exporters and how to stimulate export activity within their own countries.

The methodology was developed during a three-year research study into exporters located in a single region of New Zealand. The methodology involved the combination of a number of distinct stages as follows: (1) initial research that more accurately identified the target population to be studied; (2) a sample set that included exporters within a given region (rather than sampling by industry or sector) thereby allowing for control of location variables (which is not possible when the sample is drawn from an industry across a wider area); (3) use of a postal survey; (4) face-to-face interviews based on the responses to the postal survey and on-site observations; (5) analysis of data using case study methods, and (6) the development of a new theoretical understanding derived from the data.

KEYWORDS: methodology, export, case study

Appendix 13 Table with Profiles of Participating Firms

Table 15 Profiles of Participating Firms

ID	Start	Full-time Staff	Casual Staff	Annual Turnover	Export Start	Export Ratio	International Markets	Main Markets	Exp. Delay
A1	1990	20	6	$6,000,000	1990	15%	Hong Kong, Malaysia	Asia	0 yrs.
A2	1998	15	20	$1,700,000	2001	20%	USA, Japan, Australia	USA	3 yrs.
A3	1998	7	200+	$5,000,000	2003	70%	Japan, Korea, UK, Europe, S.E.Asia	Japan	5 yrs.
A4	1950	35	10	Commercially sensitive (CS)	1980	12%	Holland, Malaysia, Indonesia, Fiji, New Caledonia	Malaysia, Fiji	30 yrs.
A5	1953	5	0	$5,000,000	1953	50%	India, Australia, Taiwan, China, Japan	India , Australia	0 yrs.
A6	1981	8	4	$3,000,000	1988	50%	USA, China, Italy, Australia, Finland, Poland, Denmark, Korea, Japan, England	China	7 yrs.
A7	1992	13	249	$94,000,000	1992	100%	Worldwide	USA & Asia	0 yrs.
A8	1993	35	3	CS	2004	CS	Australia, New Guinea	Australia, New Guinea	11 yrs.
A9	1986	1	0	$600,000	1986	100%	Japan	Japan	0 yrs.
A10	1994	2	4	$200,000	1994	50%	Japan, Holland, Kenya, China, USA, Canada, Philippines	Japan	0 yrs.

ID	Start	Full-time Staff	Casual Staff	Annual Turnover	Export Start	Export Ratio	International Markets	Main Markets	Exp. Delay
B1	1971	75	5	$30,000,000	1973	99%	Australia, UK, France, Germany, Poland, Uruguay, Italy, Switzerland, Spain, China, Taiwan, Korea, Japan, USA, Argentina	Japan	2 yrs.
B2	1997	30	2	CS	1997	2%	Pacific Islands, PNG	Pacific Islands, PNG	0 yrs.
B3	1997	16	1	$18,000,000	1997	99%	Australia, USA, Denmark, Austria, Vietnam, Malaysia	Australia	0 yrs.
B4	1968	6	0	$3,000,000	1978	5%	Fiji, Australia, Solomon Islands, PNG	Fiji, Australia, Solomon Islands, PNG	10 yrs.
B5	1945	150	0	CS	1974	20%	Australia, Asia, UK, Europe	UK, Australia	29 yrs.
B6	1982	31	6	CS	1990	5%	Australia	Australia	8 yrs.
B7	1970	35	0	$7,000,000	1975	1%	Pacific Islands, Australia	Pacific Islands	5 yrs.
B8	1973	65	3	$15,000,000	1984	65%	Australia, USA, Uruguay, UK, France, South Africa, Japan	USA, Australia, South Africa	11 yrs.
B9	1996	6	0	$2,250,000	1998	20%	Australia, USA, England, Germany, Norway, Denmark	Europe	2 yrs.

ID	Start	Full-time Staff	Casual Staff	Annual Turnover	Export Start	Export Ratio	International Markets	Main Markets	Exp. Delay
B10	1955	18	2	$10,000,000	1997	30%	USA, Australia, Canada, UK	Australia	42 yrs.
B11	1932	50	10	$10,250,000	1995	30%	Australia	Australia	63 yrs.
B12	1981	9	2	$1,500,000	1981	80%	Poland, Hong Kong, Malaysia, Reunion, Russia, South Africa, Canada, Netherlands, Korea, Greece, Germany, Portugal, Norway, Sweden, France, Slovenia, Singapore, Israel, Egypt, Trinidad & Tobago, Indonesia, Australia	Poland, Hong Kong, Malaysia, Reunion, Russia, South Africa, Canada, Netherlands, Korea, Greece, Germany, Portugal, Norway, Sweden, France, Slovenia, Singapore, Israel, Egypt, Trinidad & Tobago, Indonesia, and Australia	0 yrs.
B13	1997	30	4	$2,500,000	1997	50%	Australia, Japan, Thailand, Philippines, Indonesia, Germany, Denmark, UK, Sweden, Chile, Uruguay, Paraguay	Australia & Japan	0 yrs.

ID	Start	Full-time Staff	Casual Staff	Annual Turnover	Export Start	Export Ratio	International Markets	Main Markets	Exp. Delay
B14	1982	35	5	$4,500,000	1985	45%	Australia, Pacific Islands, SE Asia (eg Malaysia, Singapore, Hong Kong, Philippines), South Africa, UK, Canada	Australia	3 yrs.
B15	1938	30	2	$3,000,000	1972	35%	Pacific Islands, Australia, USA, Great, Britain, South Africa, Singapore, Malaysia, Germany, Czechoslovakia, Japan, Canada	Australia	34 yrs.
B16	1991	3	0	$585,000	1991	20%	USA, UK, Australia, Japan, sometimes China, Taiwan, Pacific Islands	USA	0 yrs.
B17	1980	16	4	$3,200,000	1986	43%	Australia, Japan, Singapore, Hong Kong, Scotland, some of the Pacific Islands	Australia, Japan	6 yrs.
B18	1975	18	2	$3,500,000	1993	94%	Global	UK	18 yrs.
B19	1982	30	2	$1,500,000	1982	25%	Australia	Australia	0 yrs.

ID	Start	Full-time Staff	Casual Staff	Annual Turnover	Export Start	Export Ratio	International Markets	Main Markets	Exp. Delay
B20	1938	30	2	$3,000,000	1972	35%	Pacific Islands, Australia, USA, Great, Britain, South Africa, Singapore, Malaysia, Germany, Czechoslovakia, Japan, Canada	Australia	34 yrs.
B21	1972	48	1	$6,000,000	1995	5%	Australia	Australia	23 yrs.
B22	1992	4	2	$750,000	1997	18%	Australia, USA, Europe, Hungary	Australia	5 yrs.
B23	1984	45	5	$6,500,000	1985	20%	Australia, USA, Japan	Australia	1 yr.
B24	1984	28	10	$35,000,000	1996	5%	Samoa, Australia	Samoa	12 yrs.
B25	1973	38	5	$7,000,000	1974	95%	Australia, China	Australia	1 yr.
B26	1996	10	2	$700,000	1996	1%	Australia	Australia	0 yrs.
B27	1990	5	3	$500,000	1999	1%	Australia, Belgium	Australia	9 yrs.
B28	1975	28	0	$2,500,000	1992	8%	Australia	Australia	17 yrs.
B29	1995	3	3	$500,000	2004	2%	Australia	Australia	9 yrs.

ID	Start	Full-time Staff	Casual Staff	Annual Turnover	Export Start	Export Ratio	International Markets	Main Markets	Exp. Delay
C1	1990	14	2	$2,000,000	1990	2%	Australia	Australia	0 yrs.
C2	1993	3	0	$1,000,000	1997	95%	USA, UK, Australia	USA	4 yrs.
C3	1998	7	2	$2,800,000	1998	98%	Global	South East Asia	0 yrs.
C4	1997	10	2	CS	1997	90%	Australia, USA, Russia, UK	Australia	0 yrs.
C5	1998	1	1	$100,000	1998	15%	USA, Australia, Europe	USA, Australia, Europe	0 yrs.
C6	1995	2	2	$300,000	1996	25%	Denmark & Sweden	Denmark & Sweden	1 yr.
C7	1984	12	2	$2,000,000	1984	50%	Australia, Nth America, South America, Middle East, Europe	Australia	0 yrs.
C8	1952	23	3	$2,000,000	1995	20%	Malaysia, Singapore, Australia, Asia	Malaysia	43 yrs.
C9	2001	1	1	$380,000	2001	99%	USA	USA	0 yrs.
C10	2001	3	1	$500,000	2001	15%	Australia	Australia	0 yrs.
C11	1982	5	20	$1,000,000	1997	5%	Global	Global	15 yrs.

Figure 12 Causal Network & Flow Chart for Firm C2

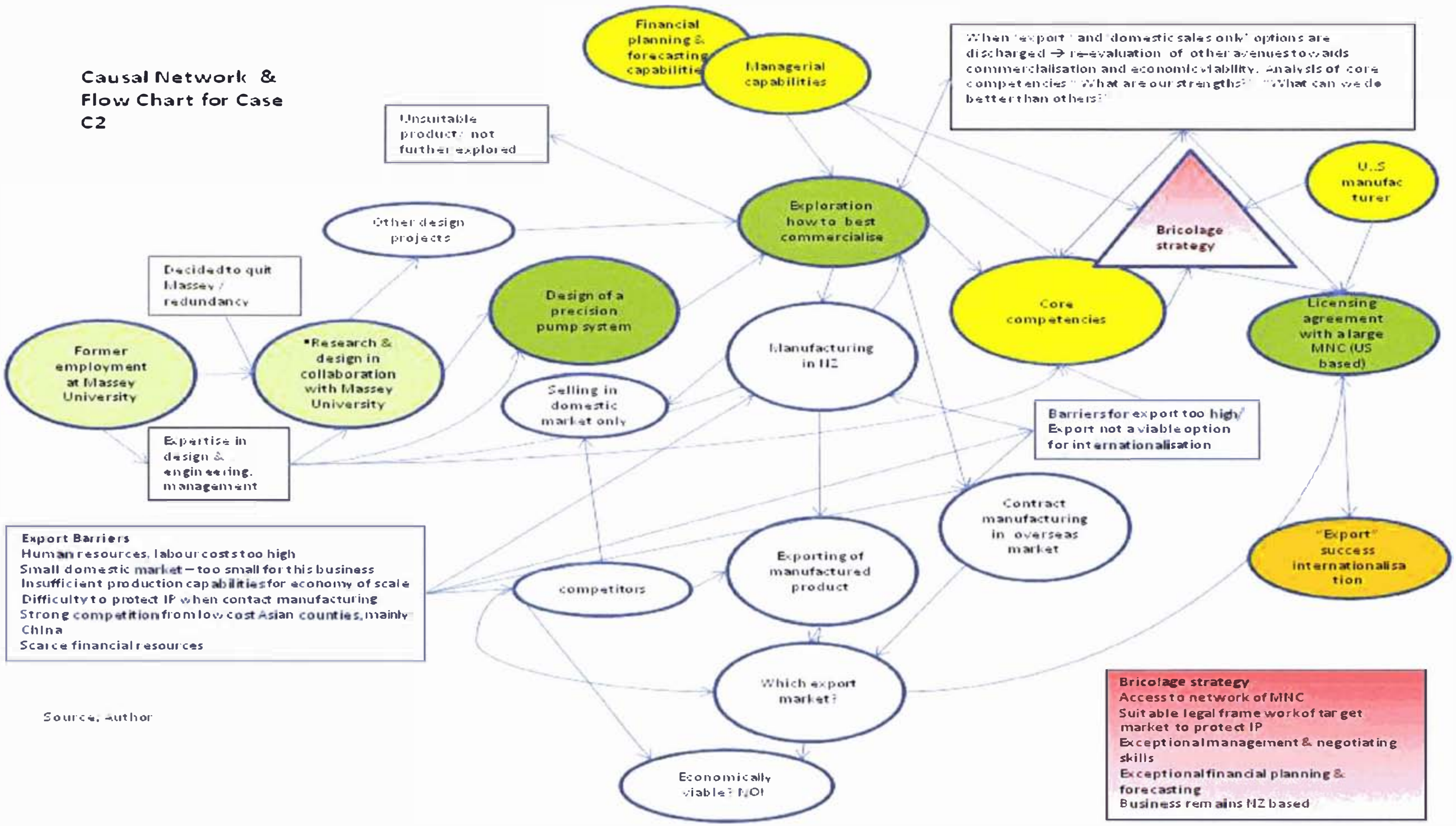
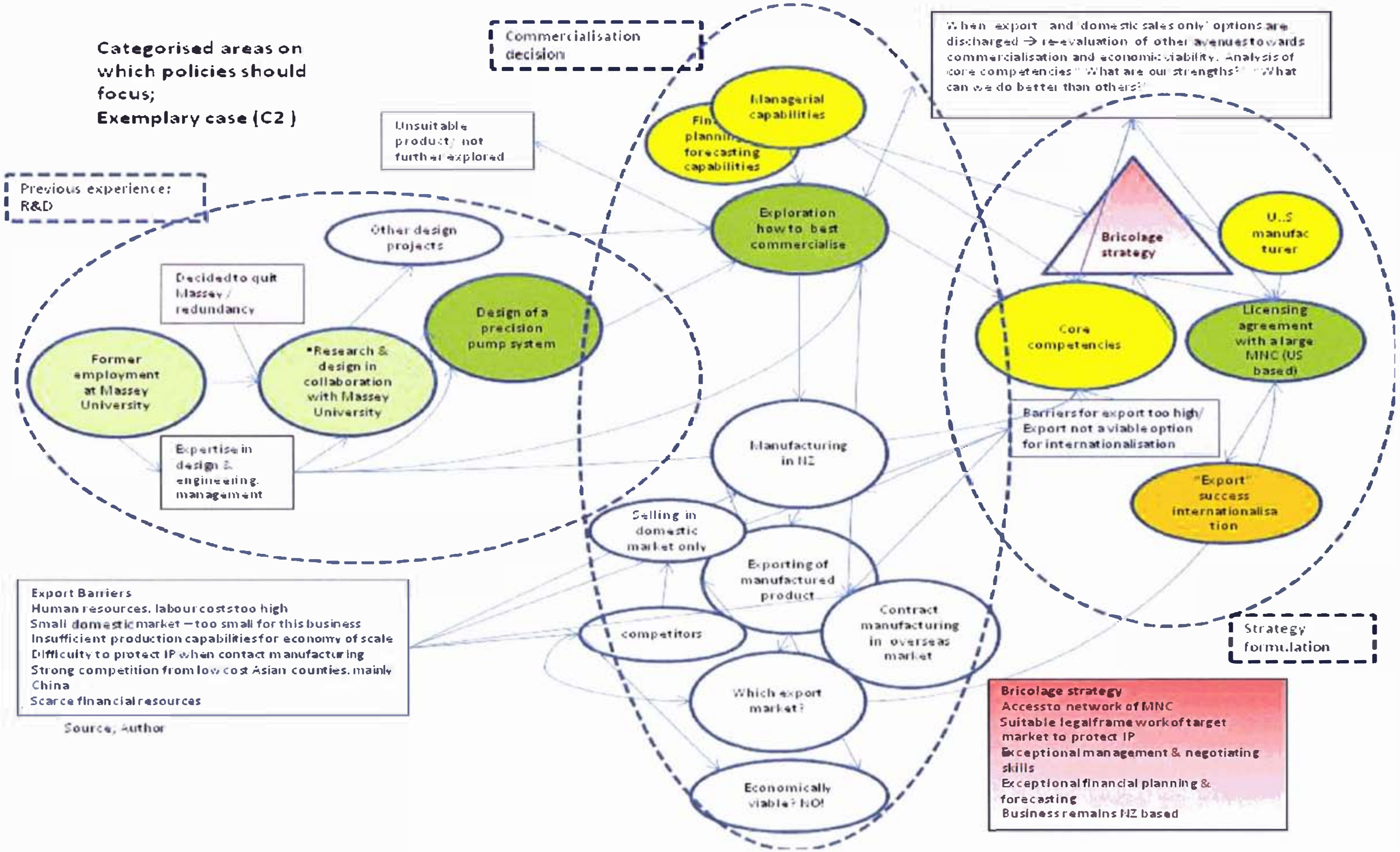


Figure 13 Policies to target specific areas



Source; Author