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Strategic Management Practice:
A Case Study of the Port of Tauranga Ltd

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ABSTRACT

The development, implementation, and results of strategic initiatives are important issues for organisations, and become critical when radical changes occur in the business environment.

In the period 1989 to 1992 legislation was introduced to reform the New Zealand ports sector. The scope of the reforms was extensive and has influenced business operations in this sector over the past decade. This thesis reports a study carried out to identify strategic initiatives taken by Port of Tauranga Ltd to respond to those changes. Two particular strategic initiatives were investigated: the development of container port facilities at Sulphur Point, Tauranga, and Metroport, Auckland.

A case study research approach was adopted. Multiple research methods were used to gather information for the study and to analyse the results. Preliminary studies were carried out in 1999 to identify research issues. An experience survey was designed to gather a range of perspectives from people with knowledge and experience of the company. Documents and records were analysed to track strategies conceived and implemented by the company in the research period. Experiences of Port of Baltimore in establishing container port facilities were reviewed; issues and trends relevant to this research study were identified.

The analysis revealed congruence with some theoretical aspects of strategic management. Strategic intentions were identified in relation to business initiatives. Outcomes were assessed and conclusions were reached about whether expectations for Sulphur Point and Metroport were realised. The innovative nature of these developments was examined and has relevance for strategic management practice.

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Participants in the study were generous with their time and observations and I acknowledge their contribution. The experience of meeting this diverse group and the challenge of exploring research issues with respondents was enlightening. A feature of the project was the willingness of these busy people to generously share their time, experiences, and convictions.

The initial contact with the company was with Tony Reynish. I am grateful for his assistance in coordinating my various requests. I acknowledge the help of Jo Barnett who located records and documents. My sincere thanks go to Jon Mayson, who authorised access to people and information.

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CHAPTER ONE INTRODUCTION

1.1 BACKGROUND

The original decision in 1950 to build a deep-water port at Mount Maunganui was based on the need to provide port facilities for forestry exports from forest resources in Rotorua, Taupo, and Bay of Plenty regions. It was recognised that growth in primary products from the region would expand and the proposed port may also ultimately be used for exports of dairy, meat, and horticultural produce. Port development commenced in 1953, with the first stage completed for use during 1955 (Hansen, 1997, p.80). Port of Tauranga Ltd now handles more export tonnage than any other port in New Zealand, is highly dependent upon the export of primary products, particularly logs, timber, and dairy products, and is vulnerable to changes in export demand for these products.

In 1973 the United Kingdom was admitted to the European Community (EC). This move had been signalled for many years, but New Zealand had done little to diversify export products and markets. At the same time the world was coming to terms with the first of the oil price shocks and the major recession that followed. Scollay and St John (1996) recount that the effects of the oil shock on the New Zealand economy resulted in a negative growth rate in 1976-78. The country was heavily reliant on imports of oil and petroleum based products and this contributed to a rise in import prices. The effects of the oil shock fed into higher import prices for other products and as the terms of trade deteriorated there was a significant rise in the inflation rate. By 1978 there was a huge internal budgetary deficit, high inflation, and unemployment rates were climbing; actual living standards declined. The second oil shock of 1979-80 impacted upon the economy again. The economic situation deteriorated between 1980 and 1984. The fourth Labour Government was elected in 1984 and embarked upon a reform programme to deregulate sectors of the economy and industry. The incoming government was committed to

reviewing the nature and extent of government interventions in the economy. Pickford and Bollard (1998) summarise the effects of the reforms:

The reform process was designed to free the market system from government regulation wherever possible. Included were major deregulations in the finance, transport and energy sectors; reform of the labour market; ... the termination of state-regulated monopoly rights; the introduction of new light-handed business rules for competition policy and utility regulation; ... The speed, size and sequencing of these reforms pushed New Zealand industry, and the economy at large, into a restructuring recession from 1986 to 1991, in which many manufacturers gave up domestic operations or went out of business entirely. Almost all were forced into new management strategies, operational cuts and labour reductions, and corporate restructuring. Government investment programmes dropped to very low levels, and the newly corporatised State Owned Enterprises, under pressure to become profitable, cut costs by massive reductions in their labour forces. The reforms left slimmed-down enterprises across almost all industries and sectors, together with substantial unemployment in the economy (p.9).

It was against this background that reforms were initiated in the New Zealand ports sector in 1988.

1.2 PURPOSE OF THE STUDY

Port of Tauranga Ltd evolved out of the former Bay of Plenty Harbour Board after deregulation of port and waterfront industries in the period 1988-1992. The company faced significant internal and external challenges to compete in this newly deregulated industry sector, and has initiated strategic and structural changes in the past ten years. This research project aimed to examine two major strategic initiatives undertaken by Port of Tauranga Ltd, and to assess the relationship between strategy intentions and outcomes for these particular initiatives. The research study sought to investigate:

In the period 1989-1999 what major strategic initiatives did Port of Tauranga Ltd take to respond to changes in business conditions after deregulation of the New Zealand ports sector, and are the outcomes of those strategies consistent with intentions?

The preliminary investigation led to development of specific objectives:

1. To investigate strategic management decisions that led to the development of Sulphur Point container port facilities, and to identify strategic intentions and outcomes.
2. To investigate strategic management decisions that led to the establishment of Metroport, an inland terminal in the industrial heartland of South Auckland, and to identify strategic intentions and outcomes.

The study sought to identify reasons for development and implementation of these particular initiatives, to identify issues and factors that influenced strategy development, to examine the relationship between strategy intentions and outcomes, and to identify significant changes in strategy.

The project provided an opportunity for practical investigation and analysis to produce a case study of strategic management practice in a New Zealand business organisation over a recent period of business history.

1.3 STRATEGIC MANAGEMENT

The development and implementation of management strategies and the results of strategic management in practice are major issues for organisations. How to achieve quality strategic management outcomes is a recurring theme in management literature, as is the debate on what constitutes quality outcomes. Mintzberg and Waters (1985), Mintzberg, Quinn, and Goshal (1998), draw attention to the relationship between leadership plans and intentions, and what organisations actually do. There is a lack of

information on the relationship between intended and actual outcomes of strategic initiatives, and the need to identify strategies that have emerged during implementation. Strategies may be developed deliberately to address specific events or business conditions, and strategies may emerge in response to changes in the business environment.

Strategy development does not occur in a vacuum. An associated issue is the identification of conditions, influences, and occurrences that stimulate changes in strategy development patterns in organisations. Results of strategies may be markedly different from intentions, and perspectives on outcomes and impacts of management decisions may vary in actual business situations. Investigation and analysis is required to identify ways in which strategic intentions are formulated, how strategic outcomes are identified, and the quality of, and relationship between, strategic intentions and outcomes. Organisations do not always include a feedback loop to assess these important relationships, and to identify reasons, positive and negative, for variations.

1.4 THESIS STRUCTURE

Chapter One sets out the background to the development of Port of Tauranga and establishes the historical context to the research study. The purpose and objectives of the study are explained.

Chapter Two provides information and references to research studies and literature sources that are relevant to research themes: port sector reform, strategic management, strategy outcomes.

Chapter Three describes the research design and methods. The rationale for adoption of the case study research strategy and qualitative research approach is presented. Research methods are described. The range of data collection methods is identified and the relationship between multiple methods and validity of data is explained. The model developed by Mintzberg and Waters (1982) for “Tracking Strategy in an Entrepreneurial

Firm” (p.467) is presented in an abbreviated form. Rationale for the selection of the experience survey method is presented. The basis for data analysis is explained and an analysis framework is produced. Ethical considerations for this research study are identified.

Chapter Four reports research results. The results are related to the research analysis framework. Industry factors are presented, and internal and external influences on strategic management are identified.

Chapter Five relates research results to the original research purpose and objectives, and to research issues and themes. The significance of particular findings is explained.

Chapter Six presents a summary of the research study. Strengths and limitations of the study are identified and recommendations are made for further research. Conclusions about strategic management at Port of Tauranga Ltd over the research period are drawn from the research results.

CHAPTER TWO LITERATURE REVIEW

2.1 INTRODUCTION

Three main research themes are explored in this literature review:

1. Port sector reform.
2. Strategic management.
3. Strategy outcomes.

2.2 PORT SECTOR REFORM

Port sector reform was part of an extensive reform programme introduced by the fourth Labour Government in the 1980s. The thrust of the reforms was to separate state and commercial activities and responsibilities. The background to the reforms is addressed in the literature and is relevant to understanding the context in which reform of the ports sector occurred.

Scollay and St John (1996) discuss fluctuations in the New Zealand economy from colonial days to the modern economy. They identify 1984 as the starting point of a “period of the most far-reaching and dramatic economic change, probably without precedent in New Zealand’s history” (p.81). They consider:

The essential feature of Rogernomics was a new-found faith that market forces are best at finding efficient outcomes for the economy, and this in turn implied a vastly reduced role for government in the economy. Deregulation involved a drastic reduction in the degree of government control over the ways markets operate. Over the years a vast array of rules and regulations had accumulated, affecting virtually every market in the economy, and dealing with such issues as prices, hours of business, entry of competitors into the market, the range of business that individual firms could conduct, and so on. (p.82).

In a discussion of economic trends and economic policy, Hawke (1992) explains:

The Government tried to separate state commercial activities and organize them as state-owned enterprises with clear commercial objectives. The essence of the SOE reorganization was to facilitate monitoring of efficient use of assets which are owned by the public, entrusting commercial objectives to management while reserving social considerations for the Government which can contract with an SOE where social and commercial considerations conflict (p.439).

Sinclair (1991) draws attention to the right-wing nature of the 'revolution'. He recalls that "The years 1984-1990 saw numerous and rapid changes which many people found bewildering. The only comparable periods of change were the eighteen-nineties under the Liberals and the nineteen-thirties under Labour ... the changes at those times were left-wing" (p.323). McRobie (1992) considers that "business and financial leaders were generally extremely supportive of the radical overhaul of the economic infrastructure" (p.405). He notes that in the short-term the economy boomed as controls were removed, but there was a social cost as inflation also rose. These writers draw attention to the radical nature of the reform programme.

The timeframe, scale, and scope of reforms are confirmed by Kelsey (1997). She locates the 1984 economic summit as the time when the Labour Government confirmed support for reform. She captures the scope of the reforms:

In short order, the government

- removed import licensing;
- removed exchange regulations;
- reduced tariffs;
- removed price controls on almost everything;
- removed production and distribution controls in individual industries and services;

- deregulated finance markets;
- amended the Commerce Act to focus on efficient competition;
- repealed the Economic Stabilisation Act to limit ministerial powers of intervention;
- abolished many consultative and advisory organisations; and
- transferred responsibility for regulatory control increasingly from the legislature and Executive to the judiciary (p.85).

The strategy for exposing ‘fortress New Zealand’ to the global competitive market-place centred on three elements: eliminating industry assistance; withdrawing border protection from domestic producers and financial institutions; and shifting the regulation of capital, goods and labour from the state to the market (p.86).

The policy objective of shifting the regulation of capital, goods and labour from the state to the market was translated in real terms in the ports sector to the dismantling of harbour boards and their replacement with corporate structures, and deregulation of waterfront employment. Capital and labour had been highly regulated in the ports sector prior to the reforms.

The experiences of the New Zealand ports sector did not occur in isolation. Boston, Martin, Pallot, and Walsh (1996) analyse public sector reforms, with particular emphasis on public sector management. They identify pressures for reform and key legislative components: the State Owned Enterprises Act 1986, the State Sector Act 1988, and the Public Finance Act 1989 (p.58). They explain that ports were among a group of state trading enterprises that changed their status through the corporatisation and privatisation reforms introduced in the mid 1980s. Their ownership status changed from local government ownership to a “mix of private investor and local authority ownership” (p.66). They set out a table of public sector trading enterprises that identifies their original status and their eventual post-reform status (p.66).

This was the political and economic background which set the scene for reform of the New Zealand ports sector. Harbour Boards were operating under many of the restrictions and regulations described in the literature. While port companies were to retain a component of local authority ownership, separation of government and commercial activities underpinned the nature of port sector reforms.

In 1988 F. McKenzie was Chairman of the Bay of Plenty Harbour Board. There were eleven board members; some represented sectoral interests. Port of Tauranga operations were overseen by the General Manager, M. Williams, and Harbour Board Secretary, A. Herbert. According to one observer “not a great deal of discretion was delegated to senior management in contrast to the more business-like attitude of the current Port Company Board”. Prior to 1988 New Zealand harbour boards had operated under a plethora of restrictions on the type of activities they could undertake. They existed to provide port facilities for their local region and there was little scope for competition between ports. The role of the Minister of Transport was pivotal in determining the nature and scope of activities undertaken by individual ports. Harbour Boards applied to the Minister for capital funding and had to justify their proposals. Funding was contestable and other Harbour Boards could oppose grants of funds for activities they felt would result in competition for shipping business. In contrast, the role of the Minister of Transport in the deregulated environment is to establish the public policy framework within which port companies operate, and to integrate objectives for this sector within the overall government policy framework. The Minister continues to have a role in listening to concerns of shippers and other port users, and in endeavouring to ensure port companies provide competitive, cost-effective services for the sector.

Cavana, Harrison, Heffernan, and Kissling (1998) examine port reforms in a specific industry study of the freight transport industry. They explain that the 1984 Labour Government instigated a review of the costs of onshore transport and of handling cargoes. The Port Industry Review Committee proposed a new port policy in 1986, and the government initiated a two-stage approach to the reform process. The initial thrust would be to restructure and refocus port authorities to achieve a commercial approach to

the waterfront industries. The second stage was to address the attitudes and operations of the waterfront labour force to enable competition for handling cargo and manning ships. (Bureau of Industry Economics, 1995, p.112).

The Freight Industry study is part of a broader business and economic analysis of a selection of New Zealand industries produced by Pickford and Bollard (1998). They explain that “the industry case studies present a wide range of experiences with respect to history, regulation, and underlying production technology; to market structure, firm behaviour, and international competitiveness, and to performance outcomes in terms of efficiency, costs and profitability” (p.7). These case studies illustrate that the reforms introduced in the mid 1980s had far reaching consequences for many New Zealand industries, including the ports sector.

There has been extensive analysis of historical, political, and economic issues that led to the reforms. There has been limited scope for analysis of the reforms to attempt to assess whether intended social and commercial objectives were achieved. This is partly because restructuring and realignment continued throughout the 1990s.

In 1995 an independent review of the New Zealand state sector management framework was commissioned by the State Services Commission and The Treasury. Professor Allen Schick was asked to carry out an independent study. While this study was not designed to be a review of the reforms, inevitably the outcomes of reforms were a consideration. Schick (1996) notes:

Not every aspect of reform in New Zealand has worked out as expected. Although its reforms have been more comprehensive and rigorous than those introduced in other countries, they have been neither complete nor perfect; their effectiveness has depended on the manner in which they have been implemented as well as on underlying concepts and doctrines. ... The difference between the high and low performing organisations is not just a matter of getting the right people for the job – although effective leadership does make a big difference –

but also requires that missions and resources be properly aligned and that each organisation clearly knows what is expected of it (p.3).

Schick's analysis applies to the ports sector. The reforms were extensive, and whether they were successful or not depended upon the philosophy and manner in which they were implemented. His comments regarding leadership, personnel, and strategy have parallels in the experiences of the ports sector. The Port Companies Act 1988 delineated what was expected of the newly formed organisations: "The principal objective of every port company shall be to operate as a successful business" (S5). The issues of effective leadership and alignment of missions and resources are explored in this research study of strategic management at Port of Tauranga Ltd.

2.3 STRATEGIC MANAGEMENT

The reform process was used to introduce corporate ownership structures and strategic management practices. The rationale for this government strategy was to improve utilisation of resources and to establish and achieve commercial objectives.

Public policy directed the strategic approach and direction in the reform and transition period. The current Chairman of the Board of Directors, F. McKenzie, coordinated the transition from Bay of Plenty Harbour Board to Port of Tauranga Ltd. In recent years the organisation has presented a dynamic image, illustrated by strategic moves to position the Company to diversify operations and establish a wider base of operations. Analysis of these strategic initiatives is a fundamental objective of this study. The Company has developed strategies to address the intentions of the organisation and the realities of the business environment in which it operates. This has meant that new strategies have emerged in response to changing business conditions.

2.3.1 Forms of Strategy

The concept of strategy as plan, ploy, pattern, position, and perspective is explored by Mintzberg (1994), and Mintzberg, Quinn, and Goshal (1998). The proposition is that the term strategy has been used in many different ways, and that the varying definitions can be compatible with each other. An intended course of action may constitute a plan, or a ploy, consistency in behaviour may constitute a pattern.

Thus, the definitions of strategy as plan and pattern can be quite independent of each other: plans may go unrealized, while patterns may appear without preconception. ... If we label the first definition *intended* strategy and the second *realized* strategy ... then we can distinguish deliberate strategies, where intentions that existed previously were realized, from *emergent* strategies, where patterns developed in the absence of intentions, or despite them (which went *unrealized*).

For a strategy to be truly deliberate – that is, for a pattern to have been intended exactly as realized – would seem to be a tall order (Mintzberg, 1998, p.16).

Mintzberg (1994) indicates his clear preference for an emergent learning form of strategy development, but does acknowledge that planning does have its place in the strategic framework.

Figure 2.1 illustrates Mintzberg's concept of "Forms of Strategy".

Figure 2.1:

Forms of Strategy

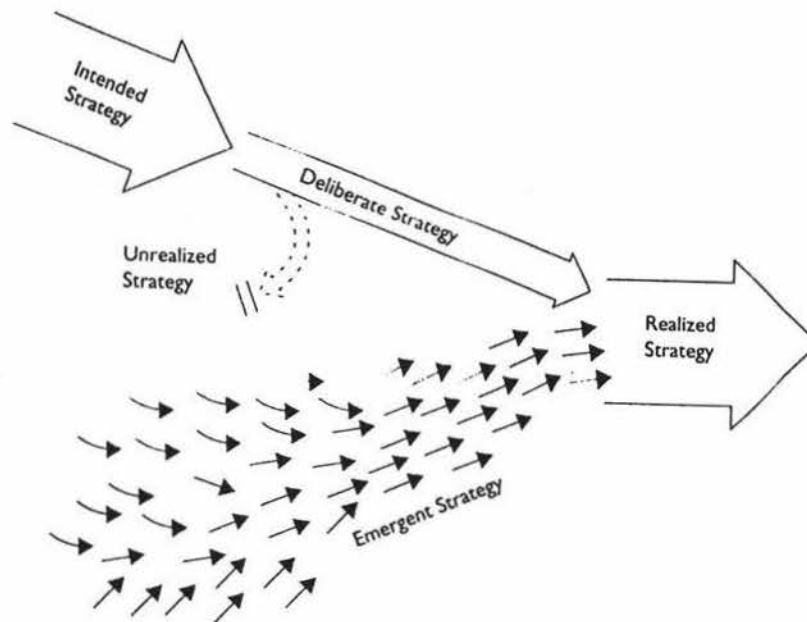


Figure 1-1
Forms of Strategy

(Source: Mintzberg, 1994, p.24)

Johnson and Scholes (1997) link intended strategy with a “deliberate, systematic process of development and implementation”, the model supported by the planning school (p.44). They point out that development of strategy in an “intended, planned fashion” does not always ensure that strategies will be realised (p.44). They explore the concept of imposed strategy, where an external organisation or group may exert influence over strategy development and limit consideration of options and freedom of choice (p.45). The concept of emerging strategy is addressed in relation to evolving strategies that inform strategic decisions, consolidate strategic direction, and may achieve incremental change (p.43)

New Zealand’s experiences of public and private sector reforms provide examples of imposed strategy. The government determined public policy direction and legislated conditions for ownership and operation of New Zealand ports

There is a range of views on whether a deliberate approach to strategy development, articulation, and implementation contributes to quality strategic outcomes, or whether a flexible approach is more conducive. These two examples constitute extremes on a continuum, and there are variations on these themes to be found in theory and in practice. Mintzberg and Waters (1985) consider “that strategy formation walks on two feet, one deliberate, the other emergent. ... The relative emphasis may shift from time to time but not the requirement to attend to both sides of this phenomenon” (p.271).

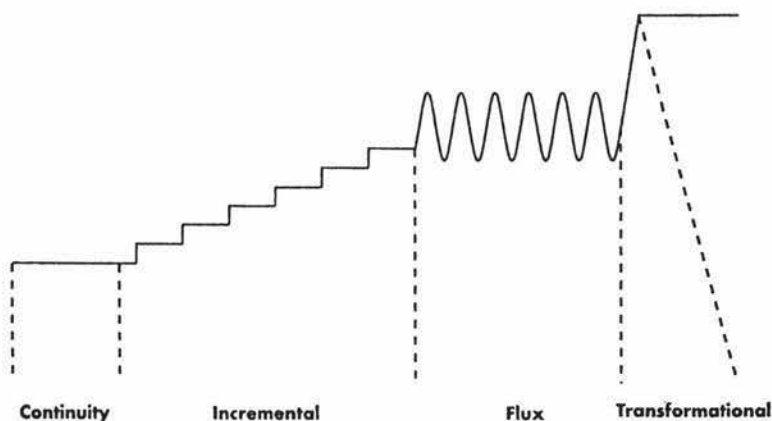
The Bay of Plenty Harbour Board adopted a deliberate, or planned, approach to strategic management of Port of Tauranga. They did not have the flexibility to be innovative because their activities were tightly controlled by government regulations. Senior managers in more recent years have had more flexibility and this is illustrated in some of the strategic management decisions taken by the Port Company in the 1990s. There is still evidence of a conservative, planned approach to some decisions and this mix of approaches is viewed positively by market commentators. It does illustrate the shift in emphasis from deliberate to emergent to meet requirements of actual management situations.

The quality movement has had an influence on organisational management at all levels. This movement embraces the concept of achieving continuous improvement through the organisation, and considers that there is a strong link between continuous improvement and learning (Bergman and Klefsjo, 1994, p.414). Port of Tauranga Ltd has implemented quality improvement strategies and was the first New Zealand port to receive ISO 9002 accreditation in 1994 for marine and cargo operations. The company does demonstrate flexibility to experiment and adopt new approaches, and its record indicates that it values learning from its own experiences and history. Increasingly customers and suppliers of the Port Company are becoming ISO accredited. Accreditation is recognised as a quality assurance indicator in this industry sector.

2.3.2 Patterns of Strategy Development

Patterns of strategy development may be observed over time. Johnson and Scholes (1997) refer to patterns of strategy development in relation to levels of stability or turbulence in the business organisation. The patterns depicted are continuity, incremental, flux, and transformational. The authors suggest that strategy changes only incrementally in periods of relative stability, that strategy may change markedly but may lack focus in periods of flux, and that transformational patterns will result in “fundamental change in strategic direction” (p.41). Refer to Table 2.2 for a representation of patterns of strategy development.

Figure 2.2: Patterns of Strategy Development



(Source: Johnson and Scholes, 1997, p.41)

There is an ongoing debate on whether organisations do achieve effective changes in strategy direction as a result of incremental adjustments – evolutionary change, or whether change is achieved through rapid, fundamental change – revolutionary change. It is recognised in the literature that the two positions are not mutually exclusive. Reform of the New Zealand ports sector brought rapid, fundamental change to the nature and structure of ownership and operations of port companies and is an illustration of transformational, or revolutionary change. The period from 1988-1992 could be

regarded as transformational, from 1993 to 1997 could be regarded as incremental change, and from 1998 to 2000 as transformational, but not revolutionary, as the Port Company set out to diversify the scope and nature of its operations.

Mintzberg (1998) supports the concept of strategy developing and emerging over time. He uses industry examples in the development of his concept of crafting strategy as an outcome of “traditional skill, dedication, perfection through the mastery of detail” (p.110). His thesis is that “the crafting image better captures the process by which effective strategies come to be” (p.110). He supports the proposition that periods of stability and change are evident in the strategy patterns of organisations, and contends that “while it is true that particular strategies may always be changing marginally, it seems equally true that major shifts in strategic orientation occur only rarely” (p.116).

Johnson, Wood, and Hart (1988) examined the corporate planning processes in a wide range of New Zealand companies and concluded that they comprised two groups, consistent with Mintzberg’s depiction of the craftsman and the apprentice. Their findings also indicated that incremental change is consistent with stable environments, and that emergent strategies lie dormant until a viable market opportunity is presented. This proposition is supported by the experience of Port of Tauranga Ltd, with incremental change from 1992 to 1997, and emergent strategies to initiate Sulphur Point and Metroport developments to take advantage of market opportunities.

Quinn and Voyer (1998) observed and documented the change processes in ten major organisations. They consider that a technique or pattern of “logical incrementalism” results in strategy evolving through iterative processes over time, and emerging as part of a dynamic process (pp.107-113).

The research findings of Romanelli and Tushman (1994) “strongly support the conclusion that revolutionary transformation is the most common mode of fundamental transformation” (p.1162). They consider that more research is needed to “examine both the frequencies of revolutionary and nonrevolutionary transformations and the

underlying organizational systems and conditions that may give rise to the different modes” (p.1163).

The need to embrace revolutionary change is proposed by Peters (1989). He recognises that the marketplace is turbulent and supports learning “individually and as organisations – to welcome change and innovation as vigorously as we have fought it in the past, in accounting as well as in new-product development. The corporate capacity for continuous change must be dramatically increased” (p.274).

The dangers of incremental strategic change are considered by Johnson (1988). One of the implications discussed is that managers who are resistant to change may support an incremental approach to strategic change to minimise the impact on the existing organisational paradigm of beliefs and assumptions. This may produce an effect of strategic drift as the organisation loses contact with the strategic realities of the environment in which it operates (p.77). Examples of strategic drift are evident in the ports sector, where some port sector organisations have resisted making changes to respond to a dynamic environment and are having difficulties in maintaining competitiveness.

Miller (1990) contends that the development of organisational consistency over time with accompanying entrenchment of routines and systems decreases flexibility and blocks learning and adaptation. He highlights the dangers inherent in organisations magnifying patterns and structures to extend and augment existing strategic positions in the hope of repeating prior successes. Again these trends are evident in some port sector organisations.

The issues of strategic drift and organisational consistency are relevant to analysis of strategic management in the ports sector. Some ports have embraced opportunities that originated from the reforms; others have achieved a change in structure but little change in strategic direction. Where incremental change is the preferred strategy development

mode there are dangers of strategic drift if a climate of resistance to change is allowed to develop. Organisations lose the capability to respond strategically to changes in the business environment. Strategic drift was not evident at Port of Tauranga Ltd over the research period.

An important phase of this research project was to investigate strategic planning and behaviour at Port of Tauranga Ltd. Mintzberg and Waters (1982) developed a model for “Tracking strategy in an entrepreneurial firm” and identified four major steps: collection of basic data, inference of patterns and periods, investigation of each period, building of theory (p.466). From this research they drew a tentative conclusion:

... that companies plan when they have intended strategies, not in order to get them. In other words, one plans not a strategy but the consequences of it. Planning gives order to vision, and puts form on it for the sake of formalized structure and environmental expectation. One can say that planning operationalizes strategy. ... It may be the only way to pull together the diverse decisions of large organizations in stable environments and to handle large and complicated commitments of resources (p.498).

Researchers have developed and supported propositions in favour of formal strategic planning approaches as a means of achieving quality strategic outcomes. There is also support for the concept of learning organisations with an emphasis on innovative, flexible processes. The literature of the mid 1990s suggests that strategic planning is being reinvented in an attempt to retain effective planning characteristics, and to make it relevant to the comparatively dynamic environments that face many business operations (Sokol, 1992; Perlitz, 1993; Bhide, 1994; Mintzberg, 1994; Pekar and Abraham, 1995; Feurer and Chaharbaghi, 1995; Thompson and Richardson, 1996; Taylor, 1997).

The various approaches discussed in the literature include the planning approach, the incremental approach, the cultural/political approach, and the imposed approach.

Various terms are used in the literature to describe the range of approaches, but the terms used above capture the essential characteristics of the major forms.

The incremental approach is supported by those who consider it provides the flexibility for strategy intentions to be amended, for new strategies to emerge in response to changes in the environment, and for organisations to learn from their experiences. The link between formal planning and bureaucratic processes is explored by Quinn (1980), His observations support the “logic of logical incrementalism” (p.58).

The cultural/political approach may be adopted by organisations where there are influential groupings who control resources, and may be resistant to change. Examples of this approach can be found in large institutions and professional service organisations. The externally imposed approach can be a feature of public sector organisations, and parent companies with subsidiary structures who seek to achieve consistency across the entire organisation. Strategy may be imposed from an internal source, particularly where an entrepreneurial, or authoritative, figure or group captures the strategic management process (Johnson and Scholes, 1997). There are prominent individuals and groups who influence strategic planning at Port of Tauranga Ltd. Harbour boards and port companies have historically been subjected to externally imposed policies. While the extent of this has reduced since reforms, there are still wide ranging political and regulatory influences on port operations.

Feurer and Chaharbaghi (1995) support the need for a dynamic approach to strategy development. They draw upon and acknowledge the wide range of theories and frameworks that have been proposed in this area, and recognise that while these address and support different strategy development positions they all “aim at maximising the performance of an organization by improving its position in relation to other organizations” (p.11). They give clear support to the need for creativity and innovation in the strategy process to address the dynamic nature of business environments. They identify the need for researchers to “continuously adjust their objectives and processes to new emerging issues that are relevant to the real business needs of organizations and the

pace of change in the environment rather than defining and testing a limited number of hypotheses” (p.20). Port of Tauranga Ltd has demonstrated innovation in developing strategies to maximise performance and improve market position.

The various approaches are not always mutually exclusive. Mintzberg and Ansoff embarked on a classic debate on the merits of the formal planning approach through a series of articles between 1990 and 1994. In his critique of the design school approach to strategic management, Mintzberg (1990) concedes that while the model may have restricted applications, there are circumstances where application of this formal planning model may be relevant. Ansoff (1991) in reply produced a critique of Mintzberg’s proofs and concepts, and his emerging strategy formation process. However, Ansoff did concede that the “emerging strategy” model is a valid prescription for success in some environments for some organisations. (p.460).

Richardson (1994) attempts to clarify the “definitional problem” of strategic management, and to examine strategic management as a concept which embraces a range of strategic components and leadership styles in “strategic configuration”, responsive to changes in the environment (p.27). In essence Richardson is reflecting that the various definitions relating to strategic management concepts should not be the major consideration, but the development of strategic management processes that enable organisations to respond to changes in the environment is important. Port of Tauranga Ltd has developed its own strategic configuration to equip the organisation to compete in the ports sector environment. It is a mix of formal and flexible systems and styles.

Porter (1985, 1991) stresses that strategy must concern itself with an understanding of the industry, and the development of organisational competence to achieve competitive advantage over industry rivals. For diversified organisations he examines strategy on two levels: corporate strategy, to determine which business sectors the organisation will participate in, and to unify the focus of the organisation; and business unit strategy, to create competitive advantage in each discrete operation.

Crocombe, Enright, and Porter (1991) initiated a study where strategy patterns of New Zealand firms were assessed. The findings concluded that:

Although there are notable exceptions, New Zealand firms tended to have a mindset that is not well aligned to the requirements for competitive success in the global economy. This mindset is typically characterised by a short-term, static perspective of competition. Such a perspective is inadequate in a world where competition has become profoundly dynamic and where success depends on continuous improvement in all parts of the business. ... It limits the range of strategic options for New Zealand firms. Many focus on improving performance within current constraints, rather than devising strategies that change the constraints and build new sources of advantage (p.126).

This study was undertaken in 1990, in the period when New Zealand port companies were making the transition from harbour boards to port companies. They were coming from an environment where competition between ports was controlled and were moving to more flexible ownership and operational structures. They were required by statute to run successful businesses in a dynamic environment. This was a strategic challenge.

In a later article, Porter (1997) considers:

Without strong, vigorous, positive leadership, having and maintaining a strategy is impossible. ... Basically, leaders must have a perception of their competitive environment, and they have to be constantly in tune with how it is evolving; but their essential function is to find a distinctive place in that environment for their organisation, and to enforce the choices that are required to support that position (p.10).

2.4 STRATEGY OUTCOMES

Identification of strategy outcomes in relation to the research objectives is an important part of this research study. Strategic management literature and experience indicate that identification of outcomes is not straightforward. The planning versus learning proponents both use quantitative and qualitative research studies to support their view of the quality of outcomes produced through their preferred strategic management processes. There are the associated questions of whether quality strategic outcomes necessarily equate with the intended outcomes, or whether, in practice, the dynamic nature of business environments influences strategic intentions and outcomes. These questions are particularly relevant to this research study as the researcher is seeking to establish whether outcomes of strategic initiatives at Port of Tauranga Ltd were consistent with intentions.

Stacey (1993) concluded that although strategy management processes were being installed to attempt to achieve coherence of strategy direction over the long term, “outcomes achieved were rarely what had been intended or expected. The changes occurred, not because we were planning, but because we were learning in a manner provoked by the very ambiguity and conflict we were trying to remove” (p11). He based his conclusion on his experience working with companies on “strategy, reorganization, and change management assignments” (p.10).

What is unclear is whether organisations in practice have the necessary appraisal processes in place to determine what the strategic outcomes are, how they relate to what was intended, if anything new has emerged, and what intentions remain unrealised. For many organisations the emphasis has been on developing quantitative, often financial, indicators to measure strategy outcomes. Increasingly researchers support the use of comprehensive frameworks to enable consideration of strategic intentions and outcomes from a diverse range of internal and external stakeholder perspectives, and this was the approach adopted in this research study.

Kelly (1997) has developed a six-stage approach for developing performance measures to monitor achievement of strategic goals. Her model incorporates identification of value drivers, critical success factors, an umbrella set of measures to chart progress, identification of relevant best practice models, development of organisation wide indicators, reporting options and format. The article uses the model in relation to the New Zealand banking industry, but the principles have wider applications.

The link between performance and business strategy is examined by Scott (1995). He uses Whittington's model of four standard approaches to strategy formulation and relates the establishment of relevant goals to each approach. He considers that "the framework gives insight into business strategy and thus to performance measures which are likely to be most relevant" (p.37).

Porter (1985, 1991) has developed models for examining environmental influences and competitive factors, the Porter diamond model, and Porter five-forces, and value chain analysis tools. These models have been widely used in their original forms as frameworks for industry analysis. They have also been the foundation for development of other analysis models relevant to particular sectors and circumstances.

David (1997) considers that "Strategy evaluation is essential to ensure that stated objectives are being achieved" (p.276). He explains that strategies may have short-term and long-term objectives and criteria can be used to evaluate strategy. He refers to Richard Rumelt's four criteria for evaluating strategy: "consistency, consonance, advantage, and feasibility" (p.276). He expands upon these criteria, and explains that strategies should not be inconsistent, that they should take account of trends, that they should be feasible in terms of resource requirements, and that they should contribute to competitive advantage (p.278).

Most of the relevant strategic management literature emanates from the United States of America and Britain, and examines these issues in those particular business contexts. While some of the themes are universal, it is useful to explore these topics in the New

Zealand business environment. Reference has previously been made to the industry case studies developed by Pickford and Bollard (1998). They analyse industries using a model of market structure-conduct-performance “widely used by industrial economists ... [and] introduced by Professor Mason at Harvard University in the 1930s” (p.11). The framework has been modified by the inclusion of feedback effects, and incorporates background conditions, demand, supply, market structure, market conduct, market performance, and public policy. The underlying assumption of this framework is that “market (or industry) structure determines, or at least has a strong influence on the conduct of firms, which in turn determines the performance outcomes of the industry” (p.10). The freight transport industry case study provides useful background information for examining overall economic performance of the industry and identifies factors that influence firms within the industry.

Case studies of strategy and management in a selection of small to large New Zealand organisations have been produced by Poulin, Mills, and Spiller (1998). The authors provide a framework for case analysis of strategic challenges and issues. They combine factors from Porter’s five-forces model, and the widely used PEST (political, economic, social, technological) framework, with their own BITS (beliefs, identity, technology, structure) components to produce a framework for case analysis of strategic challenges and issues.

Lewis, Morkel, Hubbard, Stockport, and Davenport (1996) use a framework for case analysis that incorporates external environmental analysis using recognisable PEST factors plus L and D (legal and demographic), industry environment using Porter’s five-forces model, and company analysis of strategy and performance.

Features of the various models described in this section for identifying and assessing strategic outcomes were used to develop the research issues and analysis framework for this thesis study.

2.4.1 Strategy Influences

Organisation direction and purpose, corporate governance, management culture, and stakeholder expectations are influences upon strategy development and planning.

Akers (1989) maintains that business ethics are a key component of our competitiveness as a society and that ethics and competitiveness are inseparable. The issue of whether Port of Tauranga Ltd has acted in an ethical and socially responsible way in its business dealings in a competitive industry environment is examined in this research study.

Jayaraman and Min (1993) examine ethics in business organisations at three levels, the operating level, the corporate level, and the societal level. The relationship of the market system, the nature of business and ethical basis of individual decisions is explored. They contend that the next phase in the development of mature corporations into a new environment is the embracing of the emerging values of the twenty-first century and the evolution of the individual, the organisation and the society into new forms of socioeconomic organisations. Port of Tauranga Ltd is a member of the New Zealand Business Council for Sustainable Development which expresses a commitment to emerging values of balanced social, environmental and economic development.

The ideas associated with the legitimacy of business are examined by Hoffman and Moore (1990):

The legitimacy of business – the public's acceptance of its right to exist and its belief in the "rightness" of business as an institution – has always rested on business' connection with our highest social values and on its perceived contribution to what we view as the good life or the good society. ... The legitimacy of business still rests on public confidence in its contribution to a good society (p.607).

Public acceptance and public confidence are particularly relevant where business organisations have grown out of local authority structures and especially where they retain significant ownership investments.

Public policy and corporate governance issues are relevant to the background to deregulation of the ports sector and transition to corporate forms of ownership and operation. Cavana, et al. (1998), trace government reviews and policies in the 1980s that led to the development of policies for waterfront reform and commercialisation of port authorities.

An organisation's relationship with the community in which it operates is an indicator of commitment to social responsibility. The changing attitude of New Zealand companies to this relationship is explored by von Tunzelmann (1996). She contends that where companies may have traditionally considered this relationship a liability there is an emerging view that strong social and community relationships add value to an organisation. She explains that they "are developing their roles in social and community initiatives as an integral part of strategy and strategic decision-making (value adding)" (p.21). A tentative framework of influences on business success is provided. Port of Tauranga has developed strong community links since it was established in the 1950s and it is evident that social and community relationships are considerations for strategy development.

McKinlay (1999) explores the concepts associated with public ownership of community wealth. He poses questions about:

the relationship between the public and those who hold the wealth. What is their mandate? How do they determine that their decisions on the use of that wealth properly meet the needs, priorities or wishes of that public? How are they appointed, how are they held accountable, and what powers should they have? (p.2).

These questions are relevant to consideration of strategic management and corporate governance at Port of Tauranga Ltd, particularly because of the majority shareholding in the company held by Bay of Plenty Regional Council.

Two records have been produced by Neil G. Hansen (1997, 2000) detailing the history of the Tauranga Harbour and Port of Tauranga. There are several earlier publications relating to the history and operations of the Tauranga Harbour Board. These include works by Mirrielees, A.J. (1941), Bowers, M.E. (1970), Oram, B.A. (1981). This literature has been useful in establishing the historical background to the development of the port.

CHAPTER 3 DESIGN AND METHOD OF RESEARCH

3.1 INTRODUCTION

Research studies were conducted in 1999 to background reform of the New Zealand ports sector and to identify resulting ownership and operational changes. An oral history interview was conducted with a person who had held a senior management position in a port company through the reform and restructuring periods. Theoretical, analytical, and operational research issues and themes identified from these studies have contributed to the research framework for this project.

It was evident from the initial studies that harbour boards and the ports sector were faced with major challenges in dealing with the realities of the reforms in the 1988-1989 period to make the transition from regional authority status to commercial port company operations. The second step came in 1992 when Port of Tauranga Ltd listed on the New Zealand Stock Exchange and the Board of Directors, senior managers, and shareholders were faced with the realities and challenges of preparing the Port Company to take this significant step.

Deregulation and corporatisation have resulted in changes in the nature of community involvement with port operations, and in stakeholder expectations of business performance. Organisational purposes have changed from provision of port facilities to meet local needs, to the requirement to operate as a business with the “principal objective of every port company ... [to] operate as a successful business” (Port Companies Act, 1988, Section 5). Port companies have had mixed experiences in the period since the reform measures. Port of Tauranga Ltd considers that it has developed a viable port company and is meeting commercial imperatives to provide satisfactory returns to shareholders.

The research questions combine an historical perspective of events - the reform period, with contemporary initiatives and issues – strategic initiatives to establish and develop port facilities; the need for a commercial approach to port operations. The research is set in the real-life context of the operations of Port of Tauranga Ltd over the 1989-1999 period.

The research questions required investigation into what strategic initiatives were taken by Port of Tauranga Ltd in particular periods, and whether the outcomes of strategic management decisions were consistent with intentions. Cooper and Schindler (1998) discuss the nature of research and differentiate between descriptive and causal studies in the following way:

The Purpose of the Study. The essential difference between descriptive and causal studies lies in their objectives. If the research is concerned with finding out *who, what, where, when, or how much*, then the study is **descriptive**. If it is concerned with learning *why* – that is, how one variable produces changes in another – it is causal (p.132).

Yin (1994) considers:

‘how’ and ‘why’ questions are more *explanatory* and likely to lead to the use of case studies, histories, and experiments as the preferred strategies. This is because such questions deal with operational links needing to be traced over time, rather than mere frequencies or incidence (p.6).

This research study sought to investigate operational links over time and is both explanatory and descriptive.

3.2 RESEARCH STRATEGY

A case study approach was selected as an appropriate research strategy to examine these questions and issues. Port of Tauranga developments at Sulphur Point and Metroport are examples of contemporary events in an actual business context. Sulphur Point developments had their genesis in the late 1980s and were commenced in 1992; Metroport is a more recent development that completed its first year of operations in 1999. Yin (1994) considers a case study approach effective in investigating contemporary phenomena and contextual conditions in real-life situations. He develops a technical definition of a case study:

1. A case study is an empirical inquiry that

- investigates a contemporary phenomenon within its real-life context, especially when
- the boundaries between phenomenon and context are not clearly evident (p.13).

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

2. The case study inquiry

- copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result
- relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
- benefits from the prior development of theoretical propositions to guide data collection and analysis (p.13).

There has been wide-ranging debate on the merits and limitations of case studies. The limitations most often cited are - limited scope for making valid comparisons (Cooper and Schindler, 1998, p.13), limitations inherent in drawing conclusions from a single study, and in generalising concepts and theories to other settings (Easterby-Smith, Thorpe, and Lowe, 1991, p.41; Yin, 1994, p.10). There are limited valid comparisons in New Zealand to the strategic developments of Sulphur Point and Metroport and the caution regarding generalising research results is pertinent.

Yin (1994) concludes "the case study as a research strategy comprises an all-encompassing method – with the logic of design incorporating specific approaches to data collection and to data analysis" (p.13). These factors were considerations in deciding the research approach.

3.3 RESEARCH APPROACH

The nature of this particular case study predicated an emphasis on qualitative techniques. There has been complementary quantitative analysis on aspects of business performance of Port of Tauranga over the research period. Researchers agree that quantitative and qualitative methods can be combined in one project and that particular research problems may lend themselves to a qualitative approach. (Strauss and Corbin, 1990; Yin, 1994).

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

In a discussion of qualitative techniques Van Maanen (1983, p.9 cited in Easterby-Smith, Thorpe, and Lowe, 1991, p.71) defines qualitative methods as an "array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring

phenomena in the social world". The distinction of achieving an understanding of the meaning of events and issues is important in the context of this research study. The research is designed to investigate the business context in which strategic management initiatives were developed and to understand to what extent the initiatives achieved their purpose. In deciding to use a qualitative approach Easterby-Smith, et al. (1991) consider "the key question is whether the quality of experience is more important than the frequency of opinions and events" (p.115). For this research project the quality of experience was an essential factor.

Denscombe (1998) explains the advantages of qualitative analysis:

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

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

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

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

The investigation of the effects of port sector reform and of later strategic developments required analysis of real-life events, not simulations or experiments. Miles and Huberman (1994) assert that "Qualitative data, with their emphasis on people's 'lived experience,' are fundamentally well suited for locating the *meanings* people place on the events, processes, and structures of their lives: their 'perceptions, assumptions, prejudgments, presuppositions' (van Manen, 1977) and for connecting these meanings to the *social world* around them" (p.10). This emphasis on 'lived experience' was a significant factor in the choice of research methods.

Denscombes's (1998) perspective on the disadvantages of qualitative analysis observes:

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

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

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

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

These observations are justifiable and were considerations in the design and selection of data collection and analysis methods.

What does emerge from the debate is that case studies can make a significant contribution to research and do have a legitimate role. A feature of case studies is that “they place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. ... An emphasis on detail provides valuable insight for problem solving, evaluation, and strategy. This detail is secured from multiple sources of information. It allows evidence to be verified and avoids missing data” (Cooper and Schindler, 1998, p.133). These features are consistent with those identified by Yin (1994). Criticisms of case studies overlap with criticisms of the qualitative research approach, particularly in relation to the ability to make valid comparisons and to generalise findings.

3.4 RESEARCH METHODS

To address the research questions and meet criteria for reliable case study data it was evident that data would need to be collected from a range of sources internal and external to Port of Tauranga Ltd, and that sources of data needed to be credible. (Yin, 1994; Mathison, 1988).

Zikmund (1994) considers that business research is concerned with sourcing and analyzing information to support quality decision-making. Data collection and analysis for this project were concerned with sourcing and analysing information to understand key issues and themes identified in research questions and objectives. These topics included strategic management issues and decisions in conjunction with operational factors.

Yin (1994) explains that there are advantages and disadvantages associated with major sources of evidence, and that using multiple sources increases the validity of the data and information base. Table 3.1 identifies what Yin regards as strengths and weaknesses of particular sources of evidence.

Table 3.1: Six Sources of Evidence: Strengths and Weaknesses

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

(Source: Yin, 1994, p.80)

The comparison indicates that interviews do have the advantages of being targeted and insightful, and these were important considerations for this study. However, it also shows that there are potential weaknesses if interviews are not carefully constructed and if the interviewer does not use methods that reduce the capacity for bias and inaccuracies.

3.4.1 Data Collection

Information for this study was collected in a variety of ways to ensure there was a valid base of data to identify concepts and themes and from which to analyse issues. Information was sourced from:

- (a) An industry study.
- (b) A preliminary oral history interview.
- (c) Documentation and archival records.
- (d) Observations of facilities and operations of Port of Tauranga Ltd.
- (e) An experience survey using semi-structured interviews.
- (f) An information exchange with an external reference source, Port of Baltimore.

A study of the Transport industry, New Zealand Shipping and Port Industries Sector, was completed in 1999. This study examined the historical background to the industry, and identified the impetus for, and consequences of, reform of the shipping and ports sector.

A preliminary oral history interview was completed in 1999 with a person who had senior management experience with Bay of Plenty Harbour Board, and subsequently with Port of Tauranga Ltd. He later became a local government councillor with a regional council who are major shareholders in a port company. This interview was useful in identifying issues and themes for further examination through the research study.

Documentation and archival records relating to business operations were accessed from Port of Tauranga Ltd and a wide range of other sources. Books and articles that address historical aspects of the development of Port of Tauranga were identified.

To identify key factors and to establish the context in which strategic initiatives were developed statistical sources, industry commentaries, media reports, journal articles, and

relevant publications and were identified and information was collected over a two year period. Port of Tauranga Ltd provided copies of Annual Reports from 1989 to 2000. The reports were analyzed and an information matrix was developed to categorise data over the research period to distinguish: ownership and operational aspects; significant activities and events; and financial performance. This material was useful in establishing the business context in which the organization operated in the periods when strategic initiatives were being planned and implemented.

It was not possible to gain access to specific strategic plans from Port of Tauranga Ltd. The New Zealand port sector is competitive and recent and current strategic planning information is regarded as confidential. This is a reality of conducting a case study of recent and ongoing events. Alternative approaches to investigate strategic planning and behaviour at Port of Tauranga Ltd were required. Mintzberg and Waters (1982) developed a model for 'Tracking Strategy in an Entrepreneurial Firm' and identified four major steps:

Step 1 The first step was the collection of basic data. Each study began by developing chronologies of the decisions and actions that shaped the organization's history, as well as of related trends and events in the environment and available figures on the organization's performance. ...

Step 2 was to infer the patterns and periods. ...

Step 3 An investigation of each period was the third step. ... At this point, use was made of organizational records and in-depth reports carried out by, for, or about the organization, and interviews were conducted with key actors of the periods in question. Of interest here were the people and forces that shaped the strategies of each period – in other words, the underlying causes of the major changes – as well as the interrelationships among the different strategies and related structures.

Step 4 was the building of theory. The research team sat down with a detailed report on the organization's history – the descriptions and explanations of its patterns and periods – for a series of brainstorming sessions. These focused on a

set of major conceptual issues, with the intention of extracting and inducing whatever theoretical conclusions could be drawn from these particular results (p.467).

The research project undertaken by Mintzberg and Waters was a major research project designed to track strategies and the processes by which they form in organizations. The study tracked the strategies of a retail chain over 60 years of its history. This research study of Port of Tauranga Ltd is of a shorter time scale, but principles identified by Mintzberg and Waters were considered relevant to the study and have been applied to identify strategies and performance, particularly in relation to the development of Sulphur Point and Metroport port facilities. The four-step model devised by Mintzberg and Waters has been used as the framework for tracking strategy over this period.

Economic impact studies carried out in 1993 and 1998 by Professor Warren Hughes, The University of Waikato, were useful resources to examine the economic contributions made by the Company to the Bay of Plenty region in the research period.

Direct observation of port sites enabled an assessment of the nature, size, and extent of shipping and storage facilities, nature and use of technology, and identification of other business activities associated with port operations.

A meeting was arranged and attended with a representative of Port of Baltimore, Maryland Port Administration, Planning Division, Baltimore, USA. This person had responsibilities for business development and marketing planning and analysis. A preliminary letter was written to the Director of Planning and Business Development, setting out information about the researcher, the project, and proposing areas for discussion. Port of Baltimore is situated on Chesapeake Bay, which is a similarly sensitive environmental area. In 1990 Port of Baltimore developed Seagirt Container Terminal, which is a substantial container facility, a further parallel. In each port substantial dredging and land reclamation has been required for development. The

purpose of this meeting was to exchange information and to establish an external reference point for common issues.

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

Table 3.2: Comparison of Major Survey Methods

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

Note: *Indicates that the method has an advantage over one or both of the other methods in the specific survey component noted.

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

Consideration of these comparisons, the scope of this project, and the need to gain insights from people with an understanding of particular issues and activities, led to the selection of face-to-face, or personal, interviews as the primary survey method. The comparisons confirmed that personal interviews were suitable for complex, long interviews where the interviewer could maintain some control over the interview sequence. The use of open-ended questions was appropriate for this method, and the quality of recorded responses was considered to be very good. Disadvantages included the cost of this method, the length of the data collection period, the issue of sensitive topics, and potential for sampling frame bias, and response bias. These factors were taken into consideration in the design of the interviews, the selection of respondents, the conduct of interviews, and recording of responses.

3.4.2 Experience Survey

According to Cooper and Schindler (1998) the use of the communication approach to survey or question people to gather primary data is appropriate where respondents have experience and knowledge that qualifies them to provide the desired information. The experience survey method was selected to access this experience and knowledge to gain information relevant to the research topics. Significant features of the experience survey approach have been illustrated in earlier references to the emphasis on people's own experience to gain an understanding of events and circumstances (Yin (1994), Easterby-Smith et al. (1991), Denscombe (1998), Miles and Huberman (1994). Cooper and Schindler (1998) suggest that "we will profit by seeking information from persons experienced in the area of study, tapping into their collective memories and experiences" (p.136). They go on to identify key factors for this survey method:

When we interview persons in an experience survey, we should seek their ideas about important issues or aspects of the subject and discover what is important across the subject's range. The investigative format we use should be flexible enough so that we can explore various avenues that emerge during the interview. What is being done? What has been tried in the past without success? Who is

involved in decisions, and what roles do they play? What problem areas and barriers can be seen? What are the costs of the processes under study? Whom can we count on to assist and/or participate in the research? What are the priority areas? (p.136).

These factors were considerations in establishing information templates of topics and sequences to be explored during interviews. A key issue was to include people from a range of backgrounds with different experiences from which to draw. According to Cooper and Schindler (1998) "Discovery is more easily carried out if the researcher can analyze cases that provide special insight. Typical of exploration, we are less interested in getting a representative cross-section than getting information from sources that might be insightful" (p.136).

3.4.2.1 Survey participants

The need to access "collective memories and experiences" for such insight guided the selection of interviewees. To achieve a range of experience and perspectives, this survey targeted people drawn from suppliers, shareholders, customers, competitors, Port of Tauranga personnel who had been involved in strategy development, Board of Directors, employees, port-related unions, stevedoring companies, and sharemarket analysts. Endeavours were made to identify people who represented different positions and viewpoints (Cooper and Schindler, 1998, p.136), and who had a mix of business experiences with Port of Tauranga Ltd. People were selected for the nature and extent of their experience of Port of Tauranga Ltd, the intention was to gather information from "insightful sources" (Cooper and Schindler, 1998, p.136). Participants were approached individually. Permission was sought from Port of Tauranga Ltd to contact current directors and employees of the Company. Fifteen people were contacted for interview, one person declined and fourteen people were interviewed. Further information on participants is set out in Chapter 4, Section 4.1.

3.4.3 Interviews

Interviews are widely used as a source of information for case study research. Yin (1994) explains:

The interviews may take several forms. Most commonly, case study interviews are of an *open-ended nature*, in which you can ask key respondents for the facts of a matter as well as for the respondents' opinions about events. In some situations, you may even ask the respondent to propose his or her own insights into certain occurrences and may use such propositions as the basis for further inquiry. The more that a respondent assists in this latter manner, the more that the role may be considered one of an "informant" rather than a respondent. Key informants are often critical to the success of a case study. ... Of course, you need to be cautious about becoming overly dependent on a key informant, especially because of the interpersonal influence – frequently undefinable – that the informant may have over you. A reasonable way of dealing with this pitfall again is to rely on other sources of evidence to corroborate any insight by such informants and to search for contrary evidence as carefully as possible (p.84).

The research design for this study endeavoured to combine the features of interviews of key informants with reference back to documents and observations to verify insights and opinions. Versions of events provided by interviewees on specific events were contrasted to check the accuracy and validity of views expressed. Easterby et al. (1991) discussing interviewing explain:

They are useful when:

- (a) the step-by-step logic of a situation is not clear
- (b) the subject matter is highly confidential or commercially sensitive;
- (c) the interviewee may be reluctant to be truthful about this issue other than confidentially in a one-to-one situation (p.74).

Yin (1994) contrasts the form and use of “a focused interview” (Merton et al., 1990), where the interview does not follow a rigid pattern but canvasses “a certain set of questions derived from the case study protocol” with “a formal survey” where questions and form are structured (p.84).

Consideration was given to whether to conduct interviews on an individual, personal basis, or to form focus groups to access information. One of the goals of the research project was to gain different perspectives on events and issues and this was a significant factor in deciding to conduct interviews on a personal basis, using a topic guide, or interview template. Face-to-face interviews were preferred for this experience survey to enable the range of background experiences of the participants to be explored (Sekaran, 1992, p.220).

Easterby et al. (1991) refer to a study undertaken by Richard [Thorpe] where managers and employees were interviewed together. They note that this research approach enabled comparison of perspectives on situations and enabled “better lines of enquiry to be developed and provided the opportunity to check out emergent themes and patterns as the interviews progressed” (p.74). They go on to observe that researchers do make choices about data collection and issues to be explored, and contend that a framework may be developed but should not be rigid:

One way in which this can be achieved is to prepare a ‘topic guide’ which can be used as a loose structure for the questions. Although there may be some deviation from the sequence so as to follow interesting lines of inquiry and to facilitate an unbroken discussion, the interviewer should attempt to cover all the issues mentioned (p.75).

Semi-structured interviews were selected to conduct the experience survey and gain insights on events. Research issues and themes had been identified and it was considered preferable for these topics to be introduced in a natural sequence, according to the range of experience of the respondent, and the development of the interview. The

interviewer had a topic guide, and apart from the introductory and closing sections of the interview, had the flexibility to introduce themes as the interview progressed, and to allow participants to develop issues and expand upon their initial responses. This is explained further by Denscombe (1998):

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

The interview sequence was developed to stimulate interest from the outset but to lead off with relatively straightforward questions. Zikmund (1997) explains: "If the opening questions are interesting, simple to comprehend, and easy to answer, respondents' cooperation and involvement can be maintained throughout the questionnaire" (p.394).

Interviews were divided into sections. Administrative questions were asked in the introductory section. They were designed to establish the nature and duration of the association with Port of Tauranga, the particular expertise of the interviewee, and any specific industry interest or perspective. A section examined historical aspects of port sector reform. Waterfront employment issues at the time of reform were incorporated in interviews where people had knowledge and understanding in those areas.

A section examined influences on the operations and activities of Port of Tauranga Ltd and covered topics relating to competitiveness, business ethics, technology, transportation issues, environmental issues, including the impact of changes in Chief Executive on management culture and practices. Strategic management issues explored included challenges relating to corporatisation and strategy development processes. A further section addressed specific questions about Sulphur Point and Metroport initiatives. Social and community responsibilities were examined in a separate section.

A final summary section asked participants to identify critical actions taken by Port of Tauranga Ltd to compete in the deregulated port sector environment, and to identify any significant risks for the Company in maintaining competitiveness. In this sequence participants were asked to comment on emerging trends in the industry. Before concluding the interview participants were asked if there were any other issues that were important to them during their association with Port of Tauranga that they would like to comment on.

Two separate sections were developed to gather responses from people with particular knowledge in specific areas. The 1989 Statement of Corporate Intent was used to question two interviewees who were involved at different levels of Bay of Plenty Harbour Board, and subsequently Port of Tauranga Ltd prior to the reform period, during the reforms from 1989-1992, and who are still involved. The statements incorporated in the document were read to the participants and they were asked if these aims had been met. Another section examined issues relating to the share market and perspectives of the performance of Port of Tauranga Ltd by investors and share market analysts.

Not all sections of the topic guide were used with all participants. The administrative section was covered with all interviewees, as were the summary questions relating to critical actions, risks for the Company, and issues important to individuals. Other sections were used where participants had particular knowledge or experience to identify their perspectives on particular issues and activities. The interviews combined some structured sections to develop key themes and issues, and provided for respondents to express their own views on issues they felt were relevant and important.

3.4.3.1 Interview Procedures

Potential interview participants were contacted by telephone and letter to arrange the interview. Participants selected the venue for the interview. It was considered important that it was a venue they were comfortable in. A copy of a letter is set out in Appendix 1.

At the interview meeting the interviewer introduced herself and gave some background information on her area of study, the aims of the research, and the nature and purpose of the interview. Participants generally responded with information about themselves and the nature of their experience or knowledge of Port of Tauranga Ltd. Explanations were given about the nature and duration of the interview. It was explained that participants did not have to respond to specific questions if that was their wish, that they could ask questions at any stage of the interview, and that they could withdraw at any time. This information was consistent with the consent form. The respondent and the interviewer signed the form and each retained a signed copy. A copy of the consent form is set out in Appendix 2.

Initially tape recording of the interviews was considered. It was decided that interviewees would probably not give information as frankly as they would if the interview was on a less formal basis. The researcher had prepared an interview template setting out sections of the interview and relevant research issues and themes. Space was provided under each section to make notes. A copy of an interview template is provided in Appendix 3.

Each interview commenced with the administrative section and continued with sections relevant to the experience of the participant. As the interview progressed discussion moved from general areas to more tightly targetted issues and questions (Sekaran, 1992, p.195). Each interview concluded with an invitation to the participants to raise issues that were important to them. Participants were treated as experts in their particular areas. Neutral probes were used where required to explore or clarify particular issues or responses (Babbie, 1995, p.267, p.277; Easterby-Smith et al., 1991, p.80; Denscombe,

1998, p.125). Where participants did not wish to discuss topics their rights were respected. Interviewees were thanked for participating and were asked if the researcher could contact them again if there was a need to clarify information. Interview notes were transcribed promptly onto an individual interview template. At the completion of all interviews the information was consolidated into an integrated matrix of topics and responses.

3.4.3.2 Interview Bias and Interviewer Effect

All interviews were approached in a consistent manner and contact with participants followed the same form and procedures. Information for each interview was prepared in the same way in an interview pack. The researcher followed the same format for interview preliminaries and for the conduct of each interview. The researcher endeavoured to convey a neutral stance on research topics and to be an observant and vigilant listener. Yin (1994) considers:

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

It was important to identify orientation, mood, and context in participants' responses to gain a better understanding of their perceptions of events and activities being examined.

Denscombe (1998) explains that age, sex, ethnicity, social and occupational status of the interviewer may influence responses of participants (p.316). The interviewer endeavoured to present herself in a similar way at each interview, in a manner consistent with the interview setting, and the work role of the respondent (Babbie, 1995, p.265). Most of the interviews were conducted on business premises in offices or meeting

rooms. The interviewer endeavoured to ask questions in a neutral manner, and not to antagonize interviewees or to adopt a judgmental stance. Interviews ranged in length from 60 minutes to 120 minutes, depending upon the range and depth of experience of respondents.

3.5 Data Organisation

Research notes, reports, observations, correspondence, documents, and transcripts were organised and stored to support analysis and interpretation of information. Yin (1994) refers to the desirability of having procedures for data collection and storage to enhance quality control and maintain reliability of information (p.96). From this information and the 1999 research studies, research issues and themes were identified.

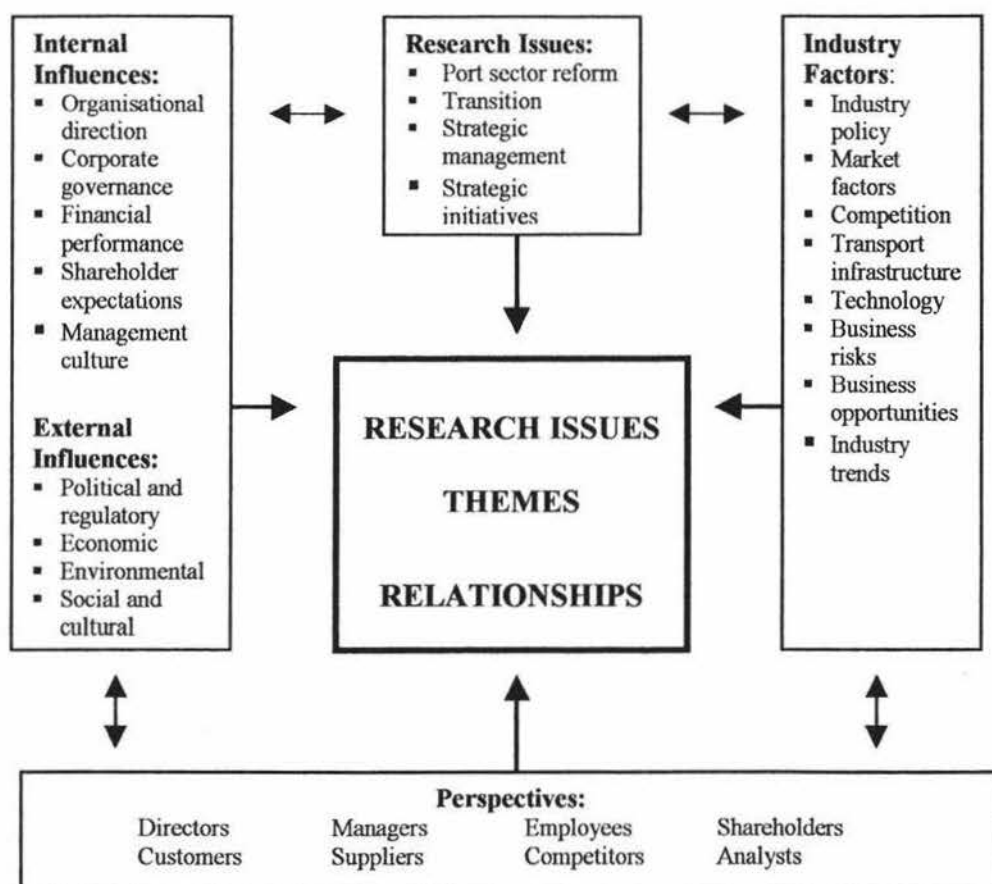
3.6 Data Analysis

The experience survey approach was consistent with the need to analyse information with reference to a theoretical framework of strategic management and business analysis. Business analysis frameworks contain various configurations of factors relevant to particular industries and studies. There are fundamental components that feature in the analysis models – background conditions; industry environment; market factors including suppliers, customers, and demand; competitive factors; political and regulatory factors; economic factors; socio-community factors; and technological factors (Pickford and Bollard, 1998; Poulin et al. 1998; Lewis et al. 1996; Porter, 1985, 1991).

The analytical framework for this project incorporated the above components with consideration of other research themes that had been identified in the preliminary phase. The pattern of relationships built up by Port of Tauranga Ltd was an important area for examination. Figure 3.1 identifies components of the research issues and analysis framework.

Figure 3.1:

Research Issues and Analysis Framework



3.6.1 Preliminary Studies

Information gained through an earlier study, Transport Industry – NZ Shipping and Port Industries Sector, Doughty (1999), indicated areas for further investigation through an Oral History Interview and Report. Examination of these issues through the oral history interview led to the identification of research questions and objectives for this current research project, and to preliminary identification of research issues, themes, and relationships for further exploration. The areas identified for investigation were reform of the New Zealand port sector, impacts on Port of Tauranga of the reforms and transition to a port company structure, and strategic planning and management resulting in port developments and initiatives.

3.6.2 Document Analysis

Analysis of documents, archival records, media reports, and industry commentaries confirmed the significance of the issues identified in the earlier studies. To verify the significance of issues already identified, and to assess new areas for consideration, Annual Reports of Port of Tauranga Ltd from 1989 to 1999 were analysed to identify features, issues, developments, results, and variations in goals and plans in each reporting period. This analysis confirmed that port sector reform and transition to a corporate structure had presented challenges in the implementation period.

Moving beyond the change management period to the requirement for the Board of Directors and Executive Management team to run a commercially viable operation in a competitive business sector presented more issues and events for investigation. Strategic management and development became significant factors for further consideration. Strategy was 'tracked' through the 1989-1999 period using the model developed by Mintzberg and Waters (1982). Strategic patterns and specific strategic initiatives were identified through this process.

3.6.3 Analysis of Interviews

The information gathered through the preliminary phases was used to develop an interview template for the experience survey that was conducted, refer to Appendix 3. It consisted of sections:

- (a) Administrative –nature and duration of association with Bay of Plenty Harbour Board/Port of Tauranga
- (b) Port sector reform
- (c) Waterfront employment issues
- (d) Influences on Port of Tauranga Ltd operations and activities
- (e) Transition and strategic management issues

- (f) Strategic initiatives – Sulphur Point and Metroport developments
- (g) Social and community responsibilities
- (h) Summary section – critical actions, significant risks, emerging trends, issues important to respondent.

Separate sections:

- (i) Statement of Corporate Intent 1989
- (j) Share market and investment issues

Template sections were used as topic guides. Interview responses were recorded individually. When all the interviews had been completed a composite interview response matrix was compiled to enable identification of patterns and themes” (Easterby-Smith et al., 1991, p.106). Content analysis methods were used to categorise information by collating all transcribed responses and grouping them under relevant sections and topics. The participants had been selected to enable a range of perspectives on events and issues to be gathered through responses.

Information gathered in a less structured way was related to identified issues, patterns, and themes. A variety of research methods had been used to gain information and which enabled coding and linking of data gathered from different sources. It also provided opportunities for re-evaluation of information to validate and interpret the information gathered. Use of multiple research methods and sources of information enabled triangulation of data and contributed to achievement of reliability and validity (Mathison, 1988, p.13; Yin, 1994, p.33).

Easterby-Smith et al. (1991) consider:

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

They go on to identify seven main stages to grounded theory analysis:

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

These principles guided the approach to analysis of interview transcripts.

3.6.4 Port of Baltimore

Strategic planning information was provided and this enabled comparisons to be made of common strategic management issues. Global shipping trends were identified and discussed. Development of facilities at both ports were discussed and common features and issues were identified. Interview information was assessed to establish relevance to the research study.

3.7 Ethical issues

This was an independent study. The researcher had no direct link with the Port of Tauranga Ltd. A preliminary meeting was held with the Chief Executive of the company to explain the nature and purpose of the research and to seek permission to interview employees with relevant knowledge and experience. That permission was given. They were entitled to research based on sound scientific and ethical principles and for conclusions to be based on data. It was important to ensure that company policies relating to privacy and codes of conduct were observed. The company provided access to information and other resources. A further consideration was that contemporary events were being examined and that information gathered may be

commercially sensitive or valuable. Where access to information was denied on this basis the researcher respected that decision.

The researcher had obligations to ensure truthfulness, accurate representation of data, and maintenance of confidentiality agreements. There were responsibilities to ensure the research report reflected the information gathered, and used appropriate language. The researcher has responsibility for providing feedback to respondents. They gave permission for the researcher to contact them for additional information or clarification in the analysis phase of the project.

Ethical issues were considered in all aspects of the research project. Potential interview participants were contacted personally to explain the nature of the project and the intention to conduct personal interviews to gather information. This contact was followed up with a letter inviting them to participate, and making preliminary arrangements for interview. The letter identified the researcher as an MBS student and contact information was provided. Refer to Appendix 1. Potential respondents were telephoned again to confirm their willingness to be interviewed and the suitability of the interview arrangements.

All participants were provided with information about the purpose of the research and uses of the information, and signed a consent form before the interview commenced. Refer to Appendix 2. An undertaking was given to participants regarding use of information gathered during the study. Issues of confidentiality were discussed with interview participants. An undertaking was given that individual interview responses would not be identified in the research report. The researcher indicated that where a respondent had been quoted on a relevant issue in an external publication, that information could be used in the research report. Participants were asked if they consented to having their name included in a list of people interviewed for the project. Thirteen out of fourteen respondents consented to be listed. Refer to Appendix 4.

CHAPTER FOUR RESEARCH RESULTS

4.1 INTRODUCTION

Research information was gathered from previous studies, from documents and archival records, and through the experience survey. Background events, research issues, themes, and relationships were identified and analysed to provide answers to the research questions. This section presents results of the analysis. Interview responses provided insights and perspectives on events. Analysis of documents and archival records contributed to triangulation of evidence to ensure reliability and validity of findings.

The research analysis framework developed for this project identified events and dimensions that required investigation:

1. Port sector reform.
2. Transition issues.
3. Strategic management
4. Strategic initiatives - Sulphur Point and Metroport.

The research was designed to investigate these events and dimensions from a range of perspectives, and to identify influences upon the management and operations of Port of Tauranga Ltd. It was important to establish the context in which events had occurred. The diversity of roles and relationships of interview participants contributed to assessing the significance of particular events, issues, and relationships.

4.2 PERSPECTIVES AND EXPERIENCE

To conduct the experience survey the researcher identified people who had diverse roles, relationships, and experiences with the Company and who could contribute different perspectives on issues and events.

Table 4.1 : Duration of Association with Port of Tauranga Ltd

Respondents (14)	Experience (Years)
6	20 +
2	10 – 20
2	5 – 10
4	1.5 – 3

The duration of their association with Port of Tauranga was discussed with interview participants. Of the fourteen participants, six identified their range of experience as exceeding twenty years, two identified experience of ten to twenty years, two identified experience of five to ten years, and four respondents identified experience of less than three years.

Table 4.2: Roles and Relationships

Respondents (14)	Roles, relationships
3	Director
3	General Manager/Chief Executive
1	Customer
2	Supplier
1	Competitor
4	Operations
2	Employment/Union
2	Business Analyst
6	Shareholder

It was important to achieve variation in the nature of roles and relationships to achieve a range of perspectives on research issues. Three people indicated current or former roles as Directors of the Port Company; three people had General Manager or Chief Executive experience; one person identified a customer relationship; two identified supplier relationships; one identified a competitor relationship. Four people had operational experience in areas of container operations, general shipping, stevedoring operations, and operations supervision. Two people identified welfare and employment conditions of Union members as responsibilities; two people were business analysts. Some respondents indicated more than one role in their period of association with Port of

Tauranga. Six people indicated that they were, or had been, shareholders in the Company. Six people had experience as members of organisations or groups who produced or made submissions to the government in the 1987-1992 period on reforms of the New Zealand ports sector. Seven people indicated that during their association with Port of Tauranga they had represented organisations or groups related to shipping, transport, or port interests. The cross-section of interview participants had a wide range of knowledge and experience relevant to the research study. Information from the oral history interview conducted in 1999 and the interview with a representative of Port of Baltimore are not included in this profile of relationships.

4.3 REFORM OF THE NEW ZEALAND PORTS SECTOR

The reforms were the catalyst for change in the ways in which port operations were owned and operated. This was an important research theme. Respondents indicated that the reforms were part of a package of privatisation measures introduced by the fourth Labour Government. They identified inefficiencies of ports, lack of competitiveness in the sector, impact on the economy, prohibitive shipping costs, and pressure from exporters as the driving factors for change.

4.3.1 Reform process

Respondents identified two distinct stages of port reform legislation measures. The first stage included the Port Companies Act 1988, which was passed on 27 April and established the legislative framework for the change in the nature of ownership and operations of port companies. This was followed by the Waterfront Industry Reform Act 1989, which abolished the Waterfront Industry Commission and provided for direct employment of waterfront workers. The second stage included the Employment Contracts Act 1991 and the Waterfront Industry Restructuring Act 1992, which further deregulated waterfront employment and work practices.

To answer research questions it was important to identify mechanisms for deregulation of the ports sector and impacts of the reforms on business conditions. Respondents explained implications of the legislative reforms. Rationalisation of port operations under the 1988 Act had consequences for port employees when operations were restructured between Bay of Plenty Harbour Board and the new Port Company. Decisions were taken regarding transfer of staff involved in commercial operations to the new company. In October 1988 the Port Company employed 183 staff. During the year this number was reduced to 160. Up until 1989 waterfront employees were employed through the Waterfront Industry Commission. After the Commission was abolished waterfront employees were to be employed directly by stevedoring companies. Port employers had formed the New Zealand Association of Waterfront Employers, NAWE, and were seeking to carry reforms through to waterfront employment.

4.3.2 Waterfront employment

Port of Tauranga Ltd were early innovators under the new legislation. Waterfront employment issues were considered and respondents identified out dated work practices, inefficiencies on the waterfront, and inflexible employment arrangements as reform factors. Industrial disputes over manning levels, pay rates, and lack of productivity were cited as pressures for change. Bay of Plenty Harbour Board did not employ waterside labour directly. In Tauranga this was handled through stevedoring companies; in other parts of New Zealand port companies were direct employers. One respondent indicated a possible amalgamation of waterside workers with harbour workers to form one employee organisation contributed to the impetus for reform. Another respondent indicated that the movement of foreign companies into forestry and stevedoring operations was a source of pressure for reform.

Port of Tauranga Ltd and port users supported direct employment of waterside workers by independent stevedoring companies. They were seeking reductions in manning levels and competitive labour rates. Disagreement on these issues led to extensive industrial problems that closed the port for 34 days in November and December 1989.

At one stage 21 ships were at anchor waiting to use the port. Eventually agreements were reached and waterside workers accepted redundancy provisions and re-employment by stevedoring companies. Not all workers were re-employed. Port of Tauranga records identify the number of waterside workers required by stevedores reduced from 441 to 202. Stevedoring operators could not finance the redundancies. Port of Tauranga Ltd funded them and recouped approximately 48 per cent through a levy on stevedoring companies over three years, and 52 per cent from the Waterfront Industry Reform Authority (Port of Tauranga Ltd, Annual Report, 1989, p.27).

Respondents recalled that port customers welcomed the reforms and were seeking improved operating conditions. They had supported the Port Company and port employers through the industrial disruptions. They were looking for competitive manning and lower pay rates to flow through into costs reductions and increased productivity.

After the dissolution of the Waterfront Industry Commission and resolution of the industrial disputes, a Port Code Agreement was established. According to one respondent, this agreement provided for employment of casual workers up to a level of 25 per cent of permanent workers and restricted certain operations to permanent workers. When the Employment Contracts Act 1991 was introduced pay rates for casual workers were reduced, the limit of 25 per cent was disregarded, and restrictions on who carried out particular operations were removed. This was seen by waterfront employees as an abrogation of agreements reached under the earlier Port Code Agreement.

Another respondent recalled events from a different perspective. Initially stevedoring companies had to make major commitments to employ their own labour force. They became more profitable, passed on some cost reductions, made slightly better margins, and were exposed to higher risks. Competition became more aggressive and the Employment Contracts Act 1991 provided an opportunity to reduce costs and make operations more flexible. Flexibility agreements had been reached in Tauranga in 1989,

for the provision of labour seven days per week, twenty-four hours per day, with employees working on a system of five days over seven.

4.3.3 Reform consequences

Benefits of port sector reform were examined. Benefits indicated by respondents included: faster turn around times for ships, more efficient cargo loading, better use of facilities, certainty of services, costs reduced or held, ability to introduce new technology, labour flexibility and efficiency, higher service standards, increased capacity to deploy port assets, and ability for port companies to manage their own businesses in a commercial way.

Table 4.3: Operational Statistics

	1988	1989	1990	1991	1992	1999	2000
Cargo throughput (000's tonnes)	4151	4028	5113	6114	6373	8499	9737
Turn around time per ship (days)	4.6	6.7	4.3	2.4	2.0	1.5	1.4
Cargo tonnes per ship	7085	7587	8679	8952	8531	8762	8852
No. of Employees	183	160	152	137	135	115	126

(Source: Port of Tauranga Ltd, Annual Reports)

Figures have been provided for 1988, the final year of operations for Bay of Plenty Harbour Board. The figures for 1989-1992 reflect changes in the number of employees, improvements gained in ship turn around times, and increased cargo throughput in the period following port reforms. Figures for 1999 and 2000 indicate these trends have continued.

Negative consequences indicated by respondents included: the extent of the early redundancies, the level of casual employment in the port sector, erosion of working conditions, exploitation of labour, and emphasis on cost cutting. Where safety issues

were raised, respondents did not identify safety as a concern during the reform period. They did indicate that safety improvements had been achieved in recent years largely as a result of Occupational Safety and Health regulations and monitoring.

4.4 TRANSITION ISSUES

Major issues faced by Port of Tauranga Ltd as a result of the reforms were identified by respondents. They indicated that the transition phase from ownership of port operations by local government harbour boards to port companies presented challenges and required rationalisation of assets, areas of operation, and employees. Land and assets used for port purposes were retained by Port of Tauranga Ltd, remaining assets and land were retained by local authorities – Bay of Plenty Regional Council, Tauranga District Council, or Western Bay of Plenty District Council. The Establishment Unit for Port of Tauranga Ltd was responsible for identification and valuation of assets to be retained.

Shares in the new company had been allocated to the regional councils in proportion to their representation on the Bay of Plenty Harbour Board. Waikato Regional Council received approximately 23 per cent of the shares and Bay of Plenty Regional Council approximately 76 per cent. According to respondents, the government supported dilution of local government ownership in port companies as part of the reform process. In 1992 when the Port Company decided to list on the New Zealand Stock Exchange and undertake a public share float, Waikato Regional Council decided to sell their shares and those shares were included in the float. Bay of Plenty Regional Council agreed not to seek to increase their shareholding. New equity diluted Bay of Plenty Regional Council shareholding from 76 per cent to 56 per cent.

Port Companies were required to operate with a business focus and to elect Directors with commercial expertise. The view was expressed that some former Harbour Board members without demonstrated commercial abilities made the transition to the new Port Company.

4.5 STRATEGIC MANAGEMENT

Issues were considered during interviews with respondents with an association with, or knowledge of, strategic management of the Port Company. Investigation of aspects of strategic management during the research period was necessary to answer research questions relating to the development of Sulphur Point and Metroport facilities, and to establish whether strategic intentions had been achieved.

4.5.1 Strategic Planning Processes

Strategic planning processes were identified by respondents. They indicated that strategic planning sessions were held annually. The Board of Directors discussed strategic issues and the Chief Executive had preliminary meetings with senior managers to consider options. An external facilitator was brought in to coordinate a strategic planning session with the Board of Directors. A separate session was held with the Executive Management Team without the external facilitator.

Respondents indicated that in the 1990-1995 period the Chief Executive drafted strategic plans after analysis by the management team. The Board of Directors approved those strategic plans. Respondents recalled that the Board of Directors had taken a more active role in strategic planning since 1996 and that senior managers and directors were involved in the process. As the composition of the board changed new directors strengthened accountability and governance processes. The impact of the board on strategic planning was acknowledged by respondents, along with the need for the executive management team to support and drive strategy implementation. One respondent explained that workshops and briefings were held with staff to gain contribution and ownership.

4.5.2 Port Development

Respondents identified strategically significant developments during their association with Port of Tauranga Ltd. These included deepening the harbour and widening the harbour entrance, reclamation and development of Sulphur Point, gaining New Zealand Steel as a port customer in the mid 1980s and deepening wharves for ships freighting steel. References were made to the foresight of the Harbour Board to acquire land adjacent to Sulphur Point and Mount Maunganui wharves to provide for future development. One respondent recalled that Port Company support for the construction of Tauranga Harbour Bridge created options for the use of the Sulphur Point reclamation land. He explained that the Company first considered using the land for quayside and traditional cargoes. Other developments indicated by respondents included: the shift to shareholders seeking a return on investment, the Port Company achieving customer focus and driving costs down, the development of a cooperative teamwork approach and building a multi-functional, broad skill base at the Container terminal. These responses provide insights on the development of infrastructure and capability of the Company over time.

4.5.3 Development of Sulphur Point facilities

Identification of strategic intentions and outcomes of the development of Sulphur Point facilities were explicit research objectives. Respondents explained the background to the developments during interviews.

Reclamation of land at Sulphur Point was started in 1967. A sea wall was constructed and filled with dredgings from the harbour over a 25 year period to form approximately 95 hectares of reclamation. Various options were considered for the use of the Sulphur Point reclamation. Respondents recall that facilities were to be built at Sulphur Point initially to provide one or two cranes, berths, and cargo handling area to relieve congestion on the Mount Maunganui wharves. In 1989 F. McKenzie, Chairman of the Board of Directors, reported:

... projected tonnages included in the planning cycle over the next five years indicate a substantial increase, particularly in products from the forestry sector. In order to cope with these increases, the decision was made to proceed with the development of 340 metres of quayside and some hardstanding on the Sulphur Point reclamation, and tenders were let for the first stage of this project in August (Port of Tauranga Ltd Annual Report 1989, p.3).

The stated intention for the development of Sulphur Point was to provide facilities to meet projected increases in demand from growing volumes of log exports and forecast trade growth. In January 1989 the Directors approved the construction of two berths at Sulphur Point. That decision was influenced by the opening of the Tauranga Harbour Bridge in 1988. Respondents confirmed that development of additional facilities was required to handle projected volume increases in trade and to reduce congestion on existing berths.

Increased productivity and ship turn around times achieved through port reforms also reduced ship congestion on Mount Maunganui wharves. A new Chief Executive, J. Halling, was appointed in 1990. He had experience of container operations at Port of Auckland and reviewed plans for Sulphur Point. Container shipping trends and overseas container facilities were investigated and financial modelling was undertaken to assess risks and costs of funding port expansion.

A proposal for development of integrated container and break bulk handling facilities was approved by the Board of Directors in 1990. The development initially provided for 600 metres of wharf, six hectares of storage space, and 20 hectares of paved storage. The purchase of two specialised Post Panamax container cranes was also negotiated. (Port of Tauranga Ltd, Annual Report, 1990). This was a change from the original strategy and was an initiative to develop specialised container port facilities at Sulphur Point.

The concept of providing a service apron between the berth and storage and marshalling facilities was a departure from the layout of traditional wharves. Respondents indicated that this provided greater utilisation and flexibility for container operations. The \$52,500,000 Sulphur Point development was completed by 1 April 1992, on schedule and under budget. The Company reported that four regular operators were using Sulphur Point facilities in 1992. The view was expressed by several respondents that the Port Company may have been ahead of time with this development. Other respondents supported the initiative and noted that it would have been more difficult and more expensive to do in a later period.

In 1993 the Company reported on the first year of Sulphur Point operations, and indicated that results matched expectations. The first fully-containerised service to Asia commenced on 6 June 1993. The NedLloyd roll-on-roll-off ferry service to South East Asia shifted from Mount Maunganui wharf to Sulphur Point. A new store for New Zealand Dairy Group was constructed at Sulphur Point and a rail siding was developed for unloading pulp and paper undercover. (Port of Tauranga Ltd, Annual Report, 1993). The development of specialised facilities was part of a strategy to increase the range of services and facilities available to customers to expand trade through the Port.

A weakness identified by interview participants was the lack of integrated transport links from Port of Tauranga to Auckland markets. The major container shipping lines were operating out of Auckland. One respondent commented that he considered shipping companies were fairly conservative and needed sound reasons to change existing business relationships. In his view, marketing the container facilities to overseas managers of shipping companies needed to be matched with developing strong links in New Zealand with people responsible for operations. According to respondents, Port of Auckland had reacted to the competitive challenge by consolidating their existing container customer base and negating reasons for customers to move to Sulphur Point. One view indicated that they had offered price reductions to customers for longer term contract commitments. Sulphur Point charged substantially less than Port of Auckland, but could not offer an integrated service.

During interviews several respondents referred to the earlier Portbridge initiative in 1993. This was a joint venture with Bridge Freight Ltd, Auckland, to provide an inland container operation in South Auckland for Auckland based customers. Portbridge Ltd was to provide a distribution system for import and export cargoes. Respondents explained that transport costs limited Portbridge development. They also commented on the involvement of Port of Tauranga Ltd in a consortium bid to purchase New Zealand Rail in 1993. This bid was not successful and it was not possible to consolidate a container base in Auckland without economic transport links to Auckland markets. These initiatives confirmed the consistent intention of Port of Tauranga Ltd to improve linkages to the port through road and rail networks to provide direct access and improved services to the major markets and customers of Bay of Plenty, Waikato, and Auckland. In 1994 Port of Tauranga received ISO 9002 accreditation for the entire marine and cargo operation. It was the first port in New Zealand to achieve this and it does illustrate recognition by the Company of the importance of delivering quality services to meet customer expectations in a competitive environment.

During 1996 there was export trade growth of 10.1 per cent with improved volumes for forestry, kiwifruit, apples, and steel. A new investor, Infrastructure and Utilities NZ Ltd, purchased 21 per cent of share capital. Respondents noted at this time there was political uncertainty surrounding MMP elections and difficulties predicting trading conditions. The view was expressed that trade growth was likely to continue but at a lower rate. The Directors undertook a review of company business plans. They reported that the Company was becoming more focused on meeting customer needs but there was an equal requirement to meet shareholder expectations for return on shareholder funds.

Respondents noted that changes in tariff structure were introduced in late 1996, and that customers did not welcome the increases. This decision resulted from the Board review of business plans and strategies and was part of a drive for increased returns on shareholders funds. There was a perception that traditional, volume exports were being

asked to subsidise Sulphur Point container operations. The Board responded to customer concerns and decided to phase in the increases over a three year period.

J. Mayson was appointed acting Chief Executive in January 1997, and his permanent appointment was confirmed in March 1997. Respondents noted that Maersk shipping line commenced container services using Sulphur Point terminal in February 1997. There was a substantial (14 per cent) increase in container throughput achieved in 1997, 77,073 twenty foot equivalent units (TEUs). Refer to Table 4.4 for comparative figures.

Respondents commented on the new Chief Executive's drive to improve levels of service for customers and to achieve growth. During 1997 and 1998 projects to improve systems and services at Tauranga Container Terminal were implemented. A strategic alliance with The Cargo Company was announced. This was an initiative to improve cargo consolidation, packing, and storage operations at the Tauranga Container Terminal. The purchase of 10 second-hand straddle carriers was announced in late 1997. Respondents noted that these developments improved container handling and storage efficiency.

The NAVIS Computerised Container Tracking System was installed. This gave the terminal the capacity to manage fast and efficient movement of containers through the Terminal and to track all container movements. AmZ Ltd were brought in as business partners to manage this project. They were experienced in the use of information technology systems for container operations. A dedicated Customer Service Centre was established in 1998 to improve the level of service to Port customers. The Port of Tauranga Annual Report 1998 outlines the role of this seven day per week, twenty-four hour per day service :

- to monitor and communicate with shipping,
- to plan shipping movements,
- to maintain camera surveillance of the Port,

- to maintain 24 hour communication with customers and service providers (p7).

One respondent commented that this initiative was an indication to customers that the new Chief Executive was seeking to lift customer service levels and improve relationships. He had been Operations Manager for the Company and had built up business relationships over many years. The view was expressed that he had credibility within the organisation and the industry.

Another significant development was the decision to operate the Tauranga Container Terminal in competition with stevedoring service providers. This was a departure from the Company's traditional position of not being directly involved with waterfront employment. According to respondents this decision was in response to customer demands for flexibility to choose one-stop-shop services at the terminal or to choose other service options. This was a notable change in operating strategy.

Table 4.4: Growth in Container Trade at Port of Tauranga

1989	1990	1991	1992	1993	1994
32,658	31,200	40,100	48,826	50,207	54,925
1995	1996	1997	1998	1999	2000
54,746	60,800	77,073	93,498	112,141	235,905

Note: Numbers indicate the volume of TEUs (twenty-foot equivalent units) shipped through Port of Tauranga.

(Source: Port of Tauranga Ltd Annual Reports)

Table 4.4 gives an indication of the growth in container volumes. The Sulphur Point container facilities were opened in April 1992. The 1992 figures tabled are for the year ended 30 September 1992 and include approximately six months of Sulphur Port operations. According to respondents the rate of growth in container volumes from 1993 to 1996 did not meet expectations. They indicated that it took longer than expected for Sulphur Point facilities to come on stream. Port of Tauranga Ltd had regular customers using the facilities, but had not consolidated relationships with major

container shipping customers and had surplus capacity at the terminal. This was partly because containerised imports were primarily destined for the Auckland region and without cost-efficient transport links to Auckland and other centres it was not economic to use Port of Tauranga for containerised imports. The local use of containers for export products was still developing. Shipping lines could make one port call at Auckland to discharge imported containers and could load export containers that had been transported to Auckland for shipping.

In 1999 F. McKenzie reported on the establishment of Metroport Auckland and the decision by Australia New Zealand Direct Line (ANZDL) to become the foundation customer of the Tauranga Container Terminal, which comprised Metroport and Sulphur Point terminals. He estimated that this “will boost annual volumes by about 50 per cent to 160,000 TEUs” (Port of Tauranga Ltd Annual Report 1999, p.12). Figures for the 1999-2000 year exceeded that forecast and reached 235,905 TEUs, more than double the 1999 figure of 112,141 TEUs, refer to Table 4.4 for annual figures. This result significantly exceeded expectations.

4.5.4 Development of Metroport facilities

Identification of strategic intentions and outcomes of the Metroport initiative were explicit research objectives. Respondents explained the background to the developments during interviews.

Influences on the decision to establish Metroport were identified by respondents. The size and significance of the Auckland market as an import destination, and a transport and distribution centre, had long been recognised. Several respondents had referred to the earlier Portbridge initiative. They identified the potential of the Auckland customer base and transport congestion in Auckland as factors. Port of Tauranga was heavily dependent upon exports and the prospect of achieving some balance of import and export cargoes was a significant factor. The Company had expressed the intention to diversify the cargo base. Tauranga had terminal space available and had a good

reputation for having an efficient, flexible workforce. They identified the need to provide an efficient, cost-competitive, alternative port service in the Auckland market. According to respondents Tranz Rail was approached to become a strategic partner and provide the transport solutions and Australia New Zealand Direct Line (ANZDL) were approached to join this strategic alliance as the core customer. Difficulties that had been apparent in earlier proposals were overcome, in part according to respondents, because of the change in ownership, management, and direction of Tranz Rail. The willingness of ANZDL management to work with Port of Tauranga Ltd to fully develop the concept was identified as an important success factor.

Interview participants explained that the Metroport concept was developed over an eighteen month to two year period and was kept confidential by the parties involved. Company records indicate that ANZDL announced their decision on 1 May 1999 to become the first customer of Metroport Auckland, and that the first ANZDL vessel used the Tauranga Container Terminal on 5 June 1999. Respondents indicated that ANZDL had been contacted approximately fifteen months earlier to participate in this initiative. Port of Tauranga record that the ANZDL decision “will boost annual container volume by around 50 per cent to 160,000 TEUs” (Port of Tauranga Ltd Annual Report 1999, p.8).

During interviews participants explained factors they believed influenced ANZDL to divert a substantial part of their container business to Port of Tauranga. They identified guaranteed berthage as an important factor, and explained that congestion on Auckland wharves meant that berths could not always be guaranteed. Service standards, price competitiveness, container handling efficiency and vessel productivity were identified as significant factors. Potential cargo opportunities and increased volumes from the Bay of Plenty, Waikato, and Rotorua-Taupo hinterland were also raised as factors.

Respondents indicated that it was only possible to attract a major container shipping customer to change to the Tauranga Container Terminal at Sulphur Point when Port of Tauranga Ltd could guarantee the development of integrated transport links and facilities

at Metroport Auckland. It was too costly to load and unload at Tauranga and transport to and from Auckland on an intermittent basis. The earlier Portbridge experience illustrated this.

Features of Metroport Auckland were explained in Port of Tauranga Ltd Annual Report 1999:

Metroport Auckland offers a range of practical benefits to shipping lines, exporters and importers including:

- a choice of ports in the Auckland region;
- efficient tracking of cargo through state of the art information technology;
- guaranteed cargo delivery times;
- direct delivery into South Auckland without having to rely on central Auckland's heavily congested roading and motorway systems; and
- the Port of Tauranga's commitment to providing a seamless, efficient, cost-competitive service (p.8).

Respondents explained that when import cargo is shipped through Tauranga Container Terminal for a Metroport customer it is railed via Tranz Rail services to the South Auckland terminal and distributed from there. Export cargo from Metroport Auckland is railed to Tauranga Container Terminal and loaded for shipping. Currently Port of Tauranga guarantees that cargo destined for Auckland that arrives during a Monday-Friday week will be transported to the Metroport Terminal over the weekend for distribution on Monday morning. A significant feature of the Metroport terminal that was noted, was the short delivery time for product from the Metroport terminal to Auckland customers.

The Metroport concept was discussed during interviews. The view was expressed that Metroport was successful because "it is part of this [Tauranga Container] terminal – two receipt and delivery points of same terminal." Another respondent explained the Metroport concept. "It's an inland terminal, cargo received and delivered from.

Without Metroport Auckland customers wouldn't be able to use Tauranga as a port of call. [It's] as if the ship is calling at Metroport. All facilities and functions of an ocean terminal are performed at Metroport." Another respondent referred to Metroport being the "Port of Tauranga wharf gate in Auckland." The view was expressed "Metroport enables liner services to put import cargo into Tauranga destined for Auckland and uplift Auckland export cargo from Tauranga. Cargo is tracked through from one terminal to another [a] seamless service."

Respondents indicated their view of the initial Ports of Auckland reaction to the presence of Metroport. One indicated that this move by Port of Tauranga Ltd was a "wake up call for Port of Auckland" and that competition in the Auckland market was now a reality. The view was expressed that Port of Tauranga Ltd was "mining imports out of the Auckland market share" and that prior to Metroport, Auckland moved 30,000 containers per year out of Bay of Plenty. The significance of the move of ANZDL was explained. Ports of Auckland had lost their second biggest customer, ten per cent of their business, 50,000 containers per year. The view was expressed that Ports of Auckland Ltd would realise the significance of the competition, would sharpen their commercial focus, and would respond to this challenge to their traditional market.

Participants considered the likely Ports of Auckland Ltd response to Metroport Auckland. Respondents contributed various perspectives. They commented that Ports of Auckland Ltd would probably attempt to lock-in existing Auckland customers by lowering existing tariffs for extended contract terms. They indicated that increases in productivity would be sought and there would be more emphasis on providing innovative solutions to meet customer needs. They believed there would be attempts to point out weaknesses in Metroport services in the marketplace. It was noted that Ports of Auckland Ltd had begun to implement the Axis Fergusson project to enlarge their container terminal, and that loss of a major customer would be viewed extremely seriously by them. One respondent commented that Ports of Auckland Ltd would endeavour to reduce labour costs. In his view, Port of Tauranga Ltd had a huge cost advantage, differentiated services, and a higher productivity level than Auckland.

Respondents commented on whether goals for the Metroport initiative had been reached in terms of clients, volumes, and profitability, and firm indications were that they had been. They were asked to comment on the impact of Metroport on goals for Sulphur Point operations. Again, responses indicated goals in relation to clients, volumes, and profitability had been achieved and in some cases exceeded in the period since Metroport had commenced operations. Respondents noted that ANZDL expectations were exceeded and that they had increased their volumes by routing through Port of Tauranga Ltd. They commented on the potential for additional volumes through the two terminals with the existing client or with new clients.

Interviews addressed the potential for further development of Tauranga Container Terminal facilities. The view was expressed that Sulphur Point has capacity for increased utilisation of existing facilities to handle 200,000 twenty-foot equivalent containers per year. Development of wharves and quays south of existing berths is possible but would require resource consent. Developments would require relocation of some port related businesses and investment in infra structure to achieve further growth. The view was expressed that to achieve expansion at Metroport new clients would need to be recruited. To attract new clients Tauranga Container Terminal would need to offer a daily service, incorporating a seven day per week transport shuttle between the terminals. A view was expressed that more direct control over management of the terminals was needed. One respondent considered that Port of Tauranga Ltd was not anxious to seek new clients until they were assured that systems and services at Metroport Auckland could be maintained on an ongoing basis, to a high standard.

The issue of constraints on Tauranga Container Terminal was addressed during interviews. With regard to Metroport Auckland it was noted that capacity to increase clients and volumes was constrained by the current level of rail links, and the fact that the Metroport terminal was not offering a seven day per week service. Surplus rail rolling stock was being deployed in the non-peak, weekend period. This was reflected

in transport costs. Several respondents commented that the issue of rail link capacity and cost would need to be addressed to offer an expanded service.

4.6 STRATEGY CHANGES

Respondents identified instances where significant changes were made to strategies to respond to changes in business conditions or Port Company intentions:

- A change from a tonnage-dominated focus in the Harbour Board period, to an emphasis on profitability of cargoes and utilisation of facilities under the company ownership structure.
- Emphasis on strengthening customer relationships.
- Changes in development and use of Sulphur Point facilities.
- The development of Metroport facilities.
- The decision for the Port Company to promote competition and provide cargo-handling services directly at the Sulphur Point Terminal.
- The decision to dispose of property surplus to the Company's needs.
- Seeking strategic alliances and business opportunities outside Tauranga.
- Strategic alliance with Northland Port Corporation to form Northport Ltd.

4.7 INTERNAL INFLUENCES ON ORGANISATION STRATEGY

Analysis of information and interview responses showed strategy development and planning were influenced by a number of factors and relationships within the organisation.

4.7.1 Organisation Direction

Respondents indicated that the fundamental purpose of the Port Company was to provide a facility for the efficient export and import of goods. This description was added to with references to being a facilitator of trade, and becoming New Zealand's

preferred cargo gateway. One respondent explained that the Port Company should not subsidise business, should seek and receive an adequate return on investment, and should not exploit a position of strength.

On the issue of whether or not Port of Tauranga Ltd had formal mission, vision, and goal statements, respondents indicated that some statements were published in Annual Reports of the Company. The statement referred to by two respondents was “to be the preferred cargo gateway of New Zealand.” The Port of Tauranga Ltd Annual Report (1999) sets out mission statements:

The Ports Mission ...

- To increase returns to shareholders.
- To be New Zealand’s preferred cargo gateway.
- To provide an alternative port service in Auckland.
- To provide business leadership and support to the community (pp.3-8).

The introduction to the Annual Report (2000) states that “The Port of Tauranga is no longer striving simply to be the nation’s preferred single cargo gateway. It aims instead to be recognised as New Zealand’s leading port by offering a range of preferred cargo *gateways* that include and transcend the boundaries of its historic base in the Bay of Plenty” (p.01). The chairman’s review reports the achievement of record results in 2000 in relation to long term business objectives of:

- Building and strengthening its strategic partnerships with shipping lines, importers, exporters and service providers;
- promoting competition within the confines of the Port itself, and within the wider port sector;
- enhancing information systems that meet customers’ needs;
- expanding the scope of the Port’s operations so new growth opportunities beyond Tauranga can be realised (p.10).

The change in strategic focus apparent from comparison of the 1999 mission statements and 2000 long term business objectives confirms the change in strategic direction that started with the Metroport initiative. The Metroport development had given the company confidence to look for more growth opportunities outside the immediate area. The introductory statement in 2000 confirms that the Port Company has a vision for cargo gateways, plural, beyond the Bay of Plenty region.

Respondents explained that strategic and business plans set out goals and objectives. One respondent identified several goals - creating an acceptable return for shareholders, continuing to add value by being innovative, displaying ingenuity, creating relationships, being a responsible corporate citizen, taking account of the environment.

Aspirations for the Port Company in different periods were identified by respondents. The emphasis for Bay of Plenty Harbour Board was on providing port facilities and services for exporters and importers, not on profitability per se. The strategic focus for the new Port Company was to operate on a commercial basis and to run a successful business. This included the need to identify and recruit directors with business expertise. Respondents indicated provision of an appropriate return to shareholders and achieving growth in profitable cargoes as strategic priorities.

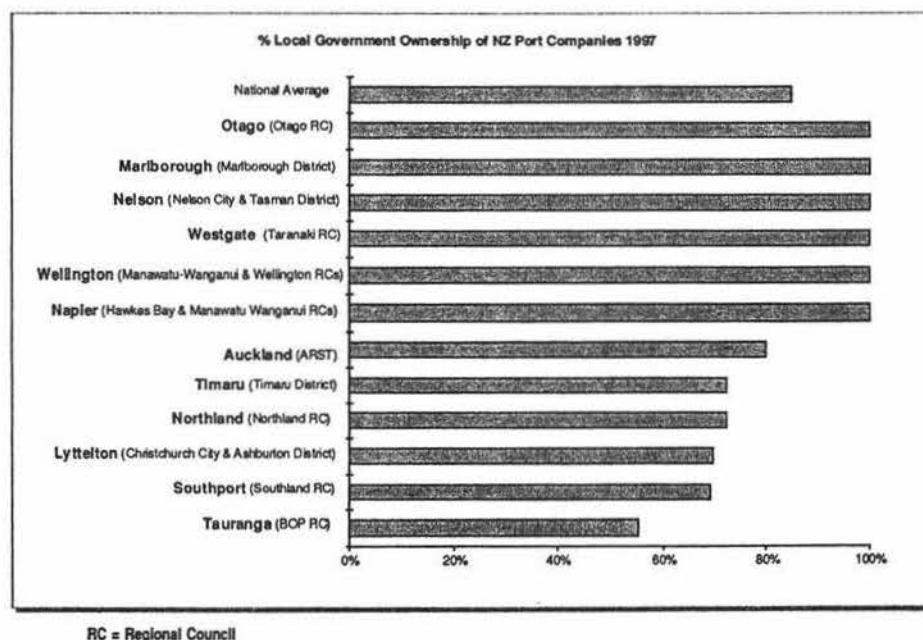
4.7.2 Corporate Governance

The basis for election of directors to the Board of Port of Tauranga Ltd was considered in interviews. Respondents reflected that in the Harbour Board period members of the Board represented sectional interests, for example Federated Farmers, forestry, dairy, and transport sectors. The view was expressed that Harbour Board members had to foster popularity to be elected. Port reforms had sought to achieve a commercial focus in the New Zealand ports sector through the election of directors with business expertise. The Companies Act 1993, and the Financial Reporting Act 1993, clarified and strengthened governance responsibilities of directors. Since the mid 1990s as new directors were appointed, there was less emphasis on sectoral interests and more

emphasis on appointing directors with commercial skills and experience. Respondents indicated that shareholders could make recommendations and that the Chairman of the Board produced a short-list of potential directors. The decision was made at the Annual General Meeting on the basis of voting entitlement in relationship to shareholding. In practical terms, the majority shareholder had to agree to individual director appointments.

Issues surrounding the structure of the shareholding in Port of Tauranga Ltd were considered in interviews. At the time of the interviews the two major shareholders were Quayside Securities Ltd with 55.07 per cent of shares, and Infrastructure and Utilities NZ Limited with 24.67 per cent. Quayside Securities Ltd is a wholly owned subsidiary of Bay of Plenty Regional Council. Several respondents indicated that they would like to see local government ownership of Port of Tauranga Ltd reduced from 55.07 per cent to less than 50 per cent.

Figure 4.1: Local Government Shareholding of NZ Port Companies 1997



(Source: KPMG Corporate Finance, 1998, p.13)

Figure 4.1 illustrates that shareholding in New Zealand port companies is dominated by regional council ownership, particularly where companies have not listed on the New Zealand Stock Exchange. In the period of transition from harbour boards to port companies shares were allocated to local government authorities. Port of Tauranga Ltd listed on the stock exchange in 1992 and at that time Waikato Regional Council sold their shares. This brought the regional council ownership proportion down from approximately 75 per cent to approximately 55 per cent.

4.7.3 Financial performance

Another perspective was presented to indicate that the Bay of Plenty Regional Council financial interest in Port of Tauranga Ltd was a strategically sound investment and that there was no good reason for Quayside Securities Ltd to reduce their shareholding. The share value had grown from the original \$1.05 per share at issue in 1992 to \$5.00 in mid 2000. Refer to Table 4.6 for share values for the period June 1992 to June 2000.

Table 4.5: Port of Tauranga Ltd Share Values

30/06/92	30/06/93	30/06/94	30/06/95	28/06/96	30/06/97	30/06/98	30/06/99	30/06/00
\$1.26	\$1.27	\$1.19	\$1.23	\$1.46	\$3.38	\$2.70	\$5.50	\$5.00

(Source: Port of Tauranga and Craig and Co. Ltd, 2000)

Port of Tauranga Ltd listed on the New Zealand Stock Exchange in 1992 and the value of shares has risen in that period, with fluctuations in 1994 and 1995. The figures indicate incremental growth to 1996. There was a substantial increase in share value in 1997. In 1998 the company felt the effects of the Asian financial crisis and this is reflected in the share value. In 1999 Metroport Auckland was beginning to function and investment in the company was viewed favourably in financial markets. There has been a correction between 1999 and 2000; the share value continues to reflect support by investors.

The issue of share market investor support of Port of Tauranga Ltd was discussed in interviews with participants with knowledge or experience of this area. They were

asked to identify reasons for investor support of the Company, and to identify relevant financial indicators. Responses indicated that Directors had maintained a commitment to providing a steadily increasing dividend flow, and the Company had demonstrated growth in earnings and revenue. There was a range of views on an appropriate level of return on shareholders funds and indications of 10-15 per cent. The view was expressed that the Company is over capitalised and gearing is relatively low. They noted that the Company was in a position to take advantage of growth opportunities similar to the Northland initiative. They commented that the Board had taken a fairly conservative but progressive approach in relation to debt and that under leverage was not an effective use of capital. They commented favourably on the use of EVA (economic value added) calculations for assessing actual return on assets. Table 4.6 sets out a financial summary for the five year period 1996 to 2000. They noted that management had been successful in diversifying operations and reducing dependence upon traditional revenue streams. They considered that management had demonstrated ability to see value added growth opportunities and that the share market rates competent management highly. The view was expressed that the markets see Port of Tauranga Ltd as a very steady business that is competently managed and has a sound future. One respondent noted that large institutional investors were not able to access shares of sufficient quantity and that the shares are closely held. Bay of Plenty Regional Council holds approximately 55 per cent and Infrastructure and Utilities New Zealand Ltd approximately 25 per cent. There is a small free float of shares and not a lot of investor volatility.

Table 4.6: Financial Indicators 1996-2000

Indicator:	1996	1997	1998	1999	2000
Revenue (\$000)	39,782	44,688	46,203	52,888	69,866
Profit after income tax (\$000)	9,050	12,219	11,653	15,491*	19,650
Dividends per share (cents)					
- Ordinary	6.5	11.0	13.0	18.0	22.0
- Special				20.0	16.0
Shareholders Equity (%)	63.5	66.7	63.0	76.6	72.7
Return on Equity (%)	8.5	11.7	10.3	6.7	7.5
Net Asset Backing per share (\$)	1.42	1.47	1.49	3.52	3.38

Note: 1 * Excludes capital gain on sale of land. 2 There was an Asset Revaluation in 1999.

(Source: Port of Tauranga Ltd Annual Report 2000)

The indicators show similar trends to Table 4.5: Share Values. The impact of Metroport operations is evident in the years 1999 and 2000. There has been a flow on effect of increases in shareholders equity percentage and net asset backing per share, and a reduction in the percentage return on equity. There has been a corresponding increase in share values and special dividends with a combined total of 36 cents were paid out between 1999 and 2000. Refer to Table 4.6. The asset revaluation exercise in 1999 has substantially increased asset values and placed a more realistic commercial figure on them. Refer to Table 4.7 for details. The indicators reflect interview respondents views on reasons for continued investor support of the Company

Table 4.7: Port of Tauranga Ltd Asset Valuation

	2000 \$000	1999 Post Reval. \$000	1999 Pre Reval. \$000	1989 \$000
Total Assets	354,888	350,735	184,705	73,922

(Source: Port of Tauranga Ltd Annual Reports)

Merrill Lynch (1999) noted that Port of Tauranga operates with a lower cost base than Ports of Auckland, largely as a result of greater commitments by Ports of Auckland in labour and “peripheral container services” (p.16). They noted that Port of Tauranga and Ports of Auckland have developed the same container capacity (500,000 TEUs). They considered that Port of Tauranga was more disciplined in terms of capital expenditure because Port of Auckland had invested more in infrastructure, but the container capacity of the Ports was now the same.

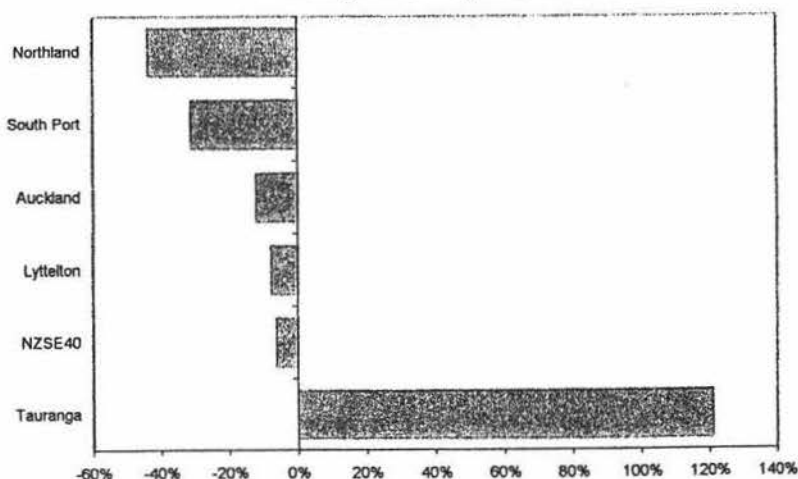
Interviews addressed whether there were any risks for the Port Company in maintaining strong shareholder support. Respondents indicated that there were the usual business risks. They noted that if the outlook for New Zealand deteriorated there were risks for Port of Tauranga Ltd. One participant expressed the view that institutional shareholders had short term expectations and this was a long term business venture. They indicated that if the dividend stream stopped growing investor support would wane.

Newton and Stimpson, KPMG Corporate Finance (2000) produced a comparison of share market performance of the five New Zealand ports listed on the NZ Stock Exchange. This table indicates the strong performance by Port of Tauranga over the three period December 1996 to December 1999. According to the KPMG authors:

Port of Tauranga has been a star performer. Ports of Auckland and Lyttleton performed ahead of the NZSE40 index for a spell in 98 before reverting to index's relative return. SouthPort and Northland continue to under perform, however their returns have roughly mapped the index's movements (p.26).

They note that "Port of Tauranga outperformed the market by 125 per cent over the three year period [1996-1999]" (p.25). Figure 4.2 illustrates relative performance.

Figure 4.2: Percentage Change in Share Market Prices, 3 Years, Dec 1996-Dec 1999



(Source: KPMG Corporate Finance, 2000, p.25)

The issue of desirability of changes in strategic direction for the Port Company was raised during interviews. Respondents indicated they welcomed the moves to divest property surplus to the direct needs of the Company. The view was expressed that company was over capitalised with corresponding pressures on providing adequate returns to shareholders, and needed to seek new opportunities for expansion.

4.7.4 Shareholder Expectations

Analysis of company documents indicates that the role of the Board includes the obligation to:

protect and enhance the value of the assets of the company ... through the approval of appropriate corporate strategies, with particular regard to return expectations, ... financial and dividend policy, and the review of performance against strategic objectives (Port of Tauranga Ltd Annual Report 1999, p.13).

The achievement of an appropriate return on shareholders funds, and maintaining an increasing dividend flow, are recurring themes in Annual Reports of Port of Tauranga Ltd. Interview respondents noted that the Company has moved to an economic value added (EVA) reporting system to give a more accurate indication of return on assets. Views expressed indicated that shareholders were pleased with the performance of Port of Tauranga Ltd in relation to other New Zealand port companies listed on the New Zealand Stock Exchange. Refer to Tables 4.5 and 4.6 for summaries of share values, returns on shareholders funds, and other financial indicators.

4.7.5 Management Culture

There was a change of Chief Executive in January 1990. Respondents indicated that the Board of Directors sought to appoint a person who had commercial experience and could implement commercially sound business practices and systems. There was a further change of Chief Executive in January 1997. At this time the focus was on appointing a Chief Executive who could build relationships and form strategic alliances. At this time the Board of Directors reaffirmed their commitment to “achieving a competitive return on shareholder funds” (Port of Tauranga Ltd Annual Report 1997, p.6).

On the issue of changes in management culture respondents identified differences between Chief Executives appointed in the research period. They indicated that J.

Halling (1990-1996) had experience as a senior manager with Port of Auckland in the period when they had developed container facilities. He had vision and strategic capabilities, and developed an autocratic and energetic management style. J. Mayson (1997-) had experience in a range of operational roles with Port of Tauranga Ltd and was respected by existing Port customers and staff. He was an approachable person. He developed expertise in working with teams and building strategic relationships. He achieved commitment to, and implementation of, company strategies.

Interviews examined whether there were any immediate changes in strategy required at the time of Chief Executive appointments. Respondents indicated that in the 1990 period the new Chief Executive had strategic planning experience, and was asked to identify limitations and strengths of the Company and to make recommendations to the Board, particularly in relation to the use of the Sulphur Point site. After consideration of options the decision was made by the Board and the Chief Executive to develop a container terminal at Sulphur Point.

Respondents recalled that in 1997 when the new Chief Executive was appointed, Sulphur Point facilities were still an issue. The container facilities had been developed but container volumes had not reached targets. The new Chief Executive was faced with the task of rebuilding relationships with customers after negative reaction to the 1996 Tariff Review. He prepared new strategic and business plans. Strategies indicated at this time were the need to develop strategic alliances with current and potential port users and to diversify operations. J. Mayson referred to "clear evidence of customer-driven demand for efficiency, innovation and a new approach to service." He indicated that in "an environment of constant change, the Port of Tauranga will preserve the flexibility and foresight to work alongside customers to develop new and better ways of meeting their needs" (Port of Tauranga Annual Report 1997, p.9). An example of this approach was the joint venture between Port of Tauranga Ltd and Owens Services BOP Ltd to form The Cargo Company Limited to provide cargo storage and container packing services. Another example was the decision to establish a container terminal in the Auckland area to provide comprehensive, competitive container services and facilities.

4.7.6 Business Ethics

The issue of business ethics was discussed during interviews. Participants were asked to comment upon whether the need to operate the Port Company upon a fully commercial basis had any impact upon business ethics between the Company and suppliers, customers, competitors, and vice versa. Respondents agreed that business was more competitive and that contractual arrangements could be different for individual customers. They indicated that this may have had benefits for large customers but did not believe that there were any unethical arrangements. It was explained by one respondent that “the business ethic is healthy, it is at the right level. No illegal tactics or rough stuff ... its an up front thing. Chief Executives of all ports meet on a voluntary basis twice per year. [There is] no formal association of New Zealand ports, but a voluntary association. Another view indicated that “customers took a long time to come to the conclusion that we were running a business – but we didn’t have a strong customer focus in those days”. The view was expressed that business ethics had improved the relationship between Port of Tauranga Ltd and customers.

The issue of ethics was raised in relation to the reform period. The view was expressed that there had been structural alterations in the work force to achieve efficiencies, but people who had been on Harbour Boards had retained positions even though it was recognised that these Boards had been inefficient. According to one respondent this was one of the downfalls of reform. Port of Tauranga Ltd is a member of the New Zealand Business Council for Sustainable Development which was formed in May 1999. This organisation expresses a commitment to “balanced social, environmental and economic development.” Its mission is “to provide business leadership as a catalyst for change towards sustainable development” (p.1).

4.8 Industry Factors

Analysis of information and interview responses showed strategy development and planning were significantly influenced by a number of industry factors, some of which were outside the direct control of the Company.

4.8.1 Industry policy

Prior to 1984 industries were subject to “an increasingly complex array of protection, subsidy and tax-relief policies at industry level” (Crocombe, et al., 1991, p.137). In 1984 the Labour government “signalled a fundamental change in philosophy as to government’s role in the economy” (p.137) and developed and implemented policies to privatise state assets and trading activities.

Pickford and Bollard (1998) identify policy areas that were used to regulate or influence industry behaviour:

Table 4.8: Instruments of Industry Policy

Policy Area	Policy Tool/Objective
Competition policy	Commerce Act 1986 – promotion of competition in markets
Fair trading	Fair Trading Act 1986 – promotion of fair trading
International trade	Unilateral reduction of import protection; bilateral reduction via CER; Multilateral liberalisation via WTO, APEC
Utilities	“Light-handed” regulation – separation of non-contestable areas; Commerce Act, information disclosure, threat of re-regulation
Government trading	Corporatisation and privatisation; local govt. contracting out
Taxes	Flatter, simpler income and sales (GST) tax rates; but tax collection burden
Labour relations	Employment Contracts Act 1991
Externalities	Resource Management Act 1991
Social Policy	OSH, ACC, and EEO

(Source: Pickford and Bollard, 1998, p.21)

The policy areas identified in the table have had implications for the operations of Port of Tauranga Ltd and are referred to throughout this report. Pickford and Bollard (1998)

explain that “New Zealand’s traditional industry policy used measures related to market structure, and to encouraging industry development and import substitution, by means of state ownership, monopoly export boards, import licensing, entry controls, subsidies, and on attempts to ‘pick winners’ (e.g., ‘Think Big’ energy projects)” (p.21). The changes to government policy were designed to provide industry sectors the flexibility to organise themselves to operate effectively. Deregulation of the ports sector was one of the industry reforms introduced.

Pressure is being applied on government for further reform of the New Zealand ports sector to reduce market power of the port companies. According to proposals prepared in 1998 by a Ports and Port Companies’ Working Group, shippers and port service providers are seeking:

- Separation of contestable and non-contestable functions in terms of financial accounting and information disclosure;

- Transparency in financial accounting of costs and revenue of individual services provided by ports;

- The application of a ‘light handed’ regulatory regime such as that applied to other natural monopoly utilities (p.3).

The proponents claim that the reforms sought are consistent with industry policies in other sectors, and with the objectives of the Commerce Act 1986.

4.8.2 Market Factors

New Zealand ports have traditionally been established to serve regional shipping needs. Port of Tauranga has pursued a broad strategy of growth and has consolidated its position in the New Zealand ports sector as the major export port by volume. Analysis of records and interview responses indicates that Sulphur Point facilities were developed initially to relieve congestion on Mount Maunganui wharves, and provide capacity to maintain and increase the cargo base. The decision to change the emphasis at Sulphur

Point to provide a specialised container facility was made after the move to public company ownership, with the injection of capital that accompanied that move. It was a strategy to diversify operations and reduce reliance of bulk commodity cargos and to penetrate the container cargo market. That was a change in strategic intentions for the use of Sulphur Point.

KPMG Corporate Finance (2000) note that there are variations in the types of cargo handled by different Ports and particularly in profit margins associated with different cargos. Containerised cargo has traditionally shown higher returns per tonne. (p.28). Growth in container cargoes has been evident throughout the 1990s. Table 4.9 gives an indication of the rate of growth in this trade, with 1997 showing a significant increase.

Table 4.9: New Zealand Container Growth

	1993	1994	1995	1996	1997	1998
Total NZ Containers (TEUs)	600,000	631,000	706,000	711,000	892,000	999,000
% Change	7.2%	5.2%	11.7%	0.7%	25.6%	11.9%

Note: TEUs refers to twenty foot equivalent units.

(Source: Port of Auckland, Merrill Lynch estimates; calendar years: Merrill Lynch, 1999, p.4)

Ports of Auckland, Lyttleton Port Company, and Port of Tauranga have established dominance in the container market. KPMG (2000) consider that the reduction in cargo rates for containerised product has assisted steady growth (p.28).

Table 4.10: Container Volumes for Ports of Auckland, Lyttleton Port Company and Port of Tauranga 1996-2000

TEUs	1996	1997	1998	1999	2000
Ports of Auckland		464,056	499,285	526,274	524,690
Lyttleton Port Co	120,000	150,000	153,800	161,300	166,700
Port of Tauranga	60,800	77,100	93,500	112,141	235,905

Note: TEUs refers to twenty foot equivalent units.

(Source: POA and POT Annual Reports, LPC figures provided by Co.)

The movement of ANZDL container business from Port of Auckland to Port of Tauranga has had a significant impact upon growth in volume and profitability for the Tauranga Container Terminal, which incorporates Sulphur Point Tauranga, and Metroport Auckland terminal facilities. Port of Tauranga Ltd Annual Report 2000 notes that:

Container volumes rose by 110 per cent to 236,000 TEUs (twenty foot equivalents), largely due to ANZDL's move. ANZDL has confirmed that its decision to move its New Zealand port of call from Auckland to Tauranga had helped it attract significant new business from customers in the Bay of Plenty and Waikato, particularly from the dairy, meat, timber, pulp and paper industry (p.06).

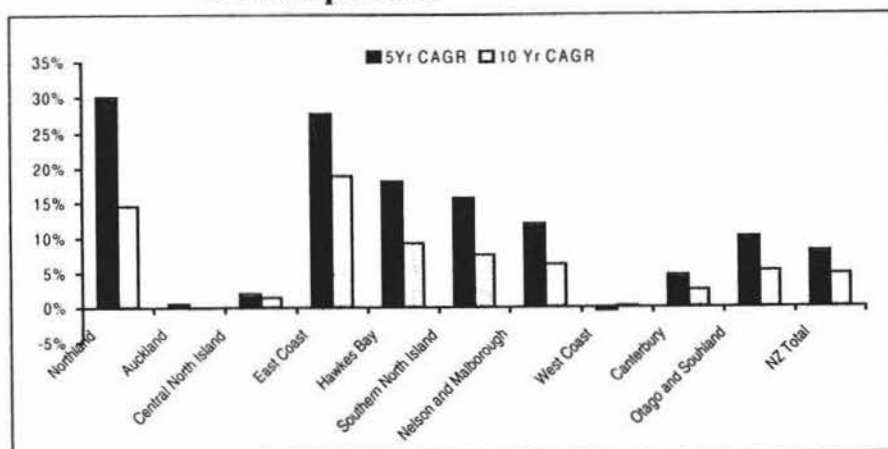
Interview respondents noted that the announcement by the New Zealand Dairy Board in 1999 of the removal of transport subsidies was expected to result in an increase in dairy exports from ports close to dairy regions and dairy companies. Prior to that decision Port of Auckland handled the highest volumes. A substantial proportion of dairy products are exported in containers and this was expected to lift containerised trade through Tauranga Container Terminal. Merrill Lynch (1999) noted that while there was potential for decreases in volumes for Port of Auckland and Lyttleton Port Company, a more significant factor was the likelihood that shipping lines increasing calls at other ports for dairy volumes would attract other export cargo from those regions. According to Merrill Lynch (1999) this is likely to be at the expense of Ports of Auckland Ltd and Lyttleton Port Company (p12). Port of Tauranga Annual Report 2000 reports that dairy volumes increased by 48 per cent in 2000 and that this result was achieved through increased dairy export volumes uplifted by shipping lines using Port of Tauranga. Dairy export volumes contributed to the 110 per cent increase in container volumes achieved the Port Company in 2000. Merrill Lynch (1999) note:

Currently POT [Port of Tauranga] has the dominant share of forestry volumes, however we forecast growth in POT's hinterland (Central North Island) to be flat over the next five years. Future growth in forestry volumes is in the Northland,

East Coast, Hawkes Bay, Southern North Island and Nelson and Marlborough regions (p.2).

They note also that in 1998 “forestry volumes represented 56 % of total volumes for Port of Tauranga ... and “that POT’s current level of forestry volumes has not much upside post FY99. ... The regions that are forecast to have high growth in forestry volumes over the next five years are Northland (30% p.a.) and the East Coast (28%p.a.)” (p.13). Forecast recoverable volumes growth by region from 1 April 1999 and the growth outlook for the Central North Island, which is predominantly exported through Port of Tauranga, are comparatively weak. Refer to Figure 4.3. Processed forestry volumes are increasingly being containerised for export and Merrill Lynch note that containers do not necessarily go through the nearest port and are contestable by other ports (p.13). The downward trend in forestry volumes from the Central North Island is significant for Port of Tauranga Ltd as forest products are still a dominant feature of their export trade.

Figure 4.3: Forecast Recoverable Volumes Growth by Region from 1 April 1999



Source: Ministry of Forestry

(Source: Merrill Lynch, 1999, p.13)

In May 2000 Port of Tauranga Ltd and Northland Port Corporation announced a 50:50 joint venture to develop a new deepwater port at Marsden Point. Port of Tauranga acknowledges that the forecast decline in log export volumes from central north island forests, and growth in volumes from the Northland region, were factors in this decision.

Carter Holt Harvey Ltd will be involved in this venture. This strategic initiative was discussed during interviews. Respondents explained that this development was a strategic alliance to position Port of Tauranga to gain an interest in an area with projected increases in forestry volumes. For Northland Port Corporation they benefit from the management and operational skills and expertise built up by Port of Tauranga over many years and their market knowledge. Respondents discussed whether this initiative would be limited to forestry or whether there was scope for other developments and several indicated that if there was demand container terminal development could eventually be considered. One respondent noted that this would be dependent upon a rail link with Auckland.

This strategic initiative followed the successful implementation of the Metroport development and illustrates the strategic intention of Port of Tauranga Ltd to form strategic alliances to compete in the New Zealand ports sector.

4.8.3 Competition

Respondents noted that Port of Tauranga Ltd competes within the ports sector with Ports of Napier and Gisborne for forestry volumes, and the Company has moved to establish a position in the growing market for forestry volumes out of the Northland region. The growth in containerisation of products has meant that there is a greater range of choice for port customers as container volumes are not always shipped from the closest port. Port of Tauranga Ltd has initiated a competitive challenge to Ports of Auckland by establishing a container terminal, Metroport Auckland, in South Auckland. Merrill Lynch (1999) indicated their view that "Port of Tauranga is strategically well placed to grow its share of North Island container volumes" (p.7). and supported this view:

- POT operates with a lower cost base
- POT has significantly lower wharfage rates
- POT has capacity in place
- POT has less investment in port infrastructure

- POT offers a less congestion option to its customers
- POT has a strategic alliance with Tranzrail
- NZ Dairy Board Plans favour POT
- POT can offer guaranteed berth facilities to its customers (p.7).

The Company competes with other road, rail, and sea transport providers for container and bulk cargo volumes.

Interview participants were asked to identify the main competitive strengths of Port of Tauranga Ltd during their association with the Company. Views expressed included: that it was a comparatively new port with comparatively young people running it, the Port served a large hinterland [Bay of Plenty, Rotorua-Taupo, Waikato] that supplied large volumes of cargo, there is a very large forest base export source close to Port and the same geographical location advantage for dairy volume and other produce, kiwifruit for example. The availability of back-up land available for the port was noted. Respondents considered that the Port was appropriately sited for bulk trade, was able to handle capacity, and specialised in logs.

Respondents identified increases in productivity that resulted from waterfront reforms. They commented that Port of Tauranga was the leading port in the world in terms of productivity and performance. Log ships that had taken 11-12 days to load now took 30 hours. Another respondent noted that the Port Company allowed a competitive element to operate on their patch. In this respect Tauranga was different to other Port Companies. In Tauranga marshalling had always been carried out by independent contractors. After reform of waterfront employment, stevedoring services were also provided by independent companies. He commented that in recent years Port of Tauranga Ltd had entered into competition with stevedoring companies to provide services at the Container Terminal. Credit was given to Port Company management for working with service providers, initially to sort out port reform, and later to provide solutions for customers.

Company records and interview responses indicate that J. Mayson moved to strengthen the senior management team after his appointment as Chief Executive in 1997. He sought to appoint people who could develop internal and external relationships, and expand business alliances. In 1998 F. McKenzie reported that a combination of the impact of the Asian crisis, and customer demand for efficient, cost-effective services, led to a review of operations that resulted in reductions in permanent staff positions. Reductions were achieved through a combination of voluntary severance and redundancies (Port of Tauranga Annual Report 1998, p.6). Interview participants identified early redundancies in the port reform period, the Employment Contracts 1991, and the proposed Employment Relations Bill, as significant employment issues.

The contribution made by employees was acknowledged. The view was expressed that in Tauranga an employer-employee relationship had developed where people were not fixed in their views and were able to negotiate positions. One respondent explained that “Tauranga workers have a high reputation and the workforce is competent. This is a highly mechanised Port and flexible work place practices have been achieved.” The contribution made by employees has been a factor in the capability of Port of Tauranga Ltd to successfully implement strategies.

Several respondents identified innovation as a source of competitiveness. They gave the Port Company credit for being willing to listen to customers needs, and for their ability to find solutions. The view was expressed that “it is easy for people to relate to interdependence of [the] regional economy and the Port. They explained the impact that the industrial dispute at the Port in 1989 had on the local community. Other references were made to the willingness of local and regional Councils to support development options of the Port. Another respondent summarised the Port’s current competitive approach as an amalgam of three strategies – customer service, strategic partnerships, cargo diversification. These elements have been evident in strategies implemented at Sulphur Point and Metroport.

Industry analysts noted that excess capacity in the ports sector and rationalisation within the shipping sector were competitive factors. Port company clients seek to drive down costs and to maintain competition. Customers have increased bargaining power and port companies are endeavouring to improve service range and quality to retain existing clients to attract new clients. The partnership forged between Port of Tauranga Ltd and ANZDL is an example of a new approach to establishing mutually beneficial partnerships. Port of Tauranga and Northland Port Corporation have contributed to rationalisation in the ports sector with their Northport Ltd initiative.

Comment was sought from interview participants on whether a formal alliance of Port of Tauranga Ltd and Ports of Auckland was a possibility in the short or long term. Responses indicated that there had been discussions between major shareholders of the two companies. The general view was that once Metroport Auckland had been established the possibility of an alliance diminished as it may be seen by the Commerce Commission as reducing competition in the sector. It was pointed out that there are potential economic benefits of amalgamated management and administration and potential weaknesses in creating a regional monopoly. Respondents noted that cooperative relationships do exist between ports without formal ownership amalgamations and gave the arrangements between Port of Auckland and Lyttleton Port Company as an example. Comment was made that “further rationalisation of the ports sector may happen, but not in the short term - [there is] too much parochial interest”.

4.8.4 Transport Infrastructure

Analysis of records and interview responses shows that Port of Tauranga Ltd has maintained an interest and involvement in the development of arterial routes. The Company was involved with other interested parties in the planning and funding of the Tauranga Harbour Bridge to link Tauranga and Mount Maunganui sides of the harbour, a necessary pre-requisite for the development of Sulphur Point. There has been an involvement in planning and funding the Waikareo Expressway which provides efficient access from the main highway leading north to Sulphur Point and the Harbour Bridge.

Company records show the Route P heavy duty road access project has been financially supported by Port of Tauranga Ltd providing sand for from dredgings to an agreed value. Work is currently proceeding on improving road links with the main Kaimai route to the Waikato region and a heavy access road from Tauranga to Rotorua is planned.

The Company has worked with Tranz Rail to maintain links to and from Auckland and to ensure quality rail access to cargo handling areas. Interview participants identified frustrations in trying to improve rail links. Costs of internal transport to and from the Port were identified as on going issues for the Company and factors for Sulphur Point and Metroport developments..

4.8.5 Technology

The impact of technology upon the operations of Port of Tauranga Ltd was discussed during interviews. Respondents identified difficulties in introducing technology prior to waterfront reforms. Technology was seen at that time as a threat to employment. They indicated that technology advances had been made in cargo handling and tracking, and in information systems management. Technology had been used for modelling water heights and flows in the port. One respondent commented on side loading technology and self releasing log-lifting gear developed by stevedoring companies.

The growth in containerised cargo has been the impetus for the introduction of technology to plan cargo loading and to track containers through the container terminals. AmZ Ltd was contracted to implement the NAVIS container tracking system to achieve fast and efficient movement of containers through the terminals. They had practical experience with the systems and the software and the Navis Corporation SPARCS and EXPRESS systems were commissioned in April 1998. The Company established a dedicated Customer Service Centre in 1998 to coordinate operations services. The Service Centre uses information systems to communicate with customers, and to monitor operations and security. In 1999 the Company reported that a new computerised harbour management system had been introduced, and a new radar system

installed. Container facilities and services at Sulphur Point and Metroport could not have met customer requirements without complementary information and container management technology systems.

The decision to proceed with the development of a container terminal at Sulphur Point led to the decision to order two Liebherr Post Panamax Container cranes to be in place by 1 April 1992. Halling (1991) records that “both new cranes have operational specifications of international standards and will be able to work the full 600 metres of the wharf” (Port of Tauranga Annual Report 1991, p.9). A Voith 40-tonne bollard pull tug was also ordered for April 1992 delivery. In 1997 the Port Company purchased ten second-hand straddle carriers to ensure efficient handling of increasing container volumes. In June 1999 the Port Company commissioned a two-man tug with a 50 tonne bollard pull, to be delivered in mid 2000. This replacement tug was necessary to handle the increasing size of ships coming into Tauranga harbour. The vessel will require two crew compared with three and four on existing tugs.

4.8.6 Business Risks

During interviews respondents were asked if there were any significant risks for the Company in maintaining competitiveness in the New Zealand ports sector. They explained that diversification from bulk cargo into containerised products, and increased revenue flows from leasing facilities had lessened general business risks. They did note that there are risks for Metroport Auckland related to capability of Tranz Rail to provide efficient, cost effective services, particularly for a seven day per week operation. Potential for problems with Tranzrail was identified in relation to hubbing operations, particularly for product across Cook Strait.

The view was expressed that there was a risk of the Port Company focussing on short term strategies and not planning strategically for the long term. Another respondent indicated that there were risks inherent in expansion and pursuing growth opportunities if economic and market risks had not been accurately assessed. Moves by competitors

to secure customers and cargo volumes from Port of Tauranga were identified. It was noted that Ports of Auckland were likely to respond to moves by Port of Tauranga Ltd to compete directly in the Auckland market. Reduced log volumes from the central North Island were identified as a risk for revenue maintenance and growth. Fluctuations in the New Zealand economy and in economies of export customers were identified as risks.

Implications for port sector operations of the proposed Employment Relations Bill were considered during interviews. The major concerns expressed were that unions would regain power and monopoly over labour, and that flexible working practices and multi-skilling of employees may be threatened. The prospect of national awards and the risk of demarcation and strikes were identified as concerns. Another perspective presented indicated potential benefits of the proposed legislation were the restoration of some balance in the relationships between employees and employers, acceptance of union involvement in the industry on issues of safety, work practices, welfare, and other areas. Possible negative impacts of the Employment Relations Bill on exporters were identified by respondents as a reason for softening in share prices in the port sector. Port companies were pressuring Government to identify ports as essential industries. Exporters and port companies considered that increased costs resulting from the proposed legislation would either have to be absorbed by the industry or passed on. Concerns were expressed that this may contribute to making exports uncompetitive on world markets.

Over capacity in the shipping sector was identified as a risk to maintenance of cargo volumes and profit margins. The prospect of further reform of the ports sector to increase competition and reduce what shipping interests consider to be monopoly practices was identified as a risk factor.

4.8.7 Business Opportunities

During interviews participants were asked where they saw opportunities for Port of Tauranga Ltd to develop business in the future. One respondent indicated that the

balance sheet was under constant review, and they were seeking new opportunities. He stressed that opportunities would need to meet “appropriate economic criteria” and not just be “growth for the sake of it”. The view was expressed that there were opportunities in enhancing what the Company does for current customers, and that opportunities were growing in some areas, e.g. Metroport. They commented that the Company “must never lose sight of the need to deliver cost efficient service to current customers”. Respondents could see business opportunities in further strategic alliances and joint ventures such as Northport Ltd, Tranzrail, ANZDL, and The Cargo Company Ltd. The growth in the number of cruise ships visiting Tauranga was identified as a business opportunity.

They explained that there were opportunities for further development of Tauranga Container Terminal facilities at both Sulphur Point and Metroport. Expansion of current dock, storage, and specialised cargo handling facilities were identified as growth opportunities. The Company had demonstrated abilities to recognise business opportunities, and to plan strategically to develop and implement business initiatives. In October 2000 the Company announced an agreement with Port of Brisbane Corporation to share information, technologies, marketing, and expertise. The initiative has been referred to as a “Oneport” strategy to pursue growth opportunities. This is an extension of the company’s strategic alliance strategy into another country.

Assessment of business risks and opportunities was regarded by interview respondents as a critical function of the Board of Directors and management team.

4.8.8 Industry Trends

Interviews addressed the issue of hubbing, where shipping lines minimise port calls and cargo is aggregated for transport by other means to a destination. Respondents were asked to identify which ports would become major New Zealand hub ports for shipping. They indicated that Lyttleton Port Company, Port of Tauranga Ltd, and Ports of

Auckland Ltd would be most likely to become hub ports. Port Otago was identified as a possible alternative to Lyttleton.

Merrill Lynch (1999) identified a “reversal of the hubbing trend which, in the past, benefited ports such as Ports of Auckland and Lyttleton Port Company. There appears to be evidence that their respective market shares in container volumes are declining” (p.2). In their view the policy of the New Zealand Dairy Board to use a range of ports would be a disincentive for hubbing as there would be increased opportunities for aggregation of cargo at the regional ports.

One respondent didn't accept hubbing as a relevant concept for the New Zealand ports sector. In his view Singapore was more likely to become an international hub for aggregation of cargo for New Zealand destinations. He explained that this would be the outcome of an economic decision made by a shipping line or a major exporter or importer. He considered that New Zealand's share of total world trade volumes did not warrant hubbing arrangements within New Zealand.

Inter-modal transport alliances were identified as a trend. Port of Tauranga Ltd had demonstrated the effectiveness of entering a strategic alliance with Tranz Rail to provide transport solutions for Metroport. Coastal shipping was identified as a potential component of an inter-modal transport chain. The potential for increased strategic alliances to deliver quality services to customers was noted. The provision of logistics facilities and levels of services, from full one-stop-shop service, to individual service contracts, coordinated through port companies were identified as trends.

Respondents indicated that increased container volumes are likely to continue, with larger container ships servicing New Zealand ports. They noted that this trend will have implications for access and egress to and from berths.

Increased use of technology for communication, customer transactions, and cargo planning and tracking were identified as trends. The view was expressed that logistics companies would use technology to connect with customers.

Rationalisation and resulting over capacity in the shipping sector was identified as a significant trend. Respondents noted that increased bargaining power brings pressure to drive down costs and seek reduced wharfage rates. Merrill Lynch (1999) note that the fact that profits of Port Companies “are directly observable fuels shipping lines desire to drive port charges down” (p.6). The joint venture by Port of Tauranga Ltd and Northland Port Corporation to form Northport Ltd illustrated inter-port rationalisation in the sector.

The issue of over-capacity was addressed by Bo Samuelsson, Columbus Line national operations manager, at the conference of the Association of Pacific Ports in October 2000. He explained that escalating costs were affecting profitability of shipping lines. He also noted a trend where “global players in the container-liner trades are seeking control over terminal operations by acquiring rights to operate their own terminals – and this sends a signal to ports worldwide that the way they are operated is of vital importance to the shipping lines.” At the same conference, Geoff Vazey, Chief Executive of Ports of Auckland Ltd, indicated that global shipping trends included bigger vessels, growth in containerised freight, and increasing international standards and regulations (Kennedy, 2000, p.76).

4.9 External influences on organisation strategy

Analysis of information and interview responses showed strategy development and planning were influenced by a number of factors outside the direct control of the management of Port of Tauranga Ltd.

4.9.1 Political and Regulatory Influences

The issue of political and regulatory influences on Port Company operations was raised during interviews and respondents contributed views on various aspects and influences.

The issue of public policy direction was identified as a significant influence. This had been illustrated in the period of port sector reform between 1988 and 1992. Respondents noted there had been changes in public policy direction since the change of government in 1999. They gave examples of employment relations and accident compensation.

The influence of public policy on trading conditions was raised by one respondent. Fluctuations in the exchange rate and interest rates were identified as influences on business activity. In 1986 there was political uncertainty with the prospect of the first MMP election, and it was difficult to predict trading conditions.

Respondents identified the Resource Management Act 1991 as a significant influence on port operations. The view was expressed that it would be difficult to undertake a reclamation project on the scale of Sulphur Point, and that port operations, particularly in relation to resource consents for dredging and Water Right were influenced by public policy direction and resulting legislation and regulations. The example of Northland Port was raised. This port had to close down operations because it could not get approval for disposal of dredgings.

4.9.2 Economic Influences

Port of Tauranga is New Zealand's largest export port by volume and is vulnerable to fluctuations in export markets, particularly for timber and forest products. Respondents noted the downturn in log exports in the last quarter of 1993, and temporary adjustments in 1996. They commented on the impact of a 20 per cent decline in log volumes during the Asian crisis in 1998. Respondents recalled that moves to diversify the cargo base

into containers, frozen meat and dairy products had blunted the economic effects of the collapse of the Korean economy and difficulties in the Japanese market in 1998.

The University of Waikato, Department of Economics, completed Economic Impact Studies in 1993 and 1998 to measure the economic contribution Port of Tauranga Ltd makes to the Bay of Plenty Region and to New Zealand. In 1998 the researcher replicated the study that was completed in 1993.

Table 4.11: Port of Tauranga Economic Impact Comparisons for 1993 and 1998

	POT SALES	POT CARGO	POT FTE	BOP FTE	NZ FTE
YEARS	1998 \$ millions	'000 tonnes	Employment	Impact Persons	Impact Persons
1993	37.0	6880	132	21578	61787
1998	46.2	8170	128	23074	62951

(Source: Hughes, 1999, p.3)

Hughes (1999) noted that there had been little impact over the 1993-1998 period on FTE (full-time equivalent) employment impacts, and that employment at Port of Tauranga had actually reduced by 3 per cent in this period. Cargo volumes over the same period had increased 19 per cent. He considered that this may be a reflection of the Employment Contracts Act. There was an increase in revenue of 25 per cent over the period. He related this to the 19 per cent in cargo volume increases and explained that in his view this reflected increased demand for the cost-effective services of the port (Hughes, 1999, p.3).

The table illustrates that Port of Tauranga Ltd has a significant economic impact on Tauranga city, Bay of Plenty region, and New Zealand. The researcher estimates that the impact of Port of Tauranga on the Bay of Plenty economy is 27 per cent, and the overall impact on the New Zealand economy is 4 per cent. He comments that "Any facility that is associated with 4% of a nation's production has to be regarded as an extremely valuable asset" (Hughes, 1999, p.2).

4.9.3 Environmental Influences

Environmental issues were considered during interviews and participants expressed the view that they have significant influence on Port Company operations. Tauranga Harbour is widely used for recreational as well as shipping activities. Environment Bay of Plenty has regulatory and monitoring responsibilities for Tauranga harbour and Bay of Plenty coastal environments.

Respondents explained that to assist in monitoring environmental impacts Port of Tauranga Ltd has maintained a relationship with The University of Waikato. In 1990 the University established a Professorial Chair of Coastal and Environmental Sciences. In 1991 the University carried out environmental studies which were used by the Port Company to support their application for approval of their dredging programme. In 1992 the arrangement with The University of Waikato was extended and they undertook to monitor the harbour for effects of port operations on the environment.

Respondents identified the need to maintain the depth of shipping channels to enable access and egress of ships. In 1992 they completed a 4.9 million cubic metre dredging project to deepen shipping channels and berths. They explained that Port of Tauranga Ltd had a planned maintenance dredging programme and that three dredging projects were completed in the period 1995-1999 at a total cost of \$1,998,900. They noted that the Port Company must comply with Resource Management Act requirements to get approval for dredging and Water Right applications. One respondent commented that the major problem was in getting approval for disposal of dredgings, and referred to Northland Port where the harbour was silted up because the Port Company could not get dredging and disposal approvals. The view was expressed that Port of Tauranga should be planning the next major reclamation for Tauranga Harbour to ensure the availability of land for the future. One respondent identified a need to remove or reduce the sandbank on the edge of the shipping channel adjacent to Sulphur Point wharves. A contrary view was expressed indicating that it would be more difficult in the current regulatory environment for the Port Company to meet criteria for dredging and disposal

of dredgings for significant removals or reclamation. In 1994 Port of Tauranga records show that the Company made an arrangement with Tauranga District Council to provide dredged sand to an agreed value for the Route P roading project, which will provide improved road access to the Port.

Oil discharge, loss of logs, containers, and miscellaneous cargo from ships were identified as potential environmental hazards. Run off and washings from wharves and log storage areas into the harbour, sewage discharge from vessels, and ballast water discharge were all identified as environmental risks for Tauranga Harbour. These were areas where the public expected Environment Bay of Plenty and Port of Tauranga Ltd to develop and exercise responsible risk management practices. The impact of noise levels from operations at Sulphur Point on residential areas was identified as a potential environmental issue. One respondent commented that airport expansion plans and related air space restrictions would be a factor for further development of Sulphur Point facilities.

Port of Tauranga has supported environmental programmes in the region. Port Company records confirm that in 1992 the Port Company assisted the Royal Forest and Bird Protection Society of New Zealand to establish a boulder reef in the inner harbour near Mount Maunganui. In 1994 they completed the Pilot Bay renourishment project which used sand dredged from the harbour to augment the existing beach. In 1995 Port of Tauranga made the commitment to sponsor The University of Waikato Professorial Chair in Coastal and Environmental Sciences. In 1996 the Port Company announced their support for a Research Fellowship in Marine Ecology at The University of Waikato. Respondents explained that the Sulphur Point reclamation project displaced nesting birds. Port of Tauranga Ltd Annual Report 1998 records that the Port financially supported the Department of Conservation dotterel breeding programme that was established on Matakana Island (p.10).

4.9.4 Social and cultural influences

Historical records show that Maori had been users of Tauranga Harbour in pre-European times. Respondents identified the need for the Port Company to recognise issues and interests important to Maori. One respondent noted that the Port Company and port users needed to exercise care and consult with Maori where port activities may have an impact on Maori land or marine interests.

The issue of whether Port of Tauranga has any greater responsibility to the community than other publicly listed companies because of its local government origins was examined with interview participants. Three respondents indicated there was a greater responsibility and identified economic impacts, public asset philosophy, and the impact the port has upon the town and people. Another respondent explained that the port was an essential industry and the Port Company has an obligation to maintain competitiveness of the country. He commented that most New Zealand port companies occupy high profile geographic sites, and as “corporate citizens” must remain aware of this and “earn the right to occupy”. One respondent considered the Company had a responsibility to beautify areas they use, including silos, oil berths, etc. Other respondents indicated that in their view there was no greater responsibility. Views were expressed that ownership issues and responsibilities were sorted out in the transition period in 1989 and that the Port Company has a responsibility to run an efficient business and generate growth, not only for the Company, but for the region. Two people did not comment on this issue.

On the issue of whether the community had benefited from the reform of the ports sector and corporatisation of Harbour Board operations eight respondents commented and all indicated there had been benefits for the community. One respondent indicated that the Port Company was a bigger operation today, with corresponding greater economic benefits. Growth in jobs, business activity, economic growth, and transport routes were identified as benefits.

The Port of Tauranga Ltd has supported a wide range of community activities since its formation in 1989. Company records show support for sports through the Port of Tauranga Half Iron Man competition and the Charity Yacht Regatta, business through the Economic Development Office, Export Institute, Waikato Chamber of Commerce, Tauranga Chamber of Commerce, the Compass Community Trust business mentoring programme. Reference has previously been made to support for the Department of Conservation dotterel breeding programme on Matakana Island. Since 1991 the Port Company has funded the Turirangi Te Kani Memorial Scholarships, with an annual grant of \$4,500 for tertiary studies to Maori students from local iwi. In 1999 the Company announced a new sponsorship for restoration and maintenance of The Elms, a building of historical significance to Tauranga and the Bay of Plenty region. In the year 2000 the Company reported that it had provided support for Tauranga Festival of the Arts and for Project Tohoroa, a school educational science resource kit.

4.9.5 Port of Baltimore experience

The experiences of Port of Baltimore illustrate that there are some common issues faced by Maryland Port Administration (MPA) and Port of Tauranga Ltd.

Port of Baltimore was founded in 1706. It is situated on Patapsco River, which runs into Chesapeake Bay. Chesapeake Bay is an environmentally sensitive area with substantial wildlife reserves and it is used extensively for recreational activities. There is an historical link with local government. Maryland Port Administration is a public sector body with responsibility for management and growth of Port of Baltimore. The Port of Baltimore comprises private terminals and public, multi-user MPA terminals. The public terminals are primarily used for general cargo

A representative of Port of Baltimore explained that there is a growing requirement to demonstrate economic value of activities and to show a return on capital investment. Most facilities are leased out to private enterprises. Port of Maryland develop and maintain facilities but do not operate them. Seagirt Marine Terminal was built in 1990

to meet identified growth in container trade and to improve ship to rail access. It is a separate legal entity, Maryland International Terminals, an operating subsidiary of Maryland Port Administration. The Seagirt terminal operation is contracted out to P and O Ports who provide operations, security, etc. Their fastest growing commodities are imports and exports of forest products

The container terminal was built with material dredged from Fort McHenry Harbour Tunnel. Any material dredged from inside the legal harbour line is deemed to be contaminated and must be placed in a containment facility. Material dredged from outside the line may be disposed in open water. Maryland Environmental Services monitor disposals. Dredging of Seagirt Terminal is kept within the harbour. It is a Federal Government responsibility to maintain channels to deepwater ports. There is a complex process involved for dredging consents, which includes reports on environmental impacts, and economic statements. It is a State of Maryland responsibility to provide disposal sites for dredgings. Some dredged sand has been used to replenish beaches and to restore an island in the Chesapeake Bay. Dredging for a 50 foot channel was used to create an artificial island. Susquehanna River dumps silt into the upper Bay and requires maintenance dredging.

The ports sector market in the United States is extremely competitive. According to a representative of Port of Baltimore there has been restructuring and consolidation in the container cargo market during the 1990s. In 1995 Port of Baltimore's share of the container market was 15 per cent. It had steadily grown from 1990 to 1995, but consolidation in the shipping industry in 1995 and 1996 has limited growth opportunities. The rationalisation of carriers, introduction of mega-carriers and ship sharing agreements have resulted in fewer customers for ports, and fewer ports of call being used by container shippers. According to the Maryland Port Administration, Strategic Plan 1996, "larger and more costly container ships may put Baltimore at a disadvantage due to the required Chesapeake Bay transit and the relative shallowness of the Chesapeake and Delaware Canal" (p.2).

Competitive issues identified in the Strategic Plan (1996) were:

- The ability to offer productive and cost efficient labor.
- The ability to provide cost efficient and good inland transportation services.
- The required [Chesapeake] Bay transit and associated pilotage costs.
- Our ability to provide state-of-the-art facilities for all of our cargo markets (p.4).

It was noted in the report that these issues were “so important that some are ... strategic issues for the Port” (p.5).

The primary objective of the Maryland Port Administration was set out in the Strategic Plan (1996):

To grow employment and economic impact resulting from activity at the Port of Baltimore. To accomplish this, the MPA will focus its efforts and resources equally on breakbulk as on containers. The MPA will take informed, calculated risks and build selected facilities on a speculative basis. The MPA will operate within a minimum net income goal (p.9).

Some goals in the MPA objective statement are familiar to aspirations expressed by Port of Tauranga Ltd.

Key strategic issues identified in the MPA Strategic Plan (1996) were:

- 1 Improvement of utilization of existing facilities and identification of sites for development.
- 2 Ensuring that maintenance dredging and harbor and channel improvement projects continue by providing adequate dredged material placement sites.
- 3 Maintaining rail access and achieving double stack rail clearance into the Port.

- 4 Technology - achieve “state of the art” in break bulk facilities and technology just as it is in containers.
- 5 Labor – needs to be competitive with other ports
- 6 Assess Landlord versus operating role, with regard to the Port Administration being more involved or less involved in port operations.
- 7 Marketing and promotion to compete effectively in the market. Identify factors for each target market.
- 8 Employee training, confidence and morale, to provide a resource to move the organization and Port forward.
- 9 Identify institutional impediments to the ability of the MPA to act and respond in a highly competitive marketplace.
- 10 Identify capital funding needs of the Port Administration over the near and long terms.

The combination of ensuring capacity and services and maintaining ship access through are fundamental considerations for both ports.

Industry trends were identified during the information exchange with Port of Baltimore. These included:

- 1 The use of western USA ports of Seattle, Tacoma, and Long Beach for imports from Asia which are then distributed by rail to USA destinations.
- 2 The increasing use of rail links and container trains to distribute cargo instead of coastal shipping services.
- 3 The rationalisation of shipping lines and consolidation of cargoes on large carriers with subsequent reduction in the number of port calls.
- 4 The increasing size and capacity of container vessels, with associated consequences for harbour access.

Analysis of strategies for port operations at Port of Baltimore has led to identification of operational issues that are relevant to both ports. Global trends for integration and

rationalisation in transport sectors to offer integrated, inter-modal services to port customers were identified.

CHAPTER FIVE DISCUSSION

5.1 INTRODUCTION

The focus of this study was on strategic initiatives taken by Port of Tauranga Ltd to operate as a successful business. This was the principal objective of every port company according to the Port Companies Act 1988, Section 5.

Preliminary research studies were undertaken in 1999 to examine the background to the reforms and to identify ownership and operational changes, particularly in relation to Port of Tauranga Ltd. Knowledge gained from these studies was used to identify preliminary research issues and themes and to frame research question and objectives. It was evident that there were several issues to be considered over the research period. It was decided to seek a range of perspectives on the research questions from people with knowledge and experience in areas relevant to the study. Fifteen people were contacted and asked if they would participate in interviews, fourteen people were willing to be involved. A feature of the study was the depth of experience that people brought to the study. Another notable characteristic was the willingness of participants to speak frankly about their experiences and to express views on research issues. It was evident that there was a sense of pride for most participants in their involvement with the Port Company.

Issues and themes were refined after the data collection phase of the project and a research analysis framework was produced to guide the study, refer to Figure 3.1, p.49.

The issues that were considered central to this study were:

1. Port sector reform.
2. Transition issues.
3. Strategic management.

4. Strategic initiatives, particularly the development of Sulphur Point and Metroport container port facilities.

The study identified internal influences, industry factors, and external influences that were considerations for strategy development at Port of Tauranga Ltd. Findings concerning issues and influences were presented in Chapter 4. This chapter summarises significant results and considers implications of the findings.

5.2 PORT SECTOR REFORM

Results of the research indicate there was general agreement on the underlying reasons for reform of the ports sector. Inefficient work practices, inflexible employment arrangements, lack of productivity, and economic effects of inefficiencies on port users, were identified as reform factors.

Reforms were introduced in two stages: The Port Companies Act 1988 established a new commercial framework for port ownership and operations; the Waterfront Industry Reform Act 1989 abolished the Waterfront Industry Commission and provided for changes to waterfront employment practices to foster competition for handling cargo and manning ships. The second stage introduced the Employment Contracts Act 1991 and the Waterfront Industry Restructuring Act 1992. These measures were significant. Waterfront labour had been organised in New Zealand since the late 1800s. A Federated Seamen's Union was established in 1880, the Merchant Services Guild was founded in 1890 by ships' officers. The 1890 Maritime Strike was a setback for these organisations, but they revived slowly with improved working conditions through the early 1900s (McLean, 1997).

The pattern of achieving organisation of labour and improved working conditions, followed by setbacks after strike action, was repeated throughout the decades. The 1951 waterfront dispute had been a particularly bitter event in New Zealand history. Port of Tauranga had not been involved as it was not established until 1955. It did not have the

historical experience of other port companies, port users, and waterfront employees of that event.

The Company unified support from port users to achieve direct employment of waterside workers by independent stevedoring companies as provided for under the legislation. As a result, in 1989 the port was closed by a dispute for 34 days while employment issues were addressed.

Benefits of reform identified in the study indicated that the commercial approach adopted by the Port Company resulted in flexible employment arrangements, efficiencies in shipping and cargo operations, introduction of improved technology, better utilisation of resources, and achievement of higher service standards. Cost efficiencies had been achieved for the benefit of the Port Company and port users.

Negative consequences of reforms were identified. Results indicated that waterfront employees retain grievances over the extent of redundancies in the reform period, and the later casualisation of the work force after the introduction of the Employment Contracts Act 1991. There were indications from some respondents that the pendulum may have swung too far in the employers' favour with some provisions of the Employment Contracts Act. There was general agreement that waterfront employment inefficiencies and inflexibility needed to be addressed. There was agreement that there had been a significant change in the proportion of full time employment to casual employment. Port managers and users expressed the view that this was recognition that the demand for waterfront labour is intermittent.

At the Fifth Ports and Shipping Conference in 1996, S. Penn, President of the NZ Waterfront Workers Union, Mt Maunganui and Tauranga Branch, expressed the view that the changes to the Employment Contracts Act would "bring some controls to casualisation by granting casual workers better rights and entitlements" (p.5). He believed higher profit rates had been generated in part from low labour costs. He

acknowledged that changes to work practices that resulted from the reforms were overdue and that efficiencies had been achieved.

5.3 TRANSITION ISSUES

Several of the interview respondents had personally experienced the transition from Bay of Plenty Harbour Board to Port of Tauranga Ltd and identified the impacts of the reforms on the way the port was owned and operated. They identified the rationalisation of assets, operations, and employees as major transition issues. It is evident from the study that the transition was handled competently by the Establishment Unit, and that the company emerged with a strong financial and asset base from the process. Many respondents welcomed the focus on taking a commercial business approach and becoming a “successful business”.

One respondent recalled that there had not been a “great deal of discretion” for managers under the old system. The reforms gave them “the opportunity to be more entrepreneurial”. He explained that the “organisation went from being a reactor to being a creator”. In his view the changes had a positive impact on staff morale and enthusiasm. The study confirms the change from local authority structure to a corporate structure was challenging for management and staff, particularly in preparing for listing on the New Zealand Stock Exchange and the public share float. It was an example of transformational change.

The Port Companies Amendment Act 1990 provided for full private ownership of port companies. The results of the research indicate that the ownership structure achieved through the transition resulted in Waikato Regional Council holding approximately 23 per cent of the shares, and Bay of Plenty Regional Council approximately 76 per cent. Port of Tauranga was the first port company to list on the Stock Exchange in 1992 and offer shares to the public. As reported in the study, Waikato Regional Council decided to sell their shares and they were included in the share float. Demand was strong for

shares and the float raised \$21 million of new capital. Bay of Plenty Regional Council's shareholding was diluted to approximately 56 per cent.

Indications from the study are that the retention of more than 50 per cent of company shares by Bay of Plenty Regional Council is a matter of contention for some directors, shareholders, and local government authorities. Tauranga District Council set up an Economic Development Review Board in 1999. One of the recommendations of this board was the creation of a unitary authority which would incorporate Bay of Plenty Regional Council, Western Bay of Plenty District Council, and Tauranga District Council. The Review Board recommended that the local authorities divest non-core investments to a Community Trust. This Trust would fund recreation and public facilities for the community (Tauranga District Council: 2000/01 Draft Annual Plan, S.1.2). The counter view was put that the regional council views its investment in the port company as a sound, strategic investment. In the 2000 financial year Quayside Holdings Ltd placed the value of its investment in the Port Company at a market value of \$230,800,000. The Chairman indicated that funds from the port investment would be used to diversify the organisation's investment base. Quayside Holdings Ltd is a subsidiary of Bay of Plenty Regional Council, the majority shareholder since the Port Company was formed.

The Port Company emerged from the reform process with strong physical, financial, and operational infrastructure, and with experienced people at all levels of the organisation. It was in a position to respond to changes in business conditions after deregulation of the port sector environment.

5.4 STRATEGIC MANAGEMENT

The results of the study indicated formal strategic planning sessions were conducted with the Board of Directors and senior executives. There were workshops to consult and communicate with staff.

Changes in composition of the board of directors brought different skills and experience to the company. It was evident from the study that governance and financial reporting procedures were strengthened to ensure compliance with the Companies Act 1993 and the Financial Reporting Act 1993. There are indications from the study that accountability requirements of senior executives were also strengthened. One of the aims of reform was to bring a commercial focus to port operations. Port of Tauranga has gradually brought new directors with commercial expertise on to the board and their contribution and support is evident in strategy development and implementation since mid 1990. The study confirms the contribution made by board chairman, F. McKenzie is significant. He had been chairman of the Bay of Plenty Harbour Board and managed the transition through the reform period. He became chairman of the Board of Directors of the new Port Company. According to respondents he is a prudent financial manager. Analysis of records shows his commitment to achieving and maintaining adequate returns for shareholders, and responsibly managing debt and equity funding. Respondents recalled that he had supported initiatives to diversify operations, upgrade infrastructure and facilities, improve customer relationships, and achieve strategic alliances.

The results of the study confirmed that successful implementation of strategy requires the support and commitment of the management team. Changes in Chief Executive resulted in reviews of strategic plans and repositioning to address changed strategic priorities. In the period that Bay of Plenty Harbour Board operated the port the focus was on the development of port infrastructure, some respondents referred to this as an “engineering phase”. Land acquisition, harbour dredging and land reclamation were development strengths during this period. Wharves and associated facilities were built at Mount Maunganui and operations were established for bulk cargoes to meet growing demands for exports of forestry and timber products. M. Williams was General Manager of the Harbour Board in 1988 and managed the operation through the transition period. He retired from the company in 1990. He had been with the Harbour Board for twenty-three years.

The capital development trend continued into 1990 with plans for the development of facilities at Sulphur Point. There was a shift to a commercial focus to prepare the company to meet statutory and regulatory requirements for operations under the new ownership structure. The new Chief Executive had strategic planning experience. There was an emphasis on marketing strategies to consolidate existing business and to seek new customers and cargoes for Sulphur Point. Respondents explained that he made overseas trips to market the company to shipping lines and to investigate design, facilities, and equipment at modern container terminals.

Since 1997 there has been an emphasis on consolidating a quality focus throughout the organisation and improving customer services and facilities. J. Mayson was appointed Chief Executive in 1997. He had an extensive operations background and credibility within the organisation and with port users. The study indicates that J. Mayson strengthened the management team and contracted in expertise for special projects. Porter (1997) distinguishes between operational effectiveness and strategy:

Operational effectiveness is simply the movement to the state of best practice – doing things at a world-class level of performance. The strategic agenda is a complementary but different agenda which has to do with distinguishing the company from its rivals, through creating a different set of activities or a different value chain than the rivals have. The strategic agenda is one that involves choice, making trade-offs and sacrificing certain attributes, customers, and services in order to be outstanding and unique at addressing others – not only in New Zealand but in other parts of the world. There has been a decade of operational effectiveness all around the world. Now I think we need a decade of strategy. Why is that so important? Because when one is competing on operational effectiveness, competition can degenerate into one-upmanship on the same variables (p.7).

A period of focus on operational effectiveness at the Port Company is evident from the research study. It is also clear from the study that strategy development at Port of Tauranga Ltd has moved on to a stage of innovation, with assessment of new opportunities, or positions, becoming a dominant component of strategy development. Porter continues the discussion on operational effectiveness and strategy:

The creation of a strategy is itself an act of innovation. ... The act of strategy is to perceive the opportunity for a new position, which is a new, consistent combination of activities. The enabling conditions for that new position are often a new product concept, or a new manufacturing process, or a new logistical model. Embedded in a new strategic position is often a whole series of innovations, which span multiple activities in the value chain. ... The core of strategy starts with a variety of circumstances which make a tailored value chain a superior way of competing. Unless you ground the positioning discussion and the strategy discussion in the market right from the start, you are at grave risk of fatal error. ... We are now starting to see a synthesis that bridges the market and what companies do in a common paradigm (pp.7-8).

The study confirms that the Port Company has embraced a new paradigm in strategy development that has involved scanning the market for opportunities to integrate components of the logistics chain, and to improve the range and quality of services available for customers. Ongoing assessment of the market to identify business opportunities is a feature of strategy development at Port of Tauranga Ltd. This is illustrated by the strategic initiatives that have been conceived and successfully implemented, particularly increasing the capability of Sulphur Point, initiating Metroport and Northport ventures, and establishing the innovative Oneport relationship. It was clear from the study that direction and management of Port of Tauranga Ltd are viewed by industry analysts as strengths of the Company.

5.5 DEVELOPMENT OF SULPHUR POINT FACILITIES

The study shows that land reclamation at Sulphur Point continued over a twenty-five year period, from 1965 to 1990. The opening of the Tauranga harbour bridge in 1988 made it feasible to link port facilities on both sides of the harbour. The rationale for the decision in 1989 to proceed with development of port facilities was to provide infrastructure for increasing volumes of existing cargoes and thereby relieve congestion on Mount Maunganui wharves – this was the original strategic intention. One of the results of port sector reform was that improved productivity levels resulted in ships loading and leaving ports faster than previously and congestion was reduced. This resulted in excess capacity at the new Sulphur Point facilities.

A new Chief Executive was appointed in 1990. He came from Ports of Auckland and brought a different set of skills and experiences to Port of Tauranga Ltd. He had strategic planning experience and had been involved at Ports of Auckland when they developed container terminal facilities. He influenced strategy development at Port of Tauranga and there was a shift in emphasis from building facilities to service existing cargoes, including container handling capability, and building a specialised container terminal. This was an example of strategy changing and new strategies emerging in response to an evolving business situation. There were changed operating circumstances and changes in perspective. The proposal for development of integrated container and break bulk handling facilities was approved by the Board of Directors in 1990, and the project was completed in 1992 at a cost of \$52,500,000. This was a substantial investment by the Company.

The new facilities at Sulphur Point did attract container shipping line customers and there was a gradual increase in container volumes. In 1996 Fraser McKenzie reported that the Directors were undertaking a “comprehensive review of the company’s business plan” (p.5). He commented that “As the company becomes more focused on meeting customers’ needs, there is an equal requirement to meet shareholder expectations of a steadily improving return on capital” (p.5). He reported that Infratil had become major

investors in the company and had acquired 21 per cent of the share capital. The 1996 Annual Report shows that there was significant growth in exports, particularly in log exports, up 15.8 per cent, and wood-chip exports, up 16.6 per cent. There was an 11.1 per cent increase in container traffic. It was evident that at Board of Directors level there was increasing pressure for the company to deliver a commercial return on capital invested. There had been a substantial investment in the container terminal at Sulphur Point. While shipping lines were using the container facilities the company had not consolidated high volume container business arrangements. The introduction of a new tariff structure in late 1996 was not well received by port users. The research study indicates that there was a perception that export trade and customers were being asked to subsidise the container terminal operation to achieve an increase in profitability.

Results of the study indicate that the potential of the Sulphur Point terminal was constrained without the ability to offer shippers a comprehensive service, with integrated transport links to markets. Late in 1996 a joint venture arrangement was entered into with The Cargo Company Ltd for cargo consolidation operations. J. Mayson was appointed Chief Executive in 1997. He reported in 1998 that improved service levels were required to increase the use of container facilities at Sulphur Point. He initiated projects to improve systems and services and to achieve growth. He brought in consultants to implement cargo tracking and handling technology systems, and established a dedicated Customer Service Centre. The decision was made to respond to customer demands for flexible service options at the Tauranga Container Terminal. The Port Company entered into competition with other service providers at the terminal. This was a change in operating strategy. The company sought to consolidate the existing customer base and to encourage new shipping services to use Tauranga as a port of call.

5.6 DEVELOPMENT OF METROPORT FACILITIES

It was clear from the study that strategic relationships were developed with Tranz Rail and Australia New Zealand Direct Line (ANZDL) in 1998. Tranz Rail was to provide

integrated rail services between Tauranga Container Terminals at Sulphur Point and a new terminal, Metroport in south Auckland. ANZDL was to become a core container volume customer and would shift a substantial proportion of existing business away from Ports of Auckland to Port of Tauranga Ltd. The foundations for these strategic moves had been built in previous years with the development and installation of the NAVIS container tracking system, the strategic relationship with The Cargo Company, and the purchase and installation of container cargo handling equipment.

The study confirms that the Metroport concept was developed over an eighteen month to two year period and was publicly announced in 1999. The involvement of both Tranz Rail and ANZDL was confirmed and the first ANZDL vessel used the Tauranga terminal on 5 June 1999. The expectation was that this initiative would lift annual container volumes to approximately 160,000 TEUs. That was the strategic intention. The results of the study indicate that the growth in container trade at the Port Company was from 112,141 TEUs in 1999 to 235,905 TEUs in 2000, an increase of 123,764 TEUs, or 110 per cent. Results exceeded expectations. Respondents indicated that the relationship has been mutually beneficial and that as well as consolidating existing container customers, ANZDL has gained new customers from the Bay of Plenty and Waikato regions. Participants in the study confirmed that Port of Tauranga Ltd became the second largest New Zealand container port by volume in 2000.

Strategic outcomes at Metroport exceeded strategic intentions in the first year of operations. The Metroport initiative lifted container volumes from 112,141 TEUs in 1999 to 235,905 TEUs in 2000. The strategic intention in terms of volumes was for approximately 150,000 TEUs in the first year. The Metroport strategic initiative is significant in that it enabled strategic intentions for Sulphur Point facilities to be realised in terms of container customers, operations, and volumes. These two strategic initiatives have had an impact on the value of Port of Tauranga Ltd.

5.7 INFLUENCES ON STRATEGIC MANAGEMENT

The study confirmed that internal and external influences and market factors do affect strategy development and implementation. The expectations of directors and shareholders for market performance of the company have had impacts on decisions about strategy direction and strategic management. The impact of changes in Chief Executive on strategic priorities and management culture have been important influences on company performance.

There was agreement from participants that public policy direction has been an influence on the activities of Port of Tauranga Ltd from the time of the original decision to establish a port on Tauranga harbour, through the Harbour Board phase, to port company ownership and commercial operation structure. Reform of the ports sector resulted from a fundamental change in public policy direction and industry policy in the mid 1980s. The study confirmed that employment laws have had an influence on workplace practices at Port of Tauranga Ltd. The company is also influenced by regional and local government policy imperatives and regulatory requirements.

The study confirmed that the Board of Directors sought to achieve a steadily increasing dividend flow and maintain competitive returns for shareholders. The company achieved growth in earnings and revenue in the research period. Results show that the company has consistently out-performed the NZSE40, New Zealand Stock Exchange index. Merrill Lynch (1999) considers Port of Tauranga “well placed strategically to grow its share of North Island container volumes. We believe it is likely to exhibit operating leverage over the next five years” (p.1). They go on to explain that Port of Tauranga has a lower cost base than ports of Auckland and Lyttleton, and is attracting greater container volumes which have a higher yield than forestry volumes (p.2). The Board of Directors approved a revaluation of assets in 1999. Their rationale was that it was ten years since the company commenced operations and they were seeking an accurate estimate of the value of the company’s assets. Total assets prior to revaluation were \$184,705,000, and after valuation \$350,735,000. Since July 1998 the Company’s

share price has risen from \$2.70 to \$5.00 which is recognition of the increased value of the company.

The study confirmed that fluctuations in the New Zealand economy and economies of import and export customers influence the nature and extent of shipping activities. The most recent example was the crisis in Asian economies in 1998 that had a direct impact on exports of logs and timber volumes to Asian markets.

There was strong agreement from participants that environmental issues are important considerations for port company operations. Water Right, dredging, and reclamation activities have implications for harbour environments. Bio-security issues are significant with regard to possible threats to horticulture, and the impact of ballast water discharge on the marine environment. The experiences of Port of Baltimore confirmed the importance of responsible management of activities that are environmentally sensitive, particularly channel maintenance and dredging.

Respondents explained that there are groups with legitimate interests in harbour environments and that the Port Company is expected to be socially responsible in managing harbour operations and risks. Recent actions by Lyttleton Port Company to remove recreational boats from the inner harbour to another marina have severely strained the relationship between this port company and recreational harbour users. Hutching (2000) notes that a severe storm destroyed twenty-nine boats and damaged others. According to him, boat owners are considering taking legal action for damages against the port company (p.9). The Environment Court has been asked by the Canterbury Regional Council to determine whether the Port Company had the right to evict recreational boats from the inner harbour area. The Port Company intended to use the disputed area for further development of port facilities. There are risks for the Port Company of liability for damages and for later difficulties in getting Regional Council approval for development on this site. The ability to maintain positive relationships between port companies and their communities is an important management issue.

The influence of market factors on port company activities was illustrated by the decision by the New Zealand Dairy Board to change its policy for transport subsidies. Indications from the study were that this decision would benefit regional ports in dairying areas at the expense of metropolitan ports. Dairy volumes through Port of Tauranga Ltd increased by 48 per cent in the year ended June 2000 and Tauranga became the country's largest bulk dairy export port.

The study indicated that changes in regional forestry resources will influence log and timber exports from individual ports. It is evident that Port of Tauranga Ltd has anticipated this change. It has formed a strategic alliance with Northland Port Corporation to form Northport Ltd to build a deepwater port at Marsden Port. The new port will commence operations in 2002. Forestry volumes are expected to grow in the Northland region. Northport Ltd has commenced processes to establish Northport Services Ltd to provide specialised forest product facilities and services at the new port. Carter Holt Harvey are expected to become joint venture partners in Northport Services Ltd.

Competition is a significant business factor. The study confirms that the company has consolidated its existing customer and trade base and has extended its operations into regional markets that have traditionally been served by other port companies. Metroport is an example where Port of Tauranga Ltd is competing directly with Ports of Auckland Ltd for business. Northport Ltd illustrates a different strategy. Port of Tauranga has pursued a growth strategy in cooperation with an existing port company, Northland Port Corporation Ltd. Port of Tauranga Ltd has also fostered competition for provision of services at Tauranga and Auckland facilities. The announcement of a relationship with Port of Brisbane Ltd to develop the Oneport concept foreshadows a move to develop international ventures and alliances to compete in global markets. These strategies are innovative in this New Zealand industry sector.

The decision to bring in the outside expertise of AmZ Ltd to develop the technology capability of the company was viewed by participants as critical to the success of

Sulphur Point and Metroport developments. This company has also facilitated the formation of a strategic relationship with Port of Brisbane Corporation to develop the Oneport concept. The company has wide experience and networks in the ports sector.

It was clear from the study that Port of Tauranga Ltd regards transport infrastructure as a critical factor for implementing growth strategies. The Metroport initiative would not have been successful without a strategic alliance with Tranz Rail. The study confirmed that to fully develop the potential of Tauranga Container Terminals rail links need to be provided on a seven day per week basis. There was strong agreement that there are risks inherent in the ability to maintain cost-efficient, integrated, rail links between Metroport and Sulphur Point terminals.

There was acknowledgement that there are risks in aggressive pursuit of growth opportunities if risks have not been adequately assessed, or if there are significant changes in the business environment. It was evident from the study that a response is expected from Ports of Auckland to the competitive challenge from Port of Tauranga to its traditional markets. Results of the study indicated that risks inherent in the reduction in forestry volumes from the central North Island have been offset by the strategic partnership formed with Northland Port Corporation. Fluctuations in the New Zealand economy and in economies of trading partners were identified as risks.

The majority of respondents considered that the introduction of the Employment Relations Act 2000 has potential for limiting flexible work practices and reducing productivity. Employee interest groups welcomed the focus of the Act on good faith negotiations. Port managers and user groups expressed reservations that gains in efficiency and flexibility gained through reforms may be at risk.

The study confirmed that there is excess capacity in the shipping sector that is likely to increase pressure on port companies to reduce port charges. Shipping interests have made submissions to government on the desirability for further reforms in the ports sector to reduce monopoly practices. The tensions between shipping lines and port

companies was recently illustrated. Pacifica Shipping sought a High Court injunction to against Centreport Wellington to stop the port company blocking access by Pacifica Shipping Line to Centreport facilities. Justice Durie ruled that Centreport “holds monopoly control over an essential service” (Hutchings, 2000, p.3). Centreport’s defence was that it was seeking an appropriate return from Pacifica, considering that the shipping line had reduced services in Wellington. This incident confirms that there are risks for port companies if tensions exist with port and harbour users.

The primary research question required investigation of decisions that led to particular strategic initiatives. It is clear from the study that the Port Company has identified business opportunities, assessed them, and developed strategic initiatives in areas where it believes it can add value to the company. The original intention for the Sulphur Point development was to expand port facilities to cope with increasing volumes and reduce port congestion. Increases in productivity resulting from port reform resolved port congestion. Strategy was being developed in a dynamic political and business situation. A new strategy emerged. The decision was taken to build a specialised container terminal at Sulphur Point. It would incorporate design features that had been observed at overseas container terminals and would require substantial investment. The facility was completed on time and under budget. It did attract increased container volumes at Port of Tauranga Ltd but did not immediately provide a commercial return on capital invested. It is acknowledged that in the planning stage a long term view was taken. Outcomes at Sulphur Point partially achieved expectations. There was increasing pressure to address shareholder expectations for a steadily increasing return on shareholders funds. Strategies were developed to overcome limiting factors at Sulphur Point. The Metroport concept was developed, assessed, and implemented. Outcomes from Metroport have exceeded expectations and have enabled strategic intentions for Sulphur Point to be realised.

The board and management at Port of Tauranga Ltd have pursued growth opportunities and continued to seek business opportunities that add value to the business. Metroport had completed its first full year of operations in June 2000. The company has developed

significant strategic alliances in addition to Metroport over the past twelve to eighteen months. They differ in business structure and purpose, but they all offer benefits to the participants. They focus on using particular strengths of the Port Company, in combination with the strengths of strategic partners. They position the company to look for opportunities and to respond creatively to changing trends in the port sector.

The opportunity to consider development of Port of Baltimore has indicated that there are some common issues and trends. Both ports have historically had ownership links with local government and a degree of dependence upon the development of rail links to provide access for customers. In recent years there has been pressure for these port companies to show an economic return on capital invested. Harbour dredging and channel maintenance are critical issues for providing port access for increasingly large container ships. They are also controversial issues as both ports are situated in areas that are ecologically valued. Competition in their respective ports sector is an ongoing strategic management issue. Both port companies identified the container shipping market as a growth area where they could establish a market position. Port of Tauranga Ltd has increased market share of the New Zealand container trade. Port of Baltimore increased container volumes up until 1995. They declined between 1995 and 1996 and remained fairly steady at this slightly lower level through to 1999. The trend for rationalisation of carriers, introduction of mega-carriers and ship sharing agreements, and fewer ports of call being used by container shippers have had more impact at this stage on Port of Baltimore than Port of Tauranga Ltd. Reference to the operations and activities of Port of Baltimore provided indications of issues and trends in the global port sector environment that influenced shipping operations at Port of Tauranga Ltd.

5.8 STRATEGY DEVELOPMENT

The ideas associated with Mintzberg's concepts of strategy as plan, ploy, pattern, position, and perspective are apparent in this study (1998, p.13). There is evidence of specific plans where the Port Company has deliberately set about to achieve intended results. There are examples of strategy as a ploy or a manoeuvre to seek advantage over a competitor. Patterns of strategy development are visible in different stages of

evolution of the company. There was a transformational stage in the reform and transition period, and patterns of incremental change when the business environment has been relatively stable. Port of Tauranga Ltd has taken a position in the market as the leading export port by volume, and an increasingly dominant force in the container volume shipping market. Perspectives of strategy have been reflected in different periods, with emphasis on quality, on customer relations, on external relationships. The study confirms that some strategies have been intended and deliberate, and that new strategies have emerged in response to the dynamic business and public policy environments. They have not been immediately realised. What is evident is that outcomes of strategies for initiatives at Sulphur Point and Metroport have ultimately come to fruition.

6.1 INTRODUCTION

This research study has investigated aspects of strategic management at Port of Tauranga Ltd in the period 1989-1999, particularly strategic management initiatives to develop container port facilities at Sulphur Point, Tauranga, and Metroport, an inland container terminal and distribution centre in South Auckland. The research span means that historical and recent events have been investigated. A case study approach was selected as an appropriate strategy to examine questions and issues because this method is considered effective in investigating contemporary events in real-life situations (Yin, 1994). The currency of events has made aspects of the project challenging in that there is a lack of hindsight to reflect on recent events.

6.2 STRENGTHS OF THE STUDY

An experience survey was used to examine research issues and themes. A range of perspectives was sought and achieved from people who had detailed knowledge of Port of Tauranga Ltd built up through a variety of roles and relationships with the company. Respondents brought depth of experience to the study and were willing to express their views frankly on research issues. The study investigated issues that are current and relevant to strategic management practice in New Zealand business organisations and contributes to the body of knowledge about business operations in the New Zealand ports sector since reforms were introduced in 1988.

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

6.3 LIMITATIONS OF THE STUDY

The New Zealand ports sector is competitive and the Port Company considered that primary sources of strategic planning information were commercially sensitive. This was accepted by the researcher. A variety of methods were used to track strategy over the research period, using the framework developed by Mintzberg and Waters (1982). The results of the research indicate that strategy intentions and outcomes were evident in published intentions, actions, and performance of the company in the research period, and in responses and recollections of interview respondents. This constraint on primary sources may have contributed to the strength of the study by compelling wider investigation and assessment of alternative sources of information. It was necessary to verify what the organisation actually did and what the outcomes were.

6.4 FURTHER RESEARCH

Similar studies of other New Zealand port companies would indicate whether they had similar experiences since reform legislation was introduced. It would also provide a comparison of how they responded to the strategic challenges of competing in a deregulated environment. This would add to the validity and reliability of this study.

Investigation of different components of the ports sector, for example shipping lines and stevedoring companies, would contribute to an understanding of strategic management in the ports industry sector. As this study has shown, the sector is anticipating significant changes as global trends influence business operations in New Zealand.

Further investigation and analysis is required to identify the ways in which strategic intentions are formulated, how strategic outcomes are identified, and the quality of, and relationship between, strategic intentions and outcomes. An associated issue is the identification of conditions or occurrences that stimulate changes in strategy development patterns. Analysis of preferred strategy development approaches in organisations in the private, public, and small business sectors in New Zealand may shed

some light on the impact of organisation size, structure, and management style on the formulation of strategy intentions and the extent of achievement, and quality of, strategy outcomes. These proposed research areas are consistent with some of the needs identified by Romanelli and Tushman (1994), and Feurer and Chaharbaghi (1995).

More than a decade has passed since the introduction of the Port Companies Act 1988 which established the framework for reform of this industry sector and for the ownership structure of the new business entities. Further research on the respective roles of local government and private sector interests in ownership and operation of New Zealand ports would distill issues and contribute to reasoned consideration of relevant business models for this important industry sector. It would also provide an opportunity for a range of perspectives to be sought from people with knowledge and experience of the sector and of its relationships with other sections of the community.

6.5 SUMMARY

The research question required consideration of the ways in which Port of Tauranga Ltd operated commercially in the competitive port sector environment that existed after port reforms were introduced. Specific strategic initiatives resulted in development of port facilities at Sulphur Point, Tauranga, and Metroport, Auckland. The study identified major research areas: port reform, transition, strategic management, strategic initiatives at Sulphur Point and Metroport.

Business conditions changed dramatically after deregulation of port operations. There were changes in ownership structure, from harbour boards to port companies, with the accompanying rationalisation of assets and operations. The Port Companies Act 1988 set out the principal objective of every port company “to operate as a successful business” (S.5). To make the transition from local government ownership and aspirations to a commercially successful business was challenging for directors, managers, and staff of Port of Tauranga Ltd, for suppliers and users of port services, and for waterfront employees. The transition was positive for the company in terms of assets

and operations. There were negative consequences for some staff directly employed by the Port Company in the initial period. When legislation was passed to directly address waterfront employment issues there were significant reductions in numbers of waterfront employees. Productivity gains, labour flexibility, and capability to introduce technology were achieved as a result of reform measures.

In 1990 the company turned its attention to developing strategies to compete in the deregulated business environment. Decisions had been taken in 1989 to proceed with development of port infrastructure at Sulphur Point. A new chief executive was appointed in 1990. He reviewed the situation and proposed changes in strategy for the use of Sulphur Point facilities. The trend for increasing cargo volume to be shipped in containers was becoming evident at this time and specialised container facilities were being developed in New Zealand and overseas. The site was developed primarily as a container terminal. Container volumes grew steadily but the company did not attract major container volumes immediately.

In 1997 there had been a further change in chief executive. He reviewed strategic plans. The decision was taken to develop an inland container terminal, Metroport, in South Auckland. Strategic partnerships were negotiated with Tranz Rail to provide rail services, and Australia New Zealand Direct Line (ANZDL) to become the core customer.

The research study identified influences on, and issues for, strategic management at Port of Tauranga Ltd. Organisation direction, shareholder expectations for realistic investment returns, and management culture, were identified as substantial influences. Public policy, particularly industry policy, was identified as a significant historical and current influence. Market share and competitive performance were seen to be important. The Company has promoted competition for provision of services to port users. The study indicated that the introduction of modern technology systems enabled the initiatives at Sulphur Point and Metroport to become successful. Tensions were identified over the extent of local government shareholding in Port of Tauranga Ltd.

The ability to maintain cost-efficient rail links between the two container terminals was identified by a majority of respondents as a significant risk. Results of the study indicated that there was a risk of retaliation by Ports of Auckland Ltd to the entry of Port of Tauranga Ltd into their traditional market.

The study indicates that environmental issues have become increasingly important, particularly the ability to maintain dredging programmes and to manage risks to harbour environments. Reference to operations of Port of Baltimore identified common port management issues and global shipping trends.

6.6 CONCLUSIONS

The primary research question required identification of major strategic initiatives taken to respond to changes in the deregulated business environment. Reform of the New Zealand ports sector presented both challenges and opportunities for Port of Tauranga Ltd. The period leading up to and immediately beyond the introduction of reforms was a period of revolutionary, or transformational, change for port ownership and operations. A major strategic initiative was the decision to list on the New Zealand Stock Exchange in 1992. This consolidated the financial base, extended governance responsibilities and accountabilities, and gave the Company capacity to respond to challenges and opportunities in the new business environment.

Specific research objectives required investigation of strategic management decisions that led to the development of Sulphur Point container port facilities. Decisions were made about the nature and purpose of the facilities in 1989. The study has shown that strategic intentions for this development changed between 1989 and 1990. Results of the study indicated that outcomes were consistent with strategic intentions in terms of establishing a modern container terminal. The study also indicated that intentions were not fully realised in terms of growth in container volumes in the short term because of delays in attracting high volume container customers, a lack of economic transport links to Auckland markets, and competitive reaction by Ports of Auckland.

The second research objective required investigation of strategic management decisions that led to the establishment of Metroport. The results of the study indicate that decisions were taken in 1997 to strengthen relationships with service providers, and to upgrade the capability of the Company to deliver the standard of services required by customers. Decisions were taken in 1997 and 1998 to develop strategic alliances with Tranz Rail and ANZDL to establish an inland container terminal in South Auckland. A significant feature of this strategic initiative is that it unlocked the capability for the Sulphur Point terminal to realise its potential. It transformed it into a sustainable container port and was the catalyst for achieving economies of scale in the provision of services to customers. Metroport exceeded expectations for container cargo volumes in the first year of operations. The management team and strategic partners were successful in operationalising strategy for Metroport and Sulphur Point (Mintzberg and Waters, 1982, p.498).

The results of the study indicate that changes in Directors and Chief Executives have influenced strategy direction, development, and implementation at Port of Tauranga Ltd. The article written by Porter (1997) was referred to in the literature review. He contends that "Without strong, vigorous, positive leadership, having and maintaining a strategy is impossible" (p.10).

Strategy development and strategic management approaches at this company are congruent with aspects of theoretical concepts of intended strategy, emergent strategy, and realised strategy (Mintzberg and Waters, 1985; Mintzberg et al. 1998). There is evidence of the influence of the quality movement on strategic development. There have been variations in patterns of strategy development in periods of stability and turbulence in the business environment.

It is evident from the study that strategic management at Port of Tauranga Ltd has been innovative. Since the completion of the Metroport development the company has announced a joint venture with Northland Port Corporation to give it a presence in the

Northland sector of the market where forestry volumes are forecast to increase. A strategic relationship with Port of Brisbane Corporation has been announced. These initiatives signal strategic intentions to seek business opportunities within and beyond Tauranga, the Bay of Plenty region, and New Zealand.

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APPENDIX 1: Letter to Interview Participants

14 July, 2000

Name
Address

Dear

Port of Tauranga Ltd is a significant New Zealand business organisation that makes an important economic contribution to the Bay of Plenty region and to the country. I am currently working on a project to develop a case study of strategic management initiatives undertaken by Port of Tauranga Ltd in the period 1989-1999 to respond to changes in business conditions after reform of the New Zealand ports sector. This project will provide an opportunity for practical investigation and analysis to produce a relevant New Zealand case study of business development over an important period of our business history.

This project is being supervised by:

Dr Robin Smith, MBA, PhD, MNZIT, and P. J. Kelly, BA, MSc (Econ),
Senior Lecturers, Department of Management Systems,
Massey University, Private Bag 11222, Palmerston North.

Contact Telephone: Ext:

You are one of a group of people with knowledge and experience of the operations of Port of Tauranga Ltd that I am seeking to interview to explore strategic management initiatives undertaken in the research period, particularly in relation to the development of Sulphur Point port facilities and Metroport Ltd. Preliminary research has been undertaken over the past twelve months to identify key research issues and themes. The aggregated information from the interviews will be used to develop the case and individual responses will remain confidential. A summary of the project will be provided to people who participate. This research project will contribute to the completion of a Masters Degree in Business Studies.

I will telephone you within the next two weeks to seek to arrange an appointment for an interview at a time and place convenient to you. I envisage that interviews will take from 60-90 minutes to complete. I hope to schedule an interview with you between ... July and ... August. If you would like any further information on this project please telephone me on (Tel No) or contact me by e-mail on (e-mail address). Your participation would be greatly appreciated.

Kind regards

Jennifer Doughty

APPENDIX 2: Consent Form for Interview Participants

Massey University, Palmerston North
College of Business, Department of Management Systems

Research Project: **A Case Study of Strategic Management of
Port of Tauranga Ltd 1989-1999**

Research Supervisors: Dr Robin Smith, MBA, PhD, MNZIT,
and P. J. Kelly, BA, MSc (Econ),
Senior Lecturers, Department of Management Systems,
Massey University, Private Bag 11222, Palmerston North.
Contact Telephone: Ext

Researcher/Interviewer: Jennifer Doughty
Address
Contact Information

Person to be Interviewed: Name
Role

Date of Interview: Date

Purpose of Interview:

Exploration of strategic management initiatives undertaken by Port of Tauranga Ltd during the research period, particularly in relation to Sulphur Point port facilities and Metroport Ltd.

The information gathered will be used to develop the research report and may be used for any related journal article. The material may not be used for any other purpose without seeking prior permission from the interviewee.

Project supervisors, Dr Robin Smith and Pat Kelly, and Jennifer Doughty are the only people who will have access to information gathered through the interview process.

Interviewee:

I agree to be interviewed and understand that information I provide during the interview may be used in the manner outlined above.

I understand that I can choose not to answer specific questions if I do not wish to do so and that I may withdraw from the interview at any time.

Person Interviewed: _____ Date: _____

Interviewer: _____ Date: _____

Appendix 3:

Interview Template – Topic Guide

First section – A	Administrative: nature and duration of association with Port Company establish expertise of interviewee establish interest and perspective of interviewee
Second section – B	Port Reform - General: examine aspects of Port Reform Port Sector Reform – Waterfront Employment Issues examines specific issues
Third section – C	Influences on POTL operations and activities <ul style="list-style-type: none">- relate to research issues and themes- identify change factors and influences Relevant to experience of particular interviewee
Fourth section – D	Strategic Management-Corporatisation: Identifies issues and challenges relating to corporatisation of Port of Tauranga from Harbour Board control to Port Company. Corporate intentions, changes required, strategy development processes.
Fifth section – E	Strategic Initiatives: Addresses specific questions about Sulphur Point and Metroport developments.
Final section – F	Social Responsibility: Addresses relationship with community. Summary: Final set of questions relating to research issues. Provides an opportunity for people to identify and comment upon issues important to them and to explain their significance.
Special Section – G	Sharemarket Analysis:

Full questions are prompts for interviewer

Topics will be introduced in a general way for discussion with people interviewed.

Interview Guide - Section A: Administrative Section

- A1 What is/was the nature of your association with
Bay of Plenty Harbour Board/Port of Tauranga Ltd?
*Harbour Board member/POTL Director/shareholder
employee/supplier/customer/service provider/business analyst/competitor*

Duration/period

- A2 What were your major responsibilities?
Roles/functions/services
- A3 Did/do you represent any organisation or interest group in your association with POTL?
- A4 Were you a member of any organisation or group who provided advice or made submissions in the 1987-92 period on reforms of the New Zealand ports sector?
- A5 Please identify the basis of your experience of Port Companies, and in particular, Container Shipping operations.

Section B: Port Sector Reform

In your view ...

- B1 What were major factors that led to reform of the New Zealand ports sector in 1988?
- B2 What were the early, major issues faced by the NZ Ports sector as a result of the reforms?
- B3 What were the major effects of changes in ownership on the Ports sector as a result of the reforms?
- B4 What were the major effects of Port Reforms on the operations of the Ports Sector in this period?
- B5 What was the attitude of Port customers to the changes?

Port Sector Reform – Waterfront Employment Issues

In your view:

- B6 What were the Port Reform legislation measures designed to achieve?
Waterfront Industry Reform Act 1989 – Waterfront Industry Commission, Employment Contracts Act 1991, Waterfront Industry Restructuring Act (1992).
- B7 What were the early, major issues faced by your members/sector as a result of the reforms?
- B8 How did your members/sector respond to the reform measures?
- B9 What have been the major effects of overall Port Reforms on your members/sector?
- B10 What effects have the reforms/legislation had on the supply of ...stevedoring and marshalling services at Port of Tauranga?
- B10a Has the nature of ownership of stevedoring and marshalling companies operating at POTL changed since Port Reforms? *Vertical integration, internationalisation.*
- B11 What do you believe the benefits of ports sector reform have been?
- B12 Have there been any negative consequences of ports sector reforms?
- B12A What effects do you believe the proposed Employment Relations Bill will have on Waterfront Employment issues?

Section C: Influences on POTL operations and activities.

- C1 Do you recall any major changes in economic conditions that had a significant impact on Port Company operations and trade in your period of association?
- C2 What were the major political and regulatory factors that affected Port Company operations in your period of association?
- C3 What were the main competitive strengths of the Port Company in your period of association?
- C4 Who were the major competitors of the Port Company in your period of association?
- C5 Did the drive to be competitive have any impact on standards of business ethics between POTL and suppliers, customers, competitors and vice versa?
- C5a Have changes in Chief Executive resulted in changes in management culture and practices at POTL? If so, in what ways?
- C6 What impacts did technology have upon the operations of the Port Company in your period of association?
- C7 What were some of the issues involved in introducing technology?
- C8 Did the Port Company establish significant strategic alliances in your period of involvement.
nature/intentions/results

- C9 Were there particular environmental issues that were significant factors for Port Company operations in your management period/period of association with the Company?
- C10 Are there environmental issues you believe will become significant factors in the future for management and operations of the Port Company?
- C11 What employment issues were significant factors for the management and operations of POTL in your period of association?
- C12 What transportation issues were significant factors for management and operations of POTL in your period of association?

Section D: Strategic Management (Corporatisation)

- D1 What was/is the fundamental purpose of POTL?
- D2 Was/is there an expressed mission/vision statement/goals?
- D3 What aspirations did the Board of Directors and senior management team have for the Port Company when you took over the ... role?
- D4 Were there any immediate changes in strategy (that you considered were required (as a result of the reforms and changes to Port Company structure)?
- D5 What was your focus as ... (in this transition period)?
- D5a What was your strategic focus when you joined POTL?
- D6 What strategic management processes did you use at this time?
- D7 Who was involved in strategic planning?
- D8 What developments were initiated in your period as ...that were of major strategic significance to POTL?
strategies/intentions/significance
- D9 Were there instances where significant changes were made to strategies to respond to changes in business conditions or Port Company intentions?
Outcomes/variations from original intentions/responsiveness to change
- D10 Were there any significant changes in the management culture of the organisation (initiated by you?) (in the transition from Bay of Plenty Harbour Board control to management by Port of Tauranga Ltd?)
formality, governance, compliance, focus, competitiveness, business ethics
- D11 Can you identify any significant differences in stakeholder expectations for port operations from Bay of Plenty Harbour Board control to management by Port of Tauranga Ltd?
- D12 Were there any significant changes in governance processes at the Port Company that resulted from corporatisation of the organisation?

Section E: Sulphur Point and Metroport developments.

- E1/4 What was the original intention for the development and use of Sulphur Point port facilities?).
- E2/5 Were these developments self contained, or part of a long term plan?
- E4 Have there been changes in the way Sulphur Point facilities have been further developed and used?
- E4a What role/functions do your members/sector have in the operation of the Sulphur Point facilities?
- E5 Can you identify reasons for the changes in use?
- E6 What effect has the introduction of technology had on shipping operations at Sulphur Point and Metroport Ltd?
Cargo handling, information.
- SUPP What were some of the issues involved in introducing technology?
- E6A Can you explain the nature and purpose of the Portbridge initiative?
- E7 Was this the forerunner to the present Metroport Ltd development?
- E8 What were the differences between these two initiatives?
- SUPP What factors have made Metroport viable, in comparison to the earlier Portbridge initiative?
- E9 In your view, what were the major influences upon the decision to establish Metroport Ltd?
- E9a What role do your members/sector have in the operation of Metroport facilities?
- E10 In your view, what are the factors that have made Metroport successful?
- E11 In what ways do you believe Ports of Auckland will counter the Metroport challenge?
- E12 What do you believe the major impacts of the Metroport development are for POTL?

- E13 What do you believe the major impacts of the Sulphur Point/Metroport development are for Ports of Auckland?
- E15a Do you believe the Northland initiative will lead to a permanent alliance of POTL and Northland Port?
- E16 Do you believe a formal alliance of POTL and Ports of Auckland is a possibility in the short/long term?

Sulphur Point and Metroport developments – Customer Focus

- E4 Could you explain the use ... makes of the Port facilities at Sulphur Point?
- E4A When were ... approached to become ... at the Sulphur Point facility?
Why did you not make the move in the earlier period?
- E4b What significant factors influenced your/their decision to use the facilities?
- SUPP Have the perceived benefits been realised?
- SUPP Have there been any constraints on development/business operations at Sulphur Point?
- E8 The establishment of Metroport in South Auckland has been a major initiative for POTL. Could you identify the uses ... you ... make of Metroport facilities?
- E8a What are the strategic benefits to ... you ... of use of S/Point and Metroport facilities.
- E9 In your view what were the major influences upon the decision to establish Metroport Ltd?
- E9a Have there been constraints on the Metroport development?
- E9b Can you explain the role of ... in the Metroport development?
- E10 Have the goals set for the Metroport operation been achieved for ... you ...?
- E12 In what ways do you believe Ports of Auckland will counter the Metroport challenge?
- E13 What do you believe the major impacts of the Metroport development are for POTL? And for you?
- E14 What is the scope for further development of Sulphur Point and Metroport facilities and operations?
- E15 Does your company have a need for expanded services at Sulphur Point and Metroport?
- E14a Will your Company have a role in the Northland development?

Section F: Community and Summary

Community:

- F1 Do you consider that the Port Company has had a commitment to social responsibility in its management of the Company?)
- F2 What policies/actions were initiated or maintained to achieve social responsibility?
- F3 Does POTL have any greater responsibility to the community than other publicly listed companies - *because of its origins?*
- F4 Do you believe that the community has benefited from the reform of the ports sector and the corporatisation of Harbour Board operations?
In what ways?

Summary:

- F5 In your view what are the critical actions that have been taken by POTL to enable the company to compete in the deregulated port sector environment?
- F6 From your knowledge of the industry can you identify any significant risks for the Company in maintaining competitiveness in the New Zealand ports sector?
- F6a Which Ports will become major NZ hub ports for shipping?
Containers? General Cargo?
- F6b Do you expect further rationalisation of Port ownership and activities in the NZ Ports Sector?
Joint ventures – amalgamations – offshore ownership.
- F7 From your experience and understanding of the New Zealand ports sector are you able to comment on emerging trends in the industry?
Intermodal services/alliances, integration across supply chain, technology developments.
- F8 Are there any other issues that were important to you during your association with POTL you would like to comment upon?

Do you consent to your name being included in the schedule of people interviewed for this research project?

Can I contact you again to clarify any issues or ask any supplementary questions?

Section G:

In your view:

- G1 What are the major reasons for sharemarket investor support of Port of Tauranga Ltd?
- G2 Are there any risks or issues for the Port Company in maintaining strong shareholder support?
- G3 What level of return on shareholders funds is appropriate for Port of Tauranga Ltd?
- G4 Earnings per share
- G5 Dividends per share
- G6 Special dividends
- G7 Return on Assets
- G8 Equity Funding
- G9 Debt Funding
- G10 Revaluation – reasons, impacts
- G11 Capital charge – NZ Ports Sector
- G12 Economic value of capital employed
- G13 Basis/creation of shareholder value
- G14 Sulphur Point Container facilities
- G15 Metroport inland port facilities
- G16 In what ways do you believe Ports of Auckland will counter the Metroport challenge?
- G17 What do you believe the risks of the Metroport development are for POTL?

APPENDIX 4: List of Interview Participants

Interviews 2000:

Experience Survey

J. Angell, Assistant Vice President, Merrill Lynch NZ Ltd, Auckland.
H. Axt, General Manager, Independent Stevedoring Ltd, Port of Tauranga.
J. Gibson, President, Rail and Maritime Union, Tauranga Branch, Port of Tauranga.
J. Halling, former CE, Port of Tauranga Ltd.
V.Lankenau, AmZ Ltd, Tauranga Container Terminal
F. McKenzie, Chairman Port of Tauranga Ltd Board of Directors.
J. Mayson Chief Executive, Port of Tauranga Ltd.
L. Morrison, Executive Chairman, HRL Morrison and Co, Wellington.
S. Penn, Administrator, NZ Waterfront Workers Union, Mount Maunganui/Tauranga Branch.
B. Reisterer, Chairman Quayside Securities Ltd.
G. Vazey, Chief Executive, Ports of Auckland.
C.Watson, Research Manager, Craig & Co, Tauranga.
M.Williams, former Chief Executive, Port of Tauranga Ltd.
Confidential - Shipping Customer

External Reference

Senior Manager – Business Development, Market Planning and Analysis,
Maryland Port Administration, Port of Baltimore, Baltimore, USA.

Preliminary Interview 1999

A. Herbert, former Secretary, Bay of Plenty Harbour Board; Company Secretary, Port of Tauranga Ltd.
Currently Councillor, Bay of Plenty Regional Council.