THE EXPORTING BEHAVIOUR OF MANUFACTURING FIRMS

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ABSTRACT

Increasing emphasis has been placed on the need for manufactured exports to make a more important contribution to the New Zealand economy, due to declining demand for agricultural produce and a growing balance of trade deficit. The New Zealand government, over the past twenty years, has introduced a variety of export incentives to encourage manufacturing firms to export.

The aim of this thesis is to examine what happens to manufacturing firms when they expand their operations to international markets. The adoption of the export function has implications for growth and survival of firms, especially for small firms which predominate in the New Zealand manufacturing sector.

Firms can be classified according to their different stages of organisational growth. Thresholds must be overcome if a firm is to develop and expand its operation space. The stages theory of firm growth is analogous to the stages theory of exporting behaviour - a firm increases its international orientation and foreign market commitment in incremental stages as it acquires knowledge and experience in the exporting field.

Discussion centres on describing the actual exporting activity of manufacturers at a macro level. This discussion then provides a platform for analysing the exporting behaviour within the individual firms and finally leads to an examination of how exporting firms have contributed to the peripheral urban economies to which they belong.

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CHAPTER 1

MANUFACTURED EXPORTS IN NEW ZEALAND

In the past, the economic well-being of New Zealand has largely been determined by the state of its international trade. Traditionally, New Zealand's primary source of overseas funds has been the sale of primary produce. With the decreasing demand for and relative price received for New Zealand's exports of agricultural products, due to overseas tariff barriers and quota systems, there emerged a need for manufactured products to comprise a greater share of the total export mix.

In the early 1960's, the New Zealand Government recognised the nation's vulnerability with respect to its dependence on primary produce for overseas trade receipts and that it needed to create an economic climate which would encourage exporting activity in manufacturing firms. In October, 1962, New Zealand's first tax incentives for manufacturing exporters were introduced. These were to be the first of many measures taken by the government to promote manufactured exports.

In 1974, the extent of a new balance of payments problem became apparent and once again the need to stimulate exports was recognised. Exports make up a large proportion of the gross domestic product, so it is reasonable to assume that the relative poor performance of the economy is largely connected with the slow rate of growth of export receipts. New Zealand's terms of trade, represented by the export and import price movements (as a proportion of the volume of domestic production), are shown in Table 1.1. A factor which has contributed to the external balance of payments deficits in recent years is the rise of oil prices. However, New Zealand's terms of trade figures have shown a significant improvement since 1975.

The government's policy of increasing export earnings from manufacturing firms has apparently been successful. Today, although agricultural production is still most important in the economy, the composition of goods traded has been changing. Manufactured exports, as a percentage of total exports from New Zealand, has risen from 0.2 in 1960-1961 to 15.9 in 1978-1979. This represented an increase of manufactured exports from \$1.7 million to \$652.8 million.[1]

Table 1.2 shows the yearly growth of manufactured goods as a percentage of total exports for the years 1960-1961 to 1978-1979. The role of inflation cannot be omitted when considering monetary values as indicators of economic performance. Table 1.2 also shows in real terms the increasing value of

TABLE 1.1.

THE FOREIGN SECTOR

YEAR (ended March)	Value of Exports of goods and services	Value of Imports of goods and services	Volume of Exports of goods and services	Volume of Imports of goods and services
	As a percentage of Gross Domestic Product		As a percentage of Gross Domestic Product	
1965-1966	21.6	24.3	21.6	24.3
1966-1967	22.1	23.9	21.9	24.4
1967-1968	20.7	21.0	22.9	20.7
1968-1969	25.3	22.1	26.1	19.9
1969-1970	25.9	23.0	26.6	20.9
1970-1971	23.1	25.0	25.6	23.3
1971-1972	23.6	22.7	26.4	23.0
1972-1973	25.5	22.2	26.1	24.0
1973-1974	25.2	25.4	23.4	27.7
1974-1975	22.3	35.3	22.2	30.4
1975-1976	24.3	31.3	24.8	23.9
1976-1977	28.1	32.7	27.0	24.2

Source: Reserve Bank Bulletins, 1966-1978.

TABLE 1.2.

EXPORTS

YEAR (ended June)	Manufactured Exports[1] ($m.)	Total Exports ($m.)	Manufactured Exports as a % of Total Exports	Price Index of Manufactured Exports[2]	Manufactured Exports in Real Terms[3]
1960-1961	1.7	588.2	0.2		
1961-1962	2.8	587.4	0.4		
1962-1963	3.6	712.7	0.5		
1963-1964	3.9	773.4	0.5		
1964-1965	6.1	744.2	0.8		
1965-1966	7.2	803.1	0.9		
1966-1967	9.7	759.2	1.3		
1967-1968	18.9	833.3	2.3		
1968-1969	52.8	1000.8	5.3		
1969-1970	69.7	1164.5	6.0		
1970-1971	80.1	1193.8	6.7	1000	177.7
1971-1972	105.7	1387.1	7.6	1083	216.5
1972-1973	130.0	1773.1	7.3	1099	262.4
1973-1974	171.0	1747.9	9.8	1267	299.4
1974-1975	208.1	1658.0	12.6	1446	319.2
1975-1976	343.6	2490.5	13.8	1738	438.5
1976-1977	491.0	3330.4	14.7	2039	534.1
1977-1978	511.6	3418.7	15.0	2218	511.6
1978-1979	652.8	4103.5	15.9	unavail.	unavail.

Source: Reserve Bank Overseas Transactions, 1961-1979 in Reserve Bank Bulletins; Monthly Abstract of Statistics, September, 1979.

1 Does not include processed foodstuffs.

2 Base year: 1971=1000.

3 Weighted by the Price Index.

manufactured exports, after adjustments have been made to account for inflation.

How has manufacturing production for exports grown compared with G.N.P.? Manufactured exports as a percentage of G.N.P. has increased from 0.2 in 1962-1963 to 3.6 in 1976-1977, as can be seen in Table 1.3.

There have been two major features in the pattern of increased export trade: the development of new markets and the export of new products. Although in recent years the United Kingdom's share of New Zealand's external trade has been gradually declining, due to Britain's entry into the E.E.C., that country traditionally remains New Zealand's main trading partner. The last decade has, however, seen a marked expansion in New Zealand's export trade with countries in, and bordering on, the Pacific. Trade with Japan, in particular, has increased rapidly. Other countries which are taking a larger share of New Zealand's exports are the United States, Canada and Australia. A wide range of commodities has contributed to the increase of manufactured exports. Initially, exports from the manufacturing sector tended to comprise small items but, recently, large machinery and transport equipment developed in New Zealand have been exported as manufacturers have found that their standard of technology is producing goods which are highly competitive on the world market.

While there is some export potential in every industry the pattern of export performance in manufactured products varies widely as can be seen in Table 1.4. Few industries can be called 'export orientated' (that is, more than 20 percent of the total value of production is exported) - only leather and basic metals.

GOVERNMENT EXPORT STIMULATION PROGRAMME

The take-off in manufactured exports from New Zealand began in 1963-1964. The initial impetus given to the export of manufactured goods can be attributed to the first financial export incentives which were made available to exporters in 1962. Further momentum to exporting activity was added by the New Zealand - Australia Free Trade Agreement (N.A.F.T.A.) in 1966 and the 1967 devaluation of the New Zealand dollar. Economic planners at the National Development Conference in 1969 articulated indicative policy aiming for an eight-fold increase in manufactured exports by 1978-1979, an objective they believed must be obtained if New Zealand was to maintain steady growth of her economy. This represented an export target for the manufacturing sector to be set at $1,000 million for 1979-1980.[2] The Conference recommended that

TABLE 1.3.

MANUFACTURED EXPORTS AS A PERCENTAGE OF GNP

YEAR (ended March)	Manufactured Exports ($m.)	GNP (Old Series)[2]	% (Old Series)
1963	7.0[1]	2953	0.2
1964	9.6[1]	3231	0.3
1965	11.3[1]	3530	0.3
1966	15.0[1]	3823	0.4
1967	19.8[1]	3973	0.5
1968	27.4	4128	0.7
1969	47.8	4355	1.1
1970	62.3	4809	1.3
1971	82.0	5534	1.5
1972	100.0	6452	1.5
1973	122.8	7498	1.6
1974	156.0	8681	1.8
1975	195.3	9452	2.1
1976	313.1	10914	2.9
1977	464.0	12786	3.6
1978	501.0	unavail.	unavail.
1979	613.5	unavail.	unavail.

Source: Courtesy of the Reserve Bank.

1 June Year Figures.

2 The Department of Trade and Industry has recently reviewed the National Accounts system with a new series (NZSNA). Figures in the National Income and Expenditure Accounts are available for 1948-1977, whereas the NZSNA cover the period 1972-1978.

TABLE 1.4.

EXPORTS BY INDUSTRY GROUP, 1973-1974

Industry Group	Total Value of N.Z. manufactured exports as a % of Value of Production
Food	0.5
Beverages	0.9
Tobacco	3.5
Textiles	8.8
Footwear and apparel	1.4
Wood and cork	2.3
Furniture and fixtures	2.4
Paper	1.2
Printing/Publishing	1.2
Leather	20.9
Rubber	3.1
Chemicals	3.2
Petroleum and coal	19.5
Non-metallic minerals	1.1
Basic Metals	20.6
Metal products	2.3
Machinery	10.5
Electrical Machinery	2.9
Transport Equipment	2.3
Miscellaneous	13.6

Source: External Trade Statistics, 1976-1977.
Industrial Production Statistics, 1974-1975.

industries developing manufactured products for export be granted priority and also that the manufacturing industry be given a long term assurance of a substantial share of the domestic market. This was to be implemented by a protective infrastructure of tariffs and import restrictions.

Government export stimulation policies have taken a number of forms. First, the government has pointed out to the producers of goods and services that growth of the economy requires increasing manufactured exports. An example of this policy was Export Year, 1978. Second, measures were implemented to support the exploration of new markets and the actual marketing of exports of specific products; for example, by export opportunity teams, trade missions, trade fairs and the activities of overseas posts. Measures were also designed to eliminate some of the element of uncertainty and risk of exporting by giving reward to exporters in terms of financial and institutional aid. These schemes and organisations include: the New Markets Incentives, export taxation incentives, the High Priority Activities Scheme, export bonus import licences, export assistance; for example, the Small Business Agency of the Development Finance Corporation, financial aid from the Development Finance Corporation and technological aid from the Industrial Design Council, the Standards Association and the Productivity Advisory Council.

A new system of export incentives based on net foreign exchange earnings from total export sales (rather than gross foreign exchange earnings from increased exports as at present) was introduced to Parliament in 1979. Briefly, the idea is that exporters will be rewarded for the value they add to the products before they are exported. An exporter who adds a large amount of value will receive more than one who adds little. This new system marks the end of the Sutch policy of manufacturing everything possible as it encourages the efficient use of resources by manufacturers. Exporting will be more profitable than producing for the domestic market and the government obviously hopes that this anticipated increase in profitability will be reflected in increased investment and faster growth in the export sector.

Table 1.5 illustrates the chronological sequence of the introduction of major export incentives. A comparison of Tables 1.2 and 1.5 shows the close relationship between the time of introduction of the major export incentives and increases in the export of manufactured products.

TABLE 1.5.

MAJOR EXPORT INCENTIVES

Year	Incentive
1962	Export Incentive Scheme
	Export Market Development Allowance
	Trade Promotion Council was established
1963	Export Development Conference
	Direct Taxation Incentive Scheme
1964	Export Guarantee Act
	Development Finance Corporation was established
1965	Export Guarantee Office was established
1966	Export Award Scheme
1967	Special Export Finance
	Devaluation
1968-1972	-
1973	U.D.C. Finance Inventors Award
	Services Export Development Grants Act
	Export Suspensory Loan Scheme
1974	New Zealand Export-Import Corporation was established
	Rural Export Suspensory Loan Scheme
1975	15 per cent currency Devaluation
	Development Grants Scheme
1976	Development Finance Amendment (No. 2) Bill
	Special Tax Deduction Allowance
	Export Investment Allowance
1977	High Priority Status Scheme
1978	Technical Help to Exporters Service
	New unconditional guarantee for pre-shipment finance
1979	New system of export incentives was introduced to come into effect, 1980:
	1. Export Performance Taxation Incentive to replace the Increased Exports Taxation Incentive and the New Markets Export Incentive Allowance.
	2. A new Export Market Development Taxation Incentive was introduced.
	3. An Export Projects Grant Scheme will replace the New Market Grants Scheme and the Services Export Development Grants Scheme.

Source: Reports of the Department of Trade and Industry, 1962-1979.

AN OVERVIEW OF NEW ZEALAND MANUFACTURING

New Zealand's manufacturing has been characterised by small production units producing for the local market due to the geographical configuration of the country. (Blyth, 1961). In 1960-1961, 61 per cent of the factories employed 10 persons or less, while at the other end of the scale, only 1.4 per cent employed in excess of 200. By 1975-1976, 44 per cent of the factories employed 10 persons or less, and 1.8 per cent employed in excess of 200. In 1970-1971, there were 10,587 factories, but in 1975-1976, there were 8,532 factories. Thus, there has been a growing trend towards larger manufacturing units, a decreasing number of people being employed in small factories and a smaller number of factories.[3]

The majority of the smallest manufacturing units are involved in the production of transport equipment, machinery and wood products while the largest units are engaged in the manufacture of food and paper (Le Heron, 1978).

Successive annual increases in the volume of production have taken place: 1970-1971, 5.1 per cent; 1971-1972, 4.3 per cent; 1972-1973, 6.2 per cent; and 1973-1974, 13.2 per cent. This represents an increase in the value of production in 1970-1971 of $3597 million to $5250 million in 1973-1974.[4]

RESEARCH FOCUS

The development of an export linkage involves the outward movement of a firm's operational space (as defined by its action space, information space and decision space) from the local, regional or national market to the international market (Taylor, 1975). As the material linkages expand, the information and decision spaces are drawn outwards in a spatial learning process. This process gradually enables a firm to overcome the barriers or thresholds to development which occur when a firm changes from being locally oriented to become a multinational trader.

What has happened to New Zealand manufacturers when they are encouraged to begin exporting by way of direct or indirect government initiative? Government incentives are commonly accepted as the most significant influence in motivating the New Zealand manufacturer to initiate and sustain exporting activity (Bedkober, 1972; Crisp and Hughes, 1972; Sloan, 1977; Stening, 1974; Willis, 1973). The government's export stimulation measures have important implications for the spatial learning process of firms. Government incentives create a bridge allowing firms to miss out many of the barriers to development which they would normally encounter when expanding from the local to the international market. The associated growth and organisational metamorphosis which typically accompanies the expansion of the firm's operational space, may also not occur when the government intervenes. The question is of special importance because typically manufacturers are small firms which have highly localised linkages. They are certainly not large interregional traders with all the facilities of producing for and distributing to a geographically dispersed market area. (Wilton, 1978).

What strategies and tactics have taken place within the firm? Increasing commitment to exporting requires a strategy for market development and selection and a strategy for technology improvement and product development.

Did these strategies secure linkage development, growth and organisational development? Adoption and growth of the export linkage has important implications for the survival and growth of firms. Do small exporting firms grow as fast as large exporting firms and do they stand an even chance of survival? What organisational development has occurred in exporting firms? Are there any behavioural tendencies in exporting firms which may suggest an export orientation, or that exporting could be sustained if government incentives were discontinued?

The development of an export linkage also must be looked at within the structure of the regional economy - that is, the causes and direction of the patterns of interregional linkages between enterprises located in different urban and regional economies. An agglomeration's large market may allow a firm to grow to a larger size than would otherwise be the case, before organisational metamorphosis and expansion into a regional, national or international operation space is required. A recent study of Auckland manufacturers (Lees, 1978), in fact, suggests this - it was concluded that there was an apparent lack of enthusiasm amongst exporting firms for developing future export markets. As a region's income is significantly tied to the level of exports (North, 1955), the contribution of exporters to the peripheral urban economies is most important. What has been the export contribution of firms located in the peripheral urban economies?

These are the major ideas upon which this research is focussed.

DEFINITION OF TERMS

There is a need to define the terms used. One of the first questions to answer is: 'What is a New Zealand manufacturing firm for the purpose of this inquiry?' The manufacturing sector has been defined under various different classifications. First, there is the International Standard Industrial Classification for industry. For trade purposes, there is the Standard International Trade Classification (S.I.T.C.). In New Zealand, the industries which cause the most difficulty are those classified as Primary Production Processing industries such as manufactured meat products, paper, leather goods, casein and others. For National Income analysis, Primary Production Processing industries are included in the manufacturing sector, while for purposes of international trade the same industries are included in the primary sector. Because exports are currently classified under the S.I.T.C., manufacturing firms in this inquiry will also be categorised by the same classification. This does, however, create difficulties as exports of chilled meat, which have had very little processing, and pate, which has had intensive processing, are listed in the same category.

Exports are defined as 'sales abroad of a country's goods and services'[5] and manufactured exports are those manufactured articles which are sold overseas.

For purposes of this inquiry an exporting firm is any firm which has actively participated in exporting. This may include those who are exporting at present and those which have exported in the past, have discontinued but may begin exporting again in the future. A non-exporting firm is a firm which has never exported any of its products. Indirect exporting, whereby firms manufacture components or goods for another firm which exports, is not considered in this analysis of exporting firms as this activity does not involve the initial manufacturing firm with the selling of its product(s) abroad.

There has been an inconsistency in the New Zealand literature over the definition of small and large firms. However, recently the Small Business Agency of the Development Finance Corporation defined a small sized firm as one employing less than fifty employees. (Le Heron, 1978). This definition, although based on an arbitrary measure, allows a common base for research on small and large firms. This definition can be questioned as firms thus defined comprised 87.5 per cent of the manufacturing establishments in

New Zealand in 1974.[6]

[#] Export performance has been defined as 'EP = $\frac{E}{S} \times \frac{100}{1}$

where EP = export performance, E = value of export sales in a given year and S = value of total sales in a given year.' (Sloan, 1977; Stening, 1974; Lloyd, 1971).

This measure has limitations in that it disguises the actual value of exports of a firm; for example, firm A may have an export performance of 0.7 where this represents export sales of $700,000 and total sales of $1,000,000 as compared with firm B with an export performance of only 0.4 represented by export sales of $4,800,000 and total sales of $120,000,000. This measure may also disguise the failure of a firm, for example firm A, to accept the opportunities and potentialities of total sales expansion, rather than reflect an aggressive export approach.

ORGANISATION OF THE THESIS

Chapter 2 provides a theoretical framework as background to the research. A review is made of the relevant overseas and New Zealand literature. More specifically, this chapter is divided into four sections: section one discusses exports in the development process; sections two and three firms and government in the development process and section four the exporting behaviour of manufacturing firms.

Chapter 3 outlines the research design and methodology.

The research findings are presented in Chapter 4.

Chapter 5 summarises the major findings for manufacturers and the implications of these findings for manufacturers. The implications of the findings for government policy-makers are also considered.

FOOTNOTES

1. Report of the Department of Trade and Industry (for the years 1960-1979) to the House of Representatives. Government Printing Office, Wellington, New Zealand.

2. Report of the Manufacturing Committee to the Plenary Session of the National Development Conference. M.J. Moriarity, Chairman, para. 16-20. Government Printing Office, Wellington, New Zealand, 1969.

3. Industrial Production Statistics, 1960-1961 to 1975-1976.

4. Industrial Production Statistics, 1970-1971 to 1973-1974.

5. Encyclopaedia Britannica, 1970, 977.

6. Industrial Production Statistics, 1973-1974.

CHAPTER 2

BACKGROUND TO THE RESEARCH

It is hoped that earlier research will provide guidelines and a conceptual framework in which to study and analyse the questions asked earlier in the Research Focus. Many studies have been made of various aspects of exporting activity but few have analysed exporting as a spatial adjustment process whereby firms expand their operations across trading frontiers. This process has special significance to firms within the New Zealand economic environment, because of government stimulation measures and their effect, and also because of the size and organisational structure of New Zealand manufacturing firms.

The chapter is divided into four sections. The first section reviews the literature concerning the role of exports in the development process; in the second and third sections, literature relating to the government and firms in the development process is discussed and the fourth section examines the literature on the exporting behaviour of manufacturing firms.

EXPORTS IN THE DEVELOPMENT PROCESS

The key to solving the problem of economic growth lies in the need to understand the role of exports in the domestic economy. A region's economic activities are those producing for the export market and those producing for the local market. A region's income is, therefore, significantly tied to the level of exports.

North (1955), reviewing the export base theory literature, argues that a region's growth is directly a function of the expansion of its exports. Expansion of the export sector(s) may occur because of the improved position of existing exports relative to competing areas or as the result of the development of new products.

> 'Short run export expansion leads to increases in regional income both directly and via secondary effects on the demand for locally produced goods and services. In the long run there will be changes in the structure of the regional economy resulting from capital and labour movements and these will tend to reinforce the process of regional growth'.
>
> (Stilwell, 1972, 32)

There has, however, been a controversy over the relationship between exports and economic growth resulting in two schools of thought - the 'structuralist' versus the 'monetarist'. (Vickery, 1974). The 'structuralist' school propounds that the attainment of a satisfactory growth rate of real income per capita is dependent upon the ability of a region to import scarce manufactured goods and raw materials, and as exports represent the main determinant of the ability of import, economic growth is tied to the export sector. However, economic growth is impossible without rapid inflation for a country experiencing stagnant or minor export growth. The reason behind this is that the expansion of import substitution industries becomes necessary, thus creating production bottlenecks as demand increases faster than supply, resulting in upward price movements. The 'monetarist' view is that the principal cause of inflation in these economies is the chronic deficit in the government budget rather than the structural problems.

Kindleberger (1958) put forward three models relating foreign trade to economic development. These are the three cases where foreign trade is a leading, a lagging and a balancing sector of the economy. In the leading sector model, autonomous foreign demand plus technological change in the developing country creates the pattern, and economic development is a process of diversification around an export base. Diversification, according to Ansoff (1963, 312), is characterised by the 'simultaneous departure from the present product line and the present market structure'. In the lagging sector, domestic investment leads, creating pressure on the balance of payments which is met by import substitution. The difference between the leading and the lagging sector models is that of development based on trade contraction. The model in which foreign trade is the balancing sector defines the case of trade expansion which is not domestic-led, but based on autonomous supply pushes in the export sector. Domestic investment leads, thus creating balance of payments difficulties which are overcome by pushing exports rather than by limiting imports.

Hultman (1967) has similarly identified a series of models which show the relationship between exports and the growth of the domestic economy. He assumes that the export sector, in the stages of economic growth theory (Rostow, 1960), can be classed as a 'leading' sector; thus, activities within the propulsive export sector set in motion production in other modern industries which supply input requirements to it.

Watkins (1963) examined the spread effects of the export sector in relation to his staple theory of export growth. In Hirschman's (1958) terms, the inducement for domestic investment resulting from the increased activity of the export sector can have three linkage effects: backward linkage, forward linkage and final demand linkage. Backward linkage measures the inducement to invest in the domestic production of inputs for the expanding export sector. Diversification is greatest where the input requirements involve the resources and technologies of domestic production. Forward linkage measures the inducement to invest in industries using the output of the export industries as an input; for example, by increasing the value added in the export sector, the economic possibilities of further processing and the nature of foreign tariffs will be most important. Final demand linkage is a measure of the inducement for investment in domestic industries producing consumer goods for the export sector. Its prime determinant is the size of the domestic market and the level of income and its distribution.

GOVERNMENT IN THE DEVELOPMENT PROCESS

Industry in any society exists in a socio-economic and legal-political environment. How does a government control, regulate, constrain and stimulate industrial activity? The nature of government policies which influence industrial investment patterns has varied with a country's level of economic development. Cannon (1975) identified three phases of government policy involvement. During the nation building period, public policies were designed to encourage the establishment of a manufacturing sector.

As industrialisation proceeded, the spatial pattern of manufacturing development became more differentiated and policies at a subnational scale were formulated to attract manufacturing to certain areas.

During the most recent phase, the role of the government as an economic entrepreneur and as a force formative of national and regional socio-economic environments has been strengthened. Changing international trading environments (by tariffs, quotas, agreements, economic unions, currency and price fluctuations) have strongly influenced the spatial pattern of international flows of industrial output, technical assistance, input suppliers, labour and the shape and size of market areas. As a government's industrial policies become increasingly all pervasive, there are implications for growth and change in the manufacturing sector. With an increase in the scale of incentive programmes, industrialists attempting to maintain their competitive positions have been forced to give serious attention to these programmes when looking at their own investment strategies. Due to the varied nature of manufacturing industries, an incentive may be more attractive to certain industries and types of firms than others.

The administrative framework is also significant, as administrative involvement can vary from a permissive approach where industrialists' applications for incentives are simply declared eligible or ineligible, to a highly discretionary approach where the administering authority can be very selective and is, thus, capable of redirecting manufacturing activity in certain ways. (Cannon, 1975).

Incentives can affect the timing of an investment. Incentives may affect the industrial structure by influencing the scale of an investment; that is, as the number and size distribution of firms can have a significant effect on an industry's performance. Incentives may provide manufacturers with additional financial capacity which can be used to build larger, more efficient plants. Incentives may also introduce bias in investment preferences between sectors and among industries within sectors because of different cost structures. Each of these possible effects can seriously affect long-run change in manufacturing. (Caves, 1964).

The reasons for the intense involvement of the New Zealand government in industry are many. As New Zealand is a small, isolated, thinly populated group of islands whose economy is dependent upon factors largely beyond its control, there is a need for the government to regulate the economic climate. Domestic operations need to be protected from foreign competition. The government's regulation and control has taken many forms: licensing of business operations, establishing guidelines for corporate formation, import and export controls, price and wage controls, government subsidies, taxation policies and industrial relations laws.

The achievement of national export targets requires an effective and efficient strategy at both the government and the firm level.

> 'Government should seek to encourage the production of exportable products irrespective of industry. As a corollary, at the level of the individual manufacturing firm the results concerning the relationship between size of firm and export performance suggest that, within all industries, Government should seek to encourage firms of all sizes, since the export potential of small firms is as great as that for large ones'.
>
> (Stening and McDougall, 1975, 25)

However, two dangers with respect to export policies must be avoided. The exporter, because of government subsidies, is able to reduce his price on the foreign market, selling abroad more cheaply than he sells at home. The New Zealand taxpayer is thus subsidising the foreign consumer. Also, in trying to help exporters meet rising costs by reducing taxation, the incentive to fight against rising costs may be removed and producers may not try so hard to keep costs down.

The necessity to provide export incentives has arisen as a result of the long-term effects of import control, as the exclusion of foreign competition has provided a protected market for producers of import type goods and there was a shift away from the export sector.

FIRMS IN THE DEVELOPMENT PROCESS

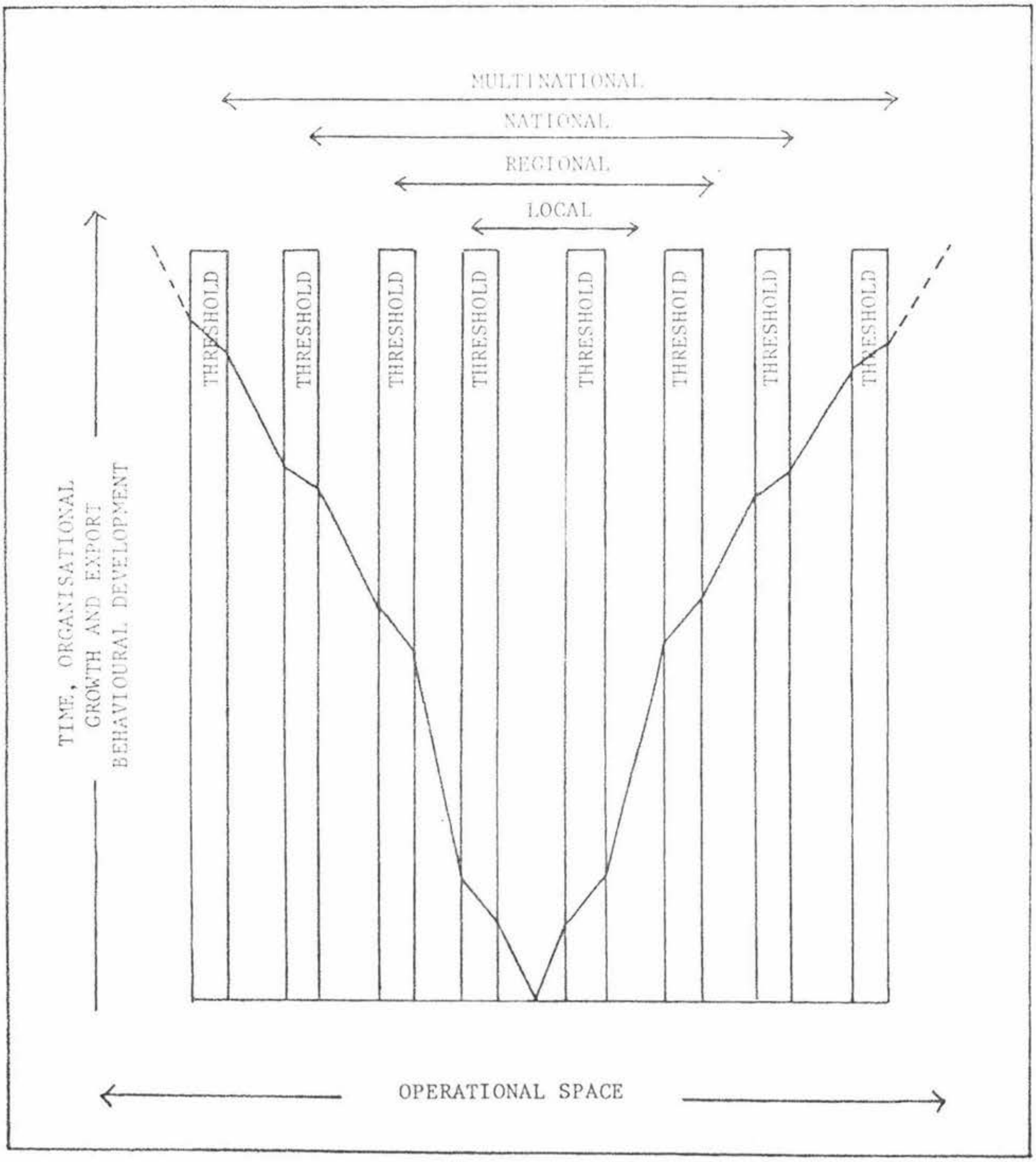
Filley (1969) developed a stages theory of a firm's growth. Stage 1 is the traditional situation of a firm under a caretaker type of leadership characterised by the absence of a rational policy of objectives with the primary motiviation of comfort and survival. Stage 2 is the dynamic growth phase under an entrepreneurial type of leadership where the firm's goals are forward-looking and personal achievement is of primary importance. Stage 3 is a phase dominated by a rational management type of leadership with written policies and procedures primarily motivated by market adaptation. Leadership, motivation and the firm's organisation all differ at each stage. The Filley theory has significant implications for industrial stimulation. Firms can be classified according to their stage of growth and the appropriate stimulation measures can be applied to them. Also, stimulation may be achieved by altering the firm's organisation and leadership in order to shift the firm into a more desirable stage of growth.

Taylor (1975, 321) suggests that a firm's growth requires organisational metamorphosis. When a firm is established, its information and decision spaces will be as highly localised as its material linkages, but with growth the action space defined by these material linkages will rapidly expand. A firm by crossing over thresholds may pass through local, regional, national and multinational stages of action space. However, as a firm operates against a background of risk and uncertainty, this will increase as it progresses from the local to the multinational stages of action space. This is shown diagrammatically in Figure 2.1.

There are two main dimensions of the international marketing phase. Firstly, the strategy for market development and penetration, and secondly, the strategy for technology improvement and product development. These strategies are shown diagrammatically in Figure 2.2. A manufacturing firm seeking forward linkages with existing or with new markets is likely to expand its material linkages from whatever rank of centre it is located in to embrace various regional markets, the entire national market and finally overseas markets. (Hamilton, 1978).

FIGURE 2.1

ORGANISATIONAL GROWTH, EXPORT BEHAVIOUR DEVELOPMENT AND SPATIAL INTERACTION



Source: Adapted from Taylor, 1975.

FIGURE 2.2.

PRODUCT-MARKET STRATEGIES FOR GROWTH

MARKET EXPANSION

PRODUCT EXPANSION

MARKET PENETRATION A strategy to increase sales of a present product at home or abroad without changes in the product or its mission	MARKET DEVELOPMENT A search for new missions of an existing product or product line, in new or already established geographic markets.
PRODUCT DEVELOPMENT The development of new products for the firm's existing markets.	DIVERSIFICATION Simultaneous departure from the present product line and the present market structure.

Source: Adapted from Ansoff, 1963 .

As a successful firm producing for the domestic market grows, this local market becomes insufficient for the firm's further expansion. The firm's trade horizon will gradually be lifted as the entrepreneur becomes aware of the profit opportunities offered by producing for foreign countries. The export market will then be entered. Once this stage is reached, exports can form an increasingly larger share of total sales.

> 'Export is the end, not the beginning of a typical market expansion path. International trade is really nothing but an extension across national frontiers of a country's own web of economic activity'.
>
> (Linder, 1961, 88)

The product life cycle concept traces the changing markets to which products are sold during their lifetime and the consequences such changes have for the entrepreneur in terms of the need for adjusting product characteristics, changing advertising strategies, exploring new markets and new products to replace the old. A product passes through a series of stages, from initial innovation through a growth stage to a stage of maturity and each stage has a geographical expression. In Stage 1, the newly innovated product will tend to be manufactured close to the firm's headquarters in response to the product's demand in an affluent market. The firm's monopoly on the market will slowly decrease as local competition increases leading to the development of export markets in Stage 2. Production facilities may be established overseas by the pioneer firm in Stage 3. Competiton in the domestic and overseas markets may increase with the late entrance of firms with newer plants and lower production costs. Stage 4 is reached when the pioneer firm sets up lower cost production sites to use as 'export platforms' to serve both the domestic and overseas markets. (Dicken, 1978, 140).

The current spatial industrial structure of a country results from long-term organisational growth and change with associated locational and linkage adjustments: growth in scale to thoroughly penetrate existing markets, diversification into complementary products, backward and forward integration, new technologies for existing and new markets, diversification into new unrelated products, and research and development. However, several studies of industrial linkages in New Zealand (Taylor, 1975; Taylor, 1978; McDermott, 1974; Le Heron 1976) have shown that New Zealand is divided into discrete functional regions and that there is limited spatial awareness by manufacturers to the market outside their region, that is, to the national and international economy. There are serious implications. One is that the extent to which a firm can grow under protection of spatial monopoly, will depend upon the region in which the firm is located. Secondly, firms in the smaller peripheral regions of the hierarchy will have a threshold to growth which must be overcome at an earlier stage of the firm's development than is the case for firms in larger regions. Also, the level of technology and marketing which needs to be achieved by modern industry places firms in locations which lack these specialised services at a disadvantage. The modern plant is organised as a production line with large investments in capital equipment, necessitating high output levels if profitability is to be achieved. Marketing tends to be a head office function and head offices are typically located in metropolitan areas. Hence,

> 'Auckland firms obtain a better start and one which involves less risk and uncertainty and the chance to grow to a greater size before needing to branch into regional or national markets'.
>
> (Taylor and Hosking, 1979, 14)

However, with respect to size, it has been found that small scale, single facility firms are frequently significant and even dominate in shaping the spatial industrial structure and prosperity of specific environments and areas. (Hamilton, 1978, 8). Lydall (1958) suggests that small firms are important because of the types of market they serve:

1) In an industry dominated by production economies of scale, the small firm will not be able to be cost-competitive with the larger firms, but will be able to fill niches of the market which are uneconomic for the larger firms; for example, luxury goods.
2) The small firm may act as a supplier to the larger firms, by providing ancillary or auxiliary products.
3) Some small firms may compete directly with the larger firms and their survival will be due to different production techniques or the lack of scale economies in the industry.

Small sized industrial enterprises play a key role in New Zealand's spatial economic structure with its small population and limited home market threshold. The Bolton Report (1971) on small firms in the United Kingdom considered that the prime function of a healthy small firm sector is to provide a 'seedbed' for new enterprise and entrepreneurial talent and to spawn new ideas and competition.

THE EXPORTING BEHAVIOUR OF MANUFACTURING FIRMS

There have been many empirical studies, New Zealand and overseas, of the exporting behaviour of manufacturing firms. These have dealt with a variety of aspects: export initiation and associated motivations and perceived obstacles, management, firm size, organisation and control, export risk and export performance.

Studies of export initiation have often focussed on external and internal export stimuli. Internal stimuli may be: excess capacity, production of a domestically seasonal product, product characteristics and the firm's expansion goals, and external stimuli may include: government export stimulation measures, trade mission activities, trade fairs, sales agent activity, adverse home conditions and fortuitous orders from overseas buyers. Fortuitous orders, which often convince firms of an overseas market for their product(s), have been mentioned as the most important of stimuli in several studies. (Simpson and Kujawa, 1974; Simmonds and Smith, 1968; Pavord and Bogart, 1975). Also, two other studies made in the United Kingdom both concluded that long-term profitability, secured by market diversification and long-term growth, was a prime motive for exporting. (Hunt, Froggatt and Hovell, 1967; Cooper, Hartley and Harvey, 1970). Similarly, New Zealand studies have found that the most important export stimuli are government export incentives, exhortation by the Department of Trade and Industry, excess capacity, company or managerial policies, growing export market prospects and development of new products. (Bedkober, 1972; Willis, 1973; Sloan, 1977; Stening, 1974).

Studies have also focussed on the perceived obstacles or barriers to exporting. It has been found that non-exporting firms perceived significantly more serious the obstacles to exporting than did exporting firms. (Bilkey and Tesar, 1975). The most frequently quoted obstacles to exporting are: insufficient finance, foreign government restrictions, insufficient knowledge about foreign selling opportunities, inadequate product distribution abroad and a lack of foreign market connnections. The type of obstacles perceived, however, vary according to the firm's stage of exporting.

The quality of management is an important factor of exporting. Several studies have found that exporting firms tended to have better management than non-exporting firms. (Tookey, 1964; Cunningham and Spigel, 1971; Wiedersheim, Olson and Welch, 1975; Bilkey and Tesar, 1975).

A firm's size has been regarded as critical for its propensity to export, yet empirical findings have been mixed. Tookey (1965) found a positive relationship between firm size and the proportion of firms that export. Bilkey and Tesar (1975) found no meaningful relationship, and yet another study by Hirsch (1971) concluded that very small firms hardly export, when firms reach some minimum threshold, exporting becomes positively correlated with firm size and, then, when they become large firms they do not necessarily have a higher export performance than small firms.

The factor of risk and uncertainty has also been analysed. An exporting firm probably faces less total market risk than a non-exporting firm because of its market diversification, (Hirsch and Lev, 1971), but little empirical work has been done on this issue. Hirsch (1971), however, concluded that foreign entry is more hazardous than domestic selling.

Several studies have been made of exporting firms in New Zealand. Willis (1973) studied ninety-four firms in the Manufacturing Engineers and Allied Metal Trade Group, to find factors which significantly influence export performance. Of the one hundred variables tested, only frequency of export market visits and priority given to export orders were found to be significant. His study concluded that 'in general firms exporting manufactured goods in New Zealand are not export oriented, they have not been in the exporting game long enough'. (Willis, 1973, 170). Another study (Lloyd, 1971) examined various aspects of export performance as part of a wider study of the trading patterns of manufactured articles between Australia and New Zealand. Not one of the factors tested was found to be significant. A pilot study of twenty Wellington manufacturing firms (Bedkober, 1972) attempted to reveal what influences operate on successful export manufacturing firms. The firms were classified into three groups based on ownership circumstances: entrepreneur-based, overseas-based and domestic-based. Overall, the overseas group showed the most rapid rate of export growth.

A study comparing Australian, Canadian and New Zealand manufacturing firms investigated the marketing practices and export performance. (Stening, 1974). The relationship between export performance and several independent marketing variables was examined. Factors found to be significant in influencing export performance were the relative level of expenditure on research and development, the number of years the firm had been exporting, the product areas in which each firm produces and relative profitability of exports and domestic sales.

A more recent study of South Island manufacturing firms examined the relationship between export performance and structural and locational influences. (Sloan, 1977). No strong relationships were found to exist. Findings did, however, show that the export scene of the South Island was very immature and that only a few firms had reached the required level of exports to qualify as being 'export oriented' firms. It is accepted that about thirty per cent of production needs to be exported to enable a firm to qualify as being 'export oriented'. Wilton (1978), in his study of small scale, high value manufacturing firms, also found that few firms qualified as being 'export oriented'. However, recent studies have taken a lower percentage (20%) to define an export oriented firm.[1]

The most recent study of the New Zealand export manufacturing firm was that of Lees (1978). He examined the exporting environment and potential export markets of Auckland manufacturers, and found that exporting firms viewed their export environment from differing standpoints according to the length of time the firm had been established, the firm's ownership and the management characteristics of the firm. With regard to export markets, he found that there was an apparent lack of enthusiasm amongst exporting firms for developing future export markets.

These New Zealand studies looked at many aspects of the export manufacturing firm but most especially the influences of a firm's export performance. Few studies could find any significant factors influencing export performance. The general conclusions to be gained from looking at these studies is that New Zealand export manufacturing firms are, typically, not export oriented and that the export scene is New Zealand is still immature.

These studies have been mainly descriptive and none have looked at exporting firms in the light of recently designed export models.

Export Behaviour Models

Export development has been a widely studied aspect of international business as attested by the large volume of literature on the subject. Recently, several commonly acceptable export models have been put forward.

The first steps of a firm's internationalisation process from the non-exporting to the exporting state have been described in an export-propensity model (Olson and Wiedersheim-Paul, 1978). Four types of pre-export behaviour were identified:

1) The 'active' pre-exporter who is making a positive effort to commence exporting at some future stage. He is, at present, gathering relevant information and is open to export stimuli.
2) The 'passive' pre-exporter who does not actively seek to export

but, instead, waits for fortuitous orders from overseas.

3) The 'domestic' pre-exporter who has never made any effort to seek export business and does not act on export stimuli.

4) The 'reactivating' pre-exporter who has exported in the past and has, subsequently, discontinued but plans to look at it again in the future.

Their study found that firms demonstrating active pre-export behaviour were likely to become exporters sooner than firms of any other type and would tend to have higher rates of export growth after the first export sale; whereas, it was unlikely that sustained export trade could develop on the 'rickety' foundation laid by domestic and passive pre-exporters.

Several factors were found to be of special significance in a firm's pre-export activities: characteristics of the decision-maker, who in many small and medium sized firms makes all the strategic decisions, the firm's environment, the extraregional expansion of the firm and information. The value system, past history and experience of the decision-maker all combine to make up his 'international orientation' which will influence his perception of the export stimuli latent in his firm's internal and external environment. (Cunningham and Spigel, 1971).

A firm's location in the domestic market may affect its transport costs and information flows. As decision-makers use limited search behaviour, there is more likelihood of firms located in 'information centres' being exposed to export stimuli. (Cyert and March, 1965). Urban economies of scale also apply, in that a large number of firms concentrated in one area creates a favourable 'enterprise environment'. (Wiedersheim, Olson and Welch, 1978).

Extraregional expansion helps exporters to prepare for some of the difficulties they may encounter in the international market place.

A passive, domestic or reactivating pre-exporter may commence exporting activity because of a decline in the home market for the firm's products. Such firms may show respectable export sales percentages of total sales in subsequent years, but there may be only a minimum of planning and effort. Hence, exporting activity may be little more than a means of survival for such firms. This model also has further implications. Non-exporters with a high potential for exporting can be identified. Also, there are implications for policy-makers in that a government's financial incentives will not affect the capability of domestic and passive pre-exporters to gather and act on information. Thus, educational programmes giving factual and practical information should be directed towards these types of firms. Direct financial benefits will, however, stimulate firms exhibiting active or reactivating pre-export behaviour.

A similar model to the export-propensity model is the internationalisation model which is designed to explain the process by which firms increase their international involvement and foreign market commitment. (Johanson and Vahlne, 1977). A firm will gradually acquire, integrate and use knowledge about foreign markets. The decision to adopt exporting activity is the firm's initial international commitment and may be initiated either by problems or by awareness of opportunities. (Lee and Brasch, 1978).

The five stages of this model are:-

1) Export of a surplus product.
2) Export of an existing product range with modifications; that is, export marketing.
3) Export of modified products to new markets; that is, market development.
4) Export of new products to existing or new markets; that is, product-technology development.
5) Overseas manufacturing.

(Cullwick, 1978)

The initial establishment chain begins with a firm exporting to a psychologically close country via an overseas agent, as this initially requires a smaller resource commitment and involves less risk and uncertainty. Later, the firm may establish a sales subsidiary and, eventually, in some cases, may begin production in the overseas market. (Johanson and Vahlne, 1977). Several other studies have reinforced these findings. (Johanson and Wiedersheim, 1975; Gruber, Mehta and Vernon, 1967; Lipsey and Weiss, 1972). A firm is not really committed to exporting until it has reached Stage 2 or beyond, where the firm supplies products and services on a regular basis to the selected overseas market(s) irrespective of demand for that product in the domestic market. Increasing commitment to exporting requires a strategy for market development and selection, and a strategy for technology improvement and product development.

It is only recently that a commonly acceptable export model has been developed where a firm's behaviour could be empirically determined at each stage - the 'stages' model of export development. (Bilkey and Tesar, 1975). It can be mathematically defined as:

'A = a + bE - cI + dF + eM
Where: A is the firm's export activity for the stage in question, E is management's expectations regarding the benefits of exporting after it has been developed, I is the inhibitors (mainly serious infrastructural and institutional obstacles) that management perceives to initiating exporting, F is the facilitators (unsolicited orders, information, subsidies, infrastructural and institution aids, etc.) management perceives to initiating exporting, and M is the quality and dynamism of the firm's management plus the firm's organizational characteristics that affect exporting'.

(Bilkey, 1976, 14)

The model's six stages are:

1) Management is not interested in exporting and would not even fill an unsolicited export order.
2) Management would fill an unsolicited order but makes no attempt to explore the feasibility of exporting.
3) Management actively explores the feasibility of exporting (this stage is omitted if an unsolicited order has already been received).
4) The firm exports on an experimental basis to some psychologically close country.
5) The firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc.
6) Management explores the feasibility of exporting to additional countries that are psychologically further away.

(Bilkey and Tesar, 1975, 93)

The critical stage is Stage 4, as from the perspective of innovation of diffusion this stage can be regarded as adoption. (Lee and Brasch, 1978, 85). Before the stage is reached, a firm must have successfully overcome the barriers to exporting. As with the internationalisation model, this model also suggests that policy-makers need to recognise that stimulation measures may be appropriate only to firms in certain stages of the export development process.

Thus, the background literature provides a general platform from which to examine the major issues pertinent to this research.

Economic development is a process of diversification around an export base characterised by departure from the existing product line and/or market structure. A region's economic growth is directly tied to the expansion. This is especially important for peripheral urban economies. As activity increases in the export sector; that is, as the spatial interaction field increases, there are corresponding linkage effects. At the level of the firm, expanding material linkages require metamorphosis of the organisational structure. (Taylor, 1975). When this occurs, barriers or thresholds to development (for example, trading frontiers which exist between the local, regional, national and international markets) can be crossed. This process normally proceeds by stages as firms incrementally increase their international involvement and foreign market commitment. (Bilkey, 1976). Intervention by the government in the form of export stimulation measures may encourage firms to jump from a local orientation to an international orientation without the corresponding organisational growth and development.

FOOTNOTES

1. These studies are presently being conducted by the National Planning Council, the Manufacturers Federation and the Economics Department of Victoria University, Wellington.

CHAPTER 3

RESEARCH DESIGN

The research was designed with the aim of providing factual information about the exporting behaviour of manufacturing firms within the New Zealand space economy.

To facilitate this inquiry, it is necessary, initially, to ascertain whether or not there has been any development of an export linkage. It could be expected that in the face of government effort, one could expect:

1) Much entry into exporting.
2) Much exit from exporting unless changes take place within the firm which are favourable to exporting.
3) Evolution of the firm with increasing commitment to exporting.

What has been the pattern of response by manufacturing firms to the stimulae to export? How did large and small firms react during this time? Did they have the same incidence of entry and withdrawal? Did they have the same pattern of responses? Did they have the same level of achievement? This process can be shown diagrammatically in Figure 3.1.

This first stage of the analysis will then provide a platform for describing why and how manufacturers, large and small, have initiated, sustained, improved and reactivated exporting activity. What has happened to manufacturing firms during their period of export involvement? Are there any behavioural tendencies which suggest an export orientation of firms? Has the organisational structure of firms influenced their exporting behaviour? What strategies and tactics have the exporting firms used? Increasing commitment to exporting requires a strategy for market development and selection, and a strategy for technology improvement and product development.

These findings will then provide a base upon which to discuss the third section of the analysis - that is, the actual contribution to the environment in which the firms belong. Has the real export contribution from the peripheral urban economies increased, decreased or remained the same over time?

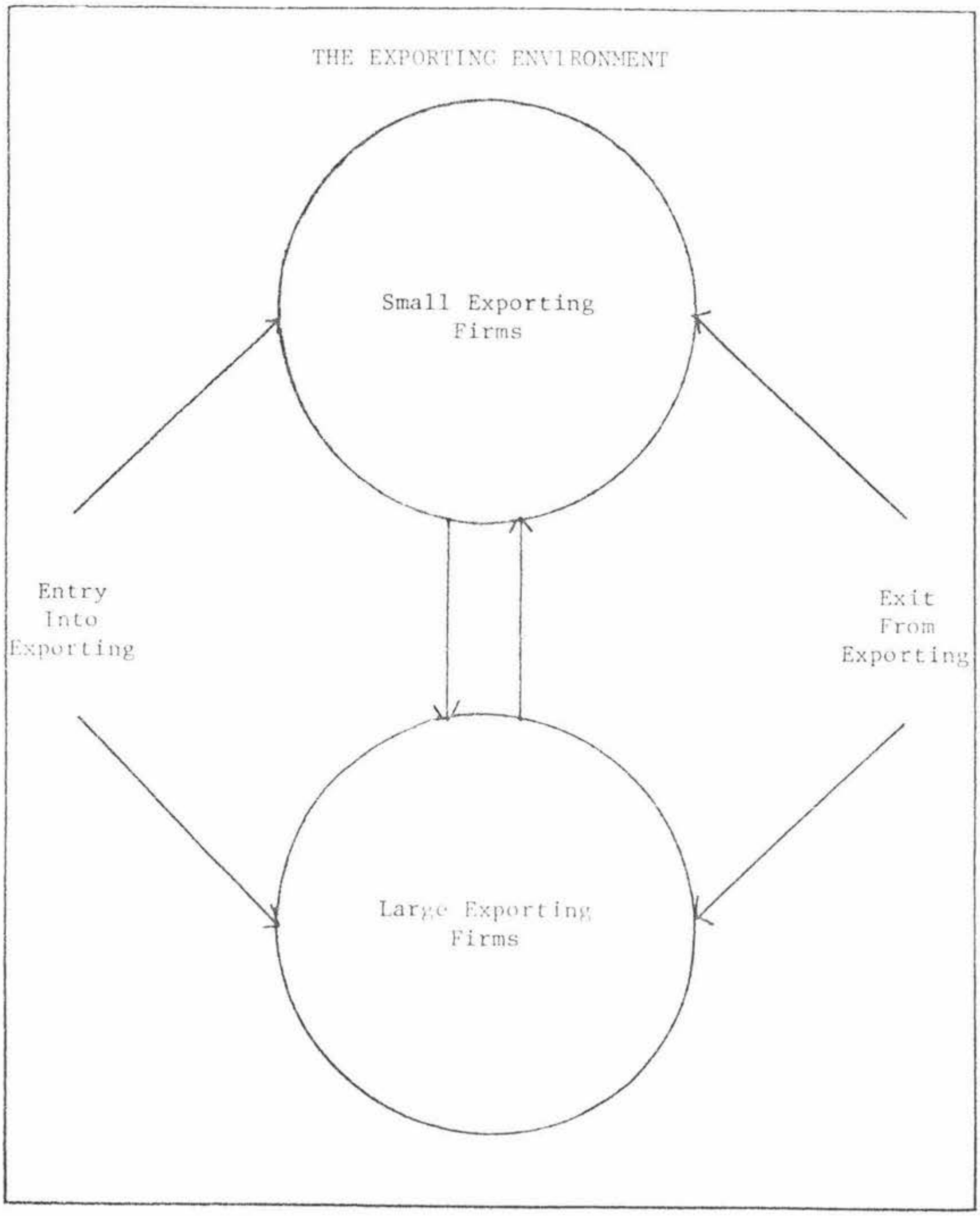
RESEARCH METHODOLOGY

Location of the Study

The export manufacturing firms studied were those located in the central North Island cities and towns - Palmerston North, Napier, Hastings, Wanganui

FIGURE 3.1.

EXPORTING AND ORGANISATIONAL GROWTH



and Levin. The area studied was limited due to time and cost constraints. Although the number of export manufacturing firms in each of these urban areas is small, this is the actual pattern of exporting activity which has existed over the period studied. The limitations of the study area chosen are discussed at the end of the chapter.

The Basic Data Sources

It was decided to survey the entire population of export manufacturing firms in the study area. Unfortunately no comprehensive list of exporters is readily accessible in New Zealand.

A list of the total population of exporters in these urban areas was compiled from several sources:

1) From earlier surveys of manufacturing firms carried out by members of the Geography Department, Massey University.
2) Firms listed in the Universal Business Directory were telephoned and asked if they had exported in the past or were exporting at present.
3) From a list of firms participating in Export Year 1978, supplied courtesy of the Department of Trade and Industry.
4) From a list of known exporters supplied courtesy of the Napier Harbour Board.
5) From lists supplied by Customs Agencies.

At this stage firms were not classified according to size or type of product, since all firms who are or have been directly involved in exporting were required for the study of the export process in firms.

The Collection of Data

Data collection consisted of two methods - personal interview and mail questionnaire. Confidentiality was promised to all participating firms and this was strictly observed.

Every firm was approached for an interview because of the type of information that was required. The person interviewed belonged to the top management of the firm - the Manager, the Marketing Manager or the Export Manager. The personal interview was an open discussion, informally structured around a questionnaire. (Appendix A). Of the total 75 export manufacturing firms in 1979, 70 (93.3 per cent) of firms were willing to give an interview and 5 (6.7 per cent) firms refused due to the time involved or because members of the top management were absent at the time.

A mail questionnaire was also thought desirable to further gain factual data which would enable comparison of characteristics among the firms. (Appendix B). This was posted to firms which had earlier been interviewed and to those firms which had refused to give interviews. Those firms not returning their questionnaires by a certain date were reminded by either a telephone call or a reminder letter. A 72 per cent (54 firms) response rate to the mail questionnaire was obtained. A further 8 firms (10.7 per cent) replied explaining why they had not completed the questionnaire. An interesting factor which emerged was that several firms did not consider themselves exporters, as exporting activity played a very minor part in their firm's total production.

The response rate for the interview and the mail questionnaire, according to urban location, is summarised in Table 3.1.

Design of the Interview and Mail Questionnaire

The interview was conducted to gain in-depth knowledge of the actual export process which had occurred in each firm. This required a background knowledge of the firm's general characteristics - Question 1. The sequence, through time, of the firm's exporting activity was obtained by Question 2. Questions 3-7 relate to the different decisions which had to be made by a firm entering the export market and questions 8-10 enquire into the firm's perceptions of exporting and the effect it has had on the firm.

Information similar to that obtained by the interview was asked for again in the questionnaire. However, use of the written questionnaire enables empirical analysis, whereas the interview mainly allowed description. Also, certain points, which emerged from the interviews, were able to be incorporated into the written questionnaire.

Limitations to the Analysis

Information about a firm's export process from time of inception to the present day was often not available. This occurred when the relevant data had not been kept by the firm or when the person interviewed had not been with the firm long enough to remember export initiation and was unable to supply the required information. It was hoped, that this problem could be overcome by examining all firms within the time period 1974-1979.

TABLE 3.1.

RESPONSE RATE OF THE SURVEYED FIRMS

Urban Area	Total population of exporting firms	Interviews Given	Interview Refusals	Response Rate (%) for Interviews	Questionnaire Completed	Questionnaire Refusals	Response Rate (%) for questionnaires	Effective Use[1] Rate (%)
Palmerston North	22	18	4	81.8	14	8	63.6	59.1
Napier	19	19	0	100.0	14	5	73.7	73.7
Hastings	15	14	1	93.3	13	2	86.7	86.7
Wanganui	13	13	0	100.0	8	5	61.5	61.5
Levin	6	6	0	100.0	5	1	83.3	83.3
Total	75	70	5	93.3	54	21	72.0	70.7

Source: Survey Data, 1979.

[1] Effective use was dependent on both full information being provided at the interview and in the questionnaire.

Also as has already been mentioned, the study dealt with only a limited geographical area. Although a metropolitan urban area was absent from the urban hierarchy of locations a regional centre, three secondary centres and one small town were included.

However, a guide to the importance of the economic and industrial development in the study area may be seen in an examination of the relative performance of the study area and its subareas as compared to New Zealand. Table 3.2 summarises the small absolute size in 1976 of the area's population (5.9 per cent of the New Zealand total) and industrial base (6.4 per cent of industrial employment, 6.6 per cent of industrial establishments and 6.1 per cent of the value of production. This points to a limited potential market within the central North Island and the need to seek extraregional and/ or export markets to ensure growth.

An earlier study (Le Heron, 1976) found that there were distinctive industrial specialisations in this area. These specialisations have resulted from high growth rates in food, tobacco, footwear and textile industry groups and the accompanying slow growth of many other industries.

Table 3.3 illustrates the distribution of exporting firms included for analysis in this study. All but five of the industry groups are represented in this study. The dominant export industries are footwear and apparel, electrical machinery, machinery, metal products and furniture.

A final limiting factor to the analysis was the exclusion of non-exporting firms (that is, those firms which had never exported) from the population of firms surveyed. This can be explained by the fact that it is very difficult to find a population which would match that of the exporting population with respect to industry type and organisational status. Unless this could be done, any comparison of these two distinct subpopulations could only be superficial.

Classification of the Data

The survey data was organised in terms of several classifications. They were:

1) New Zealand Standard Industrial Classification.
2) Geographic location of the firms.
3) Size of the firms.
4) Organisational structure of the firms.

TABLE 3.2.

SURVEYED AREA'S SHARES OF NATIONAL TOTALS, 1975-1976

Per cent of New Zealand	Local Authority Areas					
	Palmerston North	Napier	Hastings	Wanganui	Levin	Total
Population	1.7	1.5	1.1	1.1	0.5	5.9
Industrial Employment	1.5	0.9	2.1	1.4	0.6	6.4
Establishments	2.2	1.3	1.1	1.3	0.7	6.6
Value of Production	1.5	1.1	2.1	1.0	0.6	6.1

Source: Department of Statistics, 1976-1977.

TABLE 3.3.

DISTRIBUTION OF EXPORTING FIRMS BY INDUSTRY GROUP, 1979

Industry Group	Palmerston North	Napier	Hastings	Wanganui	Levin	Total[1]
Food	1		1			2
Beverages			1			1
Tobacco						
Textiles			1		1	2
Footwear	4	1	1	3	2	11
Wood				1		1
Furniture		2	2			4
Paper						
Printing		2	1			3
Leather		2	1			3
Rubber						
Chemicals						
Petroleum	1		1			2
Non-metallic		2		1		3
Basic metals		1	1			2
Metal products	4			1		5
Machinery	3		1		1	5
Electrical		4	1		1	6
Transport			1	2		3
Miscellaneous						

Source: Survey Data, 1979.

[1] Several industry groups were not represented. These included tobacco, paper, rubber, chemicals and miscellaneous.

Firms were assigned the status of large or small in accordance with the accepted New Zealand definition (small less than 50 employees and large 50 or more employees). (Devlin and Le Heron, 1977).

The organisational structure classification categorised establishments by stage of company development. (Chandler, 1966). Type I firms are small and controlled by the owner/founder. Type II firms are those which have departments (sales, production, finance) run by company officers who are responsible to a general manager. These firms tend to be characterised by a single line of production. Type III firms use a divisional organisational structure based on product or area lines. Evolution of the firm involves decisions and adjustments of a functional nature and also various geographical expansion strategies; for example in Type II or Type III firms where multiple products are produced in often geographically dispersed branch plants.

Thus, it is hoped that the research design will allow analysis and interpretation of the export linkage development, the exporting behaviour of manufacturing firms and finally discussion about the contribution of exporting firms to the environment in which they are located.

CHAPTER 4

THE EXPORTING BEHAVIOUR OF MANUFACTURING FIRMS

EXPORT LINKAGE DEVELOPMENT

To obtain a clear picture of the export scene, it is necessary to primarily establish whether or not there has been any development of an export linkage. Table 4.1 summarises the material linkages of small and large firms over the period 1974-1978. It is obvious that there has, indeed, been some export linkage development. Overall, export performance has risen from 10.4 per cent in 1974 to 20.9 per cent in 1978. Both small and large firms have experienced this development. Sales within the local area have declined noticeably over the period while interregional sales have remained roughly the same. However, care must be taken when interpreting data given in percentages.

Over the same period, imports have remained the same, local area purchases have increased slightly and interregional purchases have decreased slightly. Both small and large firms have had a similar pattern of linkage development. However, small exporters rely more on the local area for purchases and sales than do large firms. Small exporters also rely less on imported goods than large firms. In 1978, small firms imported 30.4 per cent of their purchases in 1978 as compared with large firms which imported 43.1 per cent. Small firms also tend to export a larger percentage (25.7 per cent of their sales in 1978) as compared with large firms which exported 16.2 per cent.

These findings have important implications. There has been development of the export linkage within firms, but most especially small firms. As Coffey (1976, 2) said about exporting

> 'We must especially encourage those industries with a high domestic content and which demonstrate high productivity growth. To achieve this sort of structural change, industries may need to reorganise and rationalise...'

Entry and Exit, Survival and Growth

Individual and aggregate export behaviour over the period is important to the understanding of the spatial character of the export process. Hamilton (1978, 11) said that little appears to be known about the extent and nature of the survival of small firms through their adaptation to altered conditions resulting from changes further along the line of either backward or forward industrial and service linkages.

TABLE 4.1.

SUMMARY OF TRADE FLOWS BY SIZE OF FIRM (percentages)

	Small Firms		Large Firms		Total	
	1974	1978	1974	1978	1974	1978
Purchases						
Local Area	27.1	28.4	19.7	23.8	23.4	26.1
Interregional	42.6	41.2	37.9	33.1	40.3	37.2
Imports	30.3	30.4	42.4	43.1	36.3	36.7
Total Purchases	100.0	100.0	100.0	100.0	100.0	100.0
Sales						
Local Area	28.5	17.9	17.8	14.6	23.2	16.3
Interregional	57.5	56.4	75.3	69.2	66.4	62.8
Exports	14.0	25.7	6.9	16.2	10.4	20.9
Total Sales	100.0	100.0	100.0	100.0	100.0	100.0

Source: Survey Data, 1979

'The "death" of firms frequently expresses their inability to adapt'.

(Hamilton, 1978, 11)

In 1974, there were 46 exporters - 24 (52.2 per cent) of which were large firms and 22 (47.8 per cent) were small firms. By 1978, the total number had increased to 71-41 (57.7 per cent) of which were large and 30 (42.3 per cent) were small. The proportion of large to small firms has changed.

Over the period, several significant changes took place. Of the total 30 firms entering exporting, 14 (46.7 per cent) were large and 16 (53.3 per cent) were small, and the 5 firms which ceased exporting were all large. Almost equal proportions of small and large firms were entering exporting but only large firms were stopping.

A shift of firms within their size category appears to have contributed to the growing proportion of large to small firms. From 1974 to 1978, 8 exporters grew from small to large size while no firms declined by size category. Also, 4 firms which entered exporting after 1974, ceased exporting before 1978 and these were all large.

Thus it appears that there has been an overall increase in exporting activity with almost equal proportions of small and large firms entering exporting. Small firms, however, tend to survive better as exporters than large firms.

Tookey (1965) found that the smaller firms which could more easily adapt their production to the small scale requirements of overseas customers were more successful as exporters.

Small exporters also tended to have more potential for growth than large exporters. Using employment as an indicator of a firm's growth, exporting firms are, generally, growing firms - 85.7 per cent of the small exporters have increased their number employed, 1974-1978, as compared with 48.0 per cent of the large exporters, and 10.7 per cent of the small exporters have declined as compared with 40.0 per cent of the large exporters as can be seen in Table 4.2.

Export Performance

The results for export performance differ from those obtained earlier in the discussion of the export linkage development. A possible explanation

TABLE 4.2.

GROWTH OF EXPORTING FIRMS, 1974-1978

Change in employment numbers	Small Firms[1]		Large Firms		Total	
	Number	%	Number	%	Number	%
Increase	24	85.7	12	48.0	36	67.9
No Change	1	3.6	3	12.0	4	7.6
Decrease	3	10.7	10	40.0	13	24.5

Source: Survey Data, 1979

[1] Base year for size category is 1974.

may be that firms quoted volume with respect to sales and purchases and value with respect to this discussion. The export orientation (export orientation is attained when a firm exports more than 20 per cent of its total value of production) of the firms was low (Table 4.3). In 1974, only 12.6 per cent of the exporters could be described as export oriented. By 1978, this proportion had only increased to 16.9 per cent of the firms. This finding is comparable to that of other studies - Wilton (1978) found 19.5 per cent of his small scale high value firms to be export oriented and Sloan (1977) found only 2 firms to be export oriented.

Generally, the export performance of firms has increased over the period. In 1974, 65.6 per cent of the firms exported less than 5 per cent of their sales, but by 1978 this had decreased to 35.1 per cent of firms.

When looking separately at the export performance of small and large firms, it can be seen that small firms tend to be more export oriented. In 1978, 51.9 per cent of the large firms exported less than 5 per cent whereas only 18.2 per cent of the small firms exported as little as this.

One may conclude that in general, firms exporting manufactured goods are not export oriented. The current export scene appears to be characterised by:

1) Almost equal proportions of large and small firms involved in exporting.

2) Large firms on average maintain an export to total sales ratio of less than 0.05.

3) A large number of small firms have a high proportion of their production going to export markets.

As New Zealand industry is based on a small number of large companies and a large number of small firms, the relative size and export involvement of manufacturers are of special interest. Analysis has shown the higher export involvement and orientation of small firms. Small firms generally have a similar form of organisation and management, a small market share and have few specialist staff. Should growth occur, it is likely that the firm will undergo a change from a small owner-operated business (denoted by Type I firms) to a larger-sized operation (Type II) which features new characteristics related to product line and the functional organisation of activities.

In 1979, the majority of exporters (54.7 per cent) were Type II firms but Type I firms were also well represented (32 per cent). Few of the

TABLE 4.3.

COMPARISON OF EXPORT PERFORMANCE, 1974-1978

Export Performance	1974			1978		
	Percentages			Percentages		
	Small	Large	Total	Small	Large	Total
0-5.0	66.7	64.7	65.6	18.2	51.9	35.1
5.1-10.0	6.7	23.5	15.1	18.2	11.1	14.7
10.1-20.0	13.3	0	6.7	13.6	25.9	19.7
20.1-30.0	0	0	0	27.3	0	13.6
30.1+	13.3	11.8	12.6	22.7	11.1	16.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Survey Data, 1979.

exporters, however, were Type III firms. Table 4.4 shows how exporters, as classified by their organisational type, fare with respect to export performance. It is surprising to note that Type I firms can achieve a higher export performance than Type II firms. Type III firms however, perform averagely well - they all export more than 5.0 per cent of their sales. However, one might have expected that Type II and III firms would perform better with respect to export activity.

EXPORTING BEHAVIOUR

Stages of Export Behavioural Development

Although the export orientation of the firms is low, the general export performance of the firms is increasing. As Table 4.5. shows, the majority of exporters have reached a well developed form of exporting behaviour; 58.6 per cent of the firms have reached Stage 7 or beyond, whereas only 18.7 per cent of the firms are in the experimental stages (Stages 1-3) of exporting.

There is a tendency for more large firms (22.6 per cent) to be exhibiting experimental exporting behaviour than small firms (13.7 per cent). More large firms (13.0 per cent), however, show a very highly developed form of exporting behaviour (Stages 8, 9) than small firms (4.5 per cent). This is to be expected as only large firms would be able to raise the necessary capital to set up overseas subsidiaries.

Willis (1973) suggested that firms were not export oriented because they had not been in the exporting game long enough. It may be anticipated that a firm's stage of exporting will rise with the length of time that it has been exporting. It takes some time to establish overseas contacts, build up customer confidence and so on. Also, it could be expected that increased expertise and competence which have been incrementally gained by a learning process, would lead to a higher stage of exporting.

Table 4.6. does in fact show that the majority of firms which have been involved in exporting for more than ten years have reached a high stage of exporting (beyond Stage 5). However, it is interesting to note that a large proportion of very recent exporters (firms which have been exporting for five years or less) have also reached a high stage of exporting.

It is also interesting that exporting is a recent activity for the majority of firms; 73.2 per cent of the firms began exporting in the last ten

TABLE 4.4.

THE ORGANISATIONAL STRUCTURE OF EXPORTING FIRMS, 1979

Export Performance	Status of Firms[1]					
	Type I		Type II		Type III	
	No.	(%)	No.	(%)	No.	(%)
0-5.0	6	(35.2)	14	(48.3)	0	(0)
5.1-30.0	7	(41.2)	11	(37.9)	6	(85.7)
30.1+	4	(23.6)	4	(13.8)	1	(14.3)
Total	17	(100.0)	29	(100.0)	7	(100.0)

Source: Survey Data, 1979

[1] As defined earlier in Chapter 3.

TABLE 4.5.

STAGES OF EXPORT BEHAVIOUR, 1979

Stages[1]	Percentage of Small Firms	Percentage of Large firms	Percentage of All Firms
1-3	13.7	22.6	18.7
4-6	31.8	16.0	22.7
7	50.0	48.4	49.1
8-9	4.5	13.0	9.5
	100.0	100.0	100.0

Source: Survey Data, 1979

[1] As given by question 2 of mail questionnaire.

TABLE 4.6.

YEARS ENGAGED IN EXPORTING ACTIVITY

Stages of Exporting	YEARS 0-5	6-10	11-15	16-20	20+
1					
2					1.9
3	9.7	5.8	1.9		
4	3.8	1.9			
5	3.8	3.8			
6	7.7		1.9		
7	13.6	19.3	5.8	1.9	5.8
8			3.8		1.9
9	1.9	1.9	1.9		
Total	40.5	32.7	15.3	1.9	9.6

Source: Survey Data, 1979.

years. This tends to support the view that exporting in New Zealand appeared to 'take-off' following the introduction of export incentives.

Reasons for Entry into Exporting

What factors prompt manufacturers to engage in exporting? Are these factors, which are responsible for initial entry, sufficient to sustain, improve or reactivate export interest, effort and performance?

The five most important reasons to be given for entry into exporting were in order: export incentives, excess capacity of the factory, company research into export potential, company representatives visited overseas and the company being approached by an overseas firm (unsolicited orders). Table 4.7. also shows that the reasons remained generally the same in importance for all sized firms. New Zealand's exporting research in the past has also highlighted the major contribution of export incentives for motivating exporting activity and the minor role of the other factors (Bedkober, 1972; Sloan, 1977; Stening, 1974; Willis, 1973). Thus the importance of export incentives has remained unchanged through time. (Table 4.8.).

The export incentives have, in the past, strongly emphasised sales growth of exports. One taxation incentive was based on 25 per cent sales increases in established markets and an additional 15 per cent of sales in designated new markets.

Goals for Exporting Firms

Is exporting a means to achieving goals? Analysis of the goals will show the business orientation of the firms. Overseas research (Bilkey, 1970) suggests that profit, growth and security of investment are first priority goals to American and Canadian firms and that market penetration was a second priority goal.

Analysis of the firms surveyed in Table 4.9. shows that the five most important goals were in order: return on investment funds, percentage growth in sales, percentage growth in profits, sales volume and profit margin on sales. The goals emphasised were similar for all sized firms with the exception of improved market share for products being more important to large firms than small firms.

Thus, the taxation incentives strategy which emphasises sales has been appropriate as important company goals have also emphasised sales growth.

TABLE 4.7.

REASONS FOR ENTRY INTO EXPORTING

Reasons for Entry	Small Firms[1]		Large Firms		Total	
	Score[2]	Rank	Score	Rank	Score	Rank
Market saturation for product	10	6=	16	6	26	6
Excess capacity of factory	52	2	44	4	96	2
Internal transport costs affecting market areas	2	9=	0	10	2	10
Company approached by overseas firm	20	5	22	5	42	5
Company research into export potential	46	3	48	5	94	3
Company representatives visited overseas	42	4	50	2	92	4
Export Incentives	70	1	88	1	158	1
NAFTA opportunities	10	6=	10	7=	20	7=
Regional development incentives	2	9=	2	9	4	9=
Other reasons[3]	10	6=	10	7=	20	7=

Source: Survey Data, 1979.

[1] The base year for size was 1978.

[2] Weighted score: those reasons ranked one, two or three according to importance were ranked six, four and two respectively.

[3] Other reasons included: to spread production of a seasonal product, limited New Zealand market and asked to by a parent company.

TABLE 4.8.

REASONS FOR INITIAL ENTRY INTO EXPORTING IN NEW ZEALAND RESEARCH

Reasons for Entry	Small South Island Exporters 1977	Large South Island Exporters 1977	Stening's Survey 1973	Survey Firms, 1979
Export Incentives	1	1	1	1
Excess Capacity	2	2	4	2
Research into export potential	5	3	2	3
Approached by overseas country	3	4	6	4
Visit overseas	4	5	3	5
Market saturation in N.Z.	6	6	-	6
N.A.F.T.A.	10	7	5	7=
Test marketing of a product	7	8	8	-
Opportunity from devaluation	8	9	7	-
Regional Development Incentives	9	10	-	9=
Internal transport costs reducing competitiveness in N.Z.	11	11	-	10

Source: Le Heron, 1978.
Survey Data, 1979.

TABLE 4.9.

GOALS OF EXPORTING FIRMS

Goals	Small Firms[1] Score[2]	Small Firms[1] Rank	Large Firms Score	Large Firms Rank	Total Score	Total Rank
Sales volume	38	3=	32	6	70	4=
% growth in sales	48	1	38	2	86	2
Absolute level of profits	8	8=	22	7	30	7
% growth in profits	38	3=	36	3=	74	3
Profit margin on sales	36	5	34	5	70	4=
Return on investment funds	46	2	78	1	124	1
Product diversification into related areas	8	8=	14	8	22	8
Geographic expansion of product sales	12	7	6	9	18	9
Product diversification into non-related areas	0	10	4	10	4	10
Improved market share for products	18	6	36	3=	54	6

Source: Survey Data, 1979.

[1] The base year for size was 1978.

[2] Weighted score: those goals ranked one, two or three according to importance were ranked six, four and two respectively.

Reasons for not continuing exporting activity

Of the five firms which discontinued exporting activity between 1974 and 1978, all were large firms. There was no one reason why firms stopped exporting. The different reasons were lack of export experience, liquidity problems, increase in domestic market demand and budget alterations which affected the product which could be exported by one firm. All five exporters are reactivating exporters as they replied that they would consider exporting again in the future and three of these firms said that they were actively seeking export orders at present.

Difficulties of Exporting

The reasons for firms not continuing exporting are related to the difficulties that exporters have when they are actively involved in exporting.

Many of the difficulties listed in Table 4.10. were found to present an equal percentage of difficulty to all firms. The most important difficulties were: scheduling to meet export delivery dates organising shipping, assessing export profitability, estimating overseas credit risks, making contact with buyers, financing export sales and selling overseas.

It is perhaps surprising to find that factors which large firms perceived to be important difficulties were not found to be so by small firms; for example, small firms found designing new products for export, obtaining credit risk insurance, estimating overseas credit risks and advertising to be relatively unimportant obstacles.

The converse is also true as large firms found handling export documentation, finding agents for marketing, making contact with foreign buyers, financing export sales and other difficulties to be of little importance unlike the small firms.

Thus small firms and large firms have varying obstacles to exporting. The difficulties perceived by small firms arise from the limited amount of capital that small firms are able to invest in organising an export infrastructure within the firm.

Factors of Importance to Exporters

Variables of importance to exporting were generally the same for all sized exporters. The most important variables were selling price, product features, direct personal selling, terms of sale and direct distribution.

TABLE 4.10.

THE DIFFICULTIES OF EXPORTING RANKED BY SIZE OF FIRM

Difficulties	Small[1] Firms	Large Firms	Total
Assessing export profitability	8=	3=	3=
Designing new products for export	13=	3=	9=
Modifying existing products for export	6=	7=	9=
Preparing samples	8=	9=	12
Scheduling to meet export delivery dates	1=	1	1
Handling export documentation	8=	13=	13=
Handling payments from overseas	8=	6	9=
Obtaining general export insurance	13=	17	17
Obtaining credit risk insurance	13=	7=	13=
Organising shipping	6=	3=	2
Finding agents for marketing	8=	13=	13=
Making contact with foreign buyers	1=	13=	3=
Selling overseas	5	7=	3=
Financing export sales	4	9=	3=
Estimating overseas credit risks	13=	2	3=
Advertising overseas	17	9=	16
Other[2]	1=	13=	3=

Source: Survey Data, 1979.

[1] The base year for size was 1978.
[2] Other difficulties included: assessing market potential, performance of agents, price.

Advertising and sales promotion, however, tended to be more important to small firms than large firms. (Table 4.11.).

Competitive Advantage of Exporting Firms

Firms were given a list of five advantages which could help them to compete successfully. In general, firms ranked the following factors in order of importance: efficient production, technology, unique product, efficient marketing and proximity to market. Small and large firms, however, differed in the factors which they thought contributed to their competitive advantage. Small firms found that a unique product was a more important competitive advantage than did large firms.

Large firms, however, found efficient production, technology and efficient marketing to be more important than did small firms. (Table 4.12).

These advantages underline the strategic inclinations of the firms. Le Heron (1978) suggests that dominant orientations towards the market and towards technology are helpful to exporting but an orientation towards the product is not helpful.

Thus, it can be seen that the dominant orientations of these exporting firms were towards technology and product strategies but not towards a market orientation. This is important as a lack of market growth could prevent growth and organisational evolution.

Comparison of the Technology

The technology of exporting firms in comparison to other New Zealand firms was found to be more advanced in 1978 than in 1974; the majority of firms (52.2 per cent) considered their technology to be more advanced than other domestic firms. On the international scene, New Zealand exporters also consider that their technology has improved; however, the majority of firms (61.4 per cent) perceive their technology to be only comparable with that of other overseas firms. These results are shown in Table 4.13.

Involvement in exporting has enabled firms to gain a wider knowledge of production in overseas countries which may have led to improvement in their own product quality and design. The competitiveness of New Zealand exporters has been proven, over time, by the rising export performance and export sales growth.

TABLE 4.11.

FACTORS OF IMPORTANCE TO EXPORTERS

Variables	Small Firms[1]		Large Firms		Total	
	Score[2]	Rank	Score	Rank	Score	Rank
Selling price	102	1	155	1	257	1
Terms of sale	75	4	111	5	196	4
Packaging	72	6	106	6	178	6
Advertising	52	8	74	10	126	9=
Sales Promotion	73	5	84	9	157	7
Direct Personal Selling	92	2	121	3	213	3
Indirect Personal Selling	36	10	92	7	128	8
Direct Distribution	64	7	120	4	184	5
Indirect Distribution	33	11	69	11	102	11
Product Assortment	39	9	87	8	126	9=
Product Features	91	3	126	2	217	2

Source: Survey Data, 1979.

[1] The base year for size was 1978.

[2] Weighted score: those variables ranked one, two, three or four according to importance were weighted by values six, four, two and one respectively.

TABLE 4.12.

ADVANTAGES OF THE EXPORTING FIRMS

Advantages	Small Firms No. (Rank)	Large Firms No. (Rank)	Total No. (Rank)
Technology	9 (3)	19 (2)	28 (2)
Efficient production	13 (2)	22 (1)	35 (1)
Unique Product	15 (1)	9 (4)	24 (3)
Efficient marketing	4 (4)	11 (3)	15 (4)
Proximity to market	2 (5)	3 (5)	5 (5)

Source: Survey Data, 1979.

TABLE 4.13.

COMPARISON OF TECHNOLOGIES IN OVERSEAS AND N.Z. FIRMS, 1974-1978

State of firms' technology in relation to overseas firms.	1974 (percentages)	1978
More advanced	13.2	22.7
Comparable	55.3	61.4
Less advanced	31.5	15.9

State of firms' technology in relation to other N.Z. firms.	1974 (percentages)	1978
More advanced	42.5	52.2
Comparable	55.0	47.8
Less advanced	2.5	-

Source: Survey Data, 1979.

Form of Exporting

Table 4.14. shows the order of importance of the various forms of exporting practised. Most exports are in the form of conventional trading with consignments being sent from manufacturers to agents, distributors, retailers and end users. Agents and/or distributors were used by 38.5 per cent of the firms surveyed; the larger firms committing more of their export sales to agents/distributors than small firms. Most firms make a real attempt to appoint an effective agent abroad, but it is difficult for firms to assess their efficiency. Small firms, especially, have difficulty in obtaining agents for markets and making contact with foreign buyers. Those firms which used local distributors and agents left most of the advertising up to them. Most firms did not restrict themselves to one form of selling. Usually, several forms of exporting were used and these varied according to the type of product made and the market to which the products were sold.

The use of export agents appears to have been only a recent phenomenon as shown in Table 4.15. Before 1970, only 5 export agents around the world were used; by 1979 this number had increased to 28. The majority of agents employed are located in the Pacific Basin area.

Related to the use of overseas agents, is the number and type of personnel which are directly involved in exporting activity within the firm. Since 1974, only 10 firms have had any change in export personnel-usually, this involved the appointment of an export manager.

Capital Assets

An examination of a firm's capital assets in land, buildings, plant, machinery and equipment provides an indication of its ability to grow and produce in the future. A low level of investment may show that a firm is not using the most modern machinery and equipment which will enable it to produce competitively in New Zealand or on overseas markets. The fundamental question thus concerns the ability and willingness of firms to incur the extra fixed costs to establish and develop the infrastructure necessary for the full realisation of the export trade potential. The general impression from the findings in Tables 4.16. and 4.17. is that there is a general reluctance to commit sufficient resources to this end.

An annual average of 22.1 per cent of the exporting firms undertook building expansions in the period 1974-1978; this figure was lower for

TABLE 4.14.

FORM OF EXPORTING, 1979

Form of Exporting	Small No.(% of small)	Large No.(% of large)	Total No.(% of total)
Distributors/agents	10(32.3)	20(42.6)	30(38.5)
Retailers/end users	11(35.5)	11(23.4)	22(28.2)
Intracompany trade	5(16.1)	4(8.5)	9(11.5)
Tender or contract	5(16.1)	9(19.1)	14(18.0)
Export houses	—	3(6.4)	3(3.8)
Total	31(100.0)	47(100.0)	78[1](100.0)

Source: Survey Data, 1979.

[1] Some firms used several forms of exporting, hence Total was larger than the number of firms which could be analysed effectively. (i.e. the effective use rate).

TABLE 4.15.

USE OF EXPORT AGENTS

Year agent was employed	Number of firms by Market Area[1] 1	2	3	Total
Before 1970	5			5
1971-1975	5	6	1	12
1976-1979	20	7	1	28

Source: Survey Data, 1979.

[1] Market area is subdivided by proximity and access: 1 is Australia, Pacific Islands and South East Asia; 2 is North America, United Kingdom and the E.E.C. and 3 is Gulf States and Africa.

TABLE 4.16.

FIRMS UNDERTAKING BUILDING EXPANSIONS, 1974-1978

Year	Small Firms Number	Small Firms %[1]	Large Firms Number	Large Firms %[2]	Total Number	Total %
1974	2	9.5	6	22.2	8	16.7
1975	2	9.5	5	18.5	7	14.6
1976	6	28.6	7	25.9	13	27.1
1977	4	19.0	10	37.0	14	29.2
1978	6	28.6	5	18.5	11	22.9

Source: Survey Data, 1979.

[1] Percentage of the 21 small firms answering this question.
[2] Percentage of the 27 large firms answering this question.

TABLE 4.17.

FIRMS UNDERTAKING MACHINERY EXPANSIONS, 1974-1978

Year	Small Firms Number	Small Firms %[1]	Large Firms Number	Large Firms %[2]	Total Number	Total %
1974	4	19.0	13	48.1	17	35.4
1975	6	28.6	15	55.6	21	43.8
1976	6	28.6	14	51.9	20	41.7
1977	9	42.9	18	66.7	27	56.3
1978	10	47.6	18	66.7	28	58.3

Source: Survey Data, 1979.

[1] Percentage of the 21 small firms answering this question.
[2] Percentage of the 27 large firms answering this question.

small firms. Similarly, 47.1 per cent of the firms on average annually undertook machinery expansions and again this figure was lower for small firms. Also, building and machinery expansions were not in general tied to export production. These findings are similar to those of Sloan (1977), who also found that building expansions were not related to exporting activity.

It is not unnatural that such a reluctance is most marked in small firms. Initial outlays, in particular, on building up the infrastructure for export trade represent a fixed investment, often with high risk factors.

Difficulty of Market Access

Firms were asked to assess the degree of difficulty that market areas within New Zealand and overseas presented to firms.

In assessing the relative difficulty of market subareas within New Zealand, it was found that the degree of difficulty increased with distance from the Central North Island where the firms are located (Table 4.18.). However, it is surprising to note that small firms found selling to Dunedin more difficult than exporting to Australia.

When looking at the varying degree of difficulty the various overseas markets present to New Zealand firms, one finds that three clusters of markets emerged. The most difficult markets to export to were those which presented both physical and cultural barriers - South America, India, Africa, Eastern Europe and the Gulf States. The next cluster of markets which presented moderate difficulty were those which presented either barriers of physical proximity or cultural diversity - the United Kingdom and E.E.C. countries and South East Asia and Japan. The cluster of countries which present the least amount of difficulty are those which are physically close - Australia, the Pacific Islands and North America. (Table 4.19.). The degree of difficulty encountered in the world market areas varies little between large and small firms.

Market and Product Expansion Strategies

The expansion of the markets for exports has been regarded as an important national objective. The real interest of any period of exporting activity lies in the small changes which indicate that firms are planning their exporting activity. These small changes may include the penetration of existing markets, the expansion and development of new products and the development of new markets.

TABLE 4.18.

DIFFICULTY ENCOUNTERED IN NEW ZEALAND'S MARKET AREAS

New Zealand Market Areas	Degree of Difficulty Ranked for Firms		
	Small Firms	Large Firms	Total
Northern North Auckland	5	4	4
Auckland	6=	5	6
Southern North Island	8	7=	7
Wellington	6=	7=	8
Christchurch	4	6	5
Dunedin	2	3	3
Exporting to Australia	3	2	2
Exporting elsewhere	1	1	1

Source: Survey Data, 1979.

TABLE 4.19.

DIFFICULTY ENCOUNTERED IN THE WORLD MARKET AREAS

World Market Areas	Degree of Difficulty Ranked for Firms		
	Small Firms	Large Firms	Total
Pacific Islands	11	12	11
Australia	12	11	12
North America	9	10	10
Eastern Europe	2=	4	4
South America	2=	1=	1
Japan	7	6	7
India	1	3	2
South East Asia	10	9	8
United Kingdom	8	8	9
E.E.C. Countries	6	7	6
Gulf States	5	5	5
Africa	4	1=	3

Source: Survey Data, 1979.

Table 4.20. shows that the majority of exporting firms have expanded their operations to one or more additional overseas markets. A fairly large proportion of exporters (28.4 per cent) still base all their exporting activity on only one overseas market. The pattern of market expansion is similar for both small and large firms. It is interesting to find that 97.0 per cent of the market expansions were made since 1960 and of these 84.8 per cent were made since 1970. Market expansion is thus a recent tactic or strategy of exporting firms.

Product extension presents a different picture. The majority of firms (52.1 per cent) export only one product and very few firms export more than two products (7.2 per cent). There is little difference between the product extension strategies of small and large firms as can be seen in Table 4.22. As with market expansion, product extension has mainly occurred since 1970. No firms made any product extension in the decade 1960-1969 and few did before 1960. (Table 4.23.).

THE EXPORT CONTRIBUTION OF PERIPHERAL URBAN ECONOMIES

Table 4.24. summarises the geographical extent of exporting firms' operations according to their urban location. The locations studied all belong to the periphery of the New Zealand space economy, with the Auckland area forming the core.

The export contribution of each of these urban economies has increased noticeably over the period 1974-1978, with Napier showing the greatest increase and Wanganui showing the smallest. The exporting firms of Hastings, however, have the highest export contribution - this can be explained by the dominance of the food processing industry.

The predominance of extraregional purchasing of materials and sales of produce is apparent. This may be explained by the small local market of these urban economies and the need for firms to expand their material linkages to gain economies of scale and to increase sales.

The dependence on non-local purchases is slightly higher than the dependence on non-local markets.

These features of the trade flow pattern reflect the peripheral nature of the economies in the study area. Le Heron (1976) also found similar trends appearing in his study of the area.

The conclusions and implications of the findings in this chapter will be discussed in Chapter 5.

TABLE 4.20.

MARKET EXPANSION STRATEGIES

Type of Expansion	Percentage of Small Firms	Percentage of Large Firms	Percentage of Total
No expansion	29.2	27.6	28.4
Expansion to one additional market	45.8	41.4	43.6
Expansion to several additional markets	25.0	31.0	28.0
	100.0	100.0	100.0

Source: Survey Data, 1979.

TABLE 4.21.

TIMING OF MARKET EXPANSIONS

Time	Percentage of Small Firms To Expand	Percentage of Large Firms To Expand	Total Expansion
Before 1960	0	5.9	3.0
1960-1969	6.7	17.6	12.2
1970-1979	93.3	76.5	84.8
	100.0	100.0	100.0

Source: Survey Data, 1979.

TABLE 4.22.

PRODUCT EXPANSION STRATEGIES

Type of Expansion	Percentage of Small Firms	Percentage of Large Firms	Percentage of Total
To make no product extension	60.9	43.3	52.1
To extend one additional product	34.8	46.6	40.7
To extend several additional products	4.3	10.1	7.2
	100.0	100.0	100.0

Source: Survey Data, 1979.

TABLE 4.23.

TIMING OF PRODUCT EXPANSIONS

Time	Percentage of Small Firms To Expand	Percentage of Large Firms To Expand	Total Expansion
Before 1960	12.5	13.3	12.9
1960-1969	0	0	0
1970-1979	87.5	86.7	87.1
	100.0	100.0	100.0

Source: Survey Data, 1979.

TABLE 4.24.

SUMMARY ORIGIN AND DESTINATION OF TRADE FLOWS, 1974-1978 (percentages)

	Palmerston North		Napier		Hastings		Wanganui		Levin	
	1974	1978	1974	1978	1974	1978	1974	1978	1974	1978
Purchases										
Local Area	17.1	17.4	5.7	19.6	41.5	40.6	33.3	34.5	13.8	18.6
Interregional	51.2	42.8	38.9	37.9	24.5	27.3	34.2	31.0	53.7	43.2
Imports	31.7	39.8	55.4	42.5	34.0	32.1	32.5	34.5	32.5	38.2
Total Purchases	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sales										
Local Area	22.3	22.4	40.7	19.7	18.1	12.0	15.1	14.1	3.3	5.2
Interregional	71.6	61.0	52.9	58.9	63.3	59.9	77.0	74.7	90.2	75.0
Exports	6.1	16.6	6.4	21.4	18.6	28.1	7.9	11.2	6.5	19.8
Total Sales	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Survey Data, 1979.

CHAPTER 5

SUMMARY OF FINDINGS AND CONCLUSIONS

RATE AND NATURE OF EXPORT LINKAGE DEVELOPMENT

There has been some development of the export linkage but, even so, exporting still represents a minor portion of the sales linkages of exporters. Both small and large firms have experienced export linkage development, but the linkage is more strongly developed within the small firms than in the large firms. The increasing proportion of export sales has accompanied a decline in the sales to the local market and an unchanging proportion of sales to regional markets.

This suggests that firms have developed from being local traders to being international traders, thus omitting the middle stage of the operational space - the regional trader. The analysis also shows the increasing contribution exporting has made to the peripheral urban economies and the important part that firms located in these areas have to play in the total export scene.

THE EXPORTING FIRM

Although exporting is a recent phenomenon, the majority of the firms already exhibit a highly developed form of exporting behaviour. The introduction to exporting has mainly occurred after the introduction of export incentives - export incentives were ranked as the most important factor to motivate entry into exporting. Firms perceived many obstacles to exporting. This may have been partly due to the importance attributed to product-related variables which firms considered important. Earlier studies have emphasised rather that technology and market orientations are helpful to exporting but not product orientation. (Le Heron, 1978).

Exporting firms did, however, tend to follow a market expansion strategy rather than a product-related strategy. Furthermore, the analysis found that these New Zealand exporters found their level of technology to be more advanced than that of other New Zealand manufacturers, but they also perceived their technology to be only comparable to that of overseas firms.

There was a general reluctance to invest in capital assets, especially if they were to be used primarily for export production. This situation, however, improved over the period studied.

Physical distance presented a barrier to exporters selling their product within New Zealand and also overseas. Generally, the greater the distance the more difficulty is perceived in selling in these markets. Cultural diversity also presented a barrier to exporting activity.

These findings tend to suggest that government export incentives have stimulated firms to begin and expand exporting and have provided a bridge over certain barriers which must be crossed if exporting develops naturally. This has perhaps resulted in a breakdown in the spatial learning process leading to uncertainty about investment in capital assets for exporting, the perception of many obstacles related to exporting and perception of difficult market areas.

The present export scene shows the progress achieved by many exporting firms. The analysis, however, indicates the heavy reliance of exporters on government export incentives and that exporting is a marginal activity for many firms. The initial export efforts have been difficult development tasks during the period in which experience of overseas markets has been built up.

> 'Exporting manufactured goods in New Zealand thus presents a picture of a large number of small - and medium-sized firms struggling to increase their total sales beyond the confines of a largely saturated home market. Exporting for these firms is seen as a useful adjunct to domestic sales, particularly with the possibilities offered by marginal costing and the taxation incentives'.
>
> (Willis, 1973, 174)

This does not imply that exporters are unable to become successful exporters - the high stage of exporting behaviour, which has been reached by the majority of firms, shows the latent ability. However, a soundly based export marketing strategy needs to be implemented within the firm to achieve export success.

A Case for the Small Exporting Firm

The fact that the regional and national stages of expansion of the operational space are omitted has serious implications for the growth and metamorphosis of the firm which normally occurs during these stages.

However, a case can be put forward for the encouragement of the small exporting firm. Several conclusions about small exporters arose from the analysis. The survival and growth of exporters is greater for small firms than large firms. Small firms are more export oriented than large firms. Large firms tend to exhibit experimental exporting behaviour more than small firms. Small firms rely less on imports than large firms.

On the other hand, large firms have a higher rate of entry into exporting than small firms. The obstacles to exporting of small firms tend to be related to the amount of capital and time which can be invested into export-related matters. Small firms also do not undertake as many capital expansions as large firms. These latter features are a reflection of the small size. Large firms have more resources to invest in exporting and the initial threshold to entry is not as great as it is for small firms. A large amount of time and money has to be spent in researching the overseas markets and setting up the necessary infrastructure for distributing and selling a product overseas.

Export incentives initially favour the large exporter as they cannot be claimed until exporting activity has been carried out for a certain period of time.

Thus at the level of the individual manufacturing firm, the results concerning the relationship between size of the firm and export performance suggest that Government should seek to encourage firms of all sizes. The export potential of small firms is as great as that for large firms.

> 'Most firms start small...of those which survive, only a relatively small per cent expand and develop their operations...a certain per cent develop an export quality of product and grow. A certain per cent of the large industrial firms establish branches in different locations, a certain per cent of these branches develop new product lines. And so the evolutionary process continues'.
>
> (Bilkey, 1970, 45)

IMPLICATIONS FOR POLICY-MAKERS

The stages theory of firm growth and exporting behaviour has important implications for industrial stimulation. One is that firms should be classified according to their stage and appropriate stimulation measures applied to them. A second implication is that stimulation may be achieved, through measures to alter the firm's organisation so as to shift them to socially more desirable stages of growth.

The attainment of a goal of manufactured exports representing twenty per cent of total exports is likely to be attained if the present trends of export growth continue.

The total export scene has evolved considerably over the past few years.

Both large and small firms have contributed to the growth and evolution of the export function and this sector has potential for growing even more under the new round of export incentives.

APPENDICES

APPENDIX A

QUESTIONNAIRE GUIDELINE FOR INTERVIEWING FIRMS ENGAGED IN EXPORTING ACTIVITY

1. Details of the firm:

   Firm Name ____________________ Location ____________________

   Status of the Firm ____________ Ownership ____________________

   Year founded ________________

   Number of staff employed ____________________

   Has the firm been relocated? YES/NO When? ____________

   Total Sales ($) for 1978 ____________________

   Export Sales ($) for 1978 ____________________

2. Sequence of the firm's exporting activity:

   When did you first begin exporting?

   What was the first product you exported?

   Where did you export it?

   Was this first export order solicited or unsolicited?

   Have you since exported this product to other overseas markets? (If yes, when and where?)

   Have you exported any other products? (If yes, deatils).

3. Process by which the first export order came about:

   (If unsolicited) How were you contacted by the buyer?

   (If solicited) How did you obtain your first order?

4. Why did you export that first order? (i.e. what motivations?)

5. What method of exporting do you use? (i.e. own sales force, export agents, import distributor, licensing, subsidiary).

6. What use does your firm make of:

   brand name

   packaging

   advertising and promotional activities

   overseas visits

   trade fairs

7. What type of transport distribution system does your firm use to export your product overseas?

8. What are the benefits of exporting to your firm?

9. What obstacles does your firm encounter when exporting?

10. Has your firm expanded in any way since commencing exporting? (e.g. floorspace, number employed, new plant, new premises, other).

APPENDIX B

MASSEY UNIVERSITY

DEPARTMENT OF GEOGRAPHY

SURVEY OF MANUFACTURERS

Company Name and Address:

---

1. Please indicate:

	1974	1978
Exports as a percentage of firm sales	____%	____%
Employment (total number)	____	____

2. Please indicate your firm's stage in exporting:

Tick One Stage Only

1. Unwilling to fill any export order........................ ( )
2. Willing to fill unsolicited order, but not prepared to explore feasibility of exporting.......................... ( )
3. Willing to fill unsolicited order, and prepared to explore feasibility of exporting.................................. ( )
4. Exporting on an experimental basis to one country.......... ( )
5. Exporting to one country and adjusting levels to exchange rates, etc.. ( )
6. Exporting feasibility of exporting to additional countries.. ( )
7. Exporting to several countries and adjusting levels to exchange rates etc.. ( )
8. Operating a subsidiary for distribution..................... ( )
9. Operating a subsidiary for manufacture...................... ( )
10. Other (please specify)..................................

    .... ( )

3. Please indicate which 3 of the following goals are the most important guides to company action:

Rank 3 Only
(Number 1,2 and 3)

1. Sales volume... ( )
2. % growth in sales.. ( )
3. Absolute level of profits.................................. ( )
4. % growth in profits.. ( )
5. Profit margin on sales..................................... ( )
6. Return on investment funds................................. ( )
7. Product diversification into related areas................ ( )
8. Geographic expansion of product sales...................... ( )
9. Product diversification into nonrelated areas............. ( )
10. Improved market share for products........................ ( )
11. Other... ( )

4. Please rate each of the following market areas according to the degree of difficulty they present to your company. (Circle the appropriate number for each area):

Market Areas	Degree of Difficulty Minimal						Extreme
1. Northern North Island	1	2	3	4	5	6	7
2. Auckland	1	2	3	4	5	6	7
3. Southern North Island	1	2	3	4	5	6	7
4. Wellington	1	2	3	4	5	6	7
5. Christchurch	1	2	3	4	5	6	7
6. Dunedin	1	2	3	4	5	6	7
7. Exporting to Australia	1	2	3	4	5	6	7
8. Exporting elsewhere in the World	1	2	3	4	5	6	7

5. Please rate each of the following world market areas in terms of the difficulty they present to your company. (Circle the appropriate number for each area):

World Market Areas	Degree of Difficulty Minimal						Extreme
1. Pacific Islands	1	2	3	4	5	6	7
2. Australia	1	2	3	4	5	6	7
3. North America	1	2	3	4	5	6	7
4. Eastern Europe	1	2	3	4	5	6	7
5. South America	1	2	3	4	5	6	7
6. Japan	1	2	3	4	5	6	7
7. India	1	2	3	4	5	6	7
8. South East Asia	1	2	3	4	5	6	7
9. United Kingdom	1	2	3	4	5	6	7
10. E.E.C. Countries (excluding U.K.)	1	2	3	4	5	6	7
11. Gulf States	1	2	3	4	5	6	7
12. Africa	1	2	3	4	5	6	7

6. Please rank in order of importance the 3 most important reasons for <u>entry of your factory</u> into the export field:

(Rank 3 only-number 1,2,3)

1. Market saturation of factory's products............ (   )
2. Excess capacity of factory......................... (   )
3. Internal transport costs affecting market areas..... (   )
4. Company approached by overseas firm................. (   )
5. Company research into export potential.............. (   )
6. Company representatives visited overseas............ (   )
7. Export incentives................................... (   )
8. NAFTA opportunities................................. (   )
9. Regional development incentives..................... (   )
10. Other (please specify)..............................

    .... (   )

7. Please indicate which of the following advantages help your company compete successfully:

1. Technology..( )
2. Efficient production methods........................( )
3. Unique product....................................( )
4. Efficient marketing techniques........................( )
5. Proximity to market..................................( )

8. Please indicate how the manufacturing technology of your factory compares with overseas and other New Zealand factories producing broadly similar products (Check for each year):

Factory's technology was	Overseas factories		Other N.Z. factories	
	1974	1978	1974	1978
more advanced than	( )	( )	( )	( )
comparable to	( )	( )	( )	( )
less advanced than	( )	( )	( )	( )

9. Please indicate building expansions in the past 5 years and their connection to export production:

	Approximate $ value only	Use for export production		
		wholly	partly	not used
1974		( )	( )	( )
1975		( )	( )	( )
1976		( )	( )	( )
1977		( )	( )	( )
1978		( )	( )	( )

10. Please indicate machinery expenditures in the past 5 years and their connection to export production:

	Approximate $ value only	Use for export production		
		wholly	partly	not used
1974		( )	( )	( )
1975		( )	( )	( )
1976		( )	( )	( )
1977		( )	( )	( )
1978		( )	( )	( )

11. Please estimate the origins and destinations of your company's inputs and outputs: (rough percentages sufficient).

Purchases	1974	1978	Sales	1974	1978
Local area	____%	____%	Local area	____%	____%
Outside region	____%	____%	Outside region	____%	____%
Imported	____%	____%	Exported	____%	____%

12. What form of exporting does your firm follow? (please tick):

    1. To distributors/agents........................( )
    2. To retailers and end-users.....................( )
    3. Intra-company trade...........................( )
    4. By tender or contract.........................( )
    5. Through export houses.........................( )

    If you export through agents, please give the year the agent was appointed for each market:

    Market.

    1. ____________________
    2. ____________________
    3. ____________________

13. If at present your firm is regularly exporting, please indicate which difficulties your company is encountering in the course of exporting. (check where applicable):

    1. Assessing export profitability.................( )
    2. Designing new products for export..............( )
    3. Modifying existing products for export.........( )
    4. Preparing samples..............................( )
    5. Scheduling to meet export delivery dates.......( )
    6. Handling export documentation..................( )
    7. Handling payments from overseas................( )
    8. Obtaining general export insurance.............( )
    9. Obtaining credit risk insurance................( )
    10. Organising shipping...........................( )
    11. Finding agents for marketing..................( )
    12. Making contact with foreign buyers............( )
    13. Selling overseas..............................( )
    14. Financing export sales........................( )
    15. Estimating overseas credit risks..............( )
    16. Advertising overseas..........................( )
    17. Other (please specify)........................

        ....( )

14. Show for following variables the importance they have, in relation to exporting:

    (1 = very important; 2 = important; 3 = of minor importance; 4 = unimportant)

    1. Selling Price..................................( )
    2. Terms of Sale..................................( )
    3. Packaging......................................( )
    4. Advertising....................................( )
    5. Sales Promotion................................( )
    6. Direct Personal Selling........................( )
    7. Indirect Personal Selling......................( )
    8. Direct Distribution............................( )
    9. Indirect Distribution..........................( )
    10. Product Assortment............................( )
    11. Product Features..............................( )

15. Has there been any change of the top management personnel who are involved solely in exporting activity, since 1974? (please state).

****

If your firm is NOT at present exporting, please answer questions 16-18:

16. When did your firm cease exporting? ____________________

17. Please tick the most important factor(s) which caused your firm to cease exporting:

    1. Lack of export orders..( )
    2. Lack of export experience (Documentation, communications, currency and credit problems)................................( )
    3. Insufficient production capacity...........................( )
    4. Company restrictions on exports............................( )
    5. Liquidity problems...( )
    6. Domestic market demand.....................................( )
    7. Transport problems...( )
    8. Labour problems..( )
    9. Key personnel leaving (please specify)
       ....( )
    10. Other internal influences (please specify)
       ....( )
    11. Other external influences (please specify)
       ....( )

18. Would your firm consider exporting in the future? ____________________

    If yes, then does your firm actively seek export orders at present?

Thank you for your assistance.

Please return the questionnaire to:-

Miss N. Addis,
Department of Geography.
Massey University,
PALMERSTON NORTH.

Massey University

PALMERSTON NORTH, NEW ZEALAND   TELEPHONES. 69-099, 69-089.

Department of Geography   In reply please quote:

Dear Sir,

I recently had an interview with you on the subject of your firm's exporting activities. In order to further this study, ... I enclose a questionnaire to seek additional information. A I commented prior to commencing the interview, all information supplied will be treated as strictly confidential.

Both the interview and the questionnaire are providing the basis for my Masterate Thesis and, at the same time, add practical information to the knowledge of exporting firms.

Hence, I would be pleased if you could assist me by completing and returning this questionnaire at your earliest convenience.

Yours faithfully,

Ngaire M. Addis
Masterate Student.

Encl:

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