“Exploring potential strategies for globalization of New Zealand SMEs”

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DECLARATION

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This Thesis entitled: “Exploring potential strategies for globalization of New Zealand SMEs” is submitted in partial fulfillment for the requirements for the Unitec degree of Master of Business.

Candidate’s declaration

I confirm that:

• This Thesis/Dissertation/Research Project represents my own work;
• The contribution of supervisors and others to this work was consistent with the Unitec Regulations and Policies.
• Research for this work has been conducted in accordance with the Unitec Research Ethics Committee Policy and Procedures, and has fulfilled any requirements set for this project by the Unitec Research Ethics Committee.

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Abstract

In today’s competitive business environment, sustaining a competitive advantage in any form of business operation is not only dependent on the local market; an effective presence in global markets is also a critical element. This research focuses on exploring a potential strategy for globalization of New Zealand SMEs.

This study identifies and develops a strategic model for New Zealand businesses to participate in global business communities, targeting those small and medium enterprises for which the migration to globalization is an enormous challenge. This strategic model aims to identify the barriers that constrain New Zealand SMEs from globalizing their international operations, and to review the factors which restrict them from entering a foreign market.

The literature review (of this research) more precisely defines the topic, by considering the definitions of globalization, and international business in general. The New Zealand business environment, its working culture, and finally the SME sector within New Zealand businesses are explored.

A qualitative approach was then followed, with the objective of gathering data from owners/managers of New Zealand SMEs. Twenty one interviews were conducted with the owners/managers of local SMEs from a mixed combination of business sectors and activities. The main focus was to interview businesses already having international operations, followed by those businesses willing to internationalize or export in the future, and those businesses that have not yet thought to enter a global market. A high percentage of response was received, and the information gathered from the interviews collated for further analysis.

After analyzing the results of this study, it can be concluded that local SMEs are generally unwilling to establish relationships with their overseas counterparts. The attitudes of local SMEs were found to be somewhat unplanned towards globalization
and so they are generally not successful in globalizing. These businesses also demonstrated a lack of cultural understanding of different nations, and approach international exporting in the same way as they do business in New Zealand, without considering the importance of cultural differences, sensitivities and diversity in approaching unalike nations. The study, therefore, considered all the challenges noted above, and developed a proposed strategic plan which could guide domestic SMEs to successfully globalize their business operations.
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Abbreviations

ANZCERTA: Australia New Zealand Closer Economic Relations Trade Agreement
ANZSIC: Australian and New Zealand Standard Industrial Classification
APEC: Asia Pacific Economic Cooperation
ATEED: Auckland Tourism Events and Economic Development
BOS: Business Operation Survey
CEO: Chief Executive Officer
CER: Closer Economic Relations
EU: European Union
FDI: Foreign Direct Investment
GATT: General Agreement on Tariffs and Trade
GDP: Gross Domestic Product
IBR: International Business Report
IT: Information Technology
MED: Ministry of Economic Development
MNC: Multi National Company
NZ: New Zealand
NZCFTA: New Zealand China Free Trade Agreement
NZTE: New Zealand Trade and Enterprise
ODI: Outward Direct Investment
OECD: Organization for Economic Co-operation and Development
QES: Quarterly Employment Survey
SME: Small and Medium Enterprise
UK: United Kingdom
UN: United Nations
UREC: Unitec Research Ethics Committee
USA: United States of America
VAT: Value Added Tax
WTO: World Trade Organization
Chapter 1: Introduction

1.1 Background
Globalization refers to the process of amplification of financial, governmental, societal and ethnic dealings across international boundaries (Shaka, 2013). It has had progressively more important sway on global marketing. Added markets have developed to global officialdoms as the cost and intricacy of functioning offshore have been reduced by globalization (Knight, 2000). One of the key reasons for better international marketing has been reduced prices as an effect of globalization (Carnoy, 2000). Companies are able to utilize low-cost assets and man-power in developing countries which not only permits them to rate their goods as lesser but also unlocks a wider range of people with the disposable income to buy more imports and facilities (Munck, 2002).

In contrast, globalization is also claimed to be responsible for increases in oil prices worldwide (Bina & Vo, 2007). The reason is partly because of the global oil supply is mostly stagnant, due to limits we are reaching, and partly because demand is exploding due to globalization (Curtis, 2009). Globalization makes it hard for developed countries to compete. For example, in the United States, the percentage of US citizens with jobs has dropped since China joined the World Trade Organization in 2001 (Hale & Hale, 2003). A country with a lower cost structure (lower wages and benefits for workers) is able to out-compete a typical OECD country (Narula & Dunning, 2000).

Globalization has had an optimistic effect on the world economy (Kose, et al, 2006). We can have an effective and well-organized market where there is symmetry between what purchasers are willing to pay for an import or facility, and what suppliers are willing to trade for an import facility (Saggi, 2002). One can outsource certain processes, or buy from an overseas supplier who offers discounts, and who can afford to lower selling prices, which results in increased demand and affordability (Rao, 2013). Another impact is increased competition. When more contenders challenge each other for market
share, each business has to continuously improvise on their goods or services or generate more wealth for their consumers. This means better merchandise and sometimes lesser rates, which is beneficial for purchasers (Wiersema & Bowen, 2008). Globalization also leads to stabilized security. When a country’s economy is dependent on another country’s economy, either country is likely to restrict themselves from competing against one another; in other words, globalization has helped heighten world security (Rosecrance & Thompson, 2003). According to Kapytoneko (2009), it has been common wisdom that globalization provides additional opportunities not only for states and societies, but for the whole international order.

In contrast, “many components of globalization, which are mainly spontaneous and void of the international community’s collective governance, are aggravating the many chronic problems now facing international security” (Ivanov, 2003, p. 117) and giving rise to new risks and challenges (Yusuf, 2001).

The shift in labour demand occasioned by globalization helps thousands of people around the world to find work. With this, it can be said globalization brings more wealth equality throughout the world (Rao, 2013). Vietnam is a good example – it has cut poverty to a major extent in a decade. Integration raised the prices for the products of poor farmers - rice, fish, cashews - and also created large numbers of factory jobs in footwear and garments, jobs which paid much more than existing career opportunities in Vietnam (Watkins, 2002). On the other hand, Roberts (2010, para 3) believes that “American economists are so inattentive to outsourcing’s perils that they fail to realize the same incentives which leads to outsourcing of one tradable good or service, holds for all tradable goods and services.” In the 21st century the US economy has only been able to create jobs in nontradable domestic services, the hallmark of a third world labour force (Spence, 2011).

New Zealand’s organizations are mainly small and medium-sized (SMEs) with 97% of all organizations hiring 19 or fewer people. They are usually established and operated by the proprietor, rather than having professional staff at controlling level, and are not
part of a larger trade or group of businesses with access to professional proficiency (Ministry of Economic Development, 2011). The New Zealand economy relies on the success of its SMEs, and so businesses have been encouraged to export and to get involved in international operations, thus achieving rapid growth and long term profitability (Rudzki & Jaeger, 2007). Given New Zealand’s dependence on SMEs, it is unfortunate that these enterprises, often struggle to succeed (Simmons, 2002). Estimates suggest that at least 50 percent of new small businesses fail in the first five years in New Zealand and so to develop this sector, most Asia Pacific Economic Cooperation (APEC) countries are actively pursuing initiatives to support SMEs and, fortunately, international research points towards improving SMEs’ chances for success (Corner, 2001). According to the New Zealand Herald newspaper article, people do not feel connected with business. The level of community faith in trade is very low. There seems to be a sentiment that all trade is doubtful, big business even more so, and for global business, there is no confidence (Robertson, 2013, November 25). A survey conducted in the year 2008 on domestic businesses in New Zealand, revealed a similar outcome: local businesses are unwilling to expand business operations, and are perceived to be poor at partnering with others, especially when the organization is located outside New Zealand (New Zealand Trade and Enterprise, 2008). The low community trust could be one of the reasons business owners restrict themselves from expanding globally.

1.2 Problem description
Though international trade has many advantages it can also create massive challenges when a business fails, or needs to be re-organized (Raynolds & Wilkinson, 2007). Business failure triggers many consequences, there is, almost unavoidably, inadequate funding for all creditors, job losses and attending emotional shock (Honjo, 2000). Cross-border liquidation has the added intricacy of different urgency rules relating in different countries and, by its very nature, a high level of uncertainly surrounds the extent to which there will be cooperation between the courts of different nations (Perry & Broadmore, 2013).
According to a press release of Grant Thornton (2012), New Zealand is second last with only 9% of businesses presently holding international processes, only two points ahead of Poland and well behind Australia’s 16%, whilst the global average was 36%. While these figures do highlight New Zealand’s geographic isolation, they also highlight a degree of insular thinking and a continued reliance on traditional markets (Sachs, 1997). Thus New Zealand businesses do not seem to have a global focus. Of the businesses looking to increase their global markets, Western Europe (14%), United States and Canada (21%), Australia (50%) and remaining Asian countries (43%) were the most preferred (Scoop Business News, 2012, December 17). New Zealand sees very little growth opportunity in the emerging markets of Latin America, South America, Africa, Middle East and Eastern Europe. It has thus been observed that the full profits of bilateral trade treaties, as with China, are not being enjoyed to the full benefit of New Zealand businesses (Grant Thornton, 2012).

Limited access to capital is often blamed for the problems of New Zealand business. New Zealand capital markets have shown improvement over recent years. The key issues appear to be expertise and information rather than simple finance (The Treasury, 2012). New Zealand businesses do not show the dedication required to successfully expand into the global market. Even with free trade agreements (FTAs) signed between developing economies - China and India, New Zealand businesses do not take full advantage of FTAs (Scoop Business News, 2012, December 17). Failures are often blamed on the aforementioned tough business environment, but the commercial climate typically has little or nothing to do with it (Nicholas, 2012). These authorities would appear to suggest that poor administration, ineffectual accounting, poor choices to do with stock, failure to plan, mismanagement of time, overlooking publicizing, and general management ineffectiveness and undercapitalization are far more likely reasons. This would account at least in part for New Zealand businesses not having such a strong global focus as those in other countries.

New Zealand SMEs (company employing 19 people or less) are a major contributor to the country’s economy (New Zealand Trade and Enterprise, 2013) with few SMEs
forming part of the global community. It could be concluded through this section that domestic businesses are somewhat passive, show little faith in their overseas trading partners, are unwilling to partner, and how the overall contribution through international trade has reached saturation point, where no increase in growth is seen. These issues should be investigated in order to establish the veracity of above mentioned statements, in order to propose a strategic model which could help domestic SMEs to enter the global market. The listed issues will be covered as sub-research questions, and, aims and objectives for the research.

1.3 Research statement
Potential strategies could play a significant role in the expansion of New Zealand SMEs, and the financial sector of New Zealand economy. The research question to be explored and investigated in this thesis is therefore:

“How could New Zealand SMEs successfully globalize their business operation?”

The research area of globalization is very broad in nature and is so difficult to suggest a strategic model for domestic SMEs without knowing what affects their decision. It will be vital to have a sound understanding of the way it operates their business. To explore this research question further, and to offer a comprehensive conclusion, the following sub-questions were developed. Throughout the planned investigation, an in-depth examination of each of these questions helped to uncover the data necessary to address the aim of the research. The following questions also relate to the aims and objectives of the research:

I. How good are New Zealand SMEs in establishing relationships with their overseas counterparts?
II. What kinds of approach do local SMEs use while exploring a new opportunity in a foreign market?
III. How good are domestic SMEs in differentiating between business cultures of different countries?
IV. What are the barriers that constrain domestic SMEs from globalizing their business operations?

V. What strategy could be implemented for successful globalization of New Zealand SMEs?

1.4 Aims and Objectives

The research question and sub-research questions relate to the aims and objectives of the research. The problem description section has identified issues which affect domestic SMEs when entering global markets. To overcome the issues, the primary basis of the research will be to investigate SMEs for their attitude, willingness and cultural understanding. Barriers confronting domestic SMEs from globalizing will be the next focus, and lastly the strategies which could be implemented to overcome known barriers will be explored. The aim of this study is:

To explore potential strategies for globalization of New Zealand SMEs

The objectives for this research are to:

1. Determine the attitude of New Zealand businesses towards exploring new opportunities in foreign markets
2. Determine the extent to which domestic businesses are willing to establish relationship with overseas counterparts
3. Determine the understanding of overseas business cultures by New Zealand businesses.
4. Determine the barriers confronted by New Zealand business in entering the global markets
5. Determine the appropriate strategies that are available for New Zealand businesses to globalize their operations

The data analysis chapter will investigate the above aims and objectives of the research, using the obtained data as a framework to propose a strategic model that could help local SMEs to globalize their business operations. The objectives of this research will give an outline of the fundamental issues facing New Zealand SMEs; and will suggest strategies to overcome these issues, and thus assist them to successfully enter a global market.
1.5 Data collection
In order to investigate these questions, this study was conducted with a sample population of owners/managers who work for SME businesses based in New Zealand. In-depth interviews were chosen as the most appropriate method of exploration, focusing on the objectives set by the researcher. Semi-structured interviews were conducted, and discussion ensued for each objective.

The interview was divided into five sections. Section one sought participants’ views on the willingness of New Zealand SMEs to establish relationships with their overseas counterparts. Section two asked participants for their views on the attitudes of domestic SMEs in exploring new opportunities in foreign markets. Section three focused on the level of understanding of overseas business cultures by local SMEs. Section four required participants ideas about the obstacles which might be encountered by a local SME in entering a global market, and also asked participants currently involved in global operations to convey the obstacles faced. Finally, the last section conducted discussion with the participants as to what could be the best strategies for New Zealand SMEs to globalize their business operations.

1.6 Outline of Thesis
This thesis is presented in six chapters. Chapter one provides an introduction to the research study. It introduces the broad topic, and provides a background, the aim and objectives of the study.

Chapter two reviews relevant literature as a key component of this research to enable critical examination of the current status of knowledge of globalization. Aspects discussed in this literature review are: globalization defined and concepts thereof, the New Zealand business environment, the New Zealand working culture, and SME sector in New Zealand.

Chapter three presents the research methodology and design approach. The chapter explains the data collection and analysis method employed in this research, and concludes by considering the ethical implications of the research.
Chapter four displays the findings and results drawn from the data collected, and analyzed in the field research study.

Chapter five provides an in-depth interpretation and critical analysis of the results of this research study.

Chapter six concludes this thesis and offers a synthesis of the research study. Limitations of the research, directions for further research, together with a closing statement.

**Chapter Summary**

Chapter one has provided an overview of this research, to give readers direction about what they can expect to read in the following chapters. It started with a background to the research study, and followed by a description, aims and objectives. The sub-research questions raised will uncover the data necessary to address the aim of the research, as both are interrelated to each other. A research statement has been given to assist readers to clarify this projects aim and objectives.

Chapter two provides an in-depth literature review of globalization definitions, and concepts, International business, the New Zealand business environment, the New Zealand business culture and the influence of the SME sector in New Zealand are described.
Chapter 2: Literature Review

2.1 Chapter overview
This chapter explains the literature relating to the area of globalization. The purpose of this literature review is to explore and help to answer the research question and sub-questions, by discovering literature that connects to the performance of New Zealand SMEs. This chapter gives an overview of the globalization concepts and definitions, international business in today’s world, the New Zealand business environment, New Zealand business culture and the performance of the SME sector in New Zealand. The literature review also briefly explains international comparisons of various benchmarks of New Zealand against other OECD countries. The trading partners of New Zealand are also included to give a present scenario of its global partnerships.

2.2 Concepts and Definitions

2.2.1 What is Globalization?
There are many authors expressing their views on globalization, where some support the idea of globalization, while others showcase risks and challenges affecting different nations due to the process (Applbaum, 2000). Goodwin, Ackerman & Kiron (1996) see globalization as a rather positive element in the meaning of the consumer society and benefits to shoppers with more discretion to buy and services to access in the western world. However, Milanovic (2003) is more critical, seeing globalization as colonization of the developing world. Globalization is seen as a complicated process, focusing on how events, decisions and activities in one part of the world can have consequences in other parts of the world (Collin & Lee, 2009).

Globalization is a set of financial and governmental organizations and procedures descending from the altering character of goods and assets that involve the base of the global governmental budget – in particular, the increasing structural differentiation of those goods and assets (Reich, 1998). Globalization can further be defined. According to Guillen (2001), globalization is the diffusion of practices, values and
technology that have an influence on people`s lives worldwide. Held & McGrew (2007) describe globalization as a widening, deepening and speeding up of interconnectedness in all aspects of contemporary social life of the cultural from the criminal, the financial to the spiritual.

Some authors also see globalization as a negative concept. Blossfeld & Hofmesister (2006) believes globalization is all about the new risks and uncertainties brought about by the high degree of integration of domestic markets, intensification of competition, high degree of imitation, price and profit swings, business and product destruction. Corporations who previously have been enjoying the benefits of globalization, now face unstable and unpredictable demand, where business opportunities and their products quickly become commodities, leaving them little or no pricing power (Chen, 2009).

These are a few of many definitions available on globalization. However, based on the nature and area of this research, the definition by Joseph Stiglitz will be adopted. “Globalization is the close integration of the countries and peoples of the world brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and people across borders” (Stiglitz, 2004, p. 57).

In terms of this study, the success of globalization for New Zealand will be measured based on the volume and growth of domestic SMEs achieved in the foreign market.

**Historical development of globalization:** The concept of globalization has been in place even earlier than the First World War. For centuries the concept has been practiced, first by individuals and later by organizations, wherein goods and services are bought and sold to distant lands (Hatton & Williamson, 2005). In the same way, people have capitalized in companies and real estates in other countries for centuries now. This concept is just an initial understanding of what Globalization is (Hardt & Negri, 2009).

It was after World War II, that Asian, European and African continents reacted to the idea of Globalization; there was a sudden rise in opportunities for the receiving as well
as the giving country (Chase-Dunn, Kawano & Brewer, 2000). Empirical evidence suggest globalization has significantly boosted economic growth in East Asian economies such as Hong Kong (China), the Republic of Korea, and Singapore (Stiglitz & Yusuf, 2001).

But not all the developing countries are equally engaged in globalization or in a position to benefit from it. In fact, except for most countries in East Asia and some in Latin America, developing countries have been rather slow to integrate with the world economy (Rodrik, 2000). The share of Sub-Saharan Africa in world trade has declined continuously since the late 1960s, and the share of major oil exporters fell sharply with the drop in oil prices in the early 1980s (Collier & Gunning, 1999).

Moreover, for the countries actively engaged in globalization, the benefits come with new risks and challenges (World Bank, n.d.). Free market economic policies have been prevalent since import and export policies to have undergone a drastic change, giving globalization a free flow (Su, 2000). Many international agreements have been signed by countries such as, America, Canada, and Mexico, who have grouped together to form the North American Free Trade Agreement (NAFTA), in order to make trade easier by lowering trade tariffs between each other. These new opportunities have only been a blessing for foreign marketers, giving them enough reasons to expand their businesses outside the country borders (Edward, Milner & Rosendorff, 2002). Many organizations have started factories in other underdeveloped countries such as Chile, Jamaica and also in China in search of less investment and more production. The most important factor of globalization is thus the international industry and the financial business structure (Farazmand, 1999).

**Globalization as a movement:** Global influences have changed drastically over recent years (Dicken, 2007). The main characteristics of this change is technology; second, the geographical and social reach or expanse of information propagation, and third, the quantity and content of information being propagated (Keohane & Nye, 2000). In regard to these three points, the "information age" clearly signals great qualitative differences
from preceding periods. Since this development is undergoing constant and rapid evolution, it is impossible to predict what kinds of influence will impact our society hereafter (Castells, 2003). Globalization today has reached farther, faster, cheaper and deeper (Friedman, 2000). Policy and technological developments of the past few decades have spurred increases in cross-border trade, investment, and migration, so large, that many observers believe the world has entered a qualitatively new phase in its economic development (Thomsen, 2000).

Since 1950, for example, the volume of world trade has increased 20 fold, and from just 1997 to 1999 flows of foreign investment nearly doubled, from $468 billion to $827 billion (Jayeoba, 2010). Due to advancements in technology and government policies, economic development as a result of Globalization has increased tremendously; so much so, that experts believe the world has entered a new phase of qualitative economic development (Engerman & Sokoloff, 2002). Globalization has been driven by technological advances and the reduced cost of making transactions (exchanges) across borders and distances, as well as the increased mobility of capital (Hummels, 2007). These forces mean that globalization not only consists of economic activity, but also extends to political, cultural, environmental and security issues, and relates to the increasing interconnectivity of countries and communities (World Health Organization, 2014).

One of the most significant dynamics which has improved globalization is technology. Technology has played a vital role in changing the financial lives of societies all over the world (Popkin, 2006). IT has given consumers, investors, and businesses a new direction for understanding and working on new possibilities. This also includes a more detailed knowledge of economies all over the world, easier transfer of qualities/items, and stronger ties with partners in far-off lands (Mann, 2006).

Proponents of globalization argue it allows poor countries and their citizens to develop economically and raise their standards of living (Iversen & Cusack, 2000), while opponents of globalization claim the creation of an unfettered international free market
has benefited multinational corporations in the Western world at the expense of local enterprises, local cultures, and common people (Gorg & Greenaway). Resistance to globalization has therefore taken shape both at a popular and at a governmental level as people and governments try to manage the flow of capital, labour, goods, and ideas that constitute the current wave of globalization (Foley, Desai & Forbes, 2008).

According to Held (1999), globalization is still referred to as “the big idea” of the current century. Because of the lack of a scientific and accurate definition, there is a danger of it becoming just a truism of our times (Davenport & Prusak, 2003). However, the term still reflects a combination of the elements that are important; expansion, extension, and rapid growth of markets worldwide (Goldin & Reinert, 2010). This includes all facets of life, from cultural to criminal and from financial to environmental. It resembles a ‘global shift’, meaning the world is being transformed, from native economic to a technological and political dome (Short, 2001).

New Zealand position in regard to globalization for this period has been that SMEs have largely not been involved but some larger entities (eg Fonterra) and NZ companies taken over by and incorporated into existing global enterprises (eg Watties) have taken a true position in the global economy.

2.3 International business

2.3.1 What it is?
International trade has been a subject studied since the early twentieth century, nonetheless concentrating more on the interrelations of businesses and trade (Gross and Behrman, 1992). During the two decades after World War II, international trade expanded at its most rapid pace during the twentieth century. Between 1948 and 1968, the total volume of merchandise exports from non-communist countries grew by a remarkable 290 percent (Terborgh, 2003). Vernon (1966) described the international product cycle as the first major theory of the movement of business overseas, not just
explaining international trade. Only since 1960s has the study of FDI (foreign direct investment), export activities, technology transfer, and management of transnational corporations been recognized (Gross and Behrman, 1992).

There is a growing sense how events happening across the globe are to converge in a single shape, an integrated world, where business, technology, social, cultural, economic and other influences can easily cross traditional borders and boundaries such as national culture, space, nations and industries (Parker, 1999).

2.3.2 Why is it important?
International trade is growing significantly over the years due to the benefits it offers to countries across the globe (Baier and Bergstrand, 2001). The exchange of goods, services and capital has become one of the main revenue generating sources for many countries (Rodrik, 1997). With the help of advanced technology, efficient transportation systems, modern manufacturing, and rapid industrialization, international trade is growing fast (Griffith and Redding, 2004). “The benefits of international trade have been the major drivers of growth in the last half of the 20th century. Nations with strong international trade have become prosperous and have the power to control the world economy. Global trade can become one of the major contributors to the reduction of poverty” (Economy Watch, 2010, para 8). The following points will explain the need for and importance of international trade:

Division of labour and specialization: Foreign trade leads to this division at a very high level. Some countries have abundant natural resources, and can export raw materials to other countries and import finished goods from countries having a skilled labour force (Akrani, 2011b). Specialization can also mean that individual countries can produce certain goods which they are best at producing and then exchanging them with other countries (Hidalgo et al., 2007). The theory of comparative advantage states, countries should specialize in producing those goods where they have a lower opportunity cost (relatively best at producing) (Arndt, 1999). A good example could be in New Zealand,
which has a lot of trees, exports wood logs, and imports furniture and paper from different countries.

*Generate employment opportunities:* By increases in the mobility of resources and labour, employment opportunities increase for any country (Rosenfeld, 1992). Foreign trade generates direct employment in the import sector, and indirect employment in other industry sectors such as transportation, insurance, banking, and communication (Akrani, 2011b). Foreign trade cuts off jobs in developed countries, mainly USA and UK, as the consumers would buy more products made by foreign workers who are paid much less than domestic workers (Sanchez, Shen & Peng, 2004). Supposedly high-paid American workers would either lose their jobs or have to accept lower wages if forced to compete against low-paid foreign workers (Green, Felstead & Burchell, 2000). The government of developed countries should impose trade barriers (such as tariffs) to protect domestic firms and their workers from foreign imports competition (Drezner, 2004).

*Facilitate economic development:* The economic development of a nation is facilitated by imports. With the import of goods, capital and technology, a country can grow in other sectors of the economy (Akrani, 2011b). Trade facilitation can be viewed in narrow or broad terms, and in unilateral or multilateral terms (Wilson, Mann & Otsuki, 2003). In narrow and unilateral terms, improving the movement of goods through one’s own customs appears to be improving the importation of goods rather than the exportation of goods. In a multilateral context the benefits of trade facilitation for exporting become even more transparent (Milner, Morrissey & Zgovu, 2008).

*Stabilize seasonal market fluctuations:* Climatic conditions for all countries vary widely. It might be winter in one country and summer in another country at the same period of the year (Suri & Chapman, 1998). November, December and January is summertime in New Zealand, whereas it is winter time in most of the Asian countries. New Zealand uses seasonal variations as a competitive advantage to export fruits and vegetables to those countries in opposing climatic conditions. (Economy Watch, 2010). This seasonal
change could benefit countries to export their products elsewhere, to where seasonal difference affect production.

*Enhances domestic competitiveness:* Due to foreign trade, domestic competitiveness is enhanced within the country (Javorcik, 2004). There arises a healthy competition for goods and services, in terms of their higher quality and lower price, thus benefiting local people (Economy Watch, 2010). On contrary, when trade introduces lower cost international competitors, it puts domestic producers out of business. It is also risky to depend on potentially hostile countries for vital goods and services (Irwin, 2009).

These representative factors are considered important for international trade. In relation to New Zealand, International trade is very important because it contributes tremendously to the economy (Ministry of economic development, 2012). New Zealand has resources such as trees, wine and wool to export. With international trade, domestic competition could increase, benefiting the people residing in New Zealand. Climatic differences could also add substantial value in exporting NZ products to countries where the product is in high demand. For example, kiwifruit and apples are famous in winter, these fruits are also cheaper in the winter season. The same could be exported to other parts of the world, mostly Asian countries where it is summer (Statistics New Zealand, n.d.).

2.3.3 What is its scope and scale?
Globalization worldwide is accelerating tremendously, increasing transnational interdependencies and cross-fertilization of politics, culture and economics (Kingfisher, 2002). The speed and degree of globalization today is a unique occurrence, and is unmatched in any period of history of globalization *per se*. The same is expected to continue in the near future as well (Annan, 2000). Edquist & Hommen (2008) commented about the current high level of globalization in Asia, which is expected to continue in the foreseeable future. This indicates that there will be a high demand for goods and services, and thus we need to have policies which support and enhance these trade relations (Edquist & Hommen, 2008).
Both developed and underdeveloped countries have begun to understand the importance of investing in technology as well as in skilled labour (Bell & Pavitt, 1997). The developed countries have an advantage as far as a skilled workforce is concerned, and this can be an issue for the underdeveloped countries (Lall, 2000). The developed countries, however, need to make sure they work in order to support themselves for being a leader in the same field, and also need to update their skills when facing growing competition (Pavcnik, 2003).

The concepts of outsourcing and offshoring have also been developing too fast of late (Ellram, Tate & Bilington, 2008). Countries that outsource are mostly used for various reasons, i.e. better prices, cheaper workforce, or skilled labour. The same proves to be of advantage to both countries overall (Tate et al., 2009). The major reasons for offshoring are also to develop the technological advancements of any country (Erber & Sayed-Ahmed, 2005).

2.3.4 Key Features
Conducting a business on an international platform requires a good understanding of its features (Hill & Jain, 2007). Many individuals and organizations overlook these features and miss an avenue to enhanced performance (Hehl, 2013). The features of international business are summarized below:

**Large scale operations:** In international business, operations are usually conducted on a huge scale (Hitt, Hoskisson & Kim, 1997). Marketing and production is also carried out on a large scale. The trend is usually to first supply goods to the domestic market and surplus goods are exported (Bernard, Redding & Schott, 2011).

**Integration of economies:** International business integrates the economies of many countries as finance is used from one country, labour supplied by another, and infrastructure used in yet another country (Kose, Prasad & Terrones, 2003). Design is finalized in one country, production of parts in a second country, and assembled in
another country (Yeats, 1998). Integration of economies has become part of the international business environment (Kose, Otrok & Whiteman, 2003).

**Subjugated by established countries and MNCs:** Global business was understood in the past to be dominated by developed countries and their multinational corporations, especially in the USA and Europe (Markusen, 1995). The reason behind this domination was their advanced technology, financial resources and skilled manpower (Cantwell & Janne, 2000). More recently, however, the domination is increasingly controlled by developing countries i.e. China and India (Dicken, 2007).

**Benefits to participating countries:** The participation of developing nations in international business helps them to gain added benefits (Beamish, 2013). These benefits could be industrially developed, getting foreign capital and technology, or more employment opportunities, which together results in economic development of the developing countries (Drezner, 2005).

**Keen competition:** International business face multi-faceted competition in terms of unequal partners, where one is a developed nation and the other is a developing country (Nilsson, 1999). Developing countries could produce the product at a lesser price in comparison to the developed country, due to the availability of cheap manpower, and so shifts in economies are being seen at present (Narula & Dunning, 2000).

**The special role of science and technology:** Science and technology help countries produce (goods) on a larger scale of production (Pianta, 1992). In today’s world, international businesses were being dominated by nations who use advanced science and technology processes (Freeman, 2006).

**International restrictions:** International restrictions can be seen in terms of the inflow and outflow of capital, goods and technology (Trebilcock, Howse & Eliason, 2012). Many governments charge high tariffs when the imported goods are brought into their
country, additionally, trade blocks and foreign exchange restrictions are applied (Dreher, 2006).

Sensitive nature: International business is very sensitive in nature. Any changes in technology, policies, or political and legal environments affect international business (Freeman, 2006). It is therefore an imperative to have superior market research processes to study these changes (Akrani, 2011a). Adjustments here could relate to a sudden hike in import duty for a country, demanding extra security checks for the imported goods, or political policies which may affect trade positively or negatively (implementation of a free trade agreement for instance).

After understanding how international business operates, it is now required to view various aspects of the New Zealand business environment.

2.4 The NZ Business Environment
As a country, New Zealand is very much dependent on exporting for its economy, so the coming paragraphs will list its economic statistics, the products imported and exported, the countries engaged in international trade with New Zealand, and its international competitiveness. These aspects will give a detailed perception of how well New Zealand is performing in international trade.

2.4.1 NZ economy
New Zealand as a market is very small. Gross Domestic Product (GDP) was valued at NZ$85.34 billion in the year 2003, and NZ$211.67 billion in the year 2013 (New Zealand Trade and Enterprise, 2013). The market mainly comprises of agriculture and agricultural products. Exports include agricultural and other natural resources namely dairy products, wool, food and paper products, together with gas, oil, iron ore, sand, coal, timber, hydropower, gold, and limestone (Evans, 2004). New Zealand has an open economy that works on free market principles. Over the last 25 years, our economy went from being one of the most regulated in the OECD (Organization for Economic Cooperation and Development) to one of the least regulated. New Zealand has a very
export-driven, competitive economy with exports accounting for about 30% of GDP (New Zealand now, 2012).

2.4.2 Key Import and export:
The Government of New Zealand has always understood the importance of Globalization for the betterment of the country (Kelsey, 1999). Rules have been made, and some modified, in a way that we can support international trade and support the United Nations as the epithet of the multilateral process (Patrick, 2002). Succeeding governments have responded well, to strengthen multilateralism. Globalization has commendably created a whole new opportunity for small states to become recognised on a bigger scale, creating a whole new community to ultimately support the basic goals of the country (Patman & Rudd, 2005).

New Zealand and Australia have very strong trade relations, understandably, and the CER (Closer Economic Relations) regulations have ensured CER is maintained. Since 1983, the volume of trade between the two countries has increased by 400 percent (Bonn, Yoshikawa & Phan, 2004). New Zealand has now bypassed the CER market and is in trade relations with over 100 countries (Patman, 2005). NZ is considered to be one of the most welcoming countries as far as international trade is concerned amongst the OECD (Organization for Economic Cooperation and Development) countries (Badenhausen, 2012).

But New Zealand has yet to realize a tremendous opportunity to grow its dairy and other agricultural industries, as agreed in Geneva as part of the Doha Round of world trade organization (WTO), in August 2004 (Francois, Meijl & Tongeren, 2005). The 1994 GATT (General agreement on tariffs and trade) Uruguay round recognized New Zealand as the chief legatee of the agriculture industry (Sullivan, 1996).

It is necessary to understand the qualified benefits of international trade to various countries. The different qualified benefits include the primary sector production of the countries that fetches the highest rewards (Trebilcock, Howse & Eliason, 2012). For New Zealand, the dairy industry is most worthy of attention (Boland, MacGibbon & Hill,
2001). But manufacturing units have also developed an influence on international markets. For instance, in New Zealand, the Gallagher Group has established electric fencing systems and security management systems which are exported throughout the world (Clark et al., 2007).

**Figure 1: Key export of New Zealand**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>NZ$ Millions</th>
<th>Year end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk powder, butter, and cheese</td>
<td>11,320</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Meat and edible offal</td>
<td>5,249</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Logs, wood, and wood articles</td>
<td>3,374</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Crude oil</td>
<td>1,688</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Fruit</td>
<td>1,551</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Mechanical machinery and equipment</td>
<td>1,545</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Fish, crustaceans, and molluscs</td>
<td>1,345</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Wine</td>
<td>1,209</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Electrical machinery and equipment</td>
<td>1,070</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Aluminium and aluminium articles</td>
<td>1,000</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Precious metals, jewellery, and coins</td>
<td>900</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Preparations of cereals, flour, and starch</td>
<td>896</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Casein and caseinates</td>
<td>872</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Iron and steel, and articles</td>
<td>837</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Optical, medical, and measuring equipment</td>
<td>773</td>
<td>30-Jun-13</td>
</tr>
<tr>
<td>Miscellaneous edible preparations</td>
<td>766</td>
<td>30-Jun-13</td>
</tr>
</tbody>
</table>
According to the figure, it could be seen that New Zealand’s major export is milk and its product. With a considerable difference in the revenue generated, meat, wood, crude oil, fruits, mechanical machinery are also listed. Fish and wine make a remarkable contribution to the New Zealand economy. The other major export products of New Zealand are electrical machinery and aluminium articles.

Progress and the income generated through this progress, have in turn resulted in high demand for commodities and services across a number of other industry sectors such as information technology, education and hospitality. The raw materials, commodities and services are exported to a number of key trading partners, and those are briefly described below.

### 2.4.3 Main trading partners

One of the most important steps of globalization is to select the right country with whom to engage in international operations (Ghemawat, 2001). While one country could add value to your product or service, another country could do the total reverse (Lovelock, 1999). It is therefore necessary for any organization to understand which country has the potential to support its business model and to score the countries based on their advantages for international trade (Osland, Taylor & Zou, 2001). Many countries have signed free trade agreement with New Zealand which becomes an easy option for local businesses (Dent, 2003). Below is the list of the countries New Zealand is in agreement to carry out international trade:
2.4.3.1 China
China has increased the pace of business operation with New Zealand, and this is undoubtedly one of the most important topics of discussion in terms of global business relations (Chung, 2003). Australia has always been New Zealand's main trading partner, but China has taken over (Hertzberg, 2013). China is also the world's biggest prospective market, with a developing middle class and growing profits drawing exporters (Luo & Tung, 2007). Statistics reveal that, after the New Zealand China free trade agreement (NZCFTA), business activities between both countries have significantly accelerated. In 2008, NZ exports to China rose from $2.2 billion to $3.5 billion (Asch, 2013).

2.4.3.2 Australia
Australia is one of New Zealand's major trading partners (Scollay & Gibert, 2001). In the year completed September 2011, two-way produce trade amounted to $17.6 billion, with Australia taking 22.6% of New Zealand's exports and providing 16.3% of inresses. Australia is New Zealand's top destination for overseas ventures and New Zealand's chief source of overseas investment. As of March 2011, New Zealand had $51 billion capitalized in Australia, while Australia had $107 billion invested in New Zealand (The Treasury, 2012).

Trading with Australia has thrived under CER (Closer economic relations). CER is a chain of arrangements and engagements leading bilateral trade and economic associations, built on the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) which took effect on 1 January 1983. Complete free trade in merchandises was attained on 1 July 1990, five years ahead of timetable (Hamilton & Kniest, 1991). CER was then prolonged to cover trade in almost all services from 1 January 1989 except those inscribed in annexes to the Protocol. These inscriptions have been substantially reduced since then and currently include only a few items like coastal shipping (New Zealand Ministry of Foreign Affair and Trade, 2005). CER generates a market of more than 25 million people. It escalates the effective size of New Zealand's local market six-fold and provides Australia with access, an alternative market the size of Queensland (The Treasury, 2012). New Zealand's chief exports to
Australia comprise of light crude oil, gold, wine, cheese and timber, as well as a varied range of manufactured items such as mechanical and electrical machinery, articles made of iron and steel, and medical equipments (New Zealand now, 2012), while New Zealand's main imports from Australia comprise of heavier crude oils, petroleum oils, motor vehicles and aluminum oxide (The Treasury, 2012).

2.4.3.3 USA
New Zealand government is making a significant effort to change the perceptions of different nations over its business environment. The New Zealand Government has partnered with the world’s largest, most technologically advanced economic partner, to enable access to innovation, investment and research for New Zealand’s goods and services (New Zealand Now, 2012). The United States (US) is now the third largest import and export destination for New Zealand, and the NZ Government is also making efforts to promote inbound tourism and foreign direct investment (The Treasury, 2012). “New Zealand co-operates in the United States to relax barriers to international trade, through the World Trade Organization (WTO) and regionally through the Asia Pacific Economic Cooperation (APEC)” (New Zealand Ministry of Foreign Affairs and Trade, 2013, para 13).

2.4.3.4 Japan
Japan is New Zealand's fourth largest trading partner, with bilateral trade amounting to $6.0 billion in the year ended September 2011. Japan takes around 7.1% of total merchandise exports, and key exports include aluminium, wood, dairy products, fish, kiwiruit, meat, vegetables and fruits. Japan is also a main trader of New Zealand's imports, providing 6.1% of entire imports in the year to September 2011 (The Treasury, 2012).

2.4.3.5 The Republic of Korea
The Republic of Korea is now New Zealand's fifth major trade partner, recently surpassing the UK, with bilateral trade of $3.0 billion dollars in the year to September 2011 (The Treasury, 2012).
2.4.3.6 European Union
Trade with the associated countries of the European Union (EU), though still vital, is weakening. Together, the Union associates take about 8% of exports (in value terms) and offer approximately 12% of imports (The Treasury, 2012).

2.4.3.7 Other Asian Economies
Like China, other Asian markets are assuming greater importance as New Zealand's trade partners. This is providing profits to New Zealand, as the area is one of the foremost developments in the world, and is providing important demand for New Zealand's exports, especially merchandise (Ravenhill, 2003). Trade with the markets of Taiwan, Hong Kong, Malaysia, Indonesia, Singapore, Thailand, India and the Philippines is developing in prominence. All are in the top 20 export markets for New Zealand, and account for around 16% of merchandise exports (The Treasury, 2012).

2.4.3.8 Latin America
There is no doubt that the Government is now putting all the efforts it can in strengthening relationships with other nations, and growing New Zealand as a partner for business. The Prime Minister, John Key led a delegation to Chile, Mexico, Columbia and Brazil in March 2013. Importance in emerging relationships with Latin America is so solid that the Prime Minister was not alone in the visit, but was accompanied by the Minister of Primary Industries Nathan Guy and 23 business representatives from New Zealand industries such as Fonterra, Air New Zealand, and scholastic and technology segments (Latin America New Zealand Business Council, 2009).

When it comes to the world's most dynamic and fastest growing regions, Latin America is the first name that comes to mind (Carter, 2012). The visit demonstrated that Mexico, Colombia, Chile and Brazil are countries where New Zealand's skills and expertise are a natural fit. The successful visit offered New Zealand sales of its local commodities to Latin America; and on the other hand an opportunity for New Zealand to invest in high-end technology, manufacturing, agriculture and other services (Guy, 2013). New Zealand is very happy to support agriculture business in these countries to improve their productivity, while positioning New Zealand agri-business as a strategic partner for Latin
America. Latin America continues to lift its population into a new middle class, and as such its producers focus on meeting the food demands of the Asia-Pacific region. There could thus be scope for New Zealand business to find opportunities in the said market (New Zealand Ministry of Foreign Affairs and Trade, 2013).

2.4.4 International competitiveness
Several surveys have been done on New Zealand’s international competitiveness, and pertinent findings from the survey conducted by Ernst and Young (EY) are noted below. EY’s work on the international consultants’ globalization index, wherein the degree of globalization of 60 countries is measured in comparison to the countries’ gross domestic product (Gray, 2013). The guide includes five major factors, which are Trade Openness, Capital Flows, Interchange of Technology and Notions, Labour Movements, and Cultural Assimilation.

1. Out of 60 countries, New Zealand has been ranked 21st.
2. United States is surprisingly at 25th just below Australia
3. Hong Kong and Iran are the top and bottom, respectively.
4. The saturation of broadband would be a major factor in the success story of New Zealand.
5. New Zealand scored poorly in the labour category in comparison with other advanced economies.
6. The scenario has been almost the same in New Zealand since case since 2011. The country has developed in terms of broadband penetration, from 25.7 percent to 30 percent of the population; and in internet subscriptions from 86 per cent to 88.8 percent.
7. It was believed that GDP would see a slight growth of around 3 percent. To contradict that, the survey suggested the economy would continue to grow, supported by two major factors - technological advancement and the interchange of ideas across borders.
8. The medium and small sized markets, like Malaysia, Vietnam, Philippines, Belgium, Slovakia and Hungary, have scored better on Globalization in the last year.
2.4.4.1 The proprietary KOF Index of Globalization & Where New Zealand stands in this

The KOF (an acronym for the German word "Konjunkturforschungsstelle") index of globalization has been introduced in 2002, as a table of ranking of countries depending on different dimensions of globalization (Potrafke, 2009). The three main globalization dimensions are economic, social and political, so the ranking of each country in the KOF index totally depends upon how they act economically, socially and politically overall (Dreher, 2006).

The following process can be described as the creation of a communication network of people, connected over multiple continents, and this creation mediates through the variety of flows of information, innovation and ideas people share, goods and capital, physical data, and people (Alexander, 2011). According to KOF’s analysis, FDI (foreign direct investment) reflects the increased globalization and also depends upon openness to trade.

There is no formal report as such, but only a detailed database giving index readings for the 208 countries covered. New Zealand ranked 25, and the detailed rankings were as follows:

**Table 1: Index ranking of New Zealand**

<table>
<thead>
<tr>
<th>Different Areas</th>
<th>Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Index of globalization</td>
<td>24</td>
</tr>
<tr>
<td>Economic globalization</td>
<td>23</td>
</tr>
<tr>
<td>Actual flows</td>
<td>48</td>
</tr>
<tr>
<td>Restrictions</td>
<td>9</td>
</tr>
<tr>
<td>Social globalization</td>
<td>28</td>
</tr>
<tr>
<td>Data on personal contact</td>
<td>30</td>
</tr>
<tr>
<td>Data on information flows</td>
<td>19</td>
</tr>
<tr>
<td>Data on cultural proximity</td>
<td>27</td>
</tr>
<tr>
<td>Political globalization</td>
<td>56</td>
</tr>
</tbody>
</table>

Source: (Alexander, 2011).
In the KOF index of globalization New Zealand is ranked 24th, because the New Zealand government has applied a very low number of restrictions on trading offshore, and the flow of goods and capital is offset with the view of all measures. The export and import of all economic flows are a very low component of GDP. Other reasons for the low ranking are political globalization being low – there are many reasons for this low grading, and one of them is critically low export sector growth. There are a number of inadequacies in the NZ economy which need to be rectified, but it is clear that if government attempts to implement a few positive changes in current policies, and also introduce new policies, this can make a positive difference (Alexander, 2011).

After having a detailed discussion on the business environment, it is required to understand the business culture of New Zealand. When exporting to a new market, one needs to be aware of any business cultural differences between international business partners (Zahra, Ireland & Hitt, 2000). Similarly, for proposing a strategic model and helping New Zealand business to expand globally, this research will understand its business culture.

2.5 New Zealand Business Culture
Many studies have claimed to measure the attractiveness of New Zealand’s business environment and its global business competitiveness (Smith, 2013). One such study the World Economic Forum’s Global Competitiveness Report, based upon a range of metrics which included quality of infrastructure, macro-economic stability, advancing to more specific measures including innovation performance, financial market sophistication and higher education (Schwab et al., 2009). New Zealand was ranked 24 out of 131 countries in year 2008 based on the above mentioned metrics. It was ranked high for labour market efficiency, primary education quality, health outcomes, efficiency of goods market, and financial market sophistication (New Zealand Treasury, 2008). New Zealand was ranked second for ease in overall business activities, which means it is easy to start a new business in New Zealand in terms of the regulatory issues (Auckland Tourism Events and Economic Development, 2013). The measures used for the said rankings superficially highlighted New Zealand’s performance, while avoiding
other mandatory factors for the promotion of an entrepreneurial environment (Business NZ, 2013).

New Zealand is famous for an enterprise culture where one out of seven adults was classified as entrepreneurs (Sugand, 2014). It is believed there are more self-made multi-millionaires, per head of population, in New Zealand than there are in Britain, Australia, or the United States (New Zealand Treasury, 2008).

2.5.1 Structure of the business sector
The New Zealand business environment lacks stability in comparison to other countries, so the number of entries and exits in the market is high (Law & McLellan, 2005). Approximately 25% of firms enter or exit the market in a given year. There is no doubt labour productivity growth has significantly increased between 1995 and 2003 (Schreyer et al., 2003).

New Zealand has a higher number of small firms than the average OECD country (Hamilton & Dana, 2003). “According to OECD statistics for 2005, New Zealand is a country with 90.7% of firms having less than 20 employees, and this accounts for nearly 30 per cent of all people employed, roughly consistent with other countries” (Mills and Timmins, 2005, p. 9). If this is considered as part of the business culture of New Zealand, then it is not at all difficult to start a business here. This statement also implies that there are few barriers to starting a new business in New Zealand.

Centered on the above research, it is clear New Zealand has a greater level of start-up businesses of small trades, and there are not enough barriers to starting a new business; but the same study concludes to have lower levels of employments. If the current trend of more than 90% of the businesses having 20 or fewer employees continues, it would not be wrong to say that the shift of the business size from small to medium, and medium to large will not be an easy task. This means that it is easy to start a new business in New Zealand, but there are significant barriers restricting small firms from growing into medium or large businesses. “New Zealand’s high level of
business turnover has been used to give greater support to this conclusion, arguing that barriers to growth led to higher levels of exit for small firms” (Twose, 2013, p. 9).

The conclusion that New Zealand’s small businesses face significant barriers to growth is not only limited to the above mentioned reasons, but also suggests that the ease in starting and exiting from a business could be another reason responsible. New Zealand has very few regulatory restrictions, which make it easy for someone to open a business in comparison to other countries. The conclusion could be drawn that, business start up activity is high where there are no barriers, but if performance is poor those businesses will not maintain their existence for long.

The number of large firms in New Zealand is low in comparison to other OECD countries (Hamilton & Dana, 2003). Not only in numbers, but performance, when compared internationally is very low (Battisti, Deakins, & Roxas, 2010). International comparisons are based on the value added or return on asset, where New Zealand is well below many other countries in the list (Watson, 2012). The poor performance of large firms could be measured in a number of ways, but the reason behind this is unclear. Two reasons could be the low level of competition for large firms in New Zealand, and a lack of managerial talent (O’Neill, 2012).

There is no notable measure to locate the exact reason for larger firms in New Zealand performing poorly in comparison to other OECD countries (Hamilton & Dana, 2003). Statistics say that, of firms with 50-99 employees in 1995, 22% crossed the 100 employee range by the year 2002. This figure is not especially attractive, and the number of larger firms in New Zealand has always maintained a below average level – the average size of firms with more than 500 employees was 1594 in 2005, compared with 2532 in the UK and 3321 in the USA (New Zealand Treasury, 2008). The reason behind this may be due to the limited demands of a domestic market making it more difficult to export (Chetty & Blakenburg, 2000).
2.5.1.1 SMEs and large enterprise in New Zealand
For the purposes of this study, SMEs (small and medium enterprise) are demarcated as those businesses with 19 or less employees. To have detailed information on the New Zealand businesses by size, they could be further categorized into following groups:

I. Zero employees (a working proprietor who is not paid a salary or wage)
II. 1-5 employees
III. 6-9 employees
IV. 10-19 employees
V. 20-49 employees
VI. 50 to 99 employees
VII. 100-499 employees
VIII. 500+ employees

All of the above categories are correspondent to tax reporting units. The term ‘enterprise’ represents a legal entity, which may be a company, trust, partnership, producer board, incorporated society, religious organization, local or central government organization, voluntary or self employed organization (Ministry of Economic Development, 2011).

Figure 2: Number and percentage of enterprises by size in February 2010

<table>
<thead>
<tr>
<th>Employee Size Group</th>
<th>Number of enterprises</th>
<th>Percentage of all enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>323,935</td>
<td>68.9%</td>
</tr>
<tr>
<td>1-5</td>
<td>97,888</td>
<td>20.8%</td>
</tr>
<tr>
<td>6-9</td>
<td>19,571</td>
<td>4.2%</td>
</tr>
<tr>
<td>10-19</td>
<td>15,980</td>
<td>3.4%</td>
</tr>
<tr>
<td>20-49</td>
<td>8,420</td>
<td>1.8%</td>
</tr>
<tr>
<td>50-99</td>
<td>2,489</td>
<td>0.5%</td>
</tr>
<tr>
<td>100-499</td>
<td>1,739</td>
<td>0.4%</td>
</tr>
<tr>
<td>500+</td>
<td>324</td>
<td>0.1%</td>
</tr>
<tr>
<td>Total</td>
<td>470,346</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Description:** New Zealand is a nation of small businesses. With the above figure, it could be said that, in February 2010, the percentage of SMEs was 97.3 compared with 2.7% for larger enterprises.

**Figure 3: Number of enterprise by Employee size group (February 2010):**

![Bar chart showing number of enterprises by employee size group in New Zealand in February 2010.](chart.png)


**Description:** A huge contribution to the total number of enterprises is due to a single working proprietor. There were only 324 enterprises in New Zealand in February 2010 with 500+ employees, which is not a very attractive number for a developed country.
Figure 4: Total number of SMEs and larger enterprise:


**Description:** It could be seen that 2009 reflects the maximum number of SMEs and larger enterprise. In the years 2008 and 2009 the figures were constant, but in 2010 a decline is noted in the number of SMEs especially.

### 2.5.2 Major competitive weaknesses

Weaknesses of an SME are not only responsible by the external environment affecting its performance, but also because of the individual issues or challenges. Both type of issues need to be overcome by domestic SMEs to successfully enter the global market. Listing the weaknesses mentioned in the report of New Zealand Trade and Enterprise, this research will attempt to consider the internal working environment of domestic SMEs. The below listed weaknesses may be the reason for the challenge faced by domestic SMEs in globalizing, this will be a part of the investigation in the data analysis chapter.

#### 2.5.2.1 New Zealand lacks business acumen

If we talk about business and trade culture in New Zealand, it prioritizes human values, but is lacking in smart business ideas, and this detail is what our main trading partners observe (Parker, 2008). There have been many surveys conducted in regard to New Zealand’s businesses trading overseas, and the following are the countries and cities in which the survey was carried out:
Table 2: New Zealand’s business trading overseas

<table>
<thead>
<tr>
<th>Country</th>
<th>Cities</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>West Coast</td>
<td>August 2006</td>
</tr>
<tr>
<td>UK</td>
<td>Greater London</td>
<td>August 2006</td>
</tr>
<tr>
<td>China</td>
<td>Shanghai</td>
<td>June 2007</td>
</tr>
<tr>
<td>Japan</td>
<td>Tokyo</td>
<td>June 2007</td>
</tr>
<tr>
<td>Australia</td>
<td>Melbourne &amp; Sydney</td>
<td>July 2007</td>
</tr>
<tr>
<td>South Korea</td>
<td>Seoul</td>
<td>April 2008</td>
</tr>
<tr>
<td>India</td>
<td>Delhi &amp; Mumbai</td>
<td>July 2008</td>
</tr>
</tbody>
</table>

Source: (New Zealand Trade and Enterprise, 2008).

The sectors that were covered for these surveys are described below country wise:

Figure 5: Sectors covered for survey

<table>
<thead>
<tr>
<th>Sector</th>
<th>UK</th>
<th>US</th>
<th>Japan</th>
<th>China</th>
<th>Australia</th>
<th>Sth Korea</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverage</td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Screen production</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>ICT</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Biotech</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Wood processing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Specialised Manufacturing (Marine)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>


The United States and United Kingdom believed that New Zealand has a lack of awareness in terms of business operations and the latest trends. These countries also
commented that most people running New Zealand businesses are not aware of how to run a business efficiently (New Zealand Trade and Enterprise, 2008). Perceptions also included the notion New Zealand businesses find the way US/UK businesses are managed and operated to be interesting and surprising (McCready, 2012).

The response from Asia was rather different, noting that New Zealand’s business people are less aware about international trends of business operation. Along with this, commentators from Japan and China stated the first thought which comes to mind when talking about New Zealand is that it is a tourism destination (New Zealand Trade and Enterprise, 2008). They also commented on the attitude of New Zealand businesses which they find to be overly relaxed, completely contrary to the attitudes of Asian markets and lacking the qualities needed for business to survive (Brunton, 2009).

Australians are inclined to do trade with NZ, though this familiarity means NZ is not seen as separate and so it is easy to forget to look towards NZ as a trading partner. Australians see NZ as a place for vacations, and as a rival in many sports (New Zealand Trade and Enterprise, 2008), and Australia’s perception is that NZ has not done enough to speak about their business stories (Parker, 2008).

CEO of NZ Trade and Enterprise Tim Gibson said, “These responses were not something unknown, but they provide a clear vision for all the businesses in New Zealand and the people involved” (Gibson, 2008). The unsurprising outcomes to the CEO of NZ Trade and Enterprise were:

2.5.2.2 Low in Business Acumen
One outcome of the interview results was that NZ businesses are low in business acumen. This means that NZ is not aware of the basic rules of business and, even if they do know a little bit, they do not follow these rules (New Zealand Trade and Enterprise, 2008). The key issues that were common to all five countries for NZ business were as follows:
2.5.2.3 A lack of business hunger and urgency
Shanghai and Tokyo suggested that New Zealand plays at business. In other words, the business and work culture in NZ is not very energetic or commercially minded. They do businesses for the sake of doing, and feel satisfaction with a very limited income. Asian businesses feel very frustrated looking at this side of NZ business, as they are themselves very energetic in implementing strategic planning in order to succeed and make maximum monetary profit (New Zealand Trade and Enterprise, 2008).

“New Zealanders seldom make a sound in the international market. They have no passion to introduce themselves to others” (Japan).

The US believes NZ to have a lack of commercial focus, which means that business people here are inventive rather than entrepreneurial.

“There are a lot of entrepreneurs in New Zealand, but they tend to be in sheds and things like that. So how can you put together something that is valuable enough to teach them entrepreneurial, commercial ways of thinking?” (USA)

2.5.2.4 Conservative and risk averse
The USA and UK associate New Zealand with the taking of physical risks (for example, bungee jumping) but are at the same time very protective in terms of business operations. The attitude of a person in business is totally different from personal life (New Zealand Trade and Enterprise, 2008), and those aspects are totally different in the USA and UK, where they take risks in order to get ahead (McCready, 2012). Japanese respondents commented that NZ people are very conservative, and are extra protective in hiding their skills and resources when with others. They believe it to be far easier to work with the Australians, who are very assertive in comparison to NZ (New Zealand Trade and Enterprise, 2008), and a willingness to advance themselves is not seen in the NZ business culture (Brunton, 2009).
2.5.2.5 Minimal Market Knowledge
A remarkable conclusion that came out of the survey done by NZTE is a perceived lack of effort to understand overseas markets. NZ is not good at researching cultures of different nations, and have adopted a traditional approach of doing business where they sell what they have, instead of trying to produce what their customers want. Basic knowledge of entering a particular market has often been missing, and business do not adequately analyse - in fact often fail to execute market research on competitors, their distribution centers and major retail players. Businesses are believed to have poor knowledge in price listing and positioning (New Zealand Trade and Enterprise, 2008).

The US observed while dealing with NZ businesses that they are often unprepared before the meeting. NZ businesses arrive unaware of expectations, thereby exposing their ignorance (New Zealand Trade and Enterprise, 2008). The casual approach is not well accepted by the US, as these are seen as signs of laziness and lack of interest (McCready, 2012).

Japan was not satisfied with the quality of product, as the products developed by New Zealanders do not match Japanese quality standards. Knowing this fact, NZ businesses do not appear to make any effort to match the sense of quality and expectations of Japan. (Brunton, 2009).

2.5.2.6 Unwillingness to associate
This particular problem is being faced by all countries, but especially with China and Japan, where these countries give a lot of importance to building relationships in business culture. According to the above stated countries, NZ businesses do not seem to recognize that it takes decades, and not years, to thrive in Asian markets, and that enduring the lean years to maintain market presence is how you prove your guarantee to the market (New Zealand Trade and Enterprise, 2008). Chinese businesses are aware of their growing economy, and welcome those who show interest in long term relationships with China, evidenced by detailed business plans and clear goals. In simple words, preparation and interest are what attracts China, but NZ remains unsuccessful in attracting Chinese markets (Parker, 2008).
In the US and UK, unwillingness to partner is associated with a lack of understanding of global markets. Partnerships and networking is one of the important aspects of US and UK markets and, when they talk about NZ, they do not see viable players of business (McCready, 2012).

### 2.5.2.7 Cultural understanding of a different working environment

It is very important to understand business culture of different countries. Understanding a business culture requires knowledge of the cultural characteristics of the country and its laws and regulations, and how they impact on the business community (Batonda & Perry, 2003). A business culture results from the collective responses of local businesses to a combination of a country’s regulatory environment and its ‘national’ culture – these are often referred to as a country’s formal and informal institutions, respectively (Lindsay, 2012).

New Zealand’s businesses have a weak cultural understanding of China, including the concept of guanxi or personal relationships (Pla, 2012). Other than weak cultural understanding, a complicated distribution channel was another reason for difficulties being faced by NZ businesses (Shi, Boote & Tang, 2013). It was also found that there was a lack of key government contacts and networks, followed by difficulties with customs, corruption and counterfeiting. Other difficulties noted were differential value added tax (VAT) values, complex certification and documentation requirements, antiquated transportation systems, and inconsistent governmental and corporate rules and regulations (Asch, 2013).

Another problem noted was the use of the Chinese language during trade negotiations in China (Shi, Boote & Tang, 2013), and other aspects of cultural components are more challenging than the language barrier. Chinese business etiquette is far different from the New Zealand business culture in regard to exchanging business cards, respect for elders, agreeing with seniors, engaged in a drinking culture, and gift giving (New Zealand Trade and Enterprise, 2013). Patience is also a vital component required from New Zealand businesses, as Chinese businesses have more strongly defined long term
goals and strategic thinking in comparison to New Zealand businesses (Pla, 2012). This is an area where New Zealand businesses have been unsuccessful, as the business culture adopted in NZ does not support long term forecasting (Shi, Boote & Tang, 2013). In China, a business deal takes much longer to conclude than it does in New Zealand, as it is a Chinese belief to first have trust with the person (not business) - so relationship development takes priority, and then business deals follow (Asch, 2013).

The research question is related to New Zealand SMEs, it is therefore an imperative to understand the SME sector of New Zealand to reach any conclusion.

2.5.2.8 SMEs internet presence a concern

Half of all small to medium-sized domestic businesses do not have a website despite having a significant numbers of customers using the internet for consumer information. Only half the businesses surveyed had an internet presence. One in five SMEs said they did not use any online marketing tools. Approximately 57 per cent of New Zealanders searched the internet for businesses and services, whilst 17 per cent used the internet exclusively. If half of all small to medium sized businesses are not online, they are missing a huge opportunity (Harris, 2013).

2.6 The SME sector

Any research on SMEs would first need to understand the profile of SMEs in New Zealand. Before examining the methods of globalizing, detailed information on the structure, characteristics and overall performance levels needs to be understood. “Structure and Dynamics 2011,” the twelfth in a series of reports on the most recent SME business statistics produced by the Ministry of Economic Development. The report offers a statistical picture of the nature, arrangement and performance of New Zealand’s SMEs and large enterprises, alongside the data on how they have improved over time. For a clear and concise profile of New Zealand SMEs, this statistical data will be used to understand the pattern of changing patterns of behavior of NZ SMEs over time.
2.6.1 SMEs definition and number
SMEs in New Zealand could be defined as enterprises with 19 or fewer employees. These enterprises are generally operated and managed by the owner. Similar to SMEs worldwide, NZ SMEs do not have specialist staff at management level. Ninety seven percent of all the enterprises in New Zealand are small and medium, with 19 or fewer employees (Ministry of Economic Development, 2011).

Ninety percent of all the enterprises in New Zealand have five or fewer employees and 69% of all the enterprises have no paid employees. Such enterprises are known as zero-employee enterprises. The operating environment of zero-employee enterprises is totally different from enterprises with employees. The indicator of zero-employee enterprise is to have a working proprietor with no salary or wage being paid (Ministry of Economic Development, 2011).

The definition of SMEs may vary from country to country, though there is no universally recognized definition worldwide. For New Zealand it is 19 or fewer employees, but for larger countries the definition may change. If compared to statistics of EU (European Union) in the same group of 0-9 employees, the proportion of NZ (93.8%) is somewhat similar to EU (92%). But in terms of employment, these enterprises produced 29% of employment in EU, against only 19.4% in NZ (Ministry of Economic Development, 2011).

2.6.2 Key characteristics of sector in NZ
Statistics NZ assigns each enterprise to an industrial division, using the Australian and New Zealand standard industrial classification (ANZSIC). The table below describes the percentage of enterprises by employee numbers and ANZSIC.
Description: SMEs dominate most industries. SMEs constitute over 90% of all industry divisions, except public administration and safety, and education and training industries. However, a significant variation can be seen where SMEs are most common in rental, hiring and real estate (99.8%) and financial and insurance service (99.4%). SMEs are also in the majority in construction, agriculture, professional and accounting industries, with over 98% in each of these divisions.

With high percentage of SMEs in the above mentioned areas, nature of business is primarily domestic. Domestic businesses do create job opportunities and contribute to the economy but if a large number of SMEs step outside the local boundaries and involve themselves in export, the contribution to the economy will be enormously high.
2.6.2.1 Zero-employee enterprise

Figure 7: Zero-employee enterprises

Source: Ministry of Economic Development, (2011)

Description: The above figure illustrates those zero-employee enterprises that comprised 68.9% of all enterprises in New Zealand in the year 2010. These enterprises are mainly in five ANZSIC divisions:

I. Rental, hiring and real estate services (28%)
II. Agriculture, forestry and fishing (16%)
III. Professional, scientific and technical services (10.5%)
IV. Construction (10.1%)
V. Financial and insurance services (8.3%)
Of all the zero employee enterprises in New Zealand, 16% is comprised of agriculture, forestry and fishing. New Zealand is lucky to be an island nation with abundant amount of forest, sea and agricultural land. Such businesses if grown further could employ more people with more focus in exporting New Zealand products that have world recognition and demand.

### 2.6.3 What are their performance statistics?

Initial estimations show that there were 43,702 SMEs established and 55,043 dissolved in the year to February 2010. Over a period of 10 years, this was the first time the dissolution of SMEs outnumbered those created. This was reflected in the economic condition of 2008 and 2009, and the result was largely driven by an increase in the number of businesses dissolved since 2003 and a decrease in the number registered over 2008 and 2009. The detailed version of those performance statistics are illustrated below:

**Figure 8: Enterprise registrations/dissolution for enterprise with 1-19 employees**

Source: Ministry of Economic Development, (2011)

**Description:** Over the period 2000-2002, there was an increase in the registration of SMEs and a decrease in business dissolutions. The registration rate increased until 2004, with the same increase in businesses dissolved. Over the period 2008-2010 a
drastic decline in the registration rate of SMEs occurred, where the minimum number of business dissolutions was noted in 2010.

Due to the global financial crisis, many SMEs were drastically affected. Over the ensuing period, the change should be seen in terms of new SMEs entering the local market.

**Figure 9: Net enterprise births for industries with the greatest net deaths in 2010 (2008-2010)**

Source: Ministry of Economic Development, (2011)

**Description:** The above figure reveals the greatest number of businesses dissolved by specific industry. It includes those industries with a higher deregistration rate than registration rate over the subsequent years, from 2008 to 2010.

The construction industry was one of the first industries to be negatively affected by the financial crisis. Due to this, it faced a significant drop in the number of enterprises, from 1,239 net births in 2007 to 3,474 net deaths in 2010. Other industries that are declining in their numbers over the said three years are rental, hiring & real estate services, and professional, scientific & technical services.
Description: The above figure shows that there are only seven industries which have continued to show more registrations than de-registrations in the year to February 2010. Agriculture, forestry and fishing had the greatest volume of registrations over de-registrations, with 1,415 more created than dissolved. However, the higher number of registrations noted in this particular industry is dissimilar to other industries, which have not shown any significant rise in the registration rate. Financial and insurance services have shown a significant drop in the number of registrations, from 2,097 net in 2009 declining to only 350 net registrations in 2010.

Agriculture, fishing and forestry are a growing industry sector in New Zealand as seen in the above figure. With the high number of businesses involved within this sector, saturation point for local businesses will be achieved at some point. At this stage, key players within this industry should give measured consideration to entering the global market place.

Source: Ministry of Economic Development, (2011)
Figure 11: Percentage of businesses with export sales


Description: Business activities including export, investments in overseas markets, and tourism sales were selected to gather annual data which provided an indication of their business operations in the years 2009 and 2010. SMEs dropped their export sales from 16% in 2009 to 13% in 2010. Not only SMEs, but also other employee grouped companies other than 100+ employee businesses, showed a drop in export sales. The survey indicated that 15% of the participating business made export sales in 2010, down from 18% in 2009.

There is a percentage decrease of SMEs with export sales in 2010. The SMEs involved in export should be encouraged by the New Zealand Government to increase the pace of their business in order to get more foreign funds contributing to the national economy. The government should propose some plans to support SMEs, especially those involved in export as SMEs in total comprise more than 90% of all the businesses in New Zealand.
2.6.4 What do they do well and badly?

**Figure 12: SMEs contribution to employment**

<table>
<thead>
<tr>
<th>SMEs</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total SME employment</td>
<td>593,240</td>
<td>593,950</td>
<td>595,510</td>
<td>593,530</td>
<td>583,180</td>
<td>591,400</td>
<td>598,880</td>
<td>606,970</td>
<td>590,560</td>
<td>580,680</td>
</tr>
<tr>
<td>Percentage change from previous year</td>
<td>4.1%</td>
<td>4.1%</td>
<td>3.3%</td>
<td>3.5%</td>
<td>1.4%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>-2.7%</td>
<td>-1.7%</td>
<td></td>
</tr>
<tr>
<td>As a percentage of total employment</td>
<td>31.1%</td>
<td>31.5%</td>
<td>31.7%</td>
<td>31.4%</td>
<td>31.4%</td>
<td>31.3%</td>
<td>31.1%</td>
<td>30.7%</td>
<td>30.6%</td>
<td>30.7%</td>
</tr>
</tbody>
</table>

Source: Ministry of Economic Development, (2011)

**Description:** The contribution to employment by SMEs did decrease by 1.7% between February 2009 and 2010 from 590,560 to 580,680. This was the second year in a row where employment has decreased in the SME sector.

Decrease in employment will also affect immigrants thinking about New Zealand for their studies and career. The decline in employment by SME will affect all the other areas of economy as well.

**Figure 13: Opportunities for international students to work**

Source: Ministry of Economic Development, (2011)
Description: According to a QES (quarterly employment survey) in December 2010, it was found that SMEs offer more part time positions for employees than large enterprises. The firms with one to five, and six to nine employees have the largest proportion of part-time positions for employees. This creates an opportunity for international students to work and earn whilst studying. Long-term, this may actually be a negative point, but in the present scenario of employment it is a positive point for part timers.

Employee turnover is high
New Zealand is one of the countries with a higher job turnover rate (Guthrie, 2001). Only 14% of the employees are happy and satisfied with their job. The most cited reason to switch job was found to be the higher salary package offered in another company (Kelly Global workforce index, 2013). The overall conclusion of the research being - SMEs do not offer attractive prospects for workers. Due to their smaller size and low future growth opportunities, employees leave and target the large companies who can give better prospects for promotion and a higher salary package (McAllen, 2013).

2.6.5 Opportunities for SMEs
Budget 2013 included a package of growth initiatives aimed at building faster economic growth, supporting more job development, and delivering a more innovative and productive economy (Business Insider, 2013). While Budget 2013 was about maintaining the emphasis on financial stability needed to move the economy forward, there are few opportunities for New Zealand’s SMEs (Ministry of Business, Innovation and Employment, 2013). These are detailed below:

Reductions in employer Accident Compensation (ACC) levies: The Government has committed to reducing ACC levies by 40 per cent, starting with $300 million between 2014 and 2015 and increasing to $1 billion in 2015 to 2016 (Ministry of Business, Innovation and Employment, 2013). ACC levies’ reductions will return $1.3 million into the economy over the next year – thus offering significant cost reduction for businesses and households. This will provide a boost for SMEs as a means of
generating additional cash flow for reinvestment or future growth opportunities (Business Insider, 2013).

**Increased science and innovation funding:** Science and innovation funding will be increased by $50 million a year, taking the Government’s annual investment in research and development for 2013/2014 to a record $1.36 billion (Ministry of Business, Innovation and Employment, 2013). The additional funding will make it easier for start-up businesses to take advantage of growth opportunities while they are still in development, without being burdened by additional debt (Business Insider, 2013).

The above listed improvements will enable New Zealand new businesses to compete on the world stage from inception. The Government has also indicated it will allow tax losses from research and development expenditure to be refunded, within certain limits (Ministry of Business, Innovation and Employment, 2013).

**International growth package:** A key feature of the 2013 Budget is a $100 million per year internationally-focused growth initiative, providing extra research and development assistance to local businesses, additional funding for tourism, and more resources for marketing New Zealand to international students. This initiative acknowledges New Zealand’s need to maintain competitiveness globally through increased trade and investment to create jobs and opportunities for people living in New Zealand (Ministry of Business, Innovation and Employment, 2013).

Key highlights for budget 2013

I. An additional $158 million over four years to expand overseas tourism marketing in emerging and high-value markets (Business Insider, 2013).

II. An additional $40 million over four years to encourage and foster international education (Business Insider, 2013).

**Employment:** To help Maori and Pasifika learners have the opportunity to pursue trades related careers, through a commitment of $43 million over the next four years, comprising $35 million reprioritized from the Industry Training Fund, and $8 million from Vote Employment (Business Insider, 2013). This funding will help Maori and Pasifika
learners gain vital foundation skills for trades qualifications, and access a pathway into employment and a New Zealand Apprenticeship (Ministry of Business, Innovation and Employment, 2013).

It could be seen that New Zealand government is proposing a strategic plan to work with local SMEs for their benefits and growth in both the sectors, domestic and international. SMEs could take advantage by this plan and get expert advice from government as to how best achieve a hold in foreign market, along with expecting financial support for the necessary research of the country and product or service it intends to export.

**New Zealand’s SMEs situation:** As per the findings from the section 2.6 it could be summarized that SMEs do have the potential to expand and provide employment opportunities for local people in New Zealand. The SME sector is also an important contributor for the New Zealand economy. However, most of the businesses falling in this sector have a focus on domestic level and not many businesses are engaged in international operations. New Zealand government is also coming up with strategies to encourage domestic SMEs to expand internationally that can help New Zealand economy to grow to a next level. The research is therefore focused to explore strategies that can help SMEs to expand their business operations internationally.

### 2.7 The Research Question

#### 2.7.1 Possible ways for NZ SMEs to globalize their operation

SMEs do interact with international business; the statistical data shows that 13% of the firms in 2010 were engaged in export transactions, though this has dropped from 16% in 2009 (Ministry of Economic Development, 2011). Government has signed Free Trade Agreements with many countries to make the process easier for local businesses (Dent, 2003). The more export sales local businesses make, the more international funds will be generated into the NZ economy.
“New Zealand Trade and Enterprise (NZTE) is New Zealand’s international business development agency. Their role is to help New Zealand businesses “grow bigger, better, faster in international markets” (New Zealand Trade and Enterprise, 2013, para 12). As stated previously, NZTE is willing to support and help local businesses to export, but it is not specifically targeting SMEs. Export is the first step to globalize, but not the end destination. A business will first export their product or service to one country and, if the demand is high, it can then consider launching a workforce there or merging with a local business in that country. These routes adopt many assumptions, not proven facts or a described process in any guide book, and the best way for New Zealand SMEs to globalize is still questionable. This research will therefore target the above mentioned gap to understand it better, and will seek opinions and views from New Zealand SMEs to reach a conclusion.

2.7.2 What work has been done on that question:
No direct work has yet been done on this question, although previous research was done, which directly links to the objectives set by this research. The findings were presented in the major competitive weaknesses section 2.5.2 of this research (Parker, 2008). In 2006, 2007 and 2008 NZTE commissioned Nielsen, an independent market research company, to conduct research into the perceptions overseas markets have of New Zealand business culture and values (New Zealand Trade and Enterprise, 2008). The purposes of the study were to:

I. Test observations of New Zealand trade practices and method, and mindfulness of New Zealand companies
II. Test awareness/acknowledgment of and the standards connected with the Fern Mark among industry people interested in tradeoff with or financing in New Zealand
III. Test the awareness/acknowledgment and trustworthiness of the New Thinking proposal
2.7.3 What do we know as a result of that work
The outcome was not positive for New Zealand business. The key features shown by the research were, as previously listed in the section 2.5.2 ‘major competitive weaknesses’:

i. Low in business acumen
ii. A lack of business hunger and urgency
iii. Conservative and risk averse
iv. Minimal market knowledge
v. Unwillingness to partner up

2.7.4 What will this research try to find out
The outcomes enumerated above are for domestic business as a whole, and do not specifically target SMEs. The other point of consideration is that the above research was conducted in 2008, and there may be possibilities the business environment for domestic businesses, including SMEs, have changed over time. The aims and objectives noted in chapter one will be investigated. Both, the macro issues and individual issues will be considered to suggest a strategic model, exploring international business strategies for globalization of New Zealand SMEs. The failure or success for a SME is not only dependent on one factor, but various factors combined and alter the results for an SME. It is therefore necessary to investigate from many facets, the issues and challenges faced by a SME, considering both of the above mentioned perspectives.

The researcher will interview owners/managers of local SMEs and will ask their views on the aims and objectives set for this research. Willingness is an essential factor for a business to be successful in globalizing for, if absent the business will not be successful. Attitude supports willingness in that, if a business is willing to globalize but the attitude is over relaxed, a business is unlikely to reach its desired level of expectation. The research will progress to find out how competent SMEs are in terms of understanding the business culture of different countries. Moving to practical considerations, the research will then evaluate the various barriers faced by the SMEs while globalizing operations. Once the barriers are known, this research endeavor to uncover the strategies which can best be used to overcome known barriers. Questions
will be asked of owners/managers of local SMEs eliciting their own experience about strategies they believe are the most effective to overcome any kind of known barriers.

A strategic model is critical for any business, success as it is aligned with the vision of the company. It specifies a series of strategic actions that should be taken beginning from the point of considering entry into a foreign market and thereafter to penetration and consolidation in the chosen market. While scoping preparation for entry, a strategic model has guidelines which can assist domestic SMEs to understand the factors holding significant importance, and the ones which need special attention, in order to avoid any risks during the process of entering a foreign market. It has a series of strategic actions designed to overcome the barriers (if any), leading to successful globalization of domestic SMEs. A strategic model is a set of actions/plans prepared after considering the advantages and disadvantages of entering a foreign country and which add substantial value to attain the predetermined objectives. This enables the businesses to overcome the disadvantages arising due to the idiosyncratic nature of the economic and business environment in individual countries. Respecting differences in every country, a strategic model has enumerated characteristics which remain fundamentally equal for every country.

All the five objectives will be listed further in the data analysis chapter as five sections. Under each section, there will be some questions asked of the SMEs, findings of which will be demographically represented. The issues and strategies in terms of findings from the data analysis chapter will be found within the strategic model illustrated in the discussion chapter five.

**Chapter summary**

This chapter has presented a review of the literature relating to various aspects of globalization. It gave an overview of the concepts and definition of globalization, and in-depth knowledge about international business, including its importance and key features. It further investigated the New Zealand business environment, focusing on the economy, key imports and exports, the main trading partners of New Zealand, and its
international competitiveness. Focus on the literature of the New Zealand business culture was presented, giving a clear picture of the competitive advantages and weaknesses of the business structure. Finally, the SME sector of New Zealand business was discussed, providing its definition, key characteristics and a demographic presentation of its performance over time.

The following chapter will talk about the method of data collection employed in this research, defining different research characteristics and outlining a rationale for why a particular method was adopted.
Chapter 3: Research Methodology

3.1 Chapter Overview
This chapter outlines the method of data collection employed in this research and the rationale behind it. Different research method characteristics are discussed in making the decision between which methods are best suited for this study. There is a summary of the approach chosen for collecting the appropriate data required to answer the research question and sub-questions mentioned in Chapter One. This chapter describes the qualitative approach in relation to the overall research objective, followed by the data collection method employed in this research, which were in-depth interviews. The final section of this chapter briefly discusses the procedure of data analysis, research limitations, and ethical implications.

3.2 Methodology
Methodology is a process to collect the data and information in order to make business decisions. The process of methodology may involve interviews, publication research, surveys and other research techniques. The information obtained could be both historical and present day (Business Dictionary, 2013).

3.3 Research Paradigm
Paradigm is an ancient Greek word, originated from paradeigma, the meaning of which is pattern. It was first used in 1962 by Thomas Kuhn, to denote a conceptual framework shared by a community of scientists which provided them with a convenient model for examining problems and finding solutions (Poland, 1999). “Paradigm is a combined cluster of utilitarian notions, variables and glitches, attached with the equivalent procedural methods and tools” (Kuhn, 1977, para. 3). There are two paradigmatic approaches in common use, interpretivist paradigm and positivist paradigm.

3.3.1 Positivist paradigm
Positivism is a form of logical and ethical practicality observing closely to the hypothetico–deductive technique (Cacioppo, Semin, & Berntson, 2004). “The controlled technique includes organized reflection and depiction of phenomena contextualized within a principle or theory, the presentation of theories, the implementation of strictly
controlled experimental research, the use of inferential statistics to test propositions, and, lastly, the analysis of statistical results in the light of original theory” (Guba & Lincoln, 1994, p. 167).

“Depending on a hypothetical–deductive technique, positivism lays emphases on efforts to authenticate a priori hypothesis that are most frequently identified as quantitative suggestions that can be transformed into the mathematical principles” (Camic, Rhodes, & Yardley, 2003, p. 14). The principal goal of positivistic analysis is an elucidation that (eventually) leads to calculation and control of phenomena (Dessler, 1999).

This ‘scientific’ study model strives to examine, approve and forecast law-like designs of behaviour, and is usually used in graduate study to test models or theories (Perry, 1999). This is mainly beneficial in natural science, physical science and, to some degree, in the social sciences, particularly where enormous example sizes are involved. Usually its emphasis is about the independence of the research procedure (Creswell, 2008). “The positivist paradigm habitually involves quantitative method, using investigational techniques involving conduct and control groups, and government of pre- and post-tests to degree gain scores” (Taylor, 2010, p. 121). Here, the investigator is external to the research site and is the supervisor of the research procedure.

Statistical and mathematical techniques are central in the research methods adopted by positivist researchers and they adhere to specific structured research techniques to uncover single and objective realities (Cohen, Manion & Morrison, 2013). The goal of positivist research is to make time and context free generalizations and they believe this is possible because human actions can be explained as a result of real causes that precedes their behaviours (Carson et al. 2001).

3.3.2 Interpretivist paradigm
The constructivist or interpretivist model can be observed as a substitute to the positivist model. “In marked difference to positivism’s lone independent and outer authenticity, constructivism observes to a relativist locus that adopts several, apprehendable, and similarly lawful authenticities” (Schwandt, 1994, p. 133). In principle, constructivists hold
that authenticity is created in the thoughts of the individual, rather than it being a superficially singular object (Hansen, 2004). “The constructivist locus embraces a hermeneutical method, which upholds that significance is concealed and must be brought to the seeming through deep consideration” (Schwandt, 2000, p. 211). This echo can be encouraged by the communicating researcher–participant discussion. Thus, a unique characteristic of constructivism is the criticality of the communication between the investigator and the object of examination. Simply through this communication can deeper significance be revealed. The investigator and her or his contributors together create (co-construct) results from their communicating discussion and analysis (Hansen, 2004).

Interpretivism industrialized as a comeback to the objectivism and extreme reasoning of the positivist methodology. Constructivists trust that social occurrences cannot be planned like physical entities; they cannot be measured or foreseen (Schwandt, 2000). It is not likely to specify the subjectivity and independence of human beings, their feelings, thoughts, and sensitivities. “Realism is inferred through the eyes of each individual contained by a specific state or framework and it becomes significant” (Willis, 2007, p. 57).

The goal of interpretivist research is to understand and interpret human behavior rather than to generalize and predict causes and effects (Orlikowski & Baroudi, 1991). For an interpretivist researcher it is important to understand motives, meanings, reasons and other subjective experiences which are time and context bound (Hudson and Ozanne 1988).

3.3.3 Research paradigm preferred:
The interpretivist paradigm has been preferred for this research. The research on globalization of New Zealand businesses requires in-depth knowledge of the environment, including the opportunities and threats, which cannot be judged through simple sets of questions. Interpretive research is fundamentally concerned with meaning, and it seeks to understand social members (Goulding, 1999), so it was believed appropriate for the topic. “Interpretive model involves constructing a second
directive model, or theory of members' theories, in divergence to positivism which is concerned with objective realism and significances supposed to be autonomous of people" (Lee, 1991, p. 345).

A strategic model will be proposed after interviewing twenty-one SMEs based on their opinions and views. To design such a model based on the views of SMEs will only be possible by selecting the interpretivist paradigm. Interpretivists assume that material and importance are actions of understanding; therefore there is no impartial knowledge which is autonomous of thinking, rational humans (Angen, 2000). Also, the nature of the interpretivist paradigm is to abstract descriptions of meaning and members, concentrates on understanding and interpretation, allow feeling and reason to govern actions and accept influence from both science and personal experience (Snape & Spencer, 2003). The topic of globalization of New Zealand SMEs involves researcher to abstract information from the respondents even through their body language, gestures, can understand and interpret unsaid words, which is only possible through the interpretivist paradigm. Due to the focus and nature of the paradigm, the interpretivist paradigm will be preferred for this research.

3.4 Research Approaches
There has been extensive discussion in recent years concerning the relative advantages of quantitative and qualitative approaches for research. The positions taken by individual investigators differ significantly, for the two approaches are regularly seen as completely isolated and based on alternative opinions of the world (Creswell & Clark, 2007).

3.4.1 Quantitative Research
Balnaves & Caputi (2001) defined quantitative research as explaining phenomena by collecting numerical data that are analyzed using mathematically based methods. Quantitative research is research that uses numerical analysis. Quantitative research confirms. It aims to look at the specific, moving forward from general case (Burns, 2000). In research, cause and effect is all about the strength of the relationship
“If a very strong relationship exists between two variables, the cause and effect relationship may be said to be highly probable or highly likely. There is still room to say that the effect does not occur as a result of the cause, but this is considered not very probable” (DeVault, 2009, para 11).

This research is based on larger samples and is, therefore, more statistically valid (Onwuegbuzie, 2000). It is concerned with data and addresses question such as “how many”, “how often”, “who”, “when” and “where”. This research is about asking people for their opinions in a structured way so that you can produce hard facts and statistics to guide you (Balnaves & Caputi, 2001). The results of quantitative research are generally in numerical form such as “35% of customers rate the new product as attractive, 70% of potential customers use the Internet to buy their hotel accommodation” (Muijs, 2010. P. 61). The main methods of obtaining quantitative data are the various forms of surveys – i.e. telephone, postal, face-to-face and online (De Leeuw, 2005).

The researcher knows in advance what he/she is looking for and all aspects of the study are carefully designed before the data is collected. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena (Fraenkel, Wallen & Hyun, 1993).

Quantitative research generally employs scientific methods, which includes the following steps (Muijs, 2010):

I. Modeling and analyzing the data.
II. Developing models, theories, and hypotheses of what the researcher expects to find.
III. Developing instruments and methods for measuring the data.
IV. Experimental control and manipulation of variables.
V. Collecting the data.
VI. Evaluating the results.
3.4.2 Qualitative research

Qualitative research focuses on exploring issues, understanding phenomena, and answering questions by analysing and making sense of unstructured data (Greenhalgh & Taylor, 1997). This research is aimed at gaining a deeper understanding of a specific organization or event, rather than a surface description of a large sample of a population (Maykut & Morehouse, 2002). “It aims to provide an explicit rendering of the structure, order, and broad patterns found among a group of participants. It is also called ethnomethodology or field research. It generates data about human groups in social settings” (Davidson & Gregorio, 2011, p. 631).

Qualitative research explores. This research begins with the specific and moves toward the general (Patton, 2005). “The data collection process in qualitative research is personal, field-based, and iterative or circular. As data are collected and organized during analysis, patterns emerge” (DeVault, 2009, para 15). Qualitative research is designed to reveal a target audience’s range of behaviour and the perceptions that drive it with reference to specific topics or issues (Maykut & Morehouse, 2002). This approach is based on attitude, opinions, intentions and beliefs (Johnson & Christensen, 2008). Qualitative research aims to understand the opinion of its customers and try to find out why they behave in a certain way, findings usually obtained from a small number of people (Zaltman & Coulter, 1995). The findings obtained are not necessarily statistically valid (Johnson & Christensen, 2008).

Qualitative researchers are primarily concerned with practice and process rather than outcomes. That is, they focus on the process that is occurring instead of the outcome of that process (Ritchie & Lewis, 2003). On the other hand, Zaltman & Cooper (1995) believe that the focus is on participants' perceptions and experiences and the way they make sense of their lives.

Qualitative research, also called field research, typically involves fieldwork in which the researcher observes and records behaviour and events in their natural setting (Johnson & Onwuegbuzie, 2004). The researcher physically goes to the people, setting, or site in order to observe the subject as it normally and naturally occurs or behaves (Ritchie & Lewis, 2003).
3.4.3 Preferred approach
Qualitative research has been selected for the research. The reason behind this lies with the criteria set for the research, as illustrated in the table and in the following description below:

Table 3: Preferred approach

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Qualitative</th>
<th>Quantitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective / Purpose</td>
<td>To gain an understanding of underlying reasons and motivations; to provide insights into the setting of a problem, generating ideas</td>
<td>To quantify data and generalize results from a sample to the population of interest; to measure the incidence of various views and opinions in a chosen sample</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Exploratory and/or investigative. Develop an initial understanding and sound base for further decision making.</td>
<td>Used to recommend a final course of action</td>
</tr>
</tbody>
</table>

Source: Snapsurveys, (2014)

Qualitative study requires an in-depth study or investigation that is not limited to numbers and statistics. It allows identification of new and untouched phenomena (Malterud, 2001). The research on globalization of New Zealand business needs to have an initial understanding of the issues or the problems that are being faced by the business owners and managers. It is further required to have a range of ideas and feelings about a particular barrier and strategies that affect globalization of business operations. Surveys are not especially effective in obtaining such in-depth information, so a qualitative approach was chosen to obtain one to one anecdotal information (Lincoln, Lynham, & Guba, 2005). In quantitative research, the researcher knows in advance what he/she is looking for and all aspects of the study are carefully designed before the data is collected (Fraenkel, Wallen & Hyun, 1993). The barriers or strategies
for example are a subjective issue and unlike quantitative research, it could be presented as an option to be chosen; these issues need to be investigated through qualitative study. Qualitative research contributes to rich, insightful results as the synergy among respondents is built on each other’s comments and ideas (Maxwell, 2012). The idea given or views suggested by the participants could add advantage for a researcher to use it as a base or a framework to built further theories or ideas. This will give an opportunity to the researcher to give access to the participants of each other’s comment made on a particular topic.

The five objectives set for this research are complex in nature, requiring explored ideas and responses. “Qualitative research provides an opportunity to probe, enabling the researcher to reach beyond initial responses and rationales” (Polkinghorne, 2005, p. 137). Three of the objectives set for this research are attitude of New Zealand SMEs in exploring new opportunities, willingness to establish relationship with overseas counterparts and to determine how good these SMEs are in understanding overseas business culture. Investigating these issues require the researcher to observe, record and interpret non-verbal communication (i.e., body language, voice intonation) as part of a respondent’s feedback, which is valuable during interviews or discussions, and during analysis (Bryman & Cassell, 2006). This analysis is not possible through quantitative research whereas qualitative research could add value to this research area.

The later objectives for this research are to determine the barriers that are confronted by domestic SMES while globalizing their business and the strategies that could overcome the known barriers. One of the purposes for qualitative research is to provide insights into the setting of a problem and generating ideas (Maykut & Morehouse, 2002). Qualitative research will be useful in providing insights into exploring the barriers faced by local SMEs, and to suggest strategies in terms of generating ideas. Another reason for selecting qualitative research over quantitative is the title for this research that is about exploring the potential strategies. In the description provided for qualitative research, it is mentioned that this research is about exploring issues and understanding phenomena (Greenhalgh & Taylor, 1997). Due to the many listed reasons, qualitative approach is preferred over quantitative approach for this research.
3.5 Survey method

3.5.1 Interviews
An interview is a focused debate among two or more people, and its use in research can assist the researcher to gather valid and reliable data pertinent to the research questions and objectives (Buckingham & Saunders, 2004). Interviewing is a method in which open-ended questions are being asked by the researcher orally, and the answers from the respondents are being recorded for further analyzing. Interviews focus on qualitative research in a specific field, and they focus on investigating interviewees’ perspectives (Bryman & Cassell, 2006). A general plan of enquiry is the main agenda for an interviewer in a qualitative interview. However, an interviewer may not have a specific set of questions which is to be asked in a specific order. The interviewer must, however, be fully familiar with the subject, potential questions, and carefully plan the process so that things proceed smoothly and naturally (Legard, Keegan & Ward, 2003).

Usually in the interview sessions, respondents answer to all the questions and so they do most of the talking while the person taking the interview listens to it carefully, making notes out it and is responsible to guide the conversation in order to meet the interview’s objective. “It is the respondent’s answers to the initial questions that shape the subsequent questions and the interviewer needs to be able to listen, think, and talk almost simultaneously” (Johnson, 2002, p. 105). “In-depth, qualitative interviews are excellent tools to use in planning and evaluating extension programs because they use an open-ended, discovery-oriented method, which allows the interviewer to deeply explore the respondent’s feelings and perspectives on a subject” (Boyce & Neale, 2006, p. 4). In finding out the possible ways to globalize business operations, in-depth interviews offer the best option for positive outcomes. Although in-depth interviews differ from structured interviews that have a predetermined list of questions to work through, the researcher has a clear idea about features that need to be discovered (Robson, 2002).

The business owners of local SMEs from a wide range of business operations are the chosen interviewees for this research, because these people can deeply understand the
barriers that could constrain them from globalizing. To obtain answers from all the different angles, three types of SMEs will be chosen, first; SMEs involved in global business, second; SMEs willing to globalize their business operations, and third; SMEs neither involved nor willing to globalize their business. During the initial recruitment process of the SMEs, the researcher will confirm their nature and area of business, with which he can segregate the SMEs in all the three categories mentioned above. The majority of SMEs were those already involved in international business.

The interviews focus on the willingness of New Zealand SMEs to globalize their business, the attitude that influences the running of their business, the extent to which they are comfortable in understanding the culture of different nations, barriers that restrict them from globalizing, and finally what strategies could be used to overcome any kind of barriers.

3.6 Methods used to recruit participants
The primary data for the qualitative research was gathered in Auckland, New Zealand. Businesses were contacted and basic information about the in-depth interview process was provided to them using the information sheet included in the author’s ethics application. NZTE’s (New Zealand Trade and Enterprise) website has a list of businesses involved in international operations, and emails were sent to many of the businesses from the list, followed by a telephone call to request them for an interview. From a list of many businesses involved in global operations, few of them showed interest to talk upon the research topic and offered time for the interview session. Five SMEs were recruited through this process.

In addition, the business development manager at Unitec was requested to refer those SMEs that had entered the 2013 Westpac Business Awards as this would provide a list of businesses that have globalised their business operations. Nine interviews were scheduled through Business development manager at Unitec. ATEED (Auckland Tourism, Events and Economic Development) run an international expansion program under which many domestic SMEs take part to grow their business globally. Business
Advisors from ATEED were requested to provide support in terms of recruiting domestic SMEs for this research. Three businesses that are currently dealing with ATEED were referred by the business advisors. All three were provided with the details of the research topic, and all of them agreed to be part of the research. Fortunately, all the three SMEs were willing to expand their business internationally, and so the research area attracted them. They requested the researcher to have a soft copy of the final draft of the thesis for their own assistance. Addition to it, the researcher used personal networks to recruit four businesses for the research. In the above mentioned way, twenty-one interviews were successfully achieved.

3.7 Determining sample selection and sample size

Sample Selection: If only the SMEs involved in global business are targeted, the flow of the answers would primarily be same. Variety of responses could only be expected if the range of SMEs is wide. The below model was prepared by the researcher based on his own thinking on the selection of the types of SMEs. To obtain a valid data from 20 and more SMEs, the selection criteria were decided in anticipation. The criteria was to interview three types of SMEs; first, the SMEs involved in global operations, second, the SMEs willing to globalize, and third, the SMEs not interested to globalize. Other than this, another criterion was to interview SMEs from a wide range of industry sectors.

The objectives set for this research is concerned about the areas like willingness, attitude and cultural understanding. The SMEs that have already globalized will have the right attitude, willingness and understanding of culture. The researcher included criteria to also interview SMEs that are willing to expand their business globally, but have not done so far, and the SMEs that are neither involved in international operations nor willing to carry out in the future. The responses could be wide and from all the different angles, as not only one type of SMEs is involved in the research, but also others that might have different responses for the research area.
It was also ensured by the researcher that the SMEs involved in the research were from a wide range of industry backgrounds. For this research, SMEs from accounting, IT, education, distribution, manufacturing, hospitality, recruitment agency, wood logs, wine making, printing and from business consultancies have participated. Interviewing respondents from a mixture of SMEs could give an idea of the reasons these businesses are restricting themselves from entering the foreign market. Globalization is a very broad topic, and answers gathered from just one type of businesses could not fulfill the objectives of the research. Thus, all three types of business were approached.

**Figure 14: Determining sample selection**

**Sample size:** In qualitative research we do discover something unpredicted, unlike in quantitative surveys where all the options are often provided. The research sought to uncover the barriers constraining local SMEs from globalizing (Fraenkel, Wallen, & Hyun, 1993) and, for every individual, answers to this question were potentially different. For some, it may be funded, for others it may be a lack of ambition. The key point was to have a big enough qualitative sample to allow for most or all of the perceptions that are important (Sandelowski, 1995).

Within a target segment, different people may have dissimilar perceptions. Therefore the sample size and range of perceptions are directly proportional, where one being smaller and the other will be narrower (Krejcie & Morgan, 1970). To explore various perceptions, the sample size should be based on the nature of the research. For a very
complex research, sample size should be bigger to obtain wide range of responses (Kottrlik & Higgins, 2001). There are many different ways to determine an appropriate sample size. For in-depth qualitative studies, 20-30 in-depth interviews are necessary to uncover 90-95% of all customer needs for the product categories studied. A sample size of 20 respondents would provide a reasonable starting point (VanVoorhis & Morgan, 2007). On a positive side, with the increase in sample size, it is more expected to have all the diverse perceptions to be known. In simple words, qualitative research reduces the chances of discovery failure (Kottrlik & Higgins, 2001).

**Figure 15: Sample size**

A combination of SMEs was selected that focused more on the SMEs who have globalized operations. The above graph shows that 21 SMEs were interviewed to obtain the data. On reaching that figure, it was realized that the answers were beginning to duplicate, and the saturation point of new information have been reached. Twelve interviews were conducted with SMEs engaged in globalised operations, three with SMEs willing to globalize their operations, and six with SMEs not having an international operation. This mix of three different sub-groups of respondent generated the diverse range answers revealed in the next chapter.
3.8 Interview data collection
The researcher visited 21 local SMEs owners to conduct pre-scheduled interviews, each of which took about 30-45 minutes on an average. Information sheet was provided to all the participants giving them a better understanding of the research topic. The information sheet included a brief introduction about the researcher, aim of the research and what the researcher is trying to do. The researcher asked several questions related to the objectives during the interviews. All of the interviews were recorded after permission was granted by the respondents from participating SMEs. The researcher explained to them that for the purpose of integrity, research purity and accuracy, the interviews will be voice recorded and transcribed to enable analysis. The recorded interview session could help the researcher to pay full attention in the ongoing conversation, making it crystal clear to the researcher. Further, it was also made clear to all the participants that the transcript will be accessed by the researcher and his supervisor only to analyze the information. Surety for the privacy for the information gathered was being given by the researcher to all the respondents from participating SMEs that the information will not be used by any third party or by the researcher for any purpose that conflicts with the interest of the respondents. As the researcher informed respondents that he would need to do so in order to pay full attention during the interviews, and not making notes, permission was granted for all the twenty-one interviews. Copy of the recorded interview was being offered to the participants for their own satisfaction reasons but none of the participants showed interest in having one. All of the SMEs owners were also informed that transcripts would be made of the recorded conversation, and the entire interview process was conducted with confidentially and in a highly respectful way from both sides. Participants were also informed by the researcher that the recordings of the interview will be saved in a separate folder protected by password, and hard copy will be kept in a safe which would again be password protected.

3.9 Data analysis
The interviews are a part of the qualitative aspect of the research, and were audio recorded. The interview session was held to understand the views of respondents from
a wide range of SMEs as to what they think about globalization from a NZ SME context. To understand this broad topic of globalization, and to suggest a strategic model, it was important for the researcher to divide the topic into different parts so as to have a better clarity on what is being said. For this research, the questions for interview were divided into five different sections as per the objectives set for this research in section 1.4. For every section, three to four questions were being asked to explore all the possible views about domestic SMEs.

In the interview session, the first theme covered views of respondents from participating SMEs about the willingness of domestic SMEs to establish relationships with their overseas counterparts. Different ways to successfully establish a relationship with overseas counterparts was also explored during the interview session. Attitude was another theme for the interview session and under that, respondents from participating SMEs were being asked questions to understand how good domestic SMEs are in exploring opportunities in foreign market. Cultural understanding is another important factor affecting a business expansion internationally. Another theme of this research was a cultural understanding of domestic SMEs. A few questions were asked to explore ideas about the cultural understanding of domestic SMEs and how good they are in learning culture of different nations and whether or not they restrict themselves from entering a foreign market with cultural differences. Although, cultural difference is one of the important barriers, another theme explored all the possible barriers that constrain domestic SMEs from globalizing. Views from both, the SMEs already involved in globalized operations, and from the SMEs not involved in international operations were explored. To overcome the barriers, another theme focused on exploring the strategies that can lead to successful globalization of domestic SMEs. Views from all the five themes were considered and given place in a strategic model to assist domestic SMEs in entering global markets.

Soon after the interviews, the researcher made transcripts of every interview and added a table at the end to summarize key findings on a single page. This process was repeated for all 21 interviews, and those tables were then converted to a single meta-
metric, giving a short name to each of the different variables to simplify examination of different people’s perception of the same variable. All the variables were then segregated individually, using various forms such as pie charts, bar charts, and line graphs. It was then a simple exercise to analyze the data as per the five objectives set for this research. The five objectives have been listed in section 1.4, and will also be mentioned in the following chapter under the section 4.2, table 6.

3.10 Ethical considerations
A description of the research project and a completed application (Form A) were submitted to the Unitec Research Ethics Committee (UREC), and approval was obtained for the period of time from 30 August 2013 to 30 August 2014. The file number of this application is 2013-1062. The application to UREC included fundamental information about who the researcher was, specific details of the research project, the aims and objectives of the study, detail of participants, how the data was to be collected, and how it was to be stored. The researcher also attached the key interview questions.

Participant consent forms and information for potential participants were required for this research study. These consent forms also informed clearly that the data collected would be stored securely, confidentially and only used for this study. In the final paragraph of the consent forms, the respondents were informed that if they had any queries or concerns regarding the nature or conduct of the interviews, they should contact the researcher, the UREC Secretary, or the researcher’s supervisor directly. During the research project, no issues arose, nor were any critical comments made by any of the participants.

Chapter Summary
Chapter three defined and discussed the methodological approach taken for this research project, and provided a rationale for the approach best suited to answering the research questions. After reviewing various methodologies, the researcher decided to choose a qualitative approach using in-depth interviews as the most appropriate way to
answer the research questions. The interview design chosen for this study was then piloted, and adjustments were made, before being finalized. 21 participants were then recruited as the participant sample for this research study.

This research project involved human subjects and so it was necessary to seek ethics approval. After submitting the ethics application form to the Unitec Research Ethics Committee, approval was granted.

The following chapter presents the research results, along with an overview of relevant data collected and analyzed.
Chapter 4: Data Analysis

4.1 Chapter Overview
This chapter provides a description and analysis of the data that were collected in this research study. The chapter is divided into five sections, with findings for every objective given a separate section that examines the views of participating SMEs in relation to every objective. A graphic presentation is provided for every section, identifying different views held by SMEs, and the number of responses agreeing to a particular view/opinion.

The following sections present the views of respondents from participating SMEs during the interview session, analyzed after making a transcript for every interview. The respondents were the owner / manager of a company as they were the best informed (and embodied the collective views and knowledge of the staff) to provide information for the research, their views will be represented as participants in all the five sections of this chapter. A total of 21 SMEs were recruited, and responses for all 21 are noted in the graphic presentations. For every section, a number of questions were asked to understand the particular topic in some detail, and answers to each question are presented through the use of graphs, tables and charts.

4.2 Sections
Globalization appertains to becoming a part of an international community through exporting, and subsequently setting a base in the overseas market. The base could be successfully accomplished through various approaches such as partnering with an overseas trader, buying shares or through setting up a company’s own plant in the foreign country. To do it successfully, a strategic model is required. A strategic model delineates a series of actions which will guide throughout the stages of globalization, starting from preparing to enter the market until finally reaching the desired outcome. The basis of this strategic model is the investigation of aims and objectives; understanding the limitations and gaps; and advantages essential for the research. The topic of globalization is very broad in its nature, and so is divided into five different
sections as described in the literature review, section 2.7.4 ‘what will this research endeavor to find out’.

The five sections are aligned with the objectives set for the research, and the questions asked in every section were designed to explore SME’s understanding of those basic concepts or factors which affect globalization. Initial discussion with participating SMEs enveloped their willingness and attitudes towards globalizing. Further, the discussion took another route, focusing on local SMEs’ level of understanding in terms of the business culture of different nations. The main part of the research, then asked about the barriers that restrict SMEs from globalizing, and the potential strategies that could help domestic SMEs to overcome such barriers and to successfully globalize their business operations.

The interviews were undertaken to develop in-depth understanding of the possible ways local SMEs could globalize their business operations. This table identifies the five sections:

**Table 4: Sections**

<table>
<thead>
<tr>
<th>Sections</th>
<th>Description</th>
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<tr>
<td>1</td>
<td>Willingness of local SMEs to establish relationship with overseas counterparts</td>
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<td>2</td>
<td>Attitude of local SMEs towards exploring new opportunities in foreign markets</td>
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<td>Appropriate strategies that could overcome the barriers and help local SMEs</td>
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<td></td>
<td>to globalize their operations</td>
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**Willingness:** Globalization is not possible without establishing good relationships with overseas counterparts. One of the most important factors in overseas trading is trust between two parties, without which a business cannot be successful. In the first chapter it was found that local businesses are poor at partnering, and also do not have faith in overseas traders. It is an important investigation to understand whether or not domestic
SMEs are motivated to establishing relationships with their overseas counterparts, and any underlying reasons.

**Attitude:** Attitude refers to adopting the right way of doing business where all the possible opportunities are explored. Attitude is a psychological disposition towards establishing relationships with and where all the possible opportunities are explored, and is viewed within corporate cultural mindsets and behavior. In the first chapter it was found that domestic businesses are very relaxed in nature and do not explore all the opportunities for their business. This relaxed nature may affect a business wanting to expand its business operations overseas. If strategies need to be proposed for domestic SMEs to globalize, their attitudes (towards globalization) should be identified. This is another investigation of the research to understand the attitude of local SMEs towards exploring opportunities in a foreign market.

**Cultural understanding:** Section 2.5 New Zealand business culture, listed few competitive weaknesses of domestic businesses. Lack of cultural understanding of overseas businesses was one of the major issues faced by the domestic businesses. Cultural understanding of a country and overseas business culture is very important at the time when a business enters a foreign country with a unlike culture (than New Zealand). It is therefore important for this research to investigate how successful domestic SMEs are in understanding overseas business culture.

**Barriers:** The foundations of a strategic model are based upon the consideration of the barriers confronting domestic SMEs from globalizing. These barriers may be wide ranging and may depend on the specifics of the SMEs industry sector. Once the barriers are known, strategies could be suggested to overcome them. This therefore becomes an important investigation in terms of a domestic, SME entering a foreign market.

**Strategies:** An SME willing to globalize requires a set of actions which, if implemented appropriately will lead to successful international expansion. Strategies which can overcome the barriers need to be investigated in this research, based on which strategic
model could be proposed for successful globalization of domestic SMEs. This section will form the crux of the research and will be at the epicenter of the research.

The (five) above mentioned sections are subjective in nature, especially the initial three sections. It is challenging to measure willingness, attitude and cultural understanding, so all sections will have a demographic presentation focusing on numerical responses. Numerical response means that for every view, a suitable demographic presentation will be chosen, such as graphs, pie charts or bars, and the number of responses in favour of or against will be illustrated. For every demographic presentation, there will be a description and conclusion describing the figure. Conclusions for every graph would be drawn on the basis of the majority of responses.

4.3 Response to questions
The recorded conversations of interviews were converted into individual transcripts, and a table at the end of the transcripts was drawn to summarize every opinion. Another reason for having an individual table at the end was to support the design of a single large table which included key information from all twenty one interviews. Organizing questions by section and representing the answers through graphic presentation was the best possible way to reveal the opinions of the twenty one participating SMEs.

4.4 Demographic Data
General demographic information includes section by section to enable readers to gain an overall picture of the opinions of the participating SMEs. Section one/1 includes all the necessary parameters that are important for the research, together with various different opinions of SMEs, this process was repeated for each section. The views obtained for many questions were similar, accordingly the data are presented with opinions along one axis, and the number of SMEs holding that particular view on the other axis. This brings clarity for readers to understand, and improves understanding of the factors that are believed to have a stronger or a weaker impact on local SMEs when globalizing their operations.
4.5 Section One (Willingness of local SMEs in establishing relationship with overseas counterparts)
The main purpose of this section was to understand how willing local SMEs were in establishing relationships with their overseas counterparts. Before reaching a conclusion, it is important for a researcher to understand the key factors impacting the research area, and the same is presented in the paragraphs below.

*Question One*

Question one asked participants about the importance of establishing relationships with overseas counterparts. The findings are clarified below:

Nineteen out of twenty one participating SMEs believe that establishing relationships with overseas counterparts helps in globalizing operations. Participating SMEs seem to be very confident in this answer, and the rationale that the majority gave, was that it is fundamental for successful businesses to establish relationships with overseas counterparts. Only two participating SMEs said that it depends upon the businesses involved, and supported their answer by giving a common example of a food industry that does not see the need to maintain relationships with its counterparts if it intends to globalize.

With most of the participating SMEs agreeing on the importance of establishing relationship with overseas counterparts, it can be concluded that it is an important facet of the globalizing process.

*Question Two*

The second question asked of participating SMEs was to suggest possible ways that could be implemented to establish relationships with overseas counterparts, as this was seen as vital to successfully globalize the business. Counterparts here are defined to include key players in an industry, competitors, suppliers, distributors, customers, and anyone else who could impact the business.
Figure 16: Ways to build relationship with overseas counterparts

The above figure suggests many possible ways which could help a local SME to establish relationships with their overseas counterparts. One of the ways suggested by seven participating SMEs was to visit the client. They believed this to be the best possible way to establish a relationship, as people need to see who you are, and visiting them in their country builds trust. A few participants believed how distributors or businesses in overseas markets might present themselves, suggesting they are very successful and huge in scale, but the fact remains questionable until you see evidence of their success personally; therefore visiting prospects was a crucial step.

The other possible way noted by six participants was to seek help from New Zealand trade bodies such as Chamber of Commerce and New Zealand Trade and Enterprise (NZTE). Participating SMEs stated the NZ Government encourages exporting, and is
equipped to help businesses who want to internationalize or globalize their operations. Five participating SMEs identified an active online presence, as essential, noting this is the technological era and one should have a website providing all the basic company specific information - who they are, what they do, their vision statement and other information that describes their presence and position within an industry sector.

Good market research and detailed country knowledge were two ways suggested by an equal number of participants (four), as they believe this should be known prior to commencement, if they were to survive and thrive in a particular country. They suggested this information should be gathered during the planning process, and based on the results obtained, local SMEs should think carefully about investing time and money in that particular country. If the information is positive, the business should then approach suitable and respectable distributors or suppliers to negotiate further business deals.

Few participants agreed that local SMEs, if intending to globalize and to establish relationships with their overseas counterparts, should attend trade shows to meet the key players of the industry. Few other SMEs were believed to have willingness prior to establishing relationships with overseas counterparts. If SMEs are not willing, either they will not be sincere in doing their work and market research or will not do it at all. They believe that a business should not do something just for the sake of doing it.

These were the main findings of the possible ways to establish relationships. In summary, it concludes that visiting prospective clients, together with enlisting assistance from NZTE or Chamber of Commerce could be an initial step to establish relationships with overseas counterparts. Good market research, country specific knowledge and prospective company could add value to the process of building relationships.

**Question 3**

Question three asked participating SMEs for their views on how willing local SMEs are in establishing relationships with overseas counterparts.
Figure 17: Willingness of local SMEs in establishing relationships with overseas counterparts

The above figure reveals a combination of answers, where the majority of participants (ten) believed local SMEs are somewhat unwilling in terms of establishing relationships with their overseas counterparts. Slightly lower in support, eight participating SMEs believed that domestic SMEs are willing, and worked hard to make this happen. Three participating SMEs seemed to be unsure whether they were willing or not, and so did not reach any final conclusion.

Though it is difficult to analyze these findings, there was not a remarkable difference in the number of responses in favor of, or against based on the number of comments, it could be concluded that domestic SMEs show more willingness to establish relationships with their overseas counterparts, and were more comfortable in partnering. In the transcripts, it was clear respondents were thinking about the present in contrast to the past, where current scenario (for local SMEs) was an improvement from former years.
**Question four**

Question four was asked to better understand the reasons for any unwillingness local SMEs showed in establishing relationships with their overseas counterparts.

**Figure 18: Reasons of unwillingness to establish relationships with overseas counterparts**

Replies from the majority of respondents, suggest that domestic SMEs were over relaxed, complaisant, lacked motivation, and had a locally (New Zealand) focused approach. The other reasons agreed by two participating SMEs were that local SMEs do not engage in conducting due diligence, and need improvement in interacting with overseas businesses. It was perceived as too challenging for them to do so, and outside their frame of reference. The other reasons given were the time zones factor, where NZ
SMEs do not feel comfortable working outside local business hours, and an underlying reluctance to trust others.

It could be concluded through the data obtained – reasons for unwillingness for domestic SMEs were their overly relaxed and complaisant nature. Together with a lack of motivation and preference for working locally, and not globally, were other challenging issues for domestic SMEs which need to be overcome.

4.6 Section Two (Attitude of local SMEs towards exploring new opportunities in foreign markets)

The main purpose of this section was to understand the attitude of local SMEs towards exploring new opportunities in foreign markets. Attitude supports willingness, so the researcher wanted to understand the attitude of local SMEs to exploring new opportunities in foreign markets. Similarly to the previous section, this section uses a graphic presentation to better understand the views of participating SMEs. There are six demographic presentations in this section.

**Question 1**

Question one in this section asked participants to comment on the attitude of NZ SMEs to exploring new opportunities in foreign markets.

Twelve out of twenty-one participating SMEs believed that attitudes were negative in terms of exploring new opportunities for business. Only six participating SMEs have given positive feedback about the way local SMEs carry out their business operations. Three of the participating SMEs remained unsure and did not give any solid judgment as to whether the attitude of local SMEs is positive or negative.

According to the findings, the majority of the responses are counter to domestic SMEs which implies they do not have the right attitude to explore new opportunities.
**Question Two**

Question two asked participants for the underlying reasons for positive and negative attitudes of local SMEs.

![Figure 19: Reasons for positive attitude in exploring new opportunities in foreign market](chart)

Only four possible reasons were explored for the positive attitudes where most of the participating SMEs agreeing to a change of attitude SMEs have embraced over time. Other than this reason, few participating SMEs believed technology has enabled companies to explore new opportunities, consequently globalizing has not been facilitated by communications technologies for domestic SMEs. Other comments made for positive attitudes for domestic SMEs included younger generations who have the right attitude and who have learnt how to adopt new ways of doing business.

The findings of this chart conclude that the attitude of domestic SMEs has improved over time, they are more interested to expand their businesses and to look for opportunities which could help them globalize.
Conversely, many reasons were explored for negative attitudes held by domestic SMEs. Out of many, a lack of ambition and growth were commented on by eight participating SMEs, followed by six participants stating local SMEs were not very aggressive and did not make sufficient effort to succeed. Five participants commented on the inadequate skills and capabilities of business owners, whilst four participants believed the reason for their negative attitudes were related to avoidance of change. Local SMEs were still seen to hold a “3Bs attitude”, which limits ambitions to “the BMW, bach and boat” – once achieved, many SMEs do not see the wisdom in expending the extra effort and associated challenges with expanding their operations. The other reason cited was that they do not know how to make things happen, which could be a lack of awareness or alternatively, a lack of apathy towards gaining that awareness. Two further reasons supported by a minority of participating SMEs, were a perceivably casual attitude held by domestic SMEs, and the need for improvement in strategies to grow their businesses.
In summary, it could be concluded that lack of ambition towards growth, and passivity in nature, are the major reasons for negative attitudes of local SMEs. Domestic SMEs however, are improving in attitudes, as found in the previous graph investigating reasons for positive attitudes. Despite this, many SMEs need to adjust to the present globalized business environment.

**Question 3**

Question three asked participants to suggest essential due diligence necessary before attempting to enter foreign markets.

![Figure 21: Due diligence required before entering foreign markets](image)

The above figure reveals the greatest number of SMEs (10) believes that it is an imperative to have a clear understanding of products and markets. The classic example given by one participant being wine, whilst in high demand in New Zealand, but less so in Asian countries. In terms of market research, five participants suggested a need to visit the target country before commitment, as the way of doing business could well be very different from the way it is done in this country. The same number of participating
SMEs suggested a need to know in detail about the strength of the partner (if any), key competitors in the local market, and to undertake specific research about the industry in the target country.

Other important measures needed to be considered, as suggested by four SMES were, to establish return on investment (ROI), and develop sound cultural understanding of the target country. Trade show participation in the target country as suggested by three participants, was noted as a possible way by which NZ SMEs could build relationships with overseas counterparts.

In summary, it could be concluded that research plays an important role in the globalization process. SMEs considering international expansion or export need to first understand their product’s competitive advantage demand for it, target market whilst becoming equally aware of business practices and country specific cultural differences.

Question four
This question asked participants to comment on their views on the practice of thinking first about Australia when considering globalizing.

Seventeen out of twenty one SMEs agreed NZ SMEs think first about Australia when contemplating globalizing. Only two participating SMEs disagreed, suggesting that they consider other options, especially countries with growing economies such as China and India. Two participating SMEs were unsure about the question and did not respond.

It could be concluded that thinking first about Australia could be a signal that the domestic SMEs are happier working within Australasia. Previous findings in this section have shown a negative attitude held by local SMEs which could be related to selecting a country with some familiarity, instead of considering countries which might exhibit high potential but which are less familiar.
**Question five**

Question five asked for the reasons behind thinking about Australia first, in preference to other countries.

![Chart: Reasons for Australia](image)

**Figure 22: Reasons for considering Australia first**

The most often repeated answers noted Australia had the similar kind of business culture and markets were more accessible and less investment was required. Two participating SMEs commented how SMEs if thinking about Australia due to the above reasons, were wrong, and how the working culture differed considerably in both countries. To those who commented on lower investment requirements, this suggested ease of access to accommodation and travel options; and less expense involved in conducting research into particular industries.

The other reasons for choosing Australia over alternative countries was reported to be a high degree of familiarity which made it the best (stepping stone) to initiate international operations, and an ease of travelling due to geographical closeness coupled with convenient time zones. Two participating SMEs stated local SMEs think New Zealand
and Australia are “cousins”, and therefore would automatically consider Australia before any other country.

With the data obtained, it could be concluded that funding issues, a similar culture and ease of market accessibility are the major reasons for thinking about Australia first, in comparison to other countries with substantially different cultures. As noted in the first section, the willingness of local SMEs to establish relationships with overseas counterparts cited the best method included visiting the country itself. Visiting a country and conducting research requires funding. This graph reveals a high number of views directing to the reason of less investment required. Due to the geographical closeness, Australian travel related costs remain inexpensive; in addition, the culture, language and market accessibility is similar to New Zealand.

4.7 Section Three (Understanding of overseas business cultures by local SMEs)
This question asked participating SMEs’ opinions on the necessity of understanding cultures of various target nations prior to entering each target market for business purposes. Surprisingly, all twenty-one participants stated it was absolutely critical to understand the culture of the particular country under consideration. It concludes that before approaching a target country, it is vital to understand its culture.

*Example one* – One participant cited an example of cultural difference between German and Japanese people. Germans are very straightforward and will say exactly what they think about a product or service, whether this is good or bad does not matter. The Japanese, on the other hand, will always show appreciation for a service, and will only offer a negative comment after they have returned home and are in the company of their own people. This cultural difference sees Germans as direct and honest, while Japanese culture requires more attention be paid to formalities.

*Example two* - Another participant compared the culture of Western countries (such as USA and New Zealand) with Asian countries namely India and China. Western countries believe in straight business deals and are more focused on what the product or service is and does. On the other hand, Asian business cultures tend to focus on
building relationships prior to doing business, and are more interested in what kind of person the prospective partner might be. Here we can see a major cultural difference, Western business people focus on transactions (products/services), whereas Asian businesses believe in doing business with people.

**Question two**
After understanding the importance of learning about the culture of different nations, the researcher was eager to know whether local SMEs restrict themselves from entering a particular country which has a clear cultural difference.

The majority of participants (17) agreed local SMEs restrict themselves in entering foreign markets with a cultural difference. Two participants disagreed, stating local SMEs did not acknowledge cultural difference, and entered targeted countries where opportunities existed. Two participating SMEs remained unsure of this question, stating it may vary from business to business.

The question about choosing Australia first in section two could be related to this question, as the findings related to a common area, culture. One of the major reasons for choosing Australia over other countries was found to be similarity of culture between New Zealand and Australia. It could be concluded through the data obtained that domestic SMEs are reluctant towards learning new cultures.

**Question three**
Question three asked participants their reasons for expressing disinterest in understanding cultures of different countries, irrespective of whether these countries offered business opportunities.
Figure 23: Reasons for showing disinterest in understanding overseas business and country culture

The above figure illustrates a variety of answers. Six participating SMEs commented that local SMEs find it very tough to understand the culture of different countries, and another answer that featured strongly, was that New Zealand businesses are not good at partnering. Both these answers were directly or indirectly related to the lifestyle and working culture of New Zealand. Other reasons referred to a lack of capability or motivation, which restricts SMEs in terms of doing something unusual and difficult. An age gap, language barriers, and a lack of awareness about culture were also mentioned by respondents. Almost all of the responses obtained were common to other participants, which added weight to the replies.

It could be concluded that it is very tough for domestic SMEs to understand the business and country culture of overseas enterprises, and so they mostly think about international expansion to a country which has a corresponding culture. Difficulties in learning about a new culture restrict domestic SMEs from entering countries with significant cultural difference.
4.8 Section four (Barriers confronted by domestic SMEs to entering the global markets)
Following an in-depth discussion about internal factors such as attitude, willingness and cultural understanding, the questions progressed to external factors which impact on globalization of local SMEs. This section covers the questions related to barriers faced by businesses that have globalized their operations, and the barriers that could be faced by those businesses yet to globalize. This section has two graphic presentations.

Question One
The first question asked those participants currently involved in international operations about barriers faced during the process of globalizing their operations.

![Figure 24: Barriers confronted by SMEs involved in international operations](image)

The most significant barrier faced by SMEs with international operations was finance, as noted by five participating SMEs; another major reason was difficulty coping with cultural differences. One participating SME said that it was extremely challenging to operate in China, due to the cultural differences: in business and country. Many
participants cited inadequate support in globalizing, and in their naivety they faced many unforeseen situations.

Two SMEs confided they had incomplete market and product knowledge within their target country, and so faced restrictions in dealing with that country. Another two agreed they were not (yet) ready to globalize in terms of their skills and capabilities to capitalize on an opportunity. The last barrier, reported by one product based participant was international competition. They identified a need to be 20-30% lower in price or better in quality when compared with the brand leader of that country.

It could be concluded that domestic SMEs involve in international operations often face barriers in terms of finance and cultural differences. In addition to these two barriers, domestic SMEs experience insufficient support in terms of finance and manpower expertise in implementing international market strategies.

**Question Two**

Question two asked all 21 participating SMEs to think of the most common factors that would constrain other local SME from globalizing business operations.

Funding was the most common answer obtained, repeated by eight participants. One participant said that New Zealand business owners are deficient at financial management, not knowing where to spend and invest and by how much. Consequently, often remaining undercapitalized during globalizing.
Figure 25: Constraining factors to globalization

Six participants believe local SMEs are deficient in skills and capabilities in the area of international expansion, creating difficulties to globalize successfully. Five participating SMEs commented how many SMEs fail to execute appropriate preparatory research and how there was a lack of leadership, and apathy towards taking the initiative – this could also be referred to as a lack of a pre-planning processes. One SME said that if the willingness is there success is there, commenting further how local SMEs lack willingness. Five participating SMEs, agreed export orientated SMEs should be encouraged to take risks and rise to the challenge. Two respondents remarked on restrictions set by Governments of, and how rules which impose heavy tax duties could render their product unnecessarily costly. A lack of support and cultural differences were other factors which participants believe to have a negative impact on globalization of local SMEs.

In summary barriers which may constrain domestic SMEs from globalizing, conclude funding is the major barrier. This barrier was mentioned by SMEs already involved in global operations. Domestic SMEs without the right skills and capabilities were a major
concern for prospective exporters. Also noted was inadequate scrutiny surrounding fundamental research of the product demand in that country, language spoken, cultural differences, key players within the industry, and the benefits and ramifications of entering that country.

4.9 Section Five (Appropriate strategies to overcome barriers, and globalize business operations)
The main purpose of this section was to learn the strategies businesses implemented to overcome barriers, and to identify strategies that could overcome any anticipated barriers in the future. This is the last section, with three graphic presentations.

*Question One*
The first question of this section asked participating SMEs involved in international operations to share strategies they implemented to overcome barriers.

The most common strategies implemented were to partner with a local business, or to have a local distributor in that country. Many businesses identified the importance of having an active online presence – one participating SME said this is the technological era, and employing an online presence is everything, and how an effective website with all the basic information (about the company and its products/services) could educate prospective clients.

![Figure 26: Strategies implemented by SMEs active in overseas market](image)

- **Merged with local business/local distributor**
- **Online presence**
- **Regular catch ups**
- **Providing a unique solution**
- **Build office in that country and recruited local people**
Three participating SMEs said that the easiest and the most useful strategy was to have regular progress meetings with their distributor or partner company, either via Skype™/videoconference, telephone, or by visiting them physically. IT companies believe in providing unique solutions, and the same was suggested by participating SMEs involved in international IT operations. Only one participant described how they opened an office in a particular country, as it was easier to physically be present instead of doing business online. Their business was not capital intensive.

As per the findings, merging with local business/distributors in that country is the most common strategy currently employed by SMEs involved in global operations. Domestic SMEs also focus on exploiting an online presence, and try to communicate regularly with partners.

**Question Two**

This question asked all participants, to suggest possible strategies which could be implemented by others to successfully globalize their business operations. Figure 36 illustrates a diversity of answers.
Figure 27: Strategies for a successful globalization process

The most common strategy suggested by eight participants was to obtain a compatible partner or local distributor. While explaining this, one of the SMEs gave an example of a firm who chose the wrong distributor, resulting in significant financial loss. He commented further that there were some unscrupulous overseas businesses - that aimed to restrict others from entering and gaining a foothold in the market.

Another strategy, according to seven participants could include recruiting within the local country instead of transferring employees from the parent country. This was justified on the grounds that local people have a better understanding of local markets, culture, and language, therefore it is easier for them to initiate business and generate revenue. One of the participants suggested whilst it was wise to recruit local people, but also important to gain knowledge from them, thereby creating a reciprocally advantageous venture for the future. Gaining market knowledge and carrying out superior research was another nominated strategy suggested by participating SMEs. Visiting the country was also necessary, suggested by five participants who believed
visiting the country would give a first-hand impression of the prevailing situation in that locale instead of reliance upon agents or distributors.

Four participating SMEs believed the quality of NZ SMEs needed improvement, through skills and capabilities enhancements prior to immersion into overseas markets. Another straightforward though expensive strategy included buying market share in an overseas company, starting international operations from within this company.

It could be concluded that partnering with a company in an overseas market could benefit domestic SMEs willing to expand their business overseas while helping them to understand the local culture, product demand through experienced people of that industry. New Zealand SMEs can therefore understand culture and product demand if local people are recruited in the foreign country due to their local knowledge and contacts.

**Question three**
The final question asked participants to suggest the reasons behind local SMEs proving unsuccessful in globalizing their business operations.

![Figure 28: Reasons for failure](image-url)
More than half of the participating SMEs noted a common lack of market knowledge, and all considered this to be the predominant factor for local SMEs to be unsuccessful in globalizing their operations. Another reason noted by eight participants included lack of funding. It was interesting to note that this reason was also included in the barriers section. A number of additional reasons showed strong support, including lack of skill and capability, lack of support, insufficient cultural understanding, unskilled in establishing relationships with overseas counterparts and lack of patience.

All of these reasons were discussed earlier in previous sections with the exception of, lack of patience. A few participants repeated this reason and one explained how many businesses harbor unrealistic expectations from foreign markets, anticipating profits from start-up which might not be feasible. He further stated businesses should not expect a profit in the first year, and should plan their financial structure to provide adequate support throughout the year. Partnership incompatibility was another reason for failure for three participating SMEs, and the last cited were the obvious national barriers that any local SME would face.

It could be concluded that a major reason for failure for many domestic SMEs when expanding internationally, was lack of market knowledge. Domestic SMEs do not implement a sound research strategy failing to understand market demands, leading them to substantial monetary loss.

**Chapter summary:**

This chapter has presented an analysis of the raw data collected through the in-depth interviews conducted for this study project. The main part of the analysis was the data collected through interviews with twenty-one participating SMEs from the New Zealand business community. The study so designed explored their understanding of basic concepts of globalization including the barriers and strategies which affect successful globalization of New Zealand SMEs. This chapter - divided into five sections, focused upon each objective separately, to provide a better understanding of the views of the
participating SMEs. The next chapter will present a detailed discussion and investigation of the findings presented here.
Chapter 5: Discussion

5.1 Chapter Overview
Chapter five presents the findings from collected and analyzed data from the respondent interviews. The discussion in chapter five is based on the findings of those interviews, and also connected to the relevant theories presented in the Chapter two literature review.

To recap, the purpose of this study has been to investigate and collect data to identify and develop a strategic model which could guide domestic SMEs (dSMEs) through a step-by-step process to globalize their business operations. The study may also contribute to success stories of dSMEs’ experiences while globalizing their business operations. The research question being, “How can domestic SMEs successfully globalize their business operations?”

This chapter considers the results of the interviews in light of the literature on these issues, and analyses the findings in order to answer the research question, and sub-questions which were presented in Chapter One. This chapter includes detailed discussion of the findings presented in Chapter Four.

5.2 Discussion of interviews
The data obtained from the previous chapter ‘Data Analysis’ for the five sections will be discussed in detail in this chapter. Similar to the previous chapter data analysis, discussion chapter contains five sections, identifies new relations between the data obtained, and the information cited in the literature review.

5.2.1 Willingness of domestic SMEs to establish relationship with overseas counterparts

Unwillingness of domestic SMEs: A question asked of all the participating SMEs (pSMEs) about the willingness shown by dSMEs in terms of establishing relationships. Almost 90% of the pSMEs establishing relationships was a crucial step for an SME to take when they contemplate globalizing. The findings obtained for the dSMEs in terms
of their willingness, were found to be negative. Ten out of twenty-one participating SMEs said that they were unwilling to establish relationships with overseas counterparts. In support, the survey carried out by New Zealand Trade and Enterprise (2008) revealed the same opinion/outcomes. The NZTE survey has placed emphasis on the unwillingness of domestic businesses in partnering with overseas countries/companies, especially within Japan and China. Further, supported by Parker (2008), New Zealand SMEs fail to attract Chinese markets even when the Chinese government provided detailed business plans and clear goals. In terms of unwillingness in partnering, McCready (2012) believes domestic businesses demonstrate a lack of understanding of global markets. He further presented the view of the USA and UK markets that do not see New Zealand companies as viable competitors in business.

**Reasons for unwillingness:** For both a positive or negative approach, there should be a reason that justifies the decision made. To understand this in more detail, further probing was undertaken with those participants who believed dSMEs were unwilling to establish relationships. The most common responses were a lack of motivation, an overly relaxed attitude, and a sense of “small thinking” - an inability to see beyond the boundaries of New Zealand. The findings suggested dSMEs lack the motivation and aspiration to grow, often preferring to operate within local boundaries. DSMEs are perceived uncomfortable operating outside a circumscribed environment and are generally happy to operate solely within New Zealand. Perhaps due to their self-imposed boundaries, dSMEs are reluctant participants when interacting with international businesses who are usually very much larger than dSME’s in terms of scale and size. In support, Brunton (2009) cites how domestic businesses have an overly relaxed attitude, opposite to the attitudes of Asian markets that can be very aggressive when expanding business operations. He further commented how domestic businesses do not have the qualities needed to survive in a tough business environment. Further supported by McCready (2012), domestic businesses are not willing to interact with international businesses, especially from USA and UK, as the way these larger businesses are managed and operated can be very challenging for domestic businesses to understand. The survey carried out by New Zealand Trade and
Enterprise (2008) presents the views of Asian countries who believed New Zealand businesses lack understanding of international business trends of large companies. The reports further revealed the working culture of domestic businesses as neither energetic nor commercially minded, having a lack of motivation to grow their business and to make maximum monetary profit.

**Ways to establish relationships with overseas counterparts:** When the research uncovered whether or not dSMEs were willing to establish relationships with overseas counterparts and the reasons for their unwillingness, a shift was made to investigate ways through which a domestic SME could establish international relationships. For seven participating SMEs, building a healthy and long term relationship, and physically meeting your overseas counterparts were the most important steps. It was further explained by few participants, how many distributors or businesses in overseas markets will present themselves in such a way to suggest they were very successful and large in scale, but the perceptions of scale and success remain questionable until evidenced personally. Only through visiting the overseas businesses personally, would identify actual business status and success. Many participants have shown trust in New Zealand’s trade bodies, i.e. Chamber of Commerce and New Zealand Trade and Enterprise; these entities clearly help dSMEs to enter a global market, whether through exporting or a merger with a local business. In support to this, Ministry of Business, Innovation and Employment (2013) states that the New Zealand Government introduced a budget of $100 million p.a., to support an internationally focused growth package to provide research and development assistance to local businesses, while increasing trade opportunities. Further supported by New Zealand Trade and Enterprise (2013), government agencies encourage and support New Zealand businesses, especially SMEs to export in order to help grow the New Zealand economy. These authorities’ websites list the factors and actions a business should take, to avoid barriers and pitfalls during the globalizing process. Local SMEs can also talk to the appropriate people in those authorities, to discuss their business plans and get honest feedback in response and receive appropriate business consultancy services, tailored to their unique needs and market interests.
Many participants identified the online presence domestic SMEs should have in order to convince their overseas clients about their abilities and capabilities. This research investigated the importance of an online presence which was essential in obtaining information about prospective New Zealand SMEs’ capabilities - who they are, what they are doing, why they are doing it, what the company’s vision and mission statement are, and other basic details about products and services. On the contrary, Harris (2013) noted that half of all small to medium-sized domestic businesses do not have a website despite the high number of customers using the internet for consumer information; only half the businesses surveyed had a presence on the world-wide-web. He further stated one in five SMEs said they did not use any online marketing tools.

Another important step in globalizing according to a few participating SMEs is to conduct extensive research about the country, its culture, and the local demand for the product and service the firm intends to sell in that country. One of the participating SMEs talked about the difference in demand for a product between one country and another, giving examples of wine having a higher demand in one country than another. Research plays an important part to identify a country which has demand for your product. The survey carried out by New Zealand Trade and Enterprise (2008) revealed how domestic businesses are inept in researching about a country’s culture, lacking in market knowledge, and some enter a country without clarity of the demand for their product and service.

5.2.2 Attitude of local SMEs towards exploring new opportunities in foreign markets

Negative attitude of domestic SMEs: Participants’ responses were not favorable towards the way domestic SMEs operate their businesses. More than 50% of participants said that the attitudes of domestic SMEs are substandard, which meant failure to globalize could be attributed to their faulty attitudes. In support for this, Brunton (2009) noted how domestic businesses display negative attitudes to business as they are non-aggressive in nature, and have a relaxed disposition. Such attitudes were not
welcomed by countries like China and Japan both cultures (workers) are more conditioned to stressful business environments, with high expectations to deliver results. Further noted by New Zealand Trade and Enterprise (2008), domestic businesses do not follow the basic rules of business and are low in business acumen.

**Reasons for negative attitude:** From reasons behind perceived negative attitudes, a lack of ambition to grow was replicated by many participating SMEs. By lack of ambition, dSMEs are generally happy in what they are doing, and they do not feel the necessity to grow more, with the added requirement for greater effort and the prospect of greater stress. One of the participating SMEs commented that the lifestyle of New Zealand is such that people work only to survive, and there is little greediness for money and growth. Another participating SME explained further that New Zealand is a very comfortable country with very few rich people and few poor people, and this makes it a very good to place to live and relax in peace, though making people lazy and ambitionless. In support, the survey carried out by New Zealand Trade and Enterprise (2008) reveals similar opinions for domestic SMEs lack of ambition and growth. They do the business for the sake of doing and are happy in what they are achieving. These businesses do not try to compete with their own targets. In terms of lifestyle, the survey presented views of Australia and USA markets who believed New Zealand to be a travel destination, but in terms of business it lacks the qualities required to be called entrepreneurial.

Another repeated response from participants was the lack of aggression seen in dSMEs where one of the pSME’s said that NZ was a laid-back country where businesses are non-aggressive in what they do. They prefer sitting passively and waiting for customers to knock on their doors. In support, Brunton (2009) has mentioned that the reason for unsuccessful international expansion of dSMEs is primarily due to the lack of aggression in putting efforts to make a strong hold in foreign market. The research further investigated how many SMEs do not have the necessary skills and capabilities, and rarely pro-active. They have seen others try to internationalize and fail so with fear in their minds; they restrict themselves from taking a risk. In support, New Zealand
Trade and Enterprise (2008) has revealed domestic businesses are conservative and risk averse whereas in contrast, known to be adventurous taking risks in sports, but in business opposite. Further supported by McCready (2012), USA and UK businesses are risk takers, whilst dSME’s are indifferent.

Another important finding was a perceived SME disinterest in changing. One of the participating SMEs stated domestic businesses restrict themselves from changing the way they do their business. Being creatures of habit, domestic SMEs will readily listen to what is being said and agree with it, will promise to adopt new ways of doing things, but in the next meeting will demonstrate that they are still exactly where they were at the very first meeting.

### 5.2.3 Understanding of overseas business cultures by domestic SMEs

**Importance of learning the culture of a target country:** Not one participating SME out of twenty-one has opposed the view of learning the culture of a target country. Understanding the culture of different nations is vital for any successful business, and firms need to understand that familiarity with overseas cultures can help a lot in producing and implementing business plans. McDonald’s, for example, offers beef based hamburgers in all Western countries, but they do not offer beef in India, where the religious beliefs of the dominant Hindu community do not allow the consumption of beef, and would cause Hindus to feel uncomfortable sitting in a food outlet which serves beef. This is a good example of cultural sensitivity by McDonald’s, to ascertain whether their product is in demand in a given country, or potentially offensive to sell. In support, Lindsay (2012) commented that it is vital to understand the culture of different countries, especially if you want to do business.

**Cultural differences restrict domestic SMEs from entering foreign markets:** Approximately 80% of participants stated domestic SMEs restrict themselves from entering a country having major cultural differences from their own. As a result, they find Asian countries difficult to deal with, as the way Asian businesses operate is very
different from the traditional way of doing business in NZ. But, it was also suggested that cultural difference exists in all countries, even between NZ and Australia, and domestic SMEs perceive business in Australia as the same as business in New Zealand. They are likely to find the reality to be different. In support, Pla (n.d.) stated how domestic businesses have weak cultural understanding of unfamiliar cultures, especially Chinese culture.

One of the participating SMEs said that having an understanding of the culture of different countries is vital, and to achieve success a business needs to adapt their domestic ways of business. Local SMEs are not very good in researching culture, and they approach research somewhat naively, and often find this unsuccessful. In support, the survey carried out by New Zealand Trade and Enterprise (2008) revealed domestic businesses are poor when it comes to researching a country’s culture. Further supported by Asch (2013), Chinese businesses believe in doing business with people and developing relationships, far different from New Zealand business practice/culture which believe in doing business with another company. New Zealand businesses are therefore proven unsuccessful due to lack of cultural understanding.

Some SMEs further commented that in Asian countries, it is good to be in touch with higher authorities to get necessary work done, whereas in Western countries, it is more likely to be a mid-level authority that can best help. A good understanding of culture is needed here to inform who to make contact with, how to talk, what to say, and what to avoid saying, along with the rituals of greetings, the food and many other aspects which encompass cultural issues. In support, the survey carried out by New Zealand Trade and Enterprise (2008) revealed how business etiquette of Asian countries differs markedly from New Zealand businesses, and often domestic businesses fail to understand the difference.

The research further investigates reasons for the lack of cultural understanding shown by domestic businesses. The most significant reason explored was how domestic SMEs find it challenging to understand the culture of different countries. Another major reason investigated stated how domestic SMEs are not good at partnering. In support of the
views, the survey carried out by New Zealand Trade and Enterprise (2008) reveals that domestic businesses are not good at partnering. Domestic SMEs need to be resilient, and learn to be tenacious, in order to create enduring relationships within, and thrive in Asian markets due to the cultural differences.

5.2.4 Barriers confronted by domestic SMEs in entering the global markets

Barriers restricting domestic SMEs from globalizing: Two participating SMEs believe a SME requires three ingredients to successfully globalize its operations. The first is a willingness to embark on the process, the second is having the appropriate skills and capabilities, and the third is access to necessary funding. They further commented that many SME businesses would see funding as the main factor; however the primary barrier is more likely to be their own willingness. According to participants, funding can be managed through a bank, skills and capabilities can be developed by a professional trainer and an expert in this area, but willingness can neither be developed nor provided. In support of their views, The Treasury (2012) stated domestic businesses often complain about finance, but it is the expertise and capabilities that are over finance. To the contrary, Nicholas (2012) believes undercapitalization is the most likely barrier.

Interestingly, the result of in-depth interviews took a reverse order from that suggested by two participating SMEs. Funding was the primary reason agreed by a majority of participants, second were skills and capabilities, and the third being the willingness factor. The results are in contrast to statements made by The Treasury (2012) which stated the most substantial barrier was willingness and not finance.

Barriers constrain firms from doing a particular thing, and funding is no doubt a substantial barrier, but when a well constructed business plan is prepared, supported by skill and capability inputs carried out by an expert in this area, funding could be provided by a bank – those businesses ready to take reasonable risks, are those businesses most likely to secure the necessary funding. It was found in the survey by New Zealand Trade and Enterprise (2008) that domestic businesses do not take risks, but if taken,
funding should not be a barrier, and the views of the two participating SMEs are justified.

5.2.5 Strategies for domestic SMEs to globalize
It is not an easy task to start a business in a country that you are not familiar with, and it needs much research, planning, visits, time, and money. The globalization strategies needed to be implemented add a significant cost to planning processes, therefore careful observation is required first prior to taking action. For a product based company, a good option could be to first export products to the target country, perhaps merging with a distributor or a local partner. If the results are positive, a manufacturing base could subsequently be opened.

For service provider industries such as education and hospitality, it is often necessary to establish an office or other physical presence in each country. In such industries, another strategy suggested by many participants was to recruit local people; on the basis they better understand the culture and working environment of their country. A few participating SMEs said it becomes easier for the NZ business if it has people recruited from the target country who are knowledgeable and experienced within the industry. One of the participating SMEs confessed that their biggest mistake was to relocate employees to the new country rather than to recruit locals. Only after making substantial losses did they realize their mistake, and recruited locally.

Participants were strongly agreed about the need for country-specific research and to acquire good market knowledge. The basic foundation of any plan is research, whether it is simple desk research or professional research in the later stages, when more is known about the target country. Market knowledge combines knowledge of the country and knowledge of the product, and is supported by knowledge of the culture, and this means that it is seen as crucial to visit the locale prior to business entry. Country visits give a vitally important sense of how business operates locally, and how in demand the product or service might be. However, it was found through a survey carried out by New Zealand Trade and Enterprise (2008) that NZ businesses are poor at partnering, and lack understanding of target market, product and culture. Also, it is important to deliver
standard goods and services once you enter a foreign market. Brunton (2009) noted New Zealand business does not appear to make any effort to match the sense of quality, appealing negative view on domestic businesses.

Prior to entry into a foreign market, one question to be asked of a domestic SME is whether they are economically and emotionally prepared. Keeping this in mind; participating SMEs strongly suggested there is a need for improved skills and capabilities of the business owner, acquired by undertaking professional training provided by NZTE, or an external expert. In support, McCready (2012) noted how domestic businesses do not possess the right set of skills and capabilities. Further supported by New Zealand Trade and Enterprise (2008), domestic businesses do not have the capabilities to run their business operations efficiently.

5.3 Proposed step by step strategies for globalization of New Zealand's SMEs
Based on the findings obtained from respondents from domestic SMEs the below model was constructed and offered:
### Table 5: Proposed strategic model for globalization of local SMEs

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>About your Business</strong></td>
<td></td>
</tr>
<tr>
<td>Secure your home base</td>
<td>Know your value proposition</td>
</tr>
<tr>
<td><strong>Getting Ready</strong></td>
<td></td>
</tr>
<tr>
<td>Improve your skills and capabilities</td>
<td>Financially secured</td>
</tr>
<tr>
<td><strong>Selecting a Country</strong></td>
<td></td>
</tr>
<tr>
<td>Identify alternate market</td>
<td>Note its advantages and disadvantages, and score them</td>
</tr>
<tr>
<td></td>
<td>Finalize one country</td>
</tr>
<tr>
<td><strong>Understand the Country</strong></td>
<td></td>
</tr>
<tr>
<td>Detailed research about your industry in that country</td>
<td>Understand the country's culture</td>
</tr>
<tr>
<td><strong>Ask For Support</strong></td>
<td></td>
</tr>
<tr>
<td>Approach NZTE/Chamber of Commerce</td>
<td>Obtain list of key players, distributors and agents</td>
</tr>
<tr>
<td></td>
<td>Check the list of Do's and Don't Do's</td>
</tr>
<tr>
<td><strong>Understanding People from your Industry</strong></td>
<td></td>
</tr>
<tr>
<td>Have active online presence</td>
<td>Establish relationship with key players, distributors and agents</td>
</tr>
<tr>
<td></td>
<td>Arrange Skype meetings</td>
</tr>
</tbody>
</table>
Selecting a Right Partner

- Score the key players, distributors and agents
- Choose whether to merge with a local business, having a distributor or hiring an agent
- Finalize the option and meet the concerned person physically

Internationalizing through one country

- Start your international operations
- Learn from your distributor/partner about the buying trends, sources of selling (Supermarkets, malls), and your end user
- Monitor & manage your sales every month, quarterly, six monthly and yearly

Approaching other countries

- Duplicate the same business model to enter other countries, change the strategies if required

Further Tasks

- Compare results of all the country
- Check for renewing the contract with distributor/agent
- Select the county with high demands for your product
- Plan to have a workforce in that country

Globalizing

- Meet with high commission or NZ embassy in that country and enquire about Government rules and restrictions for opening a base in that country
- Recruit local people

Successfully globalized

- Duplicate the same business model to enter another countries, change the strategies if required
5.3.1 About your business
Before an SME goes beyond its boundary, it is necessary to have the home base secured (Ernst & Young, 2010). Due to the small size of the country and population, domestic SMEs quickly reach a point of saturation where they need to expand their activities to generate more revenue (Chetty & Campbell, 2003). Securing the home base means reaching a point where there could be no possible opportunities for growth in the domestic market in terms of customers, profit, or size of the business (Kazanjian, 1988). At this time, when the need for globalization exists, SMEs should look outwards to explore possible opportunities within their reach. It is first necessary to know the value proposition in terms of who the customers are, what they are buying (Morck & Yeung, 1992). This is the first stage for a domestic SME to successfully globalize its business operations.

5.3.2 Getting ready
Once a domestic business, start looking for an opportunity outside of New Zealand, it needs to prepare for the upcoming challenge. The challenge is to have the right skill set and capabilities required for globalizing, which many domestic SMEs will need to improve upon (Luo, 2001). It is therefore suggested to first fill any gaps in terms of weaknesses within the firm, and also to ensure it is financially capable of sustaining its operation in the international market. The initial years of international expansion may be a struggle, especially financially, and a business should be well resourced financially to face any unforeseen situations (Gabrielsson, Sasi & Darling, 2004).

5.3.3 Selecting a country
When a business is ready to expand its operations to international markets, it is then necessary to select the right country likely to realize the best outcomes (Papadopoulos, 1987). It is therefore suggested to identify three to four countries which a business would like to enter, and then assess each country based on the advantages it could provide in comparison to other countries. For instance, criteria could be geographical closeness, language barrier, expected profit margin, ease of travel, flight and accommodation costs, time zone difference and other relevant factors. Based on these results, the domestic, SME could then finalize a country; it wants to enter (Osland, Taylor & Zou, 2001).
5.3.4 Understand the country
After finalizing, it is then necessary to understand that country. It has now become much easier to research any country online via the internet - a person sitting in New Zealand can quickly expand their knowledge and understanding through simple desk research, however, this need to be authenticated. It is also important to understand the culture of that country in detail, and how business operates in the target country (Craig & Douglas, 2005). For every country, the business environment is different, for some it is hierarchical and for others it is team based (Coviello & Jones, 2004). It is crucial to understand buying patterns and spending capability in each country, and to know the likely demand for the product or service in question (Kirkman, Lowe & Gibson, 2006). After gaining desk based knowledge, it is then recommended to visit the country physically and to cross check whether the information obtained online was accurate.

5.3.5 Ask for support
Once all of the core information is obtained, support should then be sought from New Zealand authorities i.e. NZTE and Chamber of Commerce. These authorities support domestic SMEs in many ways, such as mentoring, providing funds, and guidance for the right and wrong approaches. Their businesses network worldwide, and have access to many key players, distributors, and agents in various industries (New Zealand Trade and Enterprise, 2013). These authorities can be of significant help to a domestic SME in terms of successfully commencing international operations.

5.3.6 Understanding people from your industry
Once a list of key players in your industry has been obtained, the next step a domestic business should take is to establish relationships with them and develop a database of international business (Rosson & Ford, 1982). To do this efficiently, domestic SMEs should have an active online/internet presence, providing all the basic information about who they are, what their expertise is, what their vision statement is, and other necessary information (Robson & Bennett, 2000). It will be a good initiative to first talk with prospective partners via Skype (videoconference) or telephone, and to thus gain a better understanding of their expectations when partnering.
5.3.7 Selecting the right partner
After talking to a number of prospective partners, it is then a decision for the SME to select with whom they wish to partner with. Once that decision has been made, the next step would be to select the right type of business arrangement, whether it is partnering with a local business, requesting a distributor to sell their products, or an agent who can help the business to get good customers (Luo, 1997). This may be influenced by the type of industry concerned, but, once decided, the most important thing is to meet the relevant person physically, and to discuss all the necessary conditions face to face (Johanson & Vahlne, 2003).

5.3.8 Internationalizing through one country
In this first step for a domestic SME to internationalize its business operations, the most important factor would be to have regular meetings with the chosen distributor, partner or agent (Lambert, Emmelhainz & Gardner, 1996). It is suggested to learn from that partner, the buying trends of people, the places they buy products and services from, and the characteristics of product end users (Lambert, 2008). This prepares the domestic SME to take a further step in globalizing through opening its own base in that country. It is also necessary to record sales every month, quarterly, six monthly and yearly. A progressively increasing sales graph is a positive sign, but if it declines, partners should be invited to meet to further discuss relevant issues (Bourne et al., 2000). The domestic NZ SME should also be active in suggesting strategies to overcome any downturns.

5.3.9 Approaching other countries
The above steps could be repeated, and the same business model adopted, to reach other countries (Johanson & Vahlne, 2003). It is however possible that a business model for one country does not fit another, so alternative strategies should be implemented, based on each unique situation (Doh, 2005). In this way, a domestic business can develop international operations in many countries.

5.3.10 Further tasks
NZ businesses should compare the results of all international operations. In doing this a check for the country which provides the most positive outcomes can be identified (Wald, 1999). If the results for a country are negative, the NZ SME may assign the
opportunity to another distributor or agent to enhance business further (Hajidimitriou & Georgiou, 2002). Based on the results, the NZ SME could take a quantum leap by planning to enter a market which has the most positive results. This may well occur as knowledge is gained about how the market operates, who are its end users, and all the other vital information required to/gained by entering into the target market.

5.3.11 Globalizing
To enter an international market, and then employ a workforce there, the NZ business should consult with the NZ embassy or High Commission in that country. A detailed discussion would be needed to learn about the various rules and restrictions which influence the opening of a base in that international market. Options could vary, from buying shares in a company to having a branch office in that country, depending on the industry in question (Zahra, Ireland & Hitt, 2000). Any option could be selected, but it is important to recruit local people to run the business in their country, as they will understand the working environment better than any foreigner could (Bennett, 2002).

5.3.12 Successfully globalized
Once the above model works in a particular country, the same model could be duplicated elsewhere which could be delivering positive results, until and unless there are any ensuing negative issues related to the existing model. In this way, a NZ SME could successfully globalize its operations throughout many countries.

5.4 Chapter summary
This chapter discussed the findings from collected and analyzed data presented in Chapter Four. The research focused on interviews with owners/managers from the New Zealand business community, in which all presented their views on every objective set by the researcher for this study. The main findings of this chapter were that the majority of participants believed local SMEs do not have the right level of willingness and attitude for exploring new opportunities in foreign markets, and so do not attempt to globalize; when they do, failure may ensue. The majority of participants also said NZ SMEs are not good in understanding overseas business cultures, and do not spend an adequate amount of time in conducting research in the target country and their industry. All
twenty-one participants presented their own views in terms of the barriers which constrain domestic business from globalizing, and further suggested strategies which could overcome those barriers. The chapter further produced a proposed strategic model, developed by the researcher designed to guide domestic SMEs through a sequential method of achieving success in the globalizing process.

Chapter six will present the conclusion which includes recommendations, limitations, and future research opportunities.
Chapter Six: Conclusions

6.1 Research Conclusions
This research focuses upon exploring the potential strategies for globalization of New Zealand SMEs, collecting information through interviews, and studying the existing trends of globalization from the perspective of New Zealand business. The research was carried out through an approach to the New Zealand business community, in an effort to develop a proposed strategic model for New Zealand SMEs to enter a foreign market successfully. It has identified better ways of entering a new country, approaching businesses, selecting the right business model, and carefully managing international operations.

The research is based on interviews with the owner/manager of twenty-one local SMEs, and the researcher achieved expected results from these participants. In analyzing the results, the researcher observed that businesses seem to lack support, and are not overly aware of the ways in which others can help them in globalizing their operations. The investigated issues from the research show major similarities, with only a few differences in the willingness and attitude of domestic SMEs in practice.

Referring to the first section, concerning the willingness of New Zealand SMEs to establish relationships with their overseas counterparts, it is interesting to see that the majority of participants said domestic SMEs do not have the right level of willingness. However, all twenty-one participants said that it is vital to establish relationships with overseas counterparts to successfully globalize and, without establishing a good relationship, any business irrespective of size, cannot be successful in foreign markets.

Attitude is a factor that is directly linked to willingness, yet is different in nature. Willingness could be referred as an individual’s interest in trying out a new idea, but attitude is his/her approach to the way he/she makes things happen. If the attitude is inappropriate, willingness alone cannot take the firm to the required level of success. According to the majority of participants, the approach of local SMEs is inadequate, and
there is a need for considerable improvement in interactions with overseas businesses. Much research is required before entering an international market, but many domestic SMEs do not see the necessity for this. Many participants agreed local SMEs are poor at researching, and they do not engage in the due diligence required prior to meeting and talking with relevant people in overseas businesses.

Cultural understanding is a challenge for any business globally, and it is necessary to prepare before entering a particular market. Cultural understanding requires knowing about the way business operates in a particular country, their food and way of living, their business etiquette, physical greetings and language. When participants were asked about the cultural understanding of domestic SMEs, the response was negative. Participants believe that this is one of the major reasons for the failure of many domestic SMEs in international markets. The brand name, for example, could be acceptable in one country but the same name could be offensive in another. The result could be a lack of customers, as people show hesitation to buy a product that sounds funny or offensive to their religion or language. This study found that domestic businesses restrict themselves in understanding the culture of different countries, as they find it very difficult. Further, it was found that domestic SMEs considering globalizing think about Australia first, due to a perceived similarity in the kind of culture and working environment.

A business problem that focused on the barriers that constrain or restrict domestic SMEs from globalizing has been addressed. Many barriers have been identified, and most are acknowledged by other participants. The main research question focused on finding a way through which domestic SMEs could globalize their business operations. A proposed strategic plan has been developed by the researcher that could guide domestic SMEs through a progressive planning process towards globalization of their businesses.
6.2 Recommendations for owners of domestic SMEs

- Domestic SMEs’ owners should make sure whether they are capable of expanding the business operations internationally. If not, they need to first develop the key skills and capabilities required.
- Domestic SMEs should implement the model suggested by the researcher in this research study.
- Profits will not start flowing immediately; it may require a year or more. Owners of domestic SMEs should have patience, and should not become de-motivated.
- Prudent financial management for three years is necessary. Efficient planning will help a business to achieve its goal.
- The strategies suggested by the researcher are designed for SMEs in all industry sectors, and not biased towards a particular industry sector. Re-evaluate the strategic model frequently and make changes whenever necessary.
- One country at a time should be approached, after considering all the alternatives and scoring each of them. It is not recommended to start international operation in more than one country at a time. Once successful in a particular country, progressively implement an effective strategy elsewhere.
- For a detailed research about any industry sector in any foreign country, recruit a research agency to provide reliable statistics and figures.

6.3 Limitations

All research has limitations associated with the process, and this applies to this study too. A qualitative approach was chosen for, utilizing the owners/managers of domestic SMEs, interviewing twenty-one participants in total. The researcher only conducted in-depth interviews with these participants and could not use a mixed qualitative and quantitative approach. The researcher could have designed surveys for the SMEs outside of Auckland, to learn from their opinions, but due to time constraints this was not possible. There are numerous SMEs in New Zealand, but only those in Auckland could be approached due to the limited time available, and expenses.
According to Anderson (2010), the researcher's presence during data gathering, which is often unavoidable in qualitative research, can affect the subjects' response. Also, research quality is heavily dependent on the individual skills of the researcher, and more easily influenced by the researcher's personal biases and idiosyncrasies. As a result, the researcher may have collected some inaccurate data during the interview sessions.

6.4 Future research opportunities
The research has identified certain areas for further research to explore the potential strategies for domestic SMEs. The literature review is focused on a discussion of globalization, international business, the business environment and working culture of New Zealand businesses and the SME sector. It summarizes the implementation of potential strategies for globalization of domestic SMEs.

For further research, there was some concern regarding the various industry sectors in which domestic SMEs fall. This research focused on domestic SMEs in general, taking into consideration both product and service based SMEs. However, in future the research could target a particular industry sector, while interviewing key players from that industry, discussing in detail the advantages and disadvantages for that industry in globalizing operations. There is a need for further research to explore the strategies for globalization of domestic SMEs per industry sector.

The researcher would like to suggest in the research methodology surveys should also be conducted with SMEs who were too distant to reach due to expense and time constraints. The sample size, if increased, could give a deeper understanding of the issues investigated in this study and the quality of the research outcomes.

6.5 Closing statement
It can be concluded that globalization of business plays a critical role in the economy of the country, benefiting employees and their organizations in terms of growth and financial stability. Not many domestic SMEs have successfully globalized their operations, so the need exists for these SMEs to explore opportunities in foreign
markets. However, it is not an easy task for any business to start international operations in a new country.

The new strategic plan proposed by the researcher will make this task easier for domestic SMEs. A progressive planning process gives a clear concept of the various aspects of globalization, which could lead to an increase in size and scale of domestic SMEs. Furthermore, it is hoped that this study has provided useful information to help build a knowledge base for creating additional new knowledge of potential strategies for globalization, and thus to have a positive impact on organizational performance.
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Appendix 1: The interview questions

General Questions: (Understanding the business)

1) Can you give me a brief idea about your business and role?
2) How did this idea of globalizing your business operation come to your mind?
3) What was the first step that you took to internationalize or globalize?

Objective (Willingness to establish relationship with overseas counterparts)

1) To what extent do you think establishing relationships between business counterparts in other countries will help businesses in globalizing their operations?
2) Have you established relationships with overseas counterparts?
3) What are the ways through which you or any other business can maintain relationships with businesses overseas?
4) What would you comment on the way NZ businesses are willing to establishing relationships with overseas counterparts?

Objective (Attitude of domestic businesses in exploring new opportunities in foreign market)

1) What would you comment on the attitude of New Zealand businesses in exploring new opportunities in foreign markets?
2) If you get an opportunity to deal with a business in a particular country that you are not familiar with, will you take the opportunity?
3) What kind of research work you have done so far, or will do, to get a hold in a foreign market?

Objective (understanding of overseas business cultures by New Zealand businesses)

1) Do you think it is necessary to understand the culture of different nations in advance, before starting your business operations there?
2) What is your idea about business cultures and working environments in different parts of the world?
3) What parts of the world are you dealing with at the moment?
4) Do you agree that domestic businesses are a little less keen to join hands with foreign companies if they are not aware of their business culture, for example China or India?

**Objective (barriers confronted by New Zealand business in entering the global markets)**

1) What do you think are the factors that constrain domestic businesses from globalizing?
2) What is the biggest barrier that restricted your business from globalizing?
3) How did you deal with it?
4) Do you think that, in the near future, there will be laws, regulations or any other factor that will restrict you from globalizing?

**Objective (appropriate strategies that are available for New Zealand businesses to globalize their operations)**

1) How would you explain global marketing strategies?
2) What strategies have you implemented in your business for smooth functioning of international operations?
3) What should be the strategies involved to successfully globalize your operation?
4) If there are so many strategies available to overcome the issues of globalization, why are the majority of businesses not successful in globalizing?

**Conclusion**

What are the steps that a business should adopt for successfully globalizing their operations?
Appendix 2: Participant Consent form (interviewees)

Research project Title: Exploring the potential strategies for Globalization of New Zealand SMEs

I have had the research project explained to me and I have read and understand the information sheet given to me.

I understand that I don't have to be part of this if I don't want to and I may withdraw at any time prior to the completion of the research project.

I understand that everything I say is confidential and none of the information I give will identify me and that the only persons who will know what I have said will be the researchers and their supervisor. I also understand that all the information that I give will be stored securely on a computer at Unitec for a period of 5 years.

I understand that my discussion with the researcher will be taped and transcribed.

I understand that I can see the finished research document.

I have had time to consider everything and I give my consent to be a part of this project.

Participant Signature: …………………………….. Date: ………………………………..

Project Researcher: Kshitij Raj Barapatre  Date: ………………………………..

UREC REGISTRATION NUMBER: (1062)

This study has been approved by the UNITEC Research Ethics Committee from 30/08/2013 to 30/08/2014. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162). Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.
Pro-Forma Consent Form – Adults

To:

From:

Date:

Re:

I have been given and have understood an explanation of this research project for the Master of Business. I have had an opportunity to ask questions and have had them answered. I understand that neither my name nor the name of my organisation will be used in any public reports, and that I may withdraw myself or any information I have provided for this project without penalty of any sort.

I agree to take part in this project.

Signed: …………………………………………………………………………………………………………………………………………………

Name: …………………………………………………………………………………………………………………………………………………

Date: …………………………………………………………………………………………………………………………………………………

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Appendix 3: Information for potential participants for the interviews:

Exploring the potential strategies for globalization of New Zealand SMEs

My name is Kshitij Raj Barapatre and I am a Master of Business student at Unitec Institution of Technology. Part of my degree programme involves a research paper on a subject of my choice. My research topic looks at the potential strategies that could be implemented to domestic SMEs of New Zealand to globalize their business operation. I have the approval of Unitec Business School (UBS) to carry out the research.

The aim of my project is: to explore the potential strategies that could be implemented to domestic SMEs of New Zealand to globalize their business operation.

What we are doing

Not many SMEs in New Zealand have successfully globalized their business operations unlike USA. I want to investigate the barriers that constrain domestic businesses to globalize. If the barrier does exist, the study will investigate the strategies that could overcome it.

What it will mean for you

As this is a qualitative study, the methodology calls for an approach to the research with an open mind without any pre-conceived theories. To enable me to draw upon the richness of your experience in the international business operations, I will be seeking inputs from you on the threats, opportunities, barriers, plans and strategies.

This conversation will take up about an hour, but no more than ninety minutes of your time, and since it is a formal, executive interview, it will be conducted in your office, during work hours. For purpose of integrity, research purity and accuracy, the interviews will be voice recorded and transcribed to enable analysis. All details or information pertaining to your identity and that of your organization will not be disclosed in the thesis.

If you agree to participate, you will be asked to sign a consent form. This does not stop you from changing your mind if you wish to withdraw from the project. However, because of our schedule, any withdrawals must be done within 2 weeks after we have interviewed you.
I request your participation in the following way:

Answer the questions on the interview schedule

Neither you nor your organization will be identified in the Thesis. The results of the research activity will not be seen by any other person in your organization without the prior agreement of everyone involved. You are free to ask me not to use any of the information you have given, and you can, if you wish, ask to see the Thesis before it is submitted for examination.

The interview schedule will be digitally recorded to avoid any chance of information to get missed. It will be further transcribed by the researcher, keeping the information confidential.

Please contact us if you need more information about the project. At any time if you have any concerns about the research project you can contact our supervisor:

My supervisor is Dr Asoka Gunaratne, phone 815 4321 ext. 7035 or email agunaratne@unitec.ac.nz

**UREC REGISTRATION NUMBER: 1062**

This study has been approved by the UNITEC Research Ethics Committee from (date) to (date). If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (ph: 09 815-4321 ext 6162. Any issues you raise will be treated in confidence and investigated fully, and you will be informed of the outcome.