

Study reveals secrets of exporting success

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Massey University has completed the largest systematic study of how and why New Zealand companies internationalise with the aim of identifying the factors that lead to successful export activity.

The research, which was undertaken by Massey's Centre for Small and Medium Enterprise Research, involved interviews with business of all sizes across a range of manufacturing and service sectors.

Centre director Professor David Deakins, who was also the report's lead author, says the research aims to understand why less than 20 per cent of New Zealand businesses earn overseas income from international activity.

"The Government's stated aim is to increase the contribution of exports to the economy from 30 per cent to 40 per cent of GDP by 2025," he says.

"As a result it is interested in the barriers to exporting and what it takes for a company to break through that threshold for their first internationalisation activity. Why do some companies go ahead, while others decide not to internationalise? And are there areas where business support might make a difference?"

Professor Deakins found that while export activity by New Zealand firms was diverse, there were some common factors among those who had experienced success.

"There really is a major commitment needed, so to sustain export activity you have to take a long-term view and commit enough time and resources into the overseas market," he says. "You also need trusted contacts and strong networks to allow you to research the market well, or have someone with good overseas experience within the firm."

While unfavourable exchange rates were one of the most frequently reported barriers in Statistics New Zealand's 2011 Business Operations Survey, the more in-depth interviews in this study revealed that exchange rates were not a major trigger for disengaging from export activity.

"We found that companies learn to live with fluctuating exchange rates and adjust their strategies accordingly. What's more important is the quality of their product or service, the strength of the overseas market, having those trusted contacts and what I call an entrepreneurial orientation."

Professor Deakins says that while technology and knowledge-based companies tend to follow an early internationalisation model because they have to, the majority of New Zealand firms take a much more gradual and "staged" approach to exporting.

"I call it an evolutionary approach," he says. "They go to a region of Australia first, and then slowly move into other Australian regions. Then, step-by-step, they might branch out into other countries."

"New Zealand companies don't just have to deal with physical distance, they also have to overcome psychological distance. That's why most companies look to Australia first – it's our nearest neighbour in a physical sense, but it's our nearest neighbour psychologically as well because of its similar language, culture and regulations."

He also found that many companies had quite modest exporting

ambitions, usually limited to activity within Australia. As a result, the report identifies a "support gap" for small New Zealand businesses that may occasionally export into overseas markets.

"This support gap applies to small NZ-owned businesses that do not meet the criteria set by NZTE. In addition there seems to be a perception issue with smaller firms on the value of such support. We suggest that advice and additional support for these firms could be available from Regional Development Agencies and their networks."

"While individually these companies represent small amounts of export activity, together the activity could add up to a significant impact."

Key factors for successful exporting:

- Taking a long-term view, with long-term investment and commitment in time and resources in the overseas market.
- Maintaining and building personal and social relationships and networks, especially for service sector firms.
- Building networks based on trust-based relationships.
- Having an entrepreneurial orientation that can drive internationalisation and/or the commitment of key personnel.
- Having resources that provide dynamic capability of response and the capacity to learn from experience in overseas markets.
- An ability to respond flexibly and quickly to changing market conditions overseas, such as recessionary economic conditions.
- Identifying and recognising the basis for a comparative advantage, or a competitive edge, in overseas markets.

The 'Understanding Internationalisation Behaviour' Report was jointly commissioned by the Ministry of Business, Innovation and Employment, Ministry of Foreign Affairs and Trade and the New Zealand Treasury. It was designed as a follow-up investigation to the 2011 Statistics New

Zealand Business Operations Survey.

The report is available on the Centre for SME Research website, under the heading 'Understanding Internationalisation Behaviour' at:

bit.ly/1aFZi2a

Provided by Massey University

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