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**Cognitive or Affective? A longitudinal exploratory study on the
drivers and theoretical underpinnings of perceived export
barriers for New Zealand firms.**

A thesis
submitted in partial fulfilment
of the requirements for the Degree of
Doctor of Philosophy in Marketing and International Business

at
Lincoln University
by
Eldrede Tinashe Kahiya

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Abstract of a thesis submitted in partial fulfilment of the
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The firm-specific and economy-wide benefits of exporting are well-documented in international marketing research. Not only do New Zealand firms owe their long-term survival to international competitiveness, New Zealand cannot grow her economy without superior performance in the tradable sector. Research to stimulate firm-level export success has thus focused on two overarching questions. What prohibits 'export ready' firms from venturing abroad? What inhibits current exporters from expanding and growing their operations? The two research questions share a common answer; perceived export barriers. There exists four decades of empirical research to suggest that certain structural, institutional, infrastructural, informational and attitudinal constraints prevent, or at the very least, discourage firm-level export performance. Further, research has also illustrated that it is more feasible to craft strategies for improving the performance of current exporters than it is to persuade domestic-only ventures to partake in exporting.

One of the most effective ways for improving firm-level export success involves reducing the influence of perceived export barriers. However, to date, such efforts have had limited impetus because research has adopted a cross-sectional view on the export development challenge. To paint a more informative picture of the export development undertaking, we employ a longitudinal two-period comparison. Our research design involves administering an identical survey instrument to the the same working population of manufacturing exporters, in two waves of data collection set 15 years apart. We construct cognitive and emotive hypotheses by drawing links between changes in the operating environment and the influence of export barriers through time. Subsequent analysis unambiguously illustrates that the

influence of perceived export barriers is evolutionary and appears to shift in sympathy with the changes in the firm's operating environment.

These results are fundamental because they signify that the export development challenge has changed markedly since 1995. While break-throughs in information and communication technology and increased integration of markets and trading systems, have been instrumental in reducing knowledge and informational barriers, New Zealand exporters still have to contend with internal resource constraints and legal and political obstacles both at home and abroad. This thesis carries substantial implications; From a scholarly perspective, this is the first study to adopt a longitudinal research design to predict change in export barrier perception over time. More importantly, the thesis infers the existence of both a cognitive and an emotive dimension in the influence of export barriers. At a managerial level, we argue the need for export strategies to continue to migrate from a selling to marketing approach. Finally, from a policy-making standpoint, we propose the imperative for export development stimuli to 'move with the times' because need-based schemes that were effective 15 years ago, evidently carry insufficient impetus today.

Keywords: export barriers, attitudinal, cognitive, affective, globalization, exploratory, longitudinal, SMEs, firm factors, managerial factors, path to internationalization, process models of internationalization, international new venture

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List of Abbreviations and Acronyms

AANFTA	ASEAN-Australia New Zealand Free Trade Agreement
AMA	American Marketing Association
APEC	Asia Pacific Economic Co-operation
ASEAN	Association of Southeast Asian Countries
ATPI	Air Travel Price Index, published by BTS
BCG	Boston Consulting Group
BRIC	Brazil, Russia, India and China, a group of rapidly industrializing economies
B'sTS	Bartlett's test of Sphericity
BTS	Bureau of Transportation Services, USA
CEP	Closer Economic Partnership
C.I.F	Cost Insurance and Freight
CMA	Canterbury Manufacturers Association
CPI	Consumer Price Index
DA	Discriminant Analysis
DDA	Descriptive Discriminant Analysis
DF	Discriminant Function
DOL	Department of Labor, NZ
ELG	Export Led Growth (Hypothesis)
F&B	Food and Beverage (exporters)
F.O.B	Free on Board
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
I&CT	Information and Communication Technology
IB	International Business
IE	International Entrepreneurship

IEF	Index of Economic Freedom, Heritage and Wall Street Journal
IM	International Marketing
IMF	International Monetary Fund
ISP	Internet Service Provider
ITC	International Trade Center
KMO	Kaiser-Meyer-Olkin (measure of sampling adequacy)
LCI	Labor Cost Index, New Zealand time series
MED	Ministry of Economic Development, New Zealand
MFAT	Ministry of Foreign Affairs and Trade, New Zealand
MFN	Most Favored Nation (status)
M3	Broadest monetary aggregate
NAFTA	North American Free Trade Agreement
NBBO	National Bank Business Outlook (survey)
NZFSA	New Zealand Food Safety Authority
NZIER	New Zealand Institute of Economics Research
NZMEA	New Zealand Manufacturers and Exporters Association
NZTE	New Zealand Trade and Enterprise
OCR	Official Cash Rate
OECD	Organization for Economic Co-operation and Development
PDA	Predictive Discriminant Analysis
PPI	Producer Price Index
QSBO	Quarterly Survey of Business Opinion, NZIER
RBNZ	Reserve Bank of New Zealand
TPO	Trade Promotion Organization
TWI	Trade Weighted Index, RBNZ
WTO	World Trade Organization

Chapter 1

Problem Setting

1.1 Motivation for the Research and its Design

In 1948 world merchandise trade totalled USD121 billion (World Trade Organization [WTO], 2008). The Czech Republic alone imported more merchandise in 2010 (WTO, 2011) than the world economy transacted sixty years earlier. So phenomenal has the growth been that global merchandise trade has doubled since 2003, reaching USD30.5 trillion in 2010 (WTO, 2011)¹. Part of the reason for this unparalleled increase in trade is the relative peace and stability that the world has enjoyed since the Second World War. However, the notion of ‘peace and prosperity’, clearly under-specifies a much more multifarious and robust movement. Described by Levitt (1983) as the process through which consumers and organizations would move towards ‘converging commonality’, globalization and its associated elements provide useful insights into the growth in world trade.

Formally, *‘globalization refers to a multidimensional process whereby markets, firms, production and national financial systems are integrated on a global scale’* (Brawley, 2009:555). This process is both inevitable and irreversible (Czinkota, Ronkainen & Tarrant, 1995). Within the realm of international trade, this multi-dimensional process has been augmented by the ascendancy of supra-national trade-facilitation organizations, the free trade regime, innovations in information and communications technology (I&CT), unitized cargo and logistics, mobility of factors of production and the advent of an integrated global financial system. The WTO has evolved into arguably the most influential entity in trade business today. With a membership approaching 200, WTO plays a vital trade facilitation

¹ Based on nominal raw data

role including opening up trade, facilitating dialogue between and among nations and addressing any disputes. Thus the free trade movement has emerged under the auspices of the WTO as several sovereign states are voluntarily binding themselves and one another through various forms of free trade agreements such as the North American Free Trade Agreement (NAFTA), Asia Pacific Economic Co-operation (APEC) and Southern African Development Community (SADC). The broad objective of these trading blocs is fostering intra-regional trade through a reduction and in some instances elimination of barriers to trade. The United States of America in particular, has established a series of agreements with multiple countries, under the Most Favored Nation (MFN) provision, with the intent of increasing the value and volume of trade. Trading blocs like the European Union (EU) are based on the notion of creating a single unified economy, a process which requires all members to meet certain macroeconomic criteria. The International Monetary Fund (IMF) (balance of payments support) and the World Bank (lender of last resort) have become indispensable to the macroeconomic adjustments required for the concept of a unified economy to operate. In recent years the advent of the world-wide web, electronic data interchange and e-commerce has also contributed to the growth in world trade by improving connectedness between trading parties while eliminating perceived distances. The 'container-revolution' and unitized cargo has tremendously enhanced the speed and efficiency of supply channels while reducing cost. Countries across the world have taken full advantage of this to spur growth and trade.

New Zealand's commitment to trade is self-evident, having been among the first signatories to both the General Agreement on Tariffs & Trade [GATT] (30 July 1948) and the WTO (1 January 1995) (WTO, n.d) at inception. Thus, with a government committed to reducing trade barriers, eliminating distortions in trading systems, and increasing the exports of value-added products (Trade Policy Review, 2003), New Zealand enjoys a momentous portion of

world trade through its performance in the export sector. New Zealand exports reached NZD55.6 billion in 2010, 22% of which were commercial service exports (Statistics New Zealand, 2011). Thus, merchandise (unprocessed and manufactured goods) is the principal export earner. Primary destinations for New Zealand merchandise exports include Australia which accounts for 23%, followed by China and USA with 11 and 8.6% respectively (Statistics New Zealand, 2011). To put these figures in perspective, New Zealand's per capita exports are in excess of USD5000, placing her in the exclusive company of notable participants in the global export markets (WTO, 2008). Indeed, 95% of all agricultural products are sold as exports (Ministry of Foreign Affairs and Trade [MFAT], 2009).

1.2 New Zealand Exports

'World growth is at its weakest in three generations. Countries buying our products are in recession...Indeed export volumes have on average grown by less than 2% annually over the last five years. It has been hard being an exporter in recent years' (English, 2009).

There are numerous economy-wide benefits that emanate directly or indirectly from superior export performance. Export development is of critical consequence because exports are a function of gross domestic product (GDP) and therefore economic growth². Superior export performance cultivates economic growth and creates supplementary employment opportunities in the local economy (Leonidou, 1998). Indeed, New Zealand exporters are more productive than non-exporters (Mabin, 2011). Policy-makers usually prefer this type of growth or stimuli compared to the potentially costly substitute of increasing government expenditure. The connection between export growth and economic productivity extends beyond the GDP equation. Empirical studies, on the export-led growth (ELG) hypothesis, demonstrate that there is a positive causal relationship between exports and economic growth

² GDP = Consumption + Investments + Govt. Spending + (Exports – Imports)

(Siliverstovs & Herzer, 2006). This observed relationship is plausible for both emerging nations (Narayan, Narayan, Prasad & Prasad, 2007) and industrialized economies (Marin, 1992). In developed countries, superior export performance can account for differences in economic growth for comparable economies (Cardoso & Soukiazis, 2008). Export growth also has a direct impact on the country's balance of trade and ultimately the current account. Since the growth in exports has been insufficient to offset the rise in imports, New Zealand has run a trade deficit in the past decade (*see Figure 1.1*). The trade imbalance has been the pre-eminent cause of the current account deficit. In the absence of a random decline in imports, New Zealand's balance of payment position (as is the case in several developed countries) may continue to erode until exports grow substantially. Thus, in recent years New Zealand has not realized some of the multiple benefits pursuant ELG hypothesis.

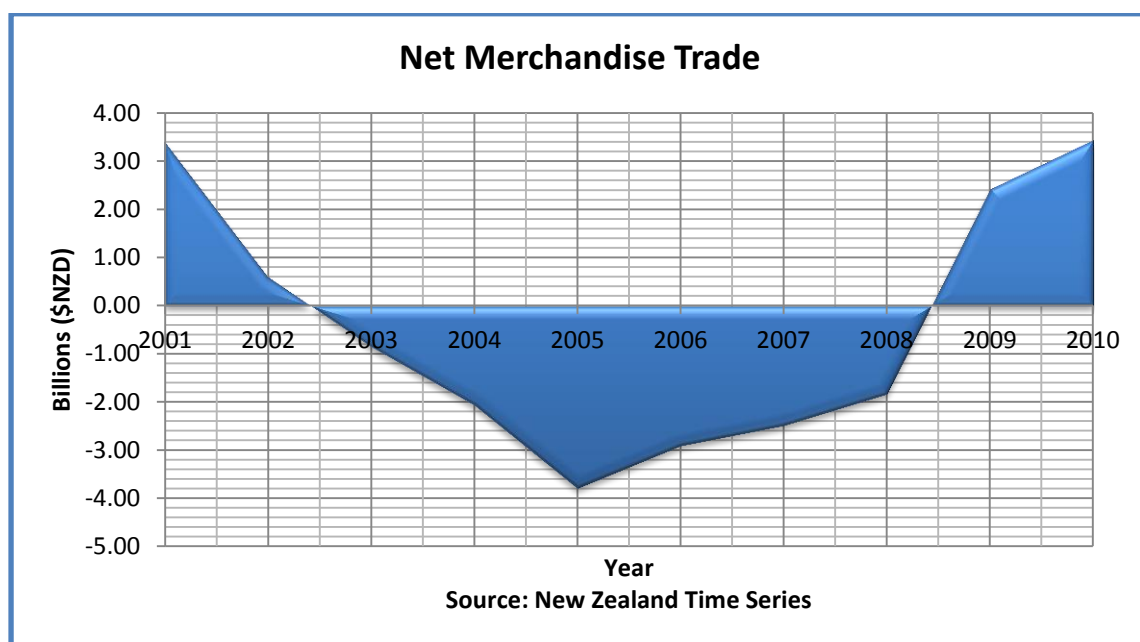


Figure 1-1. Net Merchandise Trade

New Zealand exporters also stand to reap benefits from expanding export business operations. Firstly, exporting is a relatively low risk and low investment, expansion or mode of entry strategy (Ball et al., 2004). Compared to higher commitment modes of entry, exporters seem to be exposed to lower relative risk and also appear to not require as huge an

initial investment. Exporting is a diversification strategy that enables New Zealand exporters to target ‘high growth potential’ emerging markets (Morgan, 1999). This argument is particularly strong in the instance where industrialized countries target rapid-growth emerging nations. These growth and expansion options are usually accompanied by opportunities for stronger sales and profits (Westhead, Binks, Ucbasaran & Wright, 2002). Exporting gives the firm an avenue to utilize idle capacity. Utilization of excess capacity implies longer or larger production runs and this may lower the average cost of production while increasing productivity (Czinkota, Ronkainen & Donath, 2004). This culminates in another useful benefit; achievement of economies of scale (Crick & Chaudry, 1997). Although these benefits can accrue to most exporters, peculiarities in the New Zealand economy, gives them impetus. New Zealand has a relatively small domestic market and for most growth-oriented firms, exporting is an imperative and not a luxury (Burra & Ahmad, 1991; Jaeger & Rudzki, 2007).

Table 1-1. Demographics of New Zealand Firms

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population	373,314	377,961	391,605	419,674	439,017	455,311	465,806	475,828	478,569	470,346
Births	43,021	44,577	51,625	69,555	65,027	63,633	62,988	61,193	54,929	43,702
Deaths	44,769	40,009	38,103	41,224	45,200	47,018	52,016	51,225	51,929	55,043
Birth rate%	12	12	13	17	15	14	14	13	11	9
Death rate%	12	11	10	10	10	10	11	11	11	12
Turnover rate%	24	22	23	26	25	24	25	24	22	21
Manufacturers										
Births	1,858	1,818	2,124	2,394	2,248	2,123	2,070	2,035	1,755	1,412
Birth %	4.3	4.1	4.1	3.4	3.5	3.3	3.3	3.3	3.2	3.2
Deaths	2,030	1,772	1,541	1,533	1,873	1,891	2,049	2,057	2,091	2,121
Death %	4.5	4.4	4.0	3.7	4.1	4.0	3.9	4.0	4.0	3.9

In spite of the well-publicized success in agro-based products and a decade long upward trend in exports, New Zealand’s export sector is grappling with various challenges. As maybe the case in other countries (Boston Consulting Group [BCG], 2004), it is reasonable to infer that problems in New Zealand’s export sector are a microcosm of challenges in the wider

economy. An overview of business demographics appears to support this assertion (*see Table 1.1*). For instance, New Zealand is characterized by high firm turnover rates(>20%) and with respect to manufacturing enterprises, ‘deaths’ have outstripped ‘births’ (both in number and percentage terms) in the last five years (Statistics NZ, 2010). There is some indication that these macro-level problems have a trickle-down effect on small-to-medium size (SME) exporters. For instance, the export sector is also characterised by high mortality and a declining trend in the proportion of exporters as a percentage of the total manufacturing base (Simmons, 2002)³. With this soaring mortality has come high concentration or ‘prosperity of the very few’. According to New Zealand Trade and Enterprise (NZTE), in the year 2007, 176 firms (representing an infinitesimal 1.4% of New Zealand exporters) accounted for 76% of exports (Blakeley, Cruickshank, Kidd & Thompson, 2009). More importantly, the upward trend in exports is predominantly due to favorable price effects and not volume (Simmons, 2002).



Figure 1-2. Value of Manufactured Exports

³ Recent studies also show that even the bigger, well-established exporters are susceptible to such failure (see Adalet, 2009)

There is reason to speculate that these problems have been ominously compounded by the outset of the global economic slowdown. For instance, capacity utilization for New Zealand exporters sunk below 84% at the start of 2009, the lowest score point for the 15-year period for which data are available (New Zealand Treasury, 2009). Further, capacity utilization is considerably lower for exporters than non-exporters (New Zealand Treasury, 2009). Indeed, since breaking the NZD10 billion per annum barrier, manufactured exports have remained stagnant with no back-to-back years of growth in almost ten years (*see Figure 1.2*). Further, the contribution of manufactured exports to total merchandise exports has also been in decline in recent years (*see Figure 1.3*). It appears manufactured exports may actually be losing ground to primary sector trade. This clearly represents a troubling ‘reversal of fortunes’ and comes at a juncture where policy-makers have been making the case for a fundamental shift from primary sector to value-added exports. Adding to the concerns for policy-makers is the fact that New Zealand’s export prowess now lags that of comparable OECD economies (Kidd, 2008). New Zealand’s export sector, sanctioned with the insurmountable duty of leading economic recovery, is itself in need of assistance.

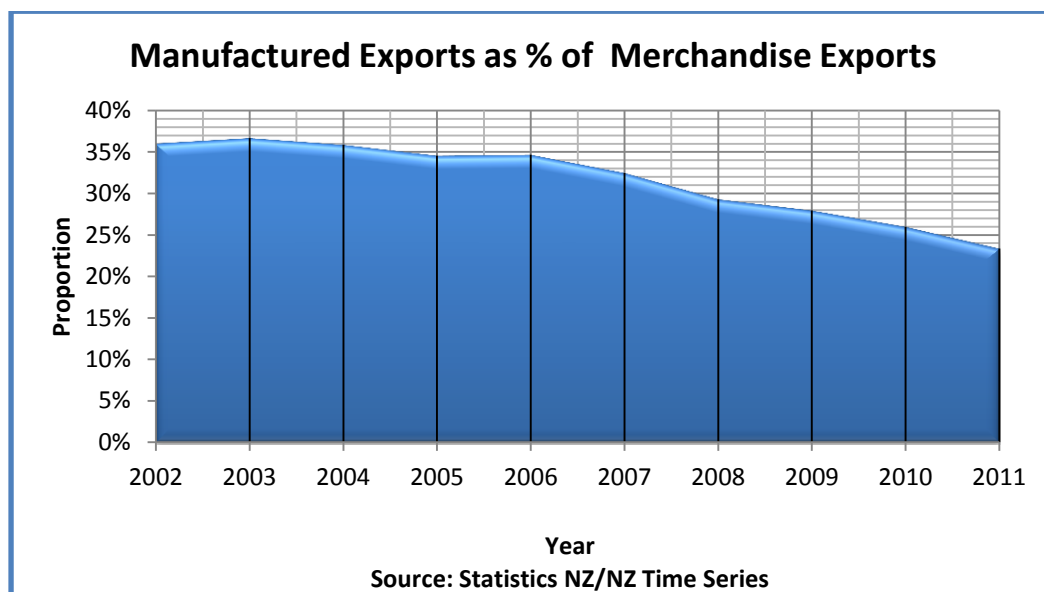


Figure 1-3. Manufactured Exports as Percentage of Merchandise Exports

In recent years, there have been numerous efforts to examine the issues plaguing the export sector. For instance, Kidd (2008) examined firm-level productivity, Blakeley et al. (2009) addressed ways of customizing and applying lessons of globalization to the New Zealand setting, the BCG (2004) conducted a four nation comparative study that included New Zealand, Simmons (2002) focused on demographics of New Zealand exporters, MFAT (2010) reviewed the efficacy of Free Trade Agreements (FTAs), Jaeger (2008) examined congruence/inconsistency between firms' needs and policy-maker incentives, while Shaw and Darroch (2004) focused on problems peculiar to entrepreneurial ventures. These studies have highlighted three major dimensions to the export development debate. Firstly, studies have ruled out lack of flexibility or resilience, inadequate innovation, lack of ambition and lack of entrepreneurial drive, as possible causes of problems in the export sector (Campbell & Green, 2004; Campbell-Hunt et al., 2001; Enderwick & Ronayne, 2004). Indeed, New Zealand is an enterprising nation, boasting the highest entrepreneurial firms per capita, in the world (Global Entrepreneurship Report [GER], 2009). Secondly, studies have identified copious issues symptomatic of deep-rooted problems. For example, Bascand (2010) suggests that New Zealand has 'too many' micro-exporters most of whom export intermittently (Fabling & Sanderson, 2008). Dana, Chan and Chia (2008) have argued that when it comes to initiating exports, New Zealand firms *have to go it alone* with no export incentives. Concomitantly, they face exorbitant upfront costs of export market development because New Zealand operates on a '*user pays*' (Shaw & Darroch, 2004) paradigm. Thirdly, and most importantly, the common thread across these studies is the aspect that exporters face internal and external export barriers that inhibit their success (Simmons, 2002).

However, most of these studies have focused on diverse samples inclusive of both non-exporters and current exporters (Dean, Gan & Myers, 1998) or merchandise and service

exporters (Jaeger, 2008). What has not been addressed in-depth is the nature of impediments peculiar to exporters of manufactured goods. Such firms have more robust value chains as they may be involved not only in exports but also in imports and re-exports. As such, they are exposed to a battery of problems to which commodity or service exporters may be insulated. It is therefore the goal of this thesis to examine current and on-going challenges for export development for active manufacturing exporters.

1.3 Focus of Study

1.3.1 Aim

The overall aim of the thesis is to investigate the influence of perceived export barriers through time. We seek to establish whether barriers appear to ‘evolve with the times’ or are constant across time periods. In pursuing this broad aim we intend to respond to three specific objectives.

1.3.2 Objectives

This study will:

- 1. Develop a primary theoretical model for predicting change in the influence of perceived export barriers.*
- 2. Suggest an alternative model to predict change in the influence of barriers.*
- 3. Construct a quantitative model to encapsulate change across the two time-periods.*

1.4 Outcomes of Study

1.4.1 Methodological Contribution

This thesis will draw on a two-period longitudinal study to ascertain the temporal restrictions or limitations to the study of export barriers. Cross-cultural and longitudinal studies are rare in international business due to resource constraints and contextual differences. Thus, a major methodological setback in exporting literature in general, and export barriers in particular, is

that most studies adopt a ‘snapshot’ or cross-sectional design. We therefore respond to the need to,

‘Conduct longitudinal and cross-cultural studies that (would) capture the variations in export barriers due to time and spatial influences’ (Leonidou, 2004).

Although spatial and contextual peculiarities have been exposed in some studies, the temporal influences have not been accorded a commensurate level of attention. This longitudinal study will attempt to uncover the differential impacts of perceived export barriers through time. At stake is the answer to the question of whether export barriers are dynamic or static with respect to the temporal dimension.

1.4.2 Theoretical Contribution

There are two streams of criticism that have been levelled against export development literature. The first indictment tends to be harsher and labels export marketing literature as being atheoretical. Indeed export barrier literature mostly suggests but does not explicate on any theoretical frameworks.

‘As a result, this body of knowledge, consistent with the trend in the overall stream of exporting research, could be described as not being well grounded in theory’
(Leonidou, Katsikeas & Piercy, 1998:95).

Another stream of criticism takes a softer stance, arguing that existing theories (applied individually), are grossly inadequate and do not offer substantive explanations for phenomena (Axinn & Matthyssens, 2002; Whitelock, 2002). This study will contribute to theory by utilizing the attitudinal concepts of cognition and affect as potential explanations for changes in the influence of perceived export barriers.

1.4.3 Managerial Contribution

Another constant criticism of export marketing literature is that it speaks predominantly to an academic audience and thus disregards managerial and policy-making perspectives. Indeed

some practitioners reiterated that some studies on international business have no immediate use or relevance to their management routine. In a recent paper, Doern (2009) illustrates how studies are full of ‘export barrier rhetoric’ which exporters do not even understand. In this thesis we attempt to bridge this gap by examining the impact of macro-environment factors on export barriers with a view to opening a wider dialogue with policy-makers regarding the role the business environment may play in nurturing or impeding export growth. Thus we hope to inform both export managers and policy-makers concerning the current and ongoing challenges to export development.

1.5 Thesis Outline

The rest of the thesis is organized as follows: *Chapter 2* reviews extant literature on export barriers identifying both the classificatory schemes and drivers of export barriers. *Chapter 3* builds a theoretical framework premised on the influence of environmental factors on perceived export barriers. We suggest the existence of a cognitive and emotive dimension in the perception of the influence of export barriers. We propose 14 specific hypotheses with respect to the cognitive dimension and one overarching proposition with respect to the affective component. *Chapter 4* details the research design focusing on survey instrument and data collection procedure. We also explore the analytical methods (independent samples *t* test and discriminant analysis) utilized to answer our objectives. This Chapter also details the reliability and validity tests conducted prior to analysis. *Chapter 5* reports the findings of the study following the format of both the objectives and the theoretical framework. First we report results for the 14 cognitive hypotheses, before addressing the overarching affective hypothesis and the discriminant analysis. *Chapter 6* provides a summary of the study and also draws several conclusions with respect to each objective and its results. We also articulate the study’s contribution both at the scholarly and managerial level.

Chapter 2

Literature Review

2.1 Exporting: An Overview



Figure 2-1. Disciplines Contributing to Exporting Literature

Exporting can be defined in terms of the three functional areas around which extant theory has been framed. International Business (IB) literature defines exporting as a low-cost and low-risk mode of foreign market entry (Mughan, Lloyd-Reason & Zimmerman, 2004). It is from this vantage point that policy-makers and trade promotion organizations (TPOs) view the subject. As such, this view focuses predominantly on the interaction between the environment and the firm's growth and performance. The American Marketing Association (AMA n.da) defines exporting as '*the integrated marketing of goods and services that are produced in a foreign country*'. Of particular connotation to marketers is the decision whether (and how) to standardize or customize a domestic market-mix when serving foreign customers. International Marketing (IM) is thus concerned with shaping and implementing solutions that can work in an international arena. Exporting can also be defined and explored

in terms of International Entrepreneurship (IE). Exporting is an expression of the entrepreneurial spirit in the global arena (Welch & Welch, 2004) because exporters exhibit proactive, innovative risk-taking behaviour consistent with the entrepreneurial orientation construct. The entrepreneurship view focuses on the qualities and attributes of managers and decision-makers as potential key drivers of export prowess⁴. In recent years, studies have illustrated commonalities among these three views. However, each dimension carries its own parameters and frameworks and this will be highlighted throughout the thesis.

2.1.1 Theoretical Overview of the Exporting Firm

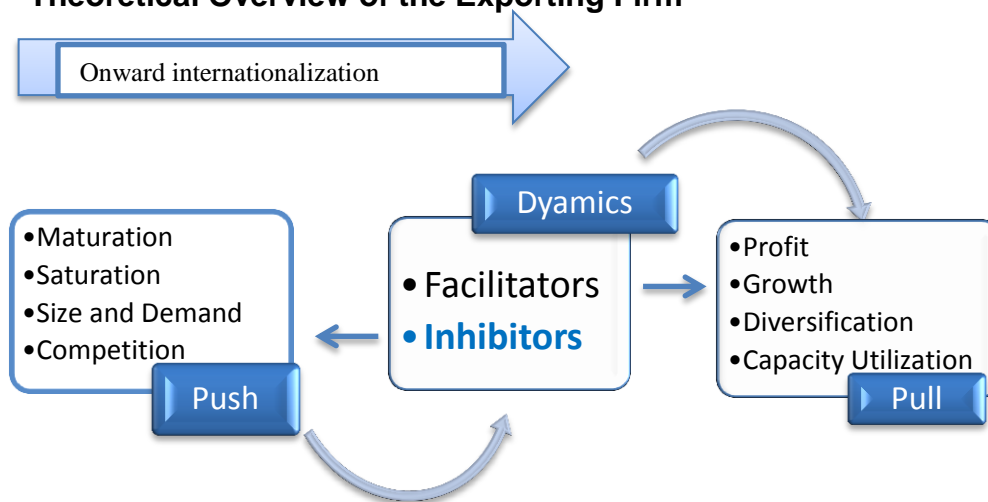


Figure 2-2. An Overview of Onward Internationalization (Adapted from Etemad, 2004:5)

Exporting can be viewed as a push or pull outward movement of a firm's business operations (Etemad, 2004). This outward movement is motivated by a combination of incentives and disincentives (Ramaseshan & Soutar, 1996) commonly referred to as stimuli. Stimuli act as a push and pull apparatus on the firm (Etemad, 2004). The 'push' lever comprises unfavorable conditions in the local market which include domestic market size (Jaeger & Rudzki, 2008), maturation or saturation, (Bilkey, 1978) low demand (Enderwick & Ronayne, 2004), and competition (Ursic & Czinkota, 1984). The 'pull' force encompasses benefits such as reducing risk (Ball, McCulloch, Frantz, Geringer & Minor, 2004), diversification (Morgan,

⁴ For taxonomy of informative articles exploring how firm internationalization can be explained through International Entrepreneurship, see (Dana, 2004)

1999), utilizing excess capacity, low-cost production and economies of scale (Crick & Chaudry, 1997), stronger sales (Rabino, 1980), profit (Westhead, Binks, Ucbasaran & Wright, 2002), and growth (Morgan, 1999). Exporting firms also benefit from enabling or facilitating (Bilkey, 1978) circumstances such as managerial characteristics (Leonidou, et al., 1998), access to resources (Moini, 1995), utilization of networks (Coviello & Munro, 1997), differential firm advantages (Cavusgil & Nevin, 1981), use of I&CT (Bennett, 1997), and external change agents such as policy-maker support (Czinkota, 2002). Collectively, such ‘enabling’ or ‘facilitating’ conditions attest to the magnitude of the firm’s internationalization capacity (Welch & Luostarinen, 1988).

In spite of the role stimuli and facilitators play, only a fraction of SMEs attempt to extend their operations beyond their borders (Bell, 1997). One explanation for this is domestic market orientation or inertia (Autio, Sapienza & Almeida, 2000; Knight & Cavusgil, 2004; Oviatt & McDougall, 1995). However, the brunt of domestic market inertia on subsequent internationalization is not a well-researched area (Arbaugh, Camp & Cox, 2008). Managerial factors have also been cited as possible rationale for non-internationalization (Leonidou et al., 1998). Internationalization calls for unique managerial acumen that includes entrepreneurial orientation (Dichtl, Koeglmayr & Mueller, 1990), market orientation (Francis & Collins-Dodd, 2000), ambition and motivation (Jaeger & Rudzki, 2008), possession of a global mindset (Harveston, Kedia & Davis, 2000) and the ability to establish and utilize networks (Coviello & Munro, 1997). To a lesser extent, firms’ characteristics and resources (Bilkey, 1978) have been also been considered as plausible reasons for non-internationalization. The more popular explanation for why few entrepreneurial SMEs (Cox & Camp, 2001) engage in international business relates to export barriers. In Etemad’s (2004) conceptual model, export barriers are the primary deterrent to or ‘inhibitor’ (Bilkey, 1978) for firm internationalization.

2.2 Export Barriers

Perceived export barriers *'are all those constraints that hinder the firm's ability to initiate, develop or sustain business operations in overseas markets'* (Leonidou, 2004:281). Export barriers present challenges at three different levels (Leonidou, 2004).

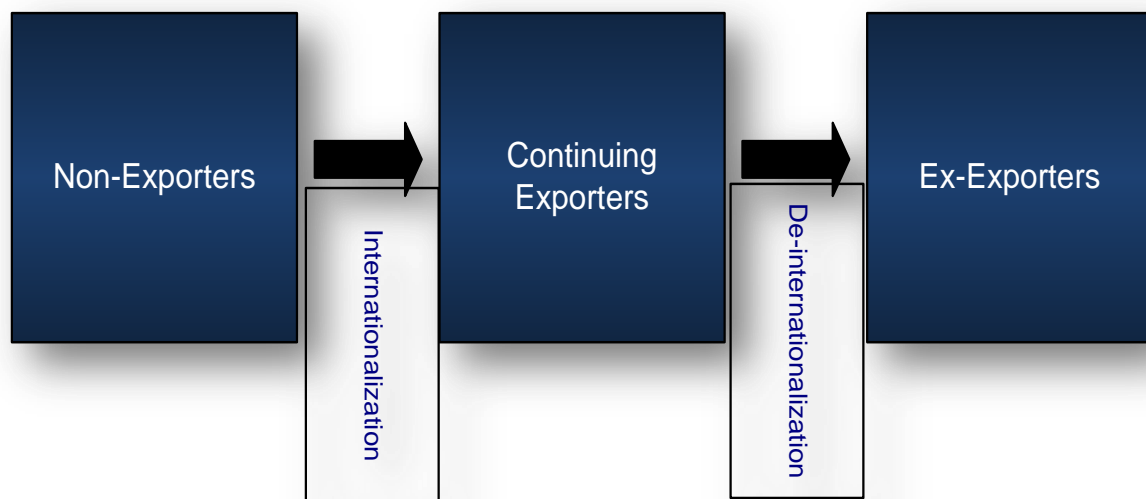


Figure 2-3. Differential Impacts of Export Barriers

For non-exporting firms barriers are considered to have a prohibitive effect and may be one of the reasons for non-internationalization (Bilkey, 1978; Cavusgil, 1984). However, export barriers alone hold insufficient impetus to prevent a firm from internationalization (Barrett & Wilkinson; Bilkey, 1978; Leonidou, 2004). Thus, with ample levels of pre-export preparation (Wiedersheim-Paul, Olson & Welch, 1978), information gathering, and mobilization of resources (Karafakioglu, 1986), firms can surmount the prohibitive impact and commence exporting. Nevertheless, the overall effect of barriers does not dissipate utterly (Leonidou, 2004). Continuing exporters face multiple impediments as they attempt to gain market share, expand operations or achieve superior performance. For continuing exporters, barriers have an inhibitive effect (Morgan, 1997) because they severely limit the strategic choices available for a firm (Aaby & Slater, 1989). Where such hindrances persist (Morgan & Katsikeas, 1998) and adversely affect performance, they induce *'managerial re-think'* (Benito & Welch, 1997)

thereby forcing firms to contemplate de-internationalization. Indeed, export barriers are a plausible reason why some firms may discontinue exporting (Crick, 2002).

2.2.1 An Overview on Export Barrier Literature

The early studies conducted in the 1970s and 80s sought to examine the effect of export barriers in a wider context. Barriers were conceptualized as one, among a multitude of factors, which could explain the behaviour of an internationalizing firm. Most of these theory-setting studies were conducted in the North America (Albaum, 1983, Alexandrides, 1971; Kedia & Chhokar, 1986; Rabino, 1980; Tesar & Tarleton, 1982) and particularly from the Midwest (Cavusgil, 1985; Groke & Kreidle, 1967; Kathawalla, Judd, Monipallil & Weinrich, 1989; Pavord & Bogart, 1975; Pinney, 1971 Yaprak, 1985). In the last two decades, studies have begun covering a wider geographic scope (Leonidou, 2004) and attention has shifted from an exploratory to a confirmatory approach (Tesfom & Lutz, 2006). However, overall, literature remains decidedly skewed towards developed nations with most studies covering North America (Albaum, 1983; Alexandrides, 1971; Barker & Kaynak, 1992; Bauerschmidt, Sullivan & Gillespie, 1985; Cavusgil, 1984; Groke & Kreidle, 1967; Holden, 1986; Jensen & Davis, 1998; Karagozoglu & Lindell, 1998; Kedia & Chhokar, 1986; Kwon & Hu, 1996; Korth, 1990; Mahone & Choudhury, 1995; Naidu & Rao, 1993; Pavord & Bogart, 1975; Rabino, 1980; Sharkey, Lim & Kim, 1989; Tesar & Tarleton, 1982; Yang, Leone & Alden, 1992; Yaprak, 1985) Asia Pacific (Barrett & Wilkinson, 1985; Cheong & Chong, 1988; Dean, Gan & Myers 1998; Dean, Mengüç & Myers, 2000; Hornby, Goulding & Poon, 2002; Keng & Jiuan, 1989; Ramaseshan & Soutar, 1991; Shaw & Darroch, 2004; Tseng & Yu, 1991; Weavar & Pak, 1990) and Europe (Arteaga-Ortiz & Fernandez-Ortiz, 2010; Barnes, Chakrabarti & Palihawadana, 2006; Bennett, 1997; Crick, 2002; Crick & Chaudry, 1997; Diamantopoulos, Schlegelmilch & Allpress, 1990; Dichtl et al., 1990; Gripsrud, 1990; Karafakioglu, 1986; Katsikeas & Morgan, 1994; Kaynak, Ghauri, &

Olofsson-Bredenlow, 1987; Kaynak & Erol, 1989; Korneliusson & Blasius, 2008; Morgan & Katsikeas, 1997a and 1998; Pinho & Martins, 2010; Shoham & Albaum, 1995; Suarez-Ortega, 2003).

Within these clusters ‘representativeness’ is low. For example, as mentioned earlier, USA studies have a ‘Midwestern bias’ which prompted Hook and Czinkota (1988) to suggest the need for more studies from Western US states to counter potential regional partiality. With respect to Europe, studies center on a few Western countries in particular United Kingdom (e.g. Barnes et al., 2006; Hutchinson, Fleck & Lloyd-Reason, 2009; Katsikeas & Morgan, 1994; Morgan & Katsikeas, 1997a and 1998) to the exclusion of the transitional economies of Eastern Europe (Doern, 2009). Only a thin stream of literature exists for the Latin American (e.g. Brooks & Frances, 1991; Christensen, Da Rocha & Gertner, 1987; Da Rocha, Freitas, Da Silva, 2008; Da Silva & Da Rocha, 2001) and Middle-Eastern (Ahmed, Julian, Baalbaki, & Hadidian, 2004; Crick, Mansour & Chaudry, 1998) settings. Further, our literature review did not identify any empirical studies that used an African sample. The few Latin American studies identified in the literature (Christensen et al., 1987; Da Rocha et al., 2008; Da Silva & Da Rocha, 2001) were conducted primarily in a Brazilian context. This narrow geographic coverage evidently raises legitimate questions about generalizability of results. Further, there are few cross-national studies (Bell, 1997; Brooks & Frances, 1991; Fillis, 2002; Kaynak & Kothari, 1984, Sullivan & Bauerschmidt, 1989). It is also noteworthy, that the cross-national studies do not explicate on the theoretical or conceptual basis of such comparisons. Although the majority of these studies compare exporters in different industrialized countries, it will be interesting to examine differential impacts of export barriers by selecting different contexts (e.g. developed vs. emerging nation exporter).

Notwithstanding these limitations, there exists a stream of instructive and compelling extant literature on perceived export barriers (see reviews by Doern, 2009; Leonidou, 1995a and 2004; Morgan, 1997; Tesfom & Lutz, 2006). The central research question transcending all studies is developing taxonomy of knowledge on the differential impacts of export barriers. More specifically, studies have sought to establish the circumstances under which the impact, influence or effect of export barriers can change. One approach has been to adopt a phenomenological-reductionist method involving an examination of the actual barriers (on the basis of some covariates) and ways of reducing them into shorter lists through various classificatory mechanisms. The second approach focuses on covariates or actual factors that may induce differential impacts in export barriers. In this thesis, such factors are conceptualized as drivers or predictors of perceived export barriers. We focus first on reductionist classification techniques before examining drivers of export barriers.

2.2.2 Classification by Locus of Origin

To better understand the origin and impact of export barriers some studies have adopted different ways of classifying these constraints. The most common classificatory scheme involves separating barriers into internal and external constraints (Bell, 1997; Leonidou, 1995a).

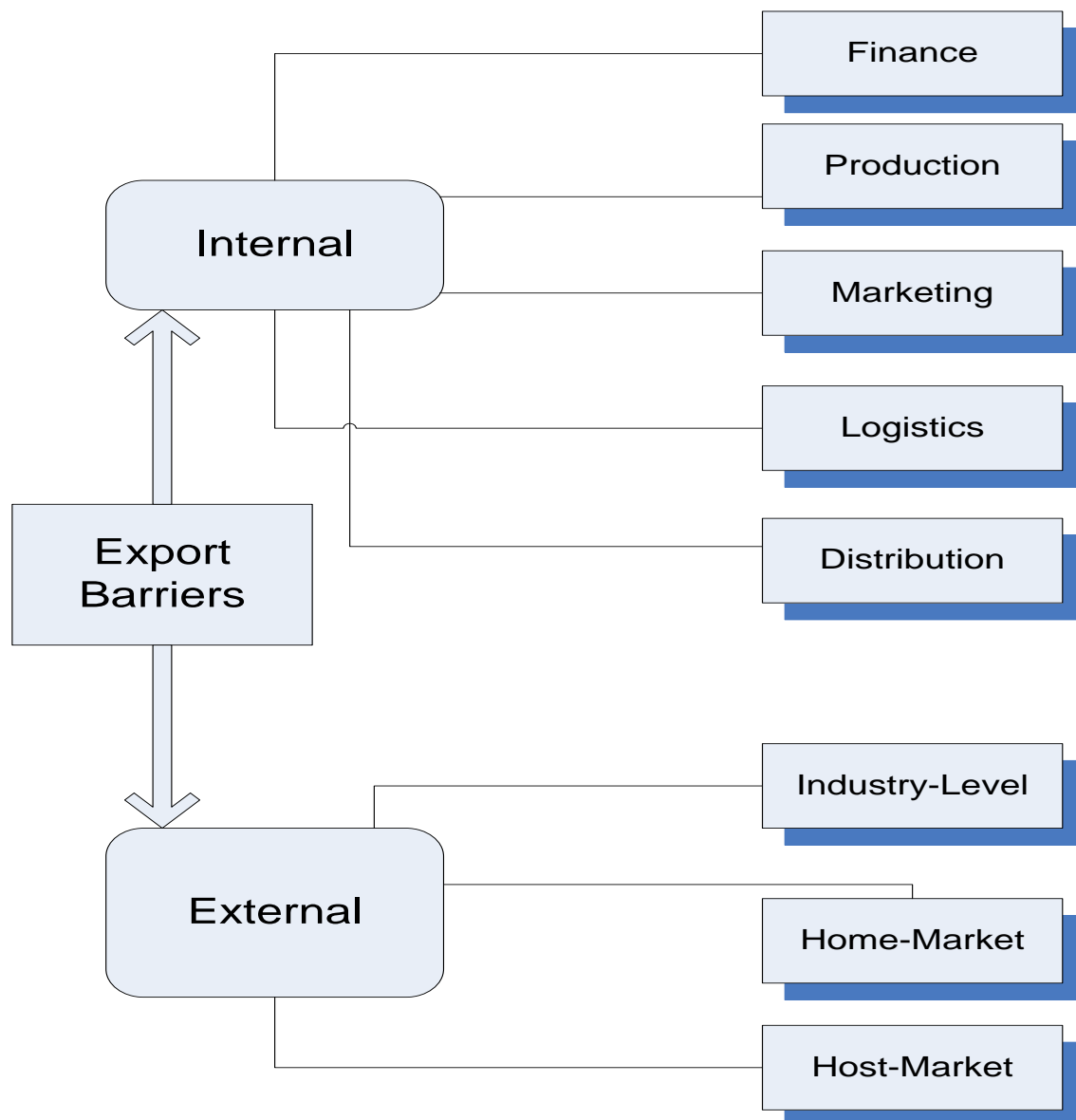


Figure 2-4. General Classification of Export Barriers

2.2.2.1 Internal Functional Barriers

Internal constraints are company and product barriers (Tesfom & Lutz, 2006) and they emanate from the management of various functional areas within the firm, such as finance, production, marketing, logistics and distribution (Leonidou, 2004). Finance-related functional barriers pertain to the management of the costs, and income associated with a transaction or customer. Constraints include ascertaining *credit worthiness of foreign customer* (Mahone & Chaudry, 1995), securing *export credit* (Peel & Eckart, 1996) and obtaining adequate *insurance* (Crick, 2002) and *reinsurance* cover (Korth, 1991). From an ‘income’ perspective another major hindrance is the *slow return on investment* (Gripsrud, 1990). Thus, the

difference between a profitable and a loss-making transaction may relate to the management of the costs and risks embedded in these constraints. As a result some experts (Bilkey, 1978; Czinkota, 2002) and policymakers (NZTE, 2007; OECD, 2006) recommend that firms address these issues during the preparatory phase of export development.

Barriers associated with the production function include conforming to *international standards* (Barnes et al., 2006), *modifying quality standards* (Rutihinda, 2008), and *product reliability* (Neupert, Baughn & Dao, 2006). In a world in where some product markets are globalized (Fletcher & Brown, 2008), exporters have to align their manufacturing operations (both in terms of products and processes), with international standards or ‘*supranational regulations*’ (Welch & Welch, 2004) which are often stricter. Firms have to develop the knowledge and capacity to modify quality for specific markets or purposes without compromising the overall positioning and reputation of the brand. Production function constraints test the firm’s, knowledge, capacity and flexibility to undertake export or international production.

Marketing based impediments include *inability to generate sufficient sales leads* (Albaum, 1983) uncovering the *right promotion strategy* (Keng & Jiuan, 1989), *inappropriate price and quality* (Tseng & Yu, 1991), *advertising* in a foreign market (Moini, 1997) and *inability to generate continuous or repeat business* (Barrett & Wilkinson, 1985). The impact of marketing hindrances can be explored using a hierarchical description. A proactive (Campbell, 1996) export marketing strategy commences with generation of sales leads which become the basis for subsequent target marketing. However, target marketing is particularly challenging because a domestic market mix may not be readily transferrable to overseas

customers. This may result in the failure to generate continuous business thereby limiting the performance of the export venture.

Logistics and distribution constraints relate to the firm's ability to get the product to market in an efficient and timely manner. Specific constraints include *transportation risks and delays* (Shaw & Darroch, 2004), securing *warehousing facilities* (Da Rocha & Da Silva 2001), *obtaining foreign representation abroad* (Kedia & Chhokar, 1986) *gaining access to distribution channels* (Keng & Jiuian, 1989) and *maintaining control over middlemen* (Diamantopoulos et al., 1990). Transportation risks and delays may have become more problematic in recent years in the light of an upsurge in natural disasters, terrorist and pirate activities. Securing a transit or bonded warehouse in a foreign country is often difficult and prohibitively expensive. Even when the product lands safely and speedily overseas, it has to reach a store shelf. Exporters, in particular those supplying bulk food and beverage (F&B) merchandise often require foreign representation to gain access into the best retail outlets. The ultimate test arises from the need to maintain control (and cordial relationships) with such middlemen, who may also represent exporters from other countries and some domestic suppliers. In export markets where corruption (Tesfom & Lutz, 2006) is endemic, this becomes an insurmountable undertaking.

2.2.2.2 External Barriers

Most export impediments appear to arise from the external environment (Barrett & Wilkinson, 1985; Da Silva & Da Rocha, 2001, Leonidou, 1995a). For instance, industry specific dynamics have sweeping effects as insinuated by Porters' (1980) model, mainly because they shape the competitive intensity and ultimately the market power of various participants. With respect to export constraints there are two specific aspects; *unfavorable industry-wide regulations and requirements* (Rutihinda, 2008) and *fall in international*

market prices (Vivekanandan & Rajendran, 2006), which are of concern to exporters. In the New Zealand context, some regulations and requirements mandated by the New Zealand Food Safety Authority (NZFSA), to which all F&B exporters should conform, are considered restrictive and unfavorable (Jaeger, 2008). As mentioned earlier, for industries (e.g. pharmaceutical manufacture) where product markets operate on a global or international level, there may be an additional layer of international industry-wide regulations. For commodity exporters, pricing is particularly challenging because final prices are determined by movements in international markets. For example, the threat of *falling international prices* is a constant worry for New Zealand's dairy exporters.

Home-market factors can be geographic, economic or structural. Examples of constraints include *isolated geographic location* (Shaw & Darroch, 2004), *lack of local banks with adequate international expertise* (Suarez-Ortega, 2003), *lack of tax incentives* (Bauerschmidt et al., 1985), and *union power* (Ricks & Czinkota, 1979). Like Australia, New Zealand lies on an island geographically detached from any mainland. There is anecdotal evidence that this isolation probably exacerbates transportation costs and delays (Dana, 2003). Cross border transactions also require the assistance of reputable banks with international experience in terms of payment methods, insurance contracts and shipping terms. Exporters frequently require tax incentives to defray the additional costs of exporting. In industries with unionized labor, such exporters may also be hampered because unions frequently express a general displeasure with global business operations.

Examples of attitudinal, regulatory and political obstacles arising from the foreign country include *pace of business in foreign country* (Neupert et al., 2006), *unfavorable conditions overseas* (Barnes et al., 2006), *red tape* (Yaprak, 1985), *political instability* (Korth, 1991),

export packaging and labelling requirements (Morgan & Katsikeas, 1998) and *risk of expropriation or nationalization* (Kwon & Hu, 1996). The pace of business in a foreign country is largely an issue of time-style (Solomon, Russell-Bennett & Previte, 2010). However, this is fundamental because it may determine how soon the exporter receives the modified specification, amended order or response to an e-mail. Unfavorable conditions encompass factors such as bureaucracy, instability and corruption. Packaging and labelling requirements are problematic in markets that use multiple languages and for products requiring detailed labelling. On the other hand, the perceived severity of the risk of expropriation and nationalization seems to spiral when firms switch to higher commitment modes of entry (Kwon & Hu, 1996).

An alternative and conceptually sound way of classifying barriers involves a focus on firm operations associated with export development. Using observed inter-correlations between multiple barriers in several early studies (Barrett & Wilkinson, 1985; Bauerschmidt et al., 1985; Harrison, 1990; Sharkey et al., 1989, Tesar & Tarleton, 1982), Myers (1996) proposed that such correlations suggested the existence of the following underlying dimensions; *internal resource constraints, procedural and distribution hurdles, foreign market factors, knowledge and experience problems, legal and political obstacles and management considerations*. Since we utilize an identical barrier scale to Myers (1996), we use these barrier constructs to discuss the subsequent classificatory scheme. For a summary of individual barriers in each cluster as well as specific studies citing such barriers, see *Appendix D*.

2.2.3 Classification by Firm Operations

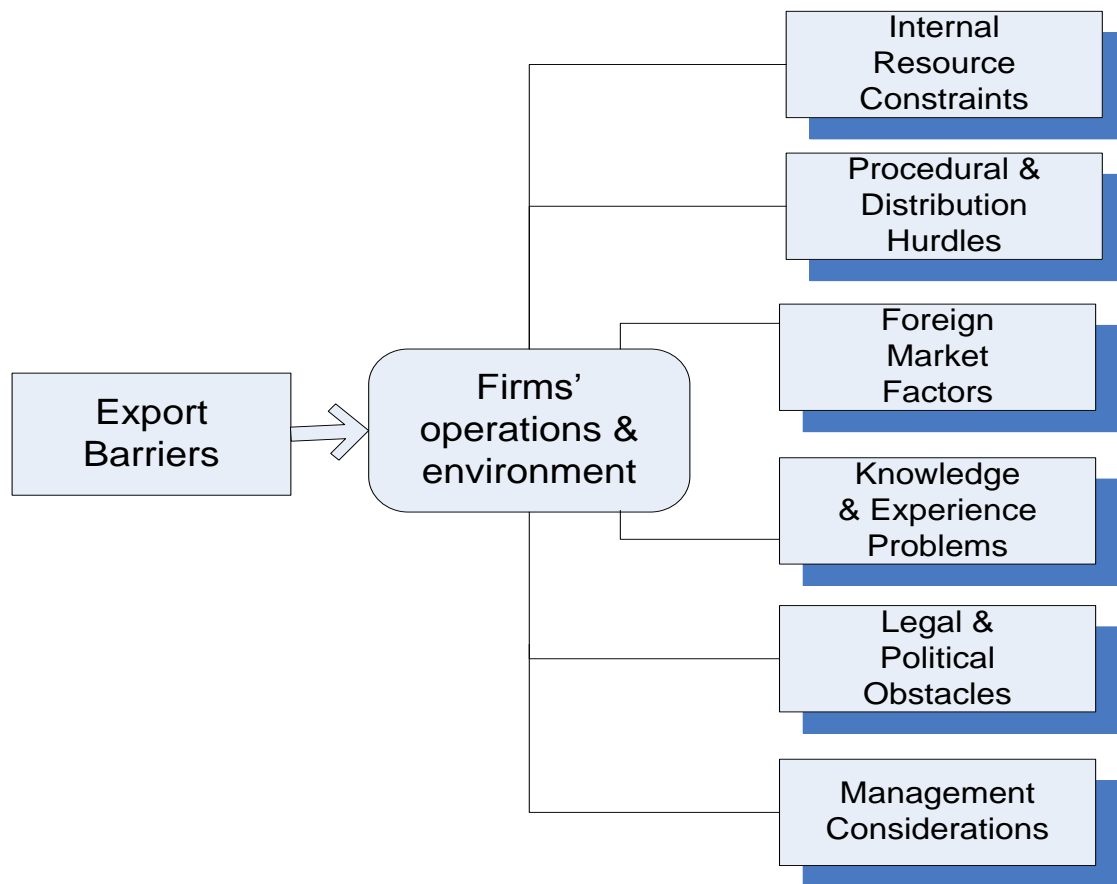


Figure 2-5. Conceptual Classification of Export Barriers

2.2.3.1 Internal Resource Constraints

Internal resource constraints appear to emanate from *liability of smallness* (Hannan & Freeman, 1984; Aldrich & Auster, 1986). Liability of smallness is particularly problematic because New Zealand's manufacturing sector comprises a high proportion of micro-enterprises with 'zero' and '1-5' employees (Bascand, 2010). Mittelstaedt, Harben and Ward (2003) insinuate that such firms are just too small to export and compete successfully in international markets. This is because smallness is often associated with crippling resource deprivation. The most frequently cited resource constraints include *financing exports* (29 times), *high transportation costs* (24 times), *lack of skilled personnel* (22 times) and *insufficient production capacity* (17 times)⁵. Shortage of such resources limits the magnitude

⁵ See Appendix D

of the firms' export operations. For example, while smaller exporters may not prefer to lock themselves up in long-term debt, it is evident that short-term funding is often more expensive (ITC, 2009). As suggested earlier, transportation for NZ exporters appears disproportionately costly probably due to the geographic location. Where exporters ship the merchandise on a CIF basis (preferred by most foreign customers) they not only have to absorb the transportation charge, they also need to reflect it in the final price, while maintaining their overall price competitiveness. The *lack of skilled personnel* is also a major resource constraint for exporters. Highly skilled managerial, marketing/sales, production and logistics labor is required to execute the various tasks that contribute to thriving export operations. Even when such skills are readily available in the labor market, only larger firms have the critical mass to afford a free-standing export department (Rabino, 1980). Taken together, these constraints may epitomize the overall lack of *sufficient productive capacity*. Capacity constraints severely limit growth and expansion of the export venture or operation. Indeed, New Zealand's exporting SMEs routinely decline potentially lucrative orders due to insufficient productive capacity (Chetty & Campbell-Hunt, 2003). Other resource constraints of note include, *cost of market development* (Ahmed et al., 2004; Patterson, 2004; Tesar & Moini, 1998) *cost of overseas travel* (Dean et al., 1998 & 2000; Fillis, 2002), *cost of labor* (Dean et al., 1998 and 2000), *and interest rates and inflation* (Shaw & Darroch, 2004). The internal resource constraints discussed above were also examined by Sullivan and Bauerschmidt, (1989 and 1990).

2.2.3.2 Procedural and Distribution Hurdles

Procedural and distribution hurdles emanate from the exporter's *relational exchanges* (Dwyer, Schurr, & Oh, 1987). There are as many as 20 parties to every export transaction each playing a unique role (Terpstra & Sarathy, 2000). Export effectiveness calls for a clear understanding of the steps required to close a sale (Kotabe & Helsen, 2008) and an efficient

management of multiple stakeholders and the value chain activities they perform. For exporters with limited labor skills, procedural and distribution hurdles can be thorny. The more frequently cited constraints are *managing exchange rate fluctuations* (29 times), *handling export documentation* (28 times), *locating foreign distributors*, (26 times) and *collecting and transferring funds* (21 times). Unexpected changes in currency values expose an exporter to economic, translation and exchange risk (Butler, 2004). Exchange risk is transaction-based and can impact the cost-price and margin ratio for export sales. The predicament for SME exporters is that while all unhedged cash flow from export proceeds is susceptible to exchange rate movements, securing adequate hedging can be both cumbersome and expensive (Madura, 2003). Terpstra and Sarathy (2000), estimate that there may be as many as 40 documents for an average export transaction. Each document is essentially contractual in nature communicating and conferring responsibility and authority for the parties involved in the transactions. Handling export documentation is so critical that firms with inadequate skill or knowledge often utilize the expertise of freight forwarding and customs clearance agents.

Locating foreign distributors is another major obstacle which frequently puts exporters in a quandary. On one hand, exporters stand to benefit from a distributor's or agent's knowledge of local market; on the other hand agents may prevent the exporter from developing a direct and stronger relationship with the final customer (Chetty & Colin-Campbell, 1993).

Collecting and transferring funds presents a constant hurdle for exporters. The risk of non-payment is higher for exporting firms than for firms serving domestic customers. Payment problems may stem from prevailing economic conditions in foreign market, the customers solvency, use of inappropriate payment methods, or mistakes in handling payment documentation. Collectively, procedural and distribution constraints emphasize the importance of managing supply chain activities to overcome spatial complexity (Anderson,

1999) associated with exporting. Similar clusters of procedural and distribution difficulties were also identified by Kedia and Chhokar (1986), Crick (2002), and Yaprak, (1985).

2.2.3.3 Foreign Market Factors

These factors are associated with the relative differences between home and host country as measured by *cultural* (Hofstede, 1980; Kogut & Singh, 1988) or *psychic distance* (Beckerman, 1956; Johanson & Vahlne, 1977). As a general observation, where markets are psychically closer (Dow, 2000; Stöttinger & Schlegelmilch, 1998), the preponderance of these impediments diminishes. The most commonly cited barriers include *foreign competition in overseas markets* (40 times), *quality assurance requirements* (18 times), *competition from local firms* (12 times) *providing after sales service* (12 times). Indeed, foreign competition is the most cited constraint in this study. Since psychic distance impacts market selection and paces extent of export involvement, it can shape the degree of ‘foreign’ and ‘local firm competition’. For instance, for a New Zealand exporter serving the Saudi Arabian market with halal products, most competition would derive from exporters in other countries and some Saudi firms and not New Zealand compatriots. This is because, conceptually, the Saudi market is psychically further and few New Zealand firms would target it. Conversely where a marketing is psychically closer (for example Australia), more New Zealand firms are likely to participate, thus shaping the competitive picture in that market. *Quality assurance requirements* and certifications take new connotation when targeting markets where psychic or cultural differences exist. In the (F&B) segment, quality assurance requirements may need to be modified to align with perceived quality. This is particularly interesting in the realm of aesthetic signals (especially for food) denoted by phrases such as ‘100% pure’, ‘farm fresh’ and ‘organic’. *Providing after sales-service* is increasingly becoming essential because most physical products also comprise a vital service component. Most of the international travel that export managers engage in is for purposes of

generating sales leads or providing after-sales service. Other constraints in this category include *technically inferior products* (Kedia & Chhokar, 1986; Pinho & Martins, 2010), *product usage differences* (Arteaga-Ortiz & Fernandez-Ortiz, 2010; Sharkey et al., 1989; Yaprak, 1985) and the *need to adapt products to overseas markets* (Barrett & Wilkinson, 1985, Da Silva & Da Rocha, 2001; Leonidou, 1995b). Foreign market factors underscore the importance of adopting market orientation. It takes firms that are attuned to customer needs in specific markets to understand and also adjust their marketing strategies. For studies focusing on an equivalent group of foreign market factors, see Bauerschmidt et al. (1985), Julian and Ahmed (2005), and Sullivan and Bauerschmidt (1990).

2.2.3.4 Knowledge and Experience Problems

Conceptually, knowledge and experience problems underscore the notion of liability of *newness* (Stinchcombe, 1965). Unlike multinational enterprises (MNEs), some SMEs internationalize before developing a stable presence in the domestic market. However, successful internationalizing requires knowledge and experience, not only to learn the ropes (Gripsrud, 1990) but also to earn legitimacy (Carayannopoulos, 2009). The more regularly cited constraints include *language and cultural barriers* (29 times), *identifying foreign market opportunities* (21 times), *knowing foreign business practices* (14 times) and *knowing how to market overseas* (15 times). *Language and cultural barriers* have received considerable interest from researchers. There are two distinct levels of research involving this constraint⁶. While some studies (Cavusgil, 1984; Crick & Chaudry, 1997; Pavord & Bogart, 1975; Ramaseshan & Soutar, 1996) examine it as one among a multitude of hindrances, other studies suggest that language (Peel & Eckart, 1986) and cultural differences (Shoham & Albaum, 1995) have a moderating role on other constraints. *Identifying foreign market opportunities* is a fundamental step of the export sales process. Although some SMEs may be

⁶ Language is also important in market mix adaptation as well as in understanding subtleties embedded in culture (Kotabe & Helsen, 2008).

content with servicing unsolicited (Bilkey, 1978) or fortuitous (Korhonen, Luostarinen & Welch, 1996) orders, long term competitiveness arises from the ability to identify markets where opportunities will arise. This capability is likely to develop where the firm blends proactive behaviour (Piercy, 1981) and entrepreneurial alertness (Kirzner, 1973 & 1979). It is also imperative for exporters to *know business practices* abroad. Business practices are influenced by the institutional, competitive and cultural environment and may differ markedly from one market to the next. *Knowing how to market overseas* is a challenge for inexperienced and ill-prepared firms. This is because marketing overseas may require a firm to fine-tune its domestic market mix for each foreign market, thus moving away from export selling to export marketing (Cavusgil, 1984). Other knowledge and experience barriers of note include *lack of overseas marketing experience* (Alexandrides, 1971; Pavord & Bogart, 1975; Shaw & Darroch, 2004) and *knowing export procedures* (Barnes et al., 2006; Crick, 2002; Suarez-Ortega, 2003). These barriers support OECD's (2006) contention that SME internationalization is predicated on the firm's ability to use experience and learning to develop a catalogue of firm '*capabilities*'. Researchers who focused on similar knowledge and experience barriers include Fillis (2002), Kedia and Chhokar (1986) and Leonidou, (2000).

2.2.3.5 Legal and Political Obstacles

Legal and political obstacles reinforce the ordeals associated with *liability of foreignness* (Hymer, 1976). Liability of foreignness refers to unfavorable factors (such as unfair taxes, surcharges, laws and outright discriminatory practices) that internationalizing have to contend with in an overseas market (Zaheer, 1995). The most frequently cited legal and political impediments are *foreign non-tariff barriers* (25 times) *foreign government restrictions and regulations* (25 times) and *lack of export assistance* (24 times) and *foreign tariff barriers* (20 times). Although there has been a marked shift towards trade liberalization, *foreign tariff*

barriers remain critical machinery for protecting domestic producers. Together with foreign *government rules and regulations*, firms are faced with several obstacles that limit their access to a foreign market (OECD, 2006). The Ministry of Foreign Affairs and Trade (MFAT, 2002) identifies at least seven separate constraints (including, import quotas, permits, phytosanitary requirements, and standards and certifications) falling into this category. Policy-maker willingness to introduce export assistance can be construed as anecdotal evidence to support the proposition that these barriers are ‘problematic and high impact’ (Leonidou, 2004). There are arguments that legal and political obstacles are not perceived hindrances, but actual barriers. Indeed, it is possible to enumerate these constraints (Jensen & Davis, 1998; Onkvisit & Shaw, 1988) and model them as distortions to the efficiency of cross border trade (Porto, 2004). Overall, legal and political obstacles are exogenous (Arteaga-Ortiz & Fernandez-Ortiz, 2010) and underscore the interdependence between the firm and dynamics of the foreign market.

Other barriers of note include *unfamiliarity with foreign laws* (Katsikeas & Morgan, 1994; Kaynak & Erol, 1989; Neupert et al., 2006) and *inconsistent government policy* (Tesar & Tarleton, 1982; Dean et al., 1998 and 2000). Studies focusing on similar legal and political obstacles include Korneliussen & Blasius (2008) and Leonidou (1995b).

2.2.3.6 Management Considerations

Unlike internal resource constraints and knowledge and experience problems that focus on firm characteristics, management considerations give insights into the managers’ competency, level of preparedness or lack thereof. The most frequently cited include *perceived risk of selling abroad* (21 times), *lack of management time* (15 times) *management focus on domestic market* (13 times) and *low cost to benefit expectations* (12 times). The effect of these barriers may be explained hierarchically. The *perceived risk of selling abroad*

emanates from the fact that serving foreign customers is inherently more risky than serving domestic customers (Morgan, 1997). Where managers are particularly concerned about this risk, they may tend to focus on the more familiar and somewhat ‘*safer*’ domestic market. As a result, they may not devote sufficient time to critical exporting activities. Some managers may also have *low cost to benefit expectations*. For such managers the incremental revenue from export proceeds does not justify the additional time, risk and cost which exporting demands. Thus, this barrier is more influential where financial gain (Ramaseshan & Soutar, 1996) is the primary motive for internationalization. Other barriers of note include *lack of export marketing commitment* (Kwon & Hu, 1996; Yaprak, 1985), *low aspirations for export development* (Alexandrides, 1971; Fillis, 2002), *low perceived profitability* (Arteaga-Ortiz & Fernandez-Ortiz, 2010; Keng & Jiu, 1989) and *lack of management effort* (Czinkota & Ursic, 1983; Tesar & Moini, 1998). For studies covering most of these constraints, see Korth, (1991) and Naidu and Rao, (1993). *Management considerations* infer that for internationalizing firms, much is riding on the manager. We will also explore this aspect in depth (in the theoretical model) when we argue managerial influences are potential drivers of perceived export barriers.

In the preceding discussion, we highlighted how export barriers can be classified for purposes of exposing and understanding the major underlying dimensions. While this approach is key for understanding the dynamics of export barriers, its effectiveness is limited to an identification of different barrier constructs. To better articulate the differential impacts of export barriers we look to covariates or drivers. We develop a potentially edifying approach in which we not only identify critical drivers but also the barrier ‘clusters’ or ‘types’ that co-vary with each driver.

2.2.4 Driver-Based Conceptualization of Export Barriers

Drivers of perceived export barriers are all those factors that co-vary with export constraints. Identifying and describing drivers of perceived export barriers is important because export barriers, ‘in their natural state’ are inert and may resemble ‘*mere lists*’ of phrases (Myers, 1996). However, they are given impetus by firm, managerial or environmental factors (Aaby & Slater, 1989; Barrett & Wilkinson, 1985; Campbell, 1996; Cavusgil & Nevin, 1981; Leonidou, 2004). These three elements form the major drivers of export barriers. In this study we have modified this generic model by adding a fourth element, the path to internationalization. We will also use these four drivers to discuss literature on export barriers. For a more detailed diagram, *see Appendix G*.

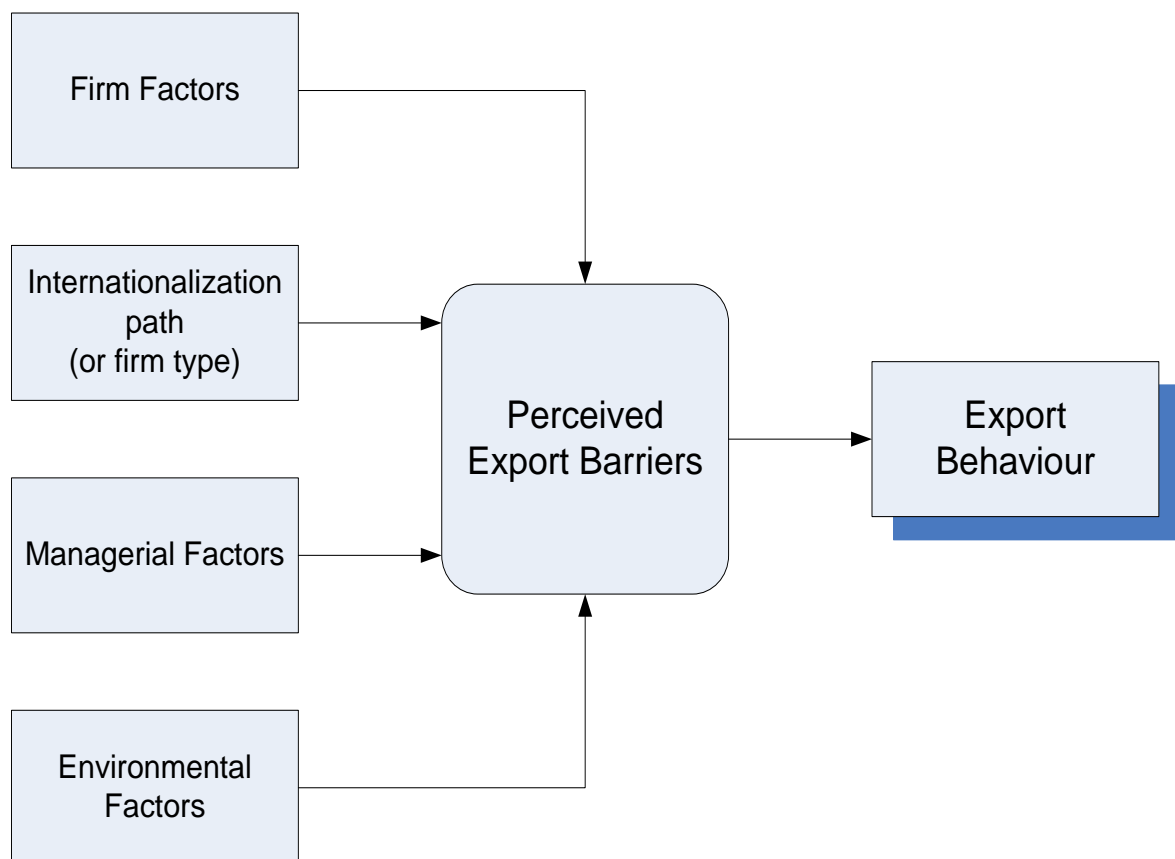


Figure 2-6. Drivers of Export Barriers

2.2.4.1 Contextual (Firm) Factors

Export barriers are situation-specific (Leonidou, 2004:279).

This driver suggests that the impact, effect or implication of export barriers is intertwined with the specific context under evaluation. Firm factors are an exhaustively researched driver and most studies illustrate the '*dynamic and contingent nature of export barriers*' (OECD, 2006 p.57). An instructive way of examining firm factors involves separating them into two classes; organizational factors and internationalization factors (Leonidou, 2000). The various organizational factors studied in the literature include, firm ownership (Peel & Eckart; 1996), industry or sector, (Da Silva & Da Rocha 2001; Shaw & Darroch), firm age (Leonidou, 1995b), firm size, (Mittelstaedt et al., 2003); Katsikeas & Morgan 1994; Leonidou, 1995b & 2004; Da Silva & Da Rocha 2001, Shaw & Darroch) and adoption of information technology (Bennett 1997; Hornby et al., 2002; Vivekanandan & Rajendran, 2006). Export experience and export performance are the internationalization factors that have generated the most interest among researchers (Leonidou, 2000).

Peel and Eckart (1996) explored whether a relationship existed between firm ownership and perception of export barriers. Sullivan (1999) provides two conceptual arguments to suggest the possible existence of a relationship between these variables. Firstly, foreign ownership may entail the use of expert expatriate labor for a firm. Secondly, some foreign-owned firms may also be more inclined to repatriate their profits thereby robbing the subsidiary of free cash-flow. Thus, foreign controlled firms may perceive obstacles differently due to practices and restrictions of parent companies (Barrett & Wilkinson, 1985). However, Peel and Eckart (1996) found no differences between indigenous and foreign owned firms with regard to perceived export barriers. Nonetheless, where ownership reflects deeper underlying factors such as ethnicity or social identity, then such ownership can have an effect on perceived export barriers (Crick & Chaudry, 1997; Welch, Welch & Hewardine, 2008) For example,

Crick and Chaudry (1997) found that indigenous and ethnic-owned enterprises perceived export barriers differently. Such differences related to availability of assistance, information, and financing, and probably arose from the notion of *immigrant effects* (Chung & Enderwick, 2001). Similarly, arguing that gender constituted a form of social identity, Welch et al. (2008:115) suggested that women-owned enterprises faced peculiar '*social and structural barriers, even outright discrimination*'. Such barriers would typically originate from the domestic market environment.

The industry or sector can influence the perception of export barriers (Da Silva & Da Rocha, 2001). Several early studies suggested that perceptions of export barriers varied by industry or sector, (Bilkey, 1978; Bodur, 1986; Kedia & Chhokar, 1986). The underlying argument was that each industry dictated its own peculiar regulations, market participants and competitive conditions. It is for this reason that some researchers emphasize the need for homogenous samples by focusing on one industry or sector (Katsikeas & Morgan, 1994; Suarez-Ortega, 2003). However, empirical results have been mixed. Mahone and Choudhury (1995) noted that traders and manufacturers ranked export obstacles differently because unlike traders, manufacturers were exposed to a wider array of export-related value-chain activities. Leonidou (2000) highlighted differences between industrial and consumer goods exporters regarding resource constraints and perception of market attractiveness (Da Silva & Da Rocha, 2001). However, in an earlier study, Leonidou (1995b) found no relationship between type of product manufactured and all export barriers but one. In a similar vein, Shaw and Darroch (2004) also found no difference between industrial and consumer goods exporters.

Perceptions of export barriers differ to reflect firm size (Da Silva & Da Rocha, 2001; Shaw & Darroch, 2004; Leonidou, 1995b). Since size is a proxy for firm resources (Dhanaraj & Beamish, 2003) small firms may not have the scale advantages to overcome export constraints (Mittelstaedt et al., 2003). As such, Leonidou (1995b) noted the discriminating effects of firm size with respect to six perceived internal resource constraints. Other studies suggest an analogous inverse relationship between scale and perception of export barriers. For example, smaller firms perceived higher export barriers in the informational, product adaptation and logistics constraints categories (Katsikeas & Morgan, 1994). Financial constraints and lack of overseas knowledge and marketing experience, decreased as firm size increased (Shaw & Darroch, 2004). Smaller firms (employee size) experienced higher foreign market entry and operation difficulties while larger firms (sales turnover) perceived less resource constraints and environmental differences (Leonidou, 2000). However, for larger firms some barriers may actually increase in intensity owing largely to the higher level of investment in export operations. Peel and Eckart (1996) found that larger firms perceived higher barriers with respect to exchange rate fluctuations, communication barriers, lack of foreign language skills, lack of foreign language training and lack of information. This is probably because the larger firms in this study exported a larger product-mix to numerous countries and therefore faced greater complexity-related challenges. Larger firms perceived corruption to be more worrisome than smaller firms (Da Silva & Da Rocha, 2001). They also tended to be more concerned about export restrictions than smaller firms (Karafakioglu, 1986). These results may signify that larger firms are more sensitive to factors that distort (or add costs) while reducing price competitiveness. However, Mahone and Choudhury (1995) found no relationship between firm size and perception of exporting obstacles. This may have emanated from the size groupings (\$<1 and \$1-\$10m) which were not as far apart as in other studies using sales turnover as proxy for firm size.

There are two theoretically sound ways of operationalizing a firms' operating experience (Hoang, 1998). One approach uses age of the firm while another adopts export experience (Leonidou, 1995; Da Silva & Da Rocha, 2001). Younger firms perceived higher barriers with respect to four of the six factors tested (Leonidou, 2000). This finding alludes to possible benefits of learning that usually accrue with age and experience. However, in an earlier study Leonidou (1995b) found no relationship between the age of firm and perceptions of export barriers. The lack of a relationship may emanate from the fact that firm age is largely a measure of domestic market operating experience which may not be readily relevant for the international market. Using export experience as an indicant, (Da Silva & Da Rocha, 2001) found that more experienced firms, perceived *legal and political factors*, and *corruption*, as having a high impact on their business. Such findings point to a different conceptualization for the effects of learning. It appears learning may function counter-intuitively by sensitizing exporters about issues critical to their business. Katsikeas and Morgan's (1994) findings, that less experienced firms perceived higher procedural complexity than did more experienced firms but the more experienced firms considered export pricing a major hindrance, lend credibility to this assertion.

Export performance, (measured in terms of intensity, involvement or light/heavy dichotomy), also influences perceived export barriers. Firms with high export intensity perceived higher barriers than those with lower export intensity (Czinkota & Ursic, 1991). The reason for this according Bilkey (1978) is that high intensity exporters naturally have to expend supplementary resources and efforts to realize this level of export performance⁷. Other researchers have noted several differences with respect to specific export constraints. For

⁷ Dual causality is also plausible. For instance, Julian and Ahmed (2005) and Altintas, Tokol, and Harcar (2007) suggest export barriers influence export performance.

instance, Morgan and Katsikeas (1998) found that low intensity exporters were more concerned about marketing knowledge, communication, and competitive position in the market. Although no differences were noted between high and low export intensity, continuous exporters perceived lower barriers with respect to resource constraints, government apathy, foreign market entry and operating difficulties (Leonidou, 2000). Crick et al. (1998) highlighted numerous commonalities between high and low involvement exporters though low involvement exporters perceived higher barriers with respect to availability of outside export specialists and cost of intermediate goods which constituted the final export product. While domestic market orientation was not an influential impediment for heavy exporters, both medium and heavy exporters were however more concerned about quality and cost of production (Karafakioglu, 1986).

Three key studies have attempted to ascertain the impact the adoption of website use or information and communication technology (I&CT) has on perception of export barriers (Bennett, 1997; Hornby et al., 2002; Vivekanandan & Rajendran 2006). Although I&CT can be a form of competitive advantage, results from the *Anova t* test showed no significant relationship between its adoption and the perception of export barriers across growth stages (Vivekanandan & Rajendran, 2006). An earlier study had examined the perceptions of export barriers for two groups of exporters (website/non-website users) serving the same market (Bennett, 1997). This approach eliminated the potential intervening effects of export destination by focusing on the same market. Results indicate that website users differed from non-website users with respect to their perceptions of psychic distance, resource limitations and market risk. Such differences ensue because adoption of I&CT has the potential to alter the firm's internationalization pattern and capacity (Fletcher, Bell & McNaughton, 2004). Comparing Australian to British exporters, (Hornby et al., 2002) found that there was an

association between adoption of I&CT and perception of export barriers in Australia but not Britain. Such inconsistencies are indicative of the need to explicate on the role of I&CT in firm internationalization by delving beyond ‘the hype’ (Peterson & Welch, 2003).

There is ample evidence in the literature to suggest that export barriers are contingent on various factors. The size, age and ownership of the firm, its competitive advantage, export experience, export intensity, and dispersion of markets, are evidently contextual issues. It is largely because of these myriad contextual factors that development of exporting theory has remained a daunting task. Even in the face of these setbacks, advances can be made by continuously probing the basis of our conceptual assumptions (Doern, 2009; Morgan & Katsikeas, 1998) in particular the validity of the internationalization constructs. One way of conducting this involves pitting the predictive power of organizational factors against that of internationalization variables (Leonidou, 2000).

2.2.4.2 Path to Internationalization or Firm Type

Exporting is essentially a developmental process. This may be conceptualized either as learning sequence involving feedback loops or as export stages (Bilkey 1978:42)

To explore the discriminating effect of export barriers, several studies have utilized the ‘firm type’ distinction (Westhead, 2008). One approach has focused on the exporter/non-exporter dichotomy while the other has adopted the stages perspective. Several studies have addressed the differences between exporters and non-exporters (Ahmed et al., 2004; Albaum, 1983; Alexandrides, 1971; Barker & Kaynak, 1992; Fillis, 2002; Hook & Czinkota, 1988; Ifju & Bush, 1993; Kaynak & Kothari, 1984; Kedia & Chhokar, 1986; Lopez, 2007; Ogram, 1982; Patterson, 2004; Pinho & Martins, 2010; Rabino, 1980; Ramaseshan & Soutar, 1996; Tesar & Tarleton, 1982; Yaprak, 1985) with a view to ascertaining differential impacts of barriers.

Most studies attempt to meet this objective by drawing a line between (preventive) pre-entry obstacles and (inhibitive) post-entry constraints (Tesar & Moini, 1998).

Pinho and Martins (2010) found latent differences between exporters and non-exporters with respect to knowledge of export markets and availability of qualified export personnel.

Patterson (2004) also found analogous differences with regard to service sector firms. Fillis (2002) cited firm size restrictions, insufficient production capacity and lack of time to conduct market research as major barriers for non-exporters, while Ramaseshan and Soutar (1996) highlighted resource constraints and market familiarity as major impediments distinguishing exporters from non-exporters. Non-exporters were concerned about lack of foreign contacts, information and insufficient skills (Barker & Kaynak, 1992) but current exporters perceived government restrictions and foreign competition as major hindrances (Kaynak & Kothari, 1984). Current exporters were concerned mainly about documentation distribution and competitive disadvantages while non-exporters were affected by lack of exposure to outside cultures, lack of skilled and qualified staff and domestic market orientation (Rabino, 1980). Hutchinson et al. (2009) also uncovered similar elements with respect to internationalization of UK retailers. Further, non-exporters generally perceived higher procedural and informational barriers compared to exporters while exporters experienced more problematic barriers relating to marketing strategy (Kedia & Chhokar, 1986). Only two studies, (Albaum, 1983) and (Ahmed et al., 2004) reported no substantial differences between exporters and non-exporters.

However, this dichotomous view of exporting has received some criticism (Bilkey, 1978; Cavusgil, 1984; Czinkota & Johnston, 1981; Gripsrud, 1990). Firstly, the preventive/inhibitive premise on which the non-exporter and exporter dichotomy (Tesar &

Moini, 1998) is predicated lacks validity because '*firms do export in spite of problems*' (Ramaseshan & Soutar, 1996:63). Secondly, to rely exclusively on non-exporters' perception is to introduce systematic error into the study because non-exporters '*have no basis of knowing*' what exporting entails (Bilkey, 1978). Thirdly, lumping together all exporters and all non-exporters may conceal latent differences associated with each firms' particular export profile (Barrett & Wilkinson, 1985). Fourthly, non-exporters (Eshghi, 1992) and continuing exporters (Cavusgil, 1984) are not homogenous groups. Therefore, any viable firm segmentation typology should not disregard the intention to or extent of involvement in exporting (Reid, 1983; Gripsrud, 1990). Thus, a conceptually sturdier approach involves segmenting firms on the basis of their level of involvement in international operations (Shoham & Albaum, 1995).

As a result, some studies on export barriers have utilized the theoretical template of incremental internationalization to examine the impact of export barriers. It is important to draw a distinction between the Uppsala Process (U-P) and the Innovation-adoption Process (I-P) of internationalization. The U-P model of internationalization entails a gradual involvement in foreign markets characterized by increasing commitment and escalating investments (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). The I-P model describes the outward movement of business operations as a sequential process dividing firms into strata or stages (Cavusgil, 1976 and 1980; Bilkey, & Tesar, 1977; Bilkey, 1978; Czinkota & Johnston, 1981) in much the same way as the process of adopting new technology (Rogers, 1962). Both process models imply a gradual, sequential and somewhat slower path to internationalization. In practice, the models have had different implications. The U-P framework has created a platform for a broader analysis of the methods of foreign market entry while the I-P has become a useful apparatus for segmenting firms into stages.

With the exception of Sullivan and Bauerschmidt (1990) who implicitly tested the U-P framework by clustering firms on perceived psychic distance to export markets, most studies on export barriers utilize the I-P model.

Using stages based segmentation, purposely designed to expose ‘intent to’ and ‘extent of’ involvement, several studies have made useful theoretical contributions (Aksoy & Kaynak, 1994; Bilkey, 1978; Cavusgil, 1984; Dean et al., 1998; Dichtl et al., 1990; Sharkey et al., 1989; Naidu & Rao, 1993; Suarez-Ortega, 2003; Vozikis & Mescon, 1985). These studies support four major findings. Firstly, knowledge related constraints decrease in intensity along stages of export development. Secondly, the intensity of export barriers is evolutionary as it shifts from one class/cluster to the next. Thirdly, exogenous constraints remain constant along stages of export development. Fourthly, the perceived influence of some barriers increases along the stages. We explain each of these key findings in the subsequent discussion.

Sharkey et al. (1989) utilized a three-stage typology to demonstrate how procedural and technical barriers decreased across stages of export development. Lack of staff for export planning, domestic market focus and poor knowledge of export markets decline in intensity as the firm moves from initiating to continuous exporter (Naidu & Rao, 1993). Using a robust six-stage typology, Dean et al. (1998) also found that export constraints declined in overall intensity across all stages, although there was inconsistency with respect to stage three firms. Suarez-Ortega (2003) found that initial exporters perceived higher resource barriers than firms at any of the other three stages. Further, firms with extensive experience did not perceive routine procedural requirements to be a major hurdle. The lack of overseas market knowledge and information was a major hindrance for non-exporters but not for ‘likely’ and ‘current’ exporters (Shaw & Darroch, 2004). These findings largely support the notion of

learning associated with incremental internationalization. For initiating exporters, major challenges arise from gathering information, assembling resources and mastering exporting procedures. With increased levels of experience and commitment, benefits of learning take root and offset the intensity of these barriers.

Related to the concept of learning, is the evolutionary aspect illustrating how the influence of barriers shifts from one cluster to the other along stages of export development. Dichtl et al. (1990) found that non-exporters were mostly concerned about lack of information and costly initial financial investments while experienced exporters were more concerned about pricing and competitive situation in export markets. The most problematic challenge for non-exporters was the lack of export knowledge and experience while the most influential constraints for experienced exporters emanated from financial impediments (Dean et al., 1998). Cavusgil (1984) has explained this phenomenon, by arguing that the effect of barriers shifts in response to the firm's changing needs, priorities and strategies. This argument is plausible because exporters are known to re-work overall strategy from export selling to export marketing. Alluding to Maslow's (1943) hierarchical framework, Naidu and Rao (1993) argue that such a shift represents the changing *preponderance* of a firm's needs.

Stages-based studies also illustrate how some barriers remain constant as the extent of export involvement increases. For instance, of the 42 barriers Dean et al. (1998) examined, 23 did not change along stages of export development. It is from this study that the notion of 'static' and 'dynamic' barriers was developed. Naidu and Rao (1993) highlighted some static barriers such as, export documentation, risk of losing money, unwillingness of banks to work with SME's, and language and cultural constraints, that showed no discriminating effects along stages of export development. Sharkey et al. (1989) also identified numerous barriers whose

influence was constant across stages of export development, including perception of government policy, contextual differences and local competition. In one study costs of selling abroad, and limited access to financing were among the top barriers regardless of the level of export involvement (Shaw & Darroch, 2004). Other studies have also recognized these problematic hindrances. Such static barriers are typically '*high impact*' and impose a '*systematic blocking effect on all firms*' (Leonidou, 2004). These external constraints have an '*enduring*' effect (Daniels, Radebaugh & Sullivan, 2009) that transcends national differences (Kaynak & Kothari, 1984) while trying the tenacity of all exporters (Sullivan & Bauerschmidt, 1989). According to Karagozoglu and Lindell (1998), the effects of legal and political obstacles are consistent with the preceding discussion. These constraints are particularly potent because most SMEs are often incapable of mobilizing resources or implementing strategy that allows them to mitigate the impact (Neupert et al., 2006).

Stages-based studies also highlight a few individual barriers whose intensity increases across the stages of development. The risk of exchange rate fluctuations increased across the three stages from experimental to committed exporter (Cavusgil, 1984). Naidu and Rao (1993) found that the high value of domestic currency and trade barriers increased in influence along the stages, from non-exporter to regular exporter. Correspondingly, Shaw and Darroch (2004) found that current exporters were more concerned about exchange rate fluctuations than firms at the other two stages. The possible explanation for this can be found in earlier discussions on export experience and export intensity. Since firms in later stages of export development generally have greater experience, they become progressively more aware of or sensitive to financial issues that can affect their performance. Also, since these firms have higher levels of export intensity, they expend higher levels of effort and attention to activities such as hedging and this articulates the impact of such barriers.

It is noteworthy that not all segmentation typologies are based exclusively on the stages framework. For example, Vivekanandan and Rajendran used Churchill and Levi's (in Eggers et al., 1994) growth share model to investigate export barriers. They too found that export barriers declined as a firm moved from pre-growth to post-growth phase. These results coincide with stages-based segmentation, because presumably, the growth of the firm is accompanied by learning and acquisition or development of knowledge (Rao & Naidu, 1992). However, stages-based segmentation is not without its critics. Stages models have been criticized for being deterministic (Reid, 1983), for failing to explain the behaviour of all firms (Oviatt & McDougall, 1994), thus failing to accommodate the phenomenon of rapid internationalization (Rennie, 1993), for not exploring movement of firms between stages (Andersen, 1993) or micro internationalization (Dalli, 1994) and also for inappropriately assuming that all internationalization is onward (Pauwels & Matthyssens, 1999) thus ignoring de-internationalization (Benito & Welch, 1997). However, even in the face of such censure, stages models still carry functional explanatory power. Indeed, to focus solely on stages is to miss the bigger picture (Johanson, 2009). Perhaps the 'bigger picture' is that the both (U-P) and (I-P) models still provide a practicable framework for segmenting exporters by 'firm type' (Westhead, 2008). Thus, stages-based incremental internationalization is still a vital and instructive tool for 'needs based' firm segmentation (Naidu & Rao, 1993) and all the criticism levelled against the paradigm, does not diminish its importance but only *signals intriguing areas for debate* (Sullivan & Bauerschmidt, 1990:27).

More importantly, in spite of the well documented shortcomings of the I-P model, this paradigm remains the strongest theoretical framework for studying the impact of export barriers on firms. Nonetheless, alternative paradigms such as international new venture (INV)

(Oviatt & McDougall, 1994) or born global (Rennie, 1993) carry vast potential. For instance, these paradigms propose that firms are now taking a more rapid and non-sequential path to internationalization (Shrader et al., 2000). Although INVs are not necessarily immune to export barriers (Arbaugh et al., 2008; Shaw & Darroch, 2004; Lu & Beamish, 2001) there is rationale to posit that these firms may perceive export barriers differently due to peculiarities relating to speed of internationalization (McAuley, 1999) firm (McNaughton, 2003) and managerial characteristics (Bloodgood, Sapienza & Almeida, 1996), and also choice of strategy (Knight & Cavusgil, 2004). Such a proposition can be tested with respect to different types of INVs (Zahra, 2005) or varying levels of ‘born globalness’ (Knight & Cavusgil, 2005). However, studies are yet to link the rapid internationalization phenomenon with perceived export barriers. It may also be informative to study differential impacts of export barriers using other traditional or emerging theoretical frameworks such as complexity (Wollin & Perry, 2004), social exchange (Bagozzi, 1975), network (Johanson & Mattson, 1988) and bricolage (Chetty & Campbell, 2003).⁸

2.2.4.3 Managerial Factors

The biggest export barrier is located between the ears (Jaeger & Rudzki, 2007:9)

Welch & Wiedersheim Paul, (1977) posited that a decision-makers characteristics influence perception of stimuli and risk associated with exporting. Other studies have also recognized the role of management influences in export development (Aaby & Slater, 1989; Leonidou et al., 1998). In recent years, this stream of research has grown in popularity owing mainly to the inclusion of the (IE) entrepreneurial orientation construct.

There are two specific but related dimensions of managerial factors, attributes and behaviour (Moini, 1995). The management attributes commonly referred to in export development literature include level of education (Harveston et al., 2000; Moini, 1995), overseas travel and

⁸ For a detailed discussion of theoretical frameworks and paradigms used in exporting literature, see Katsikeas, Leonidou & Samiee, 2009

foreign education (Hansen & Witkowski, 1999; Moini, 1995) and foreign language proficiency (Enderwick & Akoorie, 1994; Knowles, Mughan & Lloyd-Reason, 2006). Methodologically these attributes are used as composite variables in the ‘global mindset or international orientation’ constructs. Conceptually, managers in possession of these attributes are not distressed by psychological barriers and will probably adopt a ‘world orientation’ as opposed to a ‘nearest neighbour’ approach to export market selection (Cooper & Kleinschmidt, 1985).

The behavioural elements have been researched on two levels. At the broader level studies have uncovered attributes necessary for export success while at the more specific level proxies of behaviour have been linked to perceived export barriers. The general behavioural attributes examined include managerial aspiration or ambition (Aaby & Slater, 1989; Cavusgil & Nevin, 1981), commitment (Chetty & Hamilton, 1993; Leonidou et al., 1998) and tolerance for risk or uncertainty (Bilkey, 1978; Leonidou et al., 1998). On the basis of the managerial characteristics and behavioural elements discussed above, some studies have drawn links to perceived export barriers. Of particular interest are the moderating roles of decision-making style and export orientation to perceived export barriers.

Developing the ‘decision-making style’ construct from a suite of managerial attributes and behavioural elements, Shoham and Albaum (1995) hypothesized that *‘the greater the planning, the entrepreneurial approach, and the more co-operative the decision-making, the lower the perceptions of export barriers’*. This proposition was rejected for all the constructs in the study. Is there no place for decision-making style in the study of perceptions of export barriers? Although the answer to this question is beyond the scope of our study, the results may probably have been influenced by the ‘measurement’ challenge of operationalizing

‘decision making style’ into composite or continuous variables, an aspect the researchers acknowledge in their discussion.

Some studies have attempted to distinguish proactive from reactive export orientation (Bilkey, 1978; Dichtl et al., 1990; Francis & Collins-Dodd, 2000; Piercy, 1981). As a testament to the consequence of the manager’s role, Campbell (1996) found that management considerations were the most powerful discriminating variables distinguishing proactive from reactive exporters. Leonidou (2000) also pointed out that proactive managers perceived lower barriers with respect to resource constraints, environmental differences and foreign market entry and operating difficulties. Thus, the influence of perceived export barriers dissipates where management adopts an aggressive or proactive stance towards export development.

While the preceding discussion has highlighted the role of managerial factors in the light of several internationalization constructs, other studies have adopted a more direct perspective with regard to managerial factors (Da Silva & Da Rocha, 2001; Jaeger & Rudzki, 2008; Korth, 1991). For instance Korth (1991), has argued that in the exploration of the influence of perceived export barriers, ‘*managers are culpable*’ because all export constraints ensue from managerial shortcomings such as inability to recognise opportunities, lack of requisite skills, inadequate preparation and unrealistic fears. Taken together, these inadequacies not only influence perception of export barriers but they become barriers in and of themselves (Jaeger & Rudzki, 2008). Referring to the common view that the most problematic export barriers are external to the firm, Da Silva and Da Rocha (2001) also alluded to the possible existence of a self-attribution quandary when it comes to managerial perception of export barriers. Similarly, reacting to the observation that non-exporters perceive higher barriers than

exporters Eshghi (1992) suggests this may be a managerial rationalization mechanism to justify non-involvement.

Overall, the influence of managerial factors on export barriers remains a thin stream of literature. There are three possible explanations for this. Firstly, studies on managerial attributes are amenable to the adoption of a qualitative approach to which many researchers in export development are opposed (Fillis, 2010). Secondly, some researchers may not have the resources to meticulously develop survey instruments which evidently have to solicit answers to questions of a personal nature. Thirdly and most importantly, literature still focuses largely on the resource based view of the firm (Penrose, 1959; Wernerfelt, 1984) and there is an evident tendency to prioritize (tangible) resource-based drivers. This maybe the primary reason why extant literature thoroughly examines the role of firm factors as drivers of perceived export barriers.

2.2.4.4 Business Environment Factors

Many of the problems and the lack of enthusiasm from exporting stem from unfavorable environmental conditions (Barrett & Wilkinson, 1985:68)

Tesfom and Lutz (2006) have argued that it is not the nature or type of the barrier that matters but the operating environment in which the firm conducts business. Thus, characteristics of a particular export environment or geographic setting can influence perceptions of export barriers (Da Silva & Da Rocha, 2001; Neupert et al., 2006). Researchers have adopted two distinct approaches in an effort to articulate the function the environment may play in moderating the impact of perceived export barriers. One approach is proximal while the other is direct. We discuss these approaches in the subsequent paragraph.

The proximal approach involves a focus on latent and intangible environmental aspects. Researchers have used constructs such as country of origin, liability of foreignness (Zaheer, 1995), psychic and cultural distance (Sousa & Bradley, 2006) to encapsulate the relative differences between a domestic and a foreign market. These constructs are surrogates for subtle yet substantial differences between domestic and the foreign market environment. For instance, Shoham and Albaum (1995) posited that the greater the cultural distance between exporter and customer, the greater the perceived importance of export barriers. The study failed to reject this hypothesis for all four constructs examined. Shoham and Albaum (1995) duly noted the increase in the perceived importance of personnel, foreign market, product and local market barriers. These results were also confirmed in a subsequent study employing a Norwegian sample (Korneliussen & Blasius, 2008). However there is need to extend such research to include second-tier elements such as professional, regional and ethnic aspects of cultural distance (Fletcher & Fang, 2006).

The direct approach uses hard data to ascertain how the particular tangible environmental aspects can tamper the effect of perceived export barriers (Campbell, 1996; Da Silva & Da Rocha, 2001; Korneliussen & Blasius, 2008). Comparing the influence of perceived export barriers for two groups (one exporting exclusively to Latin America and the other exporting to the rest of the world); Da Rocha & Da Silva (2001) found that firms exporting to other parts of the world perceived more barriers than those that exported within Mercosur. This study suggests that the foreign market environment (in this instance Mercosur) had a moderating effect on the influence of perceived export barriers. On a broader scale the results allude to the efficacy of free trade provisions as apparatus for reducing barriers. In a parallel vein, Korneliussen and Blasius (2008) tested the specific attributes of an export destination namely, free trade and protectionism. Their results suggest that there is a strong positive

relationship between perceptions of export barriers and the level of protectionism in the export destination. However, no significant relationship was noted between free trade provisions and perceptions of export barriers. From a policy-making standpoint this is a decisive finding in that it casts a doubt over the effectiveness of free trade provisions espoused in regional trade blocs, in this instance the EU. Analogous concerns had been raised by Campbell (1996) who concluded that the formation of NAFTA did not influence the export behaviour of Canadian firms.

Understanding how business operations may be susceptible to vicissitudes in external environments remains an integral way of developing both firm-level strategy and macro-level policy. Apart from free trade and protectionism, Barrett and Wilkinson (1985) also proposed a list of specific environmental factors that could presumably have an effect on export barriers. Included, among other factors were, actual exchange rate movements, banking practices and policies, government incentives, as well costs and availability of key resources. However, no studies have attempted to utilize this potentially informative framework. It is plausible to adopt this framework (changing operating environment) as a basis for responding to a major gap in the literature-longitudinal research. First we re-state the case for longitudinal research before re-introducing and incorporating Barrett and Wilkinson's (1985) framework into the study's research design.

Although several studies have made the case for the utilization of longitudinal research design to uncover temporal limitations (Bell, 1997; Crick, 2002; Dean et al., 2000; Doern, 2009; Gripsrud, 1990; Kwon & Hu, 1996; Leonidou, 1995a and 1995b, 1998 and 2004; Leonidou & Katsikeas, 1996; Leonidou et al., 1998; Morgan & Katsikeas, 1997a and 1998), all but two (Da Rocha et al., 2008; Tesar & Moini, 1998) of the studies examined in the

literature adopt a cross sectional view on export barriers. The absence of longitudinal studies may be because researchers assume it is possible to gain insights into temporal limitations of phenomenon without conducting full-scale longitudinal studies. For example, a *chronological* synopsis of export barrier research exposes noteworthy points. As a general observation most initial studies illustrated that *lack of information* (Alexandrides, 1971; Bodur, 1986; Cheong & Chong, 1988; Czinkota & Ursic, 1983; Groke & Kreidle, 1967; Pavord & Bogart, 1975) and *inability to identify opportunities* in foreign markets (Albaum, 1983; Hook & Czinkota, 1988; Karafakioglu, 1986; Tesar & Tarleton, 1984) were influential barriers. Recent studies show that exporters are increasingly wary of *strong competition* (Barnes et al., 2006; Bennett, 1997; Da Silva & Da Rocha, 2001; Dean et al., 1998; Naidu & Rao, 1993; Hornby et al., 2002; Ramaseshan & Soutar, 1996; Suarez-Ortega, 2003) and *price competitiveness* (Ahmed et al., 2004; Bell, 1997; Dean et al., 1998; Leonidou, 1995b; Peel & Eckart, 1996). The literature also illustrates certain barriers that pose problems regardless of time, for instance *finding a reliable distributor* (Barnes et al., 2006; Dominguez & Sequeira, 1991; Fillis, 2002; Kaynak et al., 1987; Rabino, 1980), *transportation costs and difficulties* (Barker & Kaynak, 1992; Barrett & Wilkinson, 1985; Da Silva & Da Rocha, 2001; Rutihinda, 2008; Shaw & Darroch, 2004) *exchange rate issues* (Bauerschmidt et al., 1985; Cavusgil, 1984; Da Rocha & Da Silva, 2001; Katsikeas & Morgan, 1994) and *tariff barriers* (Ahmed et al., 2004; Groke & Kreidle, 1967; Gripsrud, 1990; Shoham & Albaum, 1995). However, absent empirical longitudinal studies, such a discussion is largely normative and anecdotal (Arteaga-Ortiz & Fernandez-Ortiz, 2010). Indeed, the absence of longitudinal comparisons has substantially complicated theory development in the field of export marketing (Leonidou et al., 1998; Leonidou, 2004).

Thus far, we have identified a potentially instructive yet under-utilized conceptualization (Barrett & Wilkinson, 1985) and also the need for an empirical longitudinal study. We synthesize these issues in the following manner; Firstly, we adopt Barrett & Wilkinson's (1985) hypothesis that export barriers are shaped by environmental conditions, as a basis for articulating changes within the operating environment. Secondly, since the absence of longitudinal studies has remained a major gap in the literature, we utilize a two-period comparison to establish the differential impacts of the influence of perceived export barriers. Such differential impacts are predicated on changes in macro-environmental drivers identified by Barrett & Wilkinson (1985). We improve on previous longitudinal studies by attempting to predict change in the influence of perceived export barriers across two time periods (1995 and 2010) on the strength of changes in environmental factors. Thus, the next Chapter serves a dual purpose. Firstly, we explore more closely how changes in a firm's operating environment may affect the influence of perceived export barriers. The mechanisms for suggesting such a relationship are drawn from psychological theory. Secondly, we construct a theoretical model and testable hypotheses using tangible data.

Chapter 3

Theoretical Framework

3.1 Change in Operating Environment

Aspelund, Madsen and Moen (2007), Morgan (1999), Morgan and Katsikeas, 1997b and Rundh (2007), among others, have argued that exporting literature generally ignores the moderating role of the operating environment. A continuing exporter's operating environment consists of the home country, host country and international environment. Indeed, the operating environment is a vital component of the firm's internationalization infrastructure (Callaway, 2004). Changes in the operating environment can also influence perceptions of export barriers. This is because the behaviour of an exporting firm is largely an artefact of its external environment (Barrett & Wilkinson, 1985). For instance, prevailing levels of corruption and political instability can impact the influence of perceived export barriers (Da Rocha & Da Silva, 2001). Changes emanating from domestic market reforms and international regulations (Welch & Welch, 2004) can also influence perception of export problems. Further, Tesar and Moini (1998) have also suggested that in longitudinal research design, an instructive way of exploring changes in exporter profiles involves focusing on changes in the external environment. In the following section we describe change at a general level before developing a theoretical framework for detailing the proposed influence of change at the firm-level. We define operating or external environment as a function of both the international and the New Zealand business environment.

3.1.1 International Environment

From a strategic management perspective, the world is different now compared to 1995, when the initial study was conducted. Recent changes in the operating environment can be classified as facilitators or inhibitors (Bilkey, 1978). 'Facilitators' are likely to stimulate

exports while ‘inhibitors’ may have an adverse effect on exporting firms. For instance, the convergence and increasing integration of financial markets and trading systems (Brawley, 2009) can be considered a facilitator of export trade because it permits efficient movement and allocation of resources. By reconfiguring the dimensions of the international marketing environment (Hamill, 1997), I&CT revolution has altered the way firms do business (Hamill & Gregory, 1997). For example, firms can internationalize faster because I&CT is a facilitator capable of improving the firms’ internationalization capacity (Petersen & Welch, 2003). Indeed I&CT can provide a buffer against psychic distance or liability of foreignness (Quelch & Klein, 1996).

The last two decades have also seen a pronounced shift towards open trade characterised by the ever increasing number and forms of free trade regimes (Buckley, 2003). According to the WTO (2011:54.) the cumulative total of active free trade agreements (FTAs) increased from 120 to 293 between 1995 and 2010, with some countries belonging to as many as 20 agreements resulting in a ‘*tangled spaghetti bowl of overlapping trade negotiations*’.

Although FTAs are purposely designed to facilitate trade, they may act as an inhibitor for some exporters. Firstly, exporters face intense competition in international markets not only from industrialized economies but also from emerging nations in particular Brazil, Russia, India and China (BRIC) (Sitkin & Bowen, 2010). This may be the reason why exporters frequently cite increasing competition in international markets as an influential obstacle (Leonidou, 2000). Secondly, New Zealand exporters may also face increased domestic competition from inexpensive imports (Dana, Hamilton & Pauwels, 2007; Jaeger, 2008).

Recent years have also seen an increase in the number and profile of non-governmental organizations (NGOs) and other non-state actors (Doh & Guay, 2009). Most of these organizations are involved primarily, in raising awareness about social causes in particular

health, safety and sustainability. Both industry and policy-makers are responding to what appears to be the precursor to the fourth industrial revolution- clean green technology (Sitkin & Bowen, 2010). However, it is difficult to fathom whether such a movement will facilitate or inhibit export trade. For instance, WTO (2011) suggests that increased awareness about health, safety and sustainability may be the primary reason why non-tariff barriers in particular, *sanitary and phytosanitary* (SPS) and technical barriers (TBS), have been on the rise in recent years. However, for firms that are quick to adopt and embrace ‘clean and green’, this latent hurdle can indeed become a potential source of competitive advantage (Kotabe & Helsen, 2008). Thus, now more than ever, successful exporting calls for a planned instead of an ad hoc approach (Crick, Chaudhry & Batstone, 2001).

3.1.2 New Zealand (Home-Market) Environment

Most of the changes in New Zealand’s domestic business environment arose from a series of reforms that started in 1984 and continued on through the 90’s (Claus, 2009; Dalziel, 2002). Three specific changes are noteworthy. Firstly, some reforms focused on deregulation of labor markets to individual contracts, liberalization of capital and financial markets, floating of exchange rates and targeting of Official Cash Rate (OCR) for inflation (Goldfinch, 2004). As a result of these changes, New Zealand’s scores for economic freedoms improved from 78 in 1995 to 82 in 2010 (Index of Economic Freedom [IEF], 2011). In the last five years, New Zealand has ranked no worse than fourth place in the world (IEF, 2011). For exporters, recognition of New Zealand as a suitable country with which to engage in business reduces the impact of barriers emanating from country of origin effects.

Secondly there were structural changes to some technological, value-added and service sectors. Industries that were subject to such structural reform also experienced productivity increases (Claus, 2009). The likelihood of firms in such industries to export probably

increased due to consequent improvement in their international competitiveness (Petersen & Welch, 2003). Thirdly, like other industrialized nations, New Zealand also shifted towards a knowledge economy (DOL, 2009) characterised by a renewed focus on value-added manufacturing and utilization of I&CT. Overall, New Zealand's economic reforms can be construed as having a positive effect on economy (Claus, 2009) and thus played a facilitating role for New Zealand exporters.

Thus far, we have taken a broad overview on changes in operating environments and their likely effects on New Zealand exporters⁹. In the rest of the Chapter we develop a theoretical framework for linking changes to perceived export barriers. However, before exploring how specific changes may impact the influence of perceived export barriers, we also posit that changing business environments affect the role and explanatory power of current theoretical models.

3.1.3 Changing Environments and Theory

There is body of literature that suggests the need for replicative and longitudinal studies, in the light of changing environments. From a theoretical standpoint, Aharoni (2011) and Balabanis, Theodosiu and Katsikea (2004) have argued export development theories proposed during times of relative stability have become limited in recent times.

Consequently, some researchers (e.g. Axinn & Matthyssens, 2002; Whitelock, 2002) have suggested the need for alternative models and paradigms. From a practitioner's perspective, dynamic environments entail a change in the role of export marketing (Osland & Yaprak, 1995). For instance, changing environments are redefining the content and context of environmental scanning (Enderwick, 2011). More importantly there is a mismatch or gap between traditional theories on export development and current practices among SMEs

⁹ For a detailed discussion of changes in New Zealand's operating environment, see Abbott, (2007)

(Etemad, 2004). In recent years, this gap has been magnified by the inability of exporting research to complement advances in scientific rigour with the use of a wider body of theoretical knowledge (Leonidou, 2003:129.)¹⁰. There is therefore a need to foster a vibrant research agenda and to generate or advance knowledge through novel ideas and concepts (Griffith, Cavusgil & Xu, 2008; Whitelock, 2002). Since changing environments induce the need for new approaches and theories, we look to attitudinal models of human information processing as a potential theoretical lens for examining export barriers. Before exploring the attitudinal model, we first set the parameters for using psychological theory.

3.2 Theory

Research utilizing psychological theory can be idiographic, hermeneutic or nomothetic (Hayes, 1994). From an epistemological perspective, the application of the psychological theory in this study is nomothetic. Nomothetic epistemology has its roots in *Kantian philosophy* and entails investigating general elements of information processing and attempting to apply them to a larger population or wider context (Hayes, 1994). In this study, we attempt to link export barriers (objects) to triggering stimuli (changes in the environment) using an exploratory approach which can be tested in a wider sphere.

From a human information-processing standpoint (Hayes, 1994), perception is largely attitudinal. Because it is feasible to employ generic attitudinal models to explain perception of stimuli (Eshghi, 1992), export barrier research can ‘*benefit*’ from utilizing this conceptual platform (Doern, 2009). Indeed, exporting research lags behind other disciplines when it comes to conceptualization of attitudinal and perceptual elements (Eshghi, 1992). We

¹⁰ However, scientific rigour is no substitute for explanatory theoretical models. Marketing research is vulnerable to this trap and appears to suffer from ‘*instrumentitis*’ (Arndt, 1985) - a somewhat detrimental preoccupation with methodological and statistical sophistication (Hunt, 2002).

therefore attempt to advance knowledge by extending attitudinal theories to new phenomena (Hunt, 2003), influence of perceived export barriers through time.

Attitudinal constructs can be conceptualized as a tripod consisting of cognitive, affective and conative dimensions (Rosenberg & Hovland, 1960). We focus on the cognitive and affective attitudinal dimensions because they allow the moderate level of abstraction required to draw and test propositions in this study (Hunt, 2002).

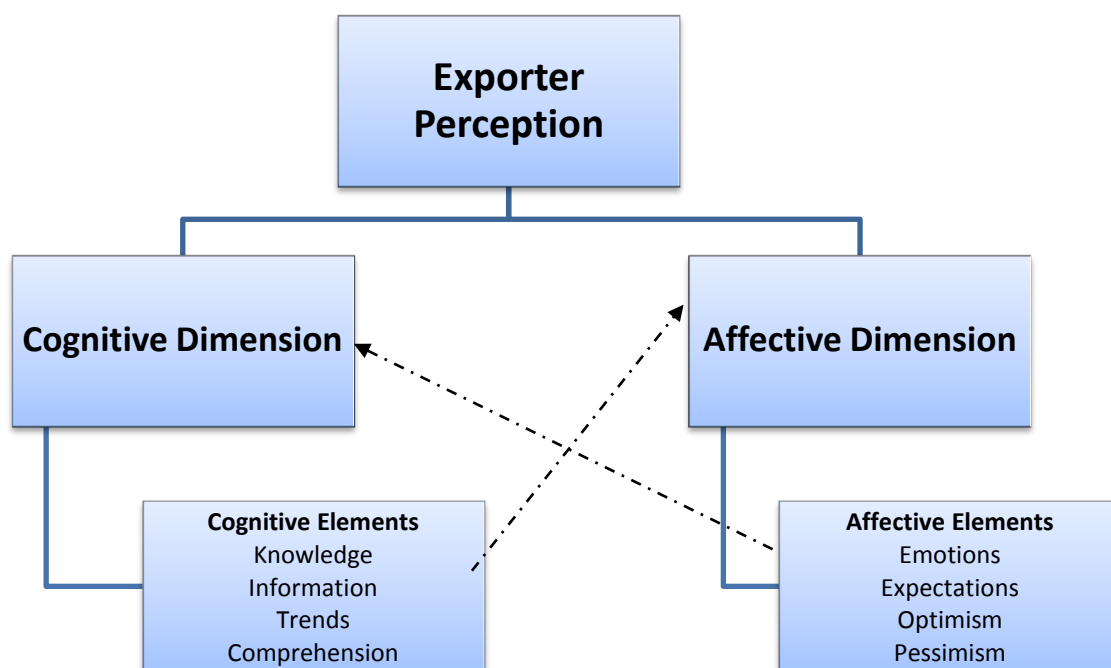


Figure 3-1. Attitudinal Dimensions of Perception (Adapted from Peter & Olson, 1999:42)

Cognition is an attitudinal dimension of perception and comprises ‘*awareness, knowledge beliefs and images about the object*’ (Onkvisit & Shaw, 1994:205). Affect is an emotive component of an attitude and comprises feelings, moods and emotions (Onkvisit & Shaw, 1994). There is interaction between the cognitive and affective elements. Some studies have proposed that cognition influences affect (Schather & Singer, 1962) while others suggest that affect influences cognition (Bower, 1991). In this study we generate predictions on Zajonc’s (1980) assumption that cognitive and affective elements constitute independent effects. This is imperative for empirical studies testing the plausibility of each attitudinal dimension

(Moorman, 1993; Flint, Hernandez-Marrero & Wielemaker, 2005; Tyszka & Przybyszewski, 2006). We focus first, on the cognitive dimension before exploring the role of affect.

3.2.1 The Cognitive Dimension: An Overview

The primary setback with this theoretical lens is that there is no consensus regarding the conceptual aspects of cognition. For example, the underlying view to multi-attribute models (Ajzen & Fishbein, 1977 and 1980; Fishbein, 1963 and 1967) is that cognition was consistent with beliefs (Fishbein, 1963). Some scholars, in particular those focusing on the implications of sex-role traits, (e.g. Hayes, Allinson & Armstrong, 2004; Lemons & Parzinger, 2007) associated the cognitive perspective with stereotypes (Breckler, 1984; Breckler & Wiggins, 1991; Zana & Rempel, 1988). Another group conceptualized the cognitive dimension as comprising multiple factors that can be presented in an associative network (Carlston & Skowronski, 1986), schema (Rumelhart, 1984) or bin model (Wyer & Scrull, 1986). Thus, it is imperative for studies to define the particular dimension or domain of cognition they seek to utilize (Schmitt & Tavassoli, 2009). For purposes of this study, we equate the cognitive perspective to concrete, objective knowledge or information (Eshghi, 1992; Klayman & Schoemaker, 1993) emanating from mental processes such as thinking, remembering and forming concepts (Hayes, 1994).

3.2.1.1 The Cognitive Dimension and Perceived Export Barriers

Exporters assemble and utilize relevant and meaningful information about their business and its environment (Wood, Karriker and Williams, 2010). Their evaluation of the environment is therefore presumed to be both logical and rational (Moorman, 1993) since it is ‘*grounded in realities*’ of the actual business environments (Wood et al., 2010). The interaction between a manager and a rapidly changing business environment can thus be captured in the form of a cognitive explanation (Bogner & Barr, 2000). More formally, a cognitive dimension (Goldstein, 2008) is manifest, where perceived barriers reflect relevant information,

knowledge, and beliefs about the business conditions. Doern's (2009) proposition, that barriers may be objective or verifiable suggests a cognitive perspective to the perception of export barriers. Since an export manager's job demands planning, scanning and most of all scanning (Knowles et al., 2006), we argue that managers are aware of, and utilize verifiable and objective information about their business environments. If this is the case, then the perception of export barriers would be cognitive, in that it would mirror the actual information and knowledge about the market conditions. Although the application of cognition has traditionally been confined to the study of *Social Psychology* and *Consumer Behaviour* (Peter & Olson, 2010), recent studies in organizational strategy illustrate the increasing legitimacy of the theory in the management sphere (Kaplan, 2011). Indeed, cognitive propositions provide a relevant theoretical lens for investigating the relationship between the entrepreneurial marketer and the firm's environment (Zahra, Korri and Yu, 2005).

The preceding discussion has engaging implications. Firstly, it propels the research agenda in export development, towards a novel and previously unexplored paradigm. Secondly, it may provide a podium for building a causal model for export barriers. Thus the cognitive perspective is set not only to assume increasing importance in management literature (Kaplan, 2011) but also to induce variety and enhance our understanding (Zahra et al., 2005) of internationalization challenges. We attempt to be among the first studies to predict change in barrier magnitude through time, thus moving away from association and correlation. We improve on prior longitudinal studies (Da Rocha, et al., 2008; Tesar & Moini, 1998) that do not predict change in barrier magnitude, but stability of underlying dimensions and group membership, respectively. Indeed, we also empirically test the positivistic assumption

implicit in the literature that export barriers are connected to or a function of environmental factors (Doern, 2009).

3.2.1.2 Premise and Steps for Developing Cognitive Hypotheses

Although some research has suggested that the export behaviour of a firm may be contingent on changes in the external environment (Reid, 1983; Bell, McNaughton, Young and Crick, 2003) no studies have revisited this proposition in the context of perceived export barriers (Doern, 2009). Further, Tesfom and Lutz (2006) suggest that a conceptually sound way of exploring the differential impacts of perceived export barriers is to focus on changes in operating environments. We focus on particular elements that may have an immediate and direct effect on New Zealand exporters. For a list of environmental factors that may impact perceived export barriers, see Barrett and Wilkinson (1985:68). For our study, we adopted several of these factors and modelled them as potential explanatory variables. Thus, each plausible environmental factor was framed as a (conceptual or metric) cognitive driver and used as a basis for predicting the change in perceived influence of export constraints across the two periods.

Construction of each cognitive hypothesis involved the following steps:

- 1. Collection of macro-level data on cognitive drivers we presumed to impact export barriers.*
- 2. The data were collected for 15 months leading to fieldwork for t_0 (March, 1995) and t_1 (March, 2010).*
- 3. The cognitive drivers chosen were either specifically or indirectly related to the export barriers.*
- 4. Where specific data were unavailable, proxies and qualitative sources were used.*

5. Using comparisons and logical extension, the drivers were linked to specific export barriers.

Using this approach, we drew logical links between 14 specific barriers and changes in the external environment as insinuated by the cognitive drivers. This approach is consistent with Baum and Lant (2003) who examined the existence of a cognitive basis by comparing self-reported categorizations of competitors with actual industry-wide factors. Where such categorizations mirrored actual industry structure, the authors inferred that competitor categorizations were cognitive. In a similar vein, where changes in perceived export barriers are consistent with actual market dynamics, we suggest the existence of a cognitive dimension.

3.2.1.3 The Cognitive Hypotheses

Proper handling of export documentation is paramount for various stakeholders. For the exporting firm, proficiency eliminates costs, delays or potential fines. For regulatory authorities, accurate documentation forms the basis for compliance while providing the starting point from which data collection agencies build international trade statistics (Czinkota, Ronkainen and Moffett, 2005). Communicating such information may require as many as 40 documents involving more than 20 parties (Terpstra & Sarathy, 2000). However, recent trends towards harmonization of documentation, in particular tariff classifications, point towards user friendly documentation. There are also more training opportunities on handling export documentation. For example, the Auckland Chamber of Commerce offered training to its membership ahead of the proposed changes to international terms of trade or incoterms in 2011. The New Zealand Customs Department also makes available on its website, procedures, documents, amendments and corresponding customs requirements for New Zealand's trading partners. Perhaps the most advantageous aspect has been the

integration of I&CT into export paperwork. Exporters can now lodge entries electronically by utilizing third party software. These opportunities were not available to the everyday exporter in 1995. Adopting increased standardization and harmonization of documentation as a conceptual cognitive driver, we propose that;

H₁. Handling export documentation is less important now than at t_0 .

Knowledge of overseas business practices is an integral part of the export marketing initiative. Successful international operations largely depend on the quality of information and knowledge a firm possesses (Barker & Kaynak, 1992; Leonidou, 1997). Compared to t_0 , several programmes and initiatives have been instituted to improve the knowledge and aptitude of exporters. Presently in New Zealand, there are multiple governmental (NZTE), quasi-governmental, (New Zealand Export Credit Office [NZECO]; New Zealand Trade Center [NZTC]), and private sector initiatives (New Zealand Export School [NZES]) all sharing the broad objective of imparting '*how to*' or hands on skills to the emerging exporter. NZTE in particular runs a series of highly informative sessions on '*doing business*' in particular parts of the world. Useful advice, ranging from basic business etiquette to detecting scams, is readily available for exporters. Employing the expanded trade promotion role of NZTE as a conceptual cognitive driver, we posit that;

H₂. Knowing foreign business practices is less influential now than at t_0 .

Small and medium size exporters are disadvantaged by the liability of smallness (Hannan & Freeman, 1984) which prevents them from accessing working capital financing at competitive rates (Hussain, Millman & Matlay, 2006). Banks are often reluctant to lend to SMEs because of high transaction costs and information asymmetry (International Trade Center [ITC] , 2009). Banks are also discouraged by the lack of experience and collateral

(ITC, 2009). RBNZ's SME lending data show that rates for small businesses averaged 12% leading up to t_1 compared to 8% for t_0 . Further, there now are severe restrictions regarding what is realistically available for exporters (ITC, 2009) with banks refusing to provide funding for firms whose only recognizable asset is intellectual property (Ministry of Economic Development [MED], 2005). Frequently, exporters are incapable of securing funding at competitive rates and the financing challenge is now the most inhibitive barrier for SMEs, worldwide (OECD, 2006). With respect to New Zealand, the recent financial crisis suggests high cost of capital will persist in the near future (Sun, 2010). Thus exporting is more costly than New Zealand businesses anticipate (NZTE, 2007). Using the continuous financing hurdles, in combination with the tightening of credit facilities following the recent credit crunch, as a conceptual cognitive driver, we hypothesise that;

H₃. The influence of export financing is higher at t_1 than t_0 .

'In international trade, there are generally more risks for the seller of the goods than for the buyer. It is therefore important that you are able to protect your business from the associated risks of non-payment or severely delayed payment, whilst offering attractive terms to your customers' (HSBC, n.d) The balancing act suggested above, requires that the exporter matches the method of payment with the level of commercial, foreign, or transfer risk associated with the particular customer. In recent years such matching has been made easier by a wider variety in payment methods as well as financial deregulation and integration between and among many countries (Brawley, 2009). With sufficient knowledge and adequate preparation, the need for chasing after a customer for payment dissipates. An astute exporter can be paid speedily through a credit guarantee scheme or an unrelated financial intermediary such as a debt factor (ITC, 2009). Utilizing increased variety in payment methods and terms as a conceptual cognitive driver, we propose that;

H₄. Collecting and transferring payments is less influential at t_1 than at t_0 .

An appreciating currency presents additional concerns for exporters. A seemingly minuscule movement in exchange rates may have a pronounced ripple effect for exporters and their suppliers. An informative way of examining relative exchange rate movements involves focusing on the basket of highly traded currencies as measured by the Trade Weighted Index (TWI). Reserve Bank of New Zealand's (TWI) exchange rate data illustrate a relatively flat trend in the overall movement of the NZD against the US Dollar, Australian Dollar, British Pound and Japanese Yen, for the 15 months leading up to data collection for t_0 and t_1 respectively. Adopting trends in the movement of TWI as a metric cognitive driver, we propose that;

H₅. There is no basis to suggest a difference in the perception of the strong NZD.

Continuous fluctuations in exchange rates introduce an element of additional risk and uncertainty for exporters. Using RBNZ exchange rate data, we computed descriptive statistics to compare the perception of risk across the two periods. We adopted the standard deviation measure as a proxy for exchange rate risk. Our analysis shows higher volatility at t_1 for three of the major currencies (US Dollar, UK Pound and Japanese Yen). However, the Australian Dollar showed a marginal decrease in volatility between t_0 and t_1 . Increased volatility complicates the task of mitigating exchange rate risk. Employing fluctuations in TWI as a metric cognitive driver, we hypothesize that;

H₆. The importance of minimizing exchange rate risk is higher at t_1 than t_0 .

Freight and logistics constitute a vital component of international trade. While landlocked exporters have flexibility in selecting mode of transportation, New Zealand exporters are

geographically separated from any mainland making the use of road and rail impractical. The cost of transportation is therefore critical to the price competitiveness of these exporters. We estimated the cost of transportation using the difference between the F.O.B and C.I.F values of incoming (import shipments) from 1995 to 2010. A more valid approach could have been estimating transportation costs using the difference between F.O.B and C.I.F (export) shipments. Unfortunately such data (CIF value of exports) are unavailable. However, our approach is acceptable and often utilized in transportation literature, (Limao & Venables, 2001; Radelet & Sachs 1998). The trend in freight and insurance is that of a gradual decline from about 7.8% to 6.6% of the F.O.B value of each shipment. This analysis does not provide a basis to propose that the influence of the cost of transportation would be different across the two periods. Using the difference between CIF and FOB prices as a metric cognitive driver of transportation costs, we propose that;

H₇: There is no basis to suggest the influence of transportation costs would be different.

A fundamental element of any cross-border trade transaction is the tariff levied on the merchandise. Higher tariffs impact the landed cost directly because they inflate the (FOB) price with a higher proportion. Average tariffs have been in decline in New Zealand's major export markets. The economic ties with Australia and also with ASEAN countries have led to a removal of tariffs on 99% of the exports since 2005 (MFAT, 2010). This has occurred in response to free trade provisions espoused in the ASEAN-Australian New Zealand Free Trade Agreement (AANFTA) and specific Closer Economic Partnership(s) (CEP) between and among member states (NZTE, 2010). The Transpacific Agreement among NZ, Chile and Brunei also led to elimination of tariff barriers by 2006. Attesting to the significance of this is the fact that six ASEAN nations are now among New Zealand's top 20 export destinations

(MFAT, 2007). Utilizing New Zealand's increased commitment to reducing tariffs as conceptual cognitive driver, we posit that;

H₈. Foreign tariff barriers are less important now than at t_0 .

Over the past decade some studies have documented skill shortages with a view to identifying causes and recommending appropriate policy or strategy changes (*Grant & Thornton*, 2007; *LaRocque*, 2007). Time-series data have also been collected by the Department of Labor (e.g. Job Vacancy Index) as well private firms such as the New Zealand Institute of Economic Research (NZIER). Indeed, in recent years the areas of key shortages have tended to be those of critical consequence to SME exporters. Chronic skill shortages have been noted in engineering, I&CT, sales, marketing, and customer service (Immigration, New Zealand, 2011). These shortages are set to worsen as the labor market begins to make a recovery (Manpower, 2010). Absent these skills a manufacturing exporter's chances of success are severely limited. Adopting skill shortages as a conceptual cognitive driver, we hypothesize that;

H₉: The availability of skilled and flexible labor is a more influential now than at t_0 .

Export marketing brings several impediments that may not exist in a domestic market (Morgan, 1997). Of particular concern to an exporter are issues relating to economic stability, political or ethnic tensions, and fiscal and monetary policies. These elements broadly cover the perceived risk of doing business abroad. The risk of doing business abroad can be amply captured by country risk indices. The leading indices available include, *Euromoney*, *Co-Face*, *Moody's* and *Economist Intelligence Unit (EIU)*. The *Euromoney* index described 1995/96 (t_0) as the golden era in terms of low country risk. However, trend analysis reveals that country risk rose substantially between 1993 and 2004. Leading up to t_1 , *Euro money's*

analysts described ‘the perfect storm’ as all measures of risk shot upwards resulting in no ‘*safe havens*’ for those doing cross border business. Employing country risk as a metric cognitive driver, we propose that;

H₁₀. The influence of the perceived risk of selling abroad is higher at t_1 than at t_0 .

In order to identify market opportunities, managers and decision-makers often require international travel. Such travel is essential because it gives the manager an opportunity to interact with customers, distributors and other stakeholders along the firm’s value-chain. International travel is important to export managers for two reasons. Firstly, it is through international travel that an export manager can develop a global mindset (Harveston et al., 2000) or world orientation (Cooper & Kleinschmidt, 1985)-an awareness of markets and opportunities. Secondly visiting current and prospective customers may be a critical success factor in the light of the advantages of networking and social exchange (Johanson & Mattson, 1988). According to the Full Scope-Air Travel Price Index (ATPI) (Bureau of Transportation Services [BTS], 2010) the cost of international air travel rose by 24% between 1995 and 2010). Using the ATPI as a metric cognitive driver, we hypothesize that;

H₁₁. The influence of the cost of overseas travel is higher at t_1 compared to t_0 .

For manufacturing exporters, labor is a major direct cost. The labor cost index (LCI) (New Zealand *time-series*) for manufacturing firms indicates an upward spiral since 1992. A comparison of the index points for t_1 and t_0 , illustrates that the average cost of labor in the manufacturing sector has gone up by 46%. This increase is substantial, not only because labor is a key constituent of the production cost, but also because smaller exporters often have to absorb the cost (and suffer lower margins) or pass it on, (and risk losing market share).

Utilizing the LCI as a metric cognitive driver, we propose that;

H₁₂. The cost of labor is more influential now than at t_0 .

Inflation and interest rates are important because they impact the firm's costs. High inflation, as measured by the Producer Price Index (PPI), affects the cost of inputs and ultimately production. Similarly, higher interest rates have an effect on the cost of borrowing thereby affecting availability and quality of working capital. Financial data (NZ time-series) illustrate that interest rates as measured by broad money (M3) have largely been stable since 1995 and a difference of only .50 (or +1.6%) exists between the rates at t_0 and t_1 . However, the PPI increased by 40% over the same period. We base our proposition largely on the notion of magnitude. Thus adopting increases in PPI as a metric cognitive driver, we propose that;

H₁₃. Inflation and interest rates are more influential now than at t_0 .

In its Trade Policy Review (2003), New Zealand states its commitment to developing a competitive and vibrant export base. The performance of the tradable sector is considered the key to sustainable economic growth (English, 2009). However, some policies in the domestic economy appear to be at odds with the need to increase the value and volume of exports. For instance the mandate of the RBNZ is to manage or adjust the OCR for CPI inflation. Over the past decade most contractionary adjustments to the OCR have had an adverse effect on New Zealand exporters. An increase in the OCR often leads to higher interest rates that trigger several problems for exporters. Firstly, exporters may face higher cost as well as softening demand in the local economy. Consequent high interest rates routinely attract foreign money leading to higher demand for/or appreciation of the New Zealand dollar. An appreciating New Zealand dollar reduces export values and volumes. Domestically, exporters are also exposed to increased competitive pressures from cheaper imports. The long term

ramifications of this may be a reduction in New Zealand's comparative advantage in certain sectors (NZIER, 2009). Employing effects of changes to the OCR as a conceptual cognitive driver, we posit that;

H₁₄. Inconsistent government policy is more influential now than t_0 .

3.2.2 The Affective Dimension

Affect is the evaluative component of an attitude and comprises feelings and emotions (Onkvisit & Shaw, 1994). More specifically, affect comprises moods, feelings, emotions and evaluations (Peter & Olson, 1999) that 'determine perception of stimuli' (Tyszka & Przybyszewski, 2006). Thus affect relates more to '*patriotic feelings*' as opposed to verifiable objective elements (Eshghi, 1992). Affectively-oriented elements evoke a mood or feeling which individuals use as perceptive criteria (Moorman, 1993). As such affect can be described as being either positive or negative (Flint, et al., 2005; Moorman, 1993). Indeed, the importance of affect as a theoretical framework for exploring feelings towards an attitude object is increasing (AMA, n.db). Thus export development research can be improved by focusing on these general attitudinal (Shaw & Darroch, 2004) and emotive elements (Barker & Kaynak, 1992) that may impact perceived export barriers.

In management literature, a variable that captures the essence of an affective dimension is business confidence. Business confidence is a sentiment measure through which firms can communicate information about current and future business prospects (Santero & Westerlund, 1996). In a typical business confidence survey, respondents answer questions about their firms and business conditions using word choices consistent with the notion of positive and negative affect (Flint et al., 2005). From such responses one can ascertain whether conditions are set to remain unchanged, worsen or improve in the future.

There are three main reasons for the increased use of business confidence as a predictor variable. Firstly, business confidence data can be collected speedily and tend to be more reliable than hard data since they are free of the vagaries of trends, seasonality, work stoppages or inclement weather (Santero & Westerlund, 1996). Secondly, business confidence is a lead indicator which gives a synopsis or insights into macro-economic trends before the hard historical data are made available (Holmes & Silverstone, 2010). Thirdly, according to the '*Platonic paradigm*', affective indicators such as business confidence are not necessarily irrational or baseless (Beekman, 2006). Thus, business confidence can be used to predict economic growth and sudden shifts in business economic cycles (Holmes & Silverstone, 2010; Hohnisch, Pittnauer, Solomon, & Stauffer, 2005; Santero & Westerlund, 1996; Silverstone & Mitchell, 2005).

In New Zealand, business confidence is the most well publicized economic indicator (Holmes & Silverstone, 2010) and *attracts media, forecaster, industry and policy-maker attention* (Holmes & Silverstone, 2007:3). Despite this level of exposure, not much is known about the predictive power of business confidence (Holmes & Silverstone, 2007). Studies identified in this thesis correlate business confidence only with macro-economic activity. Therefore, the explanatory power of business confidence in the realm of marketing is largely unexplored. In this study we utilize changes in business confidence as a predictor of the influence of perceived export barriers.

3.2.2.1 Business Confidence Measures

The Quarterly Survey of Business Opinion (QSBO) has been conducted and published by the NZIER since 1961. The survey is based on responses from key informants from 3500 firms, representing a wide cross section of industries. The QSBO attempts to gauge the direction and source of economic growth by soliciting responses on business conditions in the

immediate (3 months) and intermediate term (6 months). Apart from general business conditions the survey also captures data on productivity, costs and profits, investments, staffing levels and constraints on production and labor.

The National Bank Business Outlook (NBBO) is published by the National Bank of New Zealand on a monthly basis. The NBBO has been published since 1984 and its sample of participating firms has grown from 700 to 1500. This survey is a forward looking barometer intended to give insights on the direction the economy will take in the next 12 months. Other than the overall business confidence, NBBO also reports on construction, capacity utilization, employment, and economic variables such as inflation and interest rates.

3.2.2.2 *The Affective Hypothesis*

Both the QSBO and the NBBO follow a similar trend and differences noted appear to result from how far out each survey's forward projection goes (Cleland, 2001). Thus both surveys correlate with New Zealand's business cycles and economic activity. However measures of confidence are 'catch-all' scales and may reflect dimensions not relevant for particular studies. To improve the predictive accuracy using sentiment measures it is fundamental to focus on the factor or variable of direct interest to the particular study (Silverstone & Mitchell, 2005). This is because business confidence does not convey a similar meaning to a wide cross-section of respondents. As a subset of the overall survey, both QSBO and NBBO report sector specific figures which also include '*exporter expectations*'. We based our predictions on exporter expectations since this was the variable of direct interest. Consistent with our approach in the first section of this Chapter, we generated predictions on the basis of conditions obtaining during the fieldwork in 1995 and 2010, respectively. However, since business confidence is a volatile measure we limit our comparison to actual times of fieldwork (March, 1995) for t_0 and (March, 2010) for t_1 .

Both the QSBO and NBBO project a similar outlook regarding expectations for export growth. According to the QSBO only 16% of New Zealand manufacturing exporters expected export growth in 2010 compared to 24% in 1995. The NBBO survey indicates 25% of exporters expected growth in 2010 down from 35% in 1995. Although the overall level of positive sentiment depicted by the NBBO was higher, both surveys illustrated a greater sense of pessimism in 2010 than in 1995. Da Rocha et al. (2008) observed that barriers appear to be more influential (less influential) when there is a general sense of pessimism (optimism) in the operating environment. On the basis of this premise, we predict that perceived export barriers will have a greater influence at t_1 than at t_0 . We propose this exploratory hypothesis with respect to all 42 constraints in this study. Thus, employing changes in business sentiment as a conceptual affective driver, we proposed that;

H₁₅. Affectively, all constraints should be more influential at t_1 than at t_0 .

In this Chapter we have utilized psychological theory to generate hypotheses on changes in the influence of perceived export barriers. In the next Chapter we outline our sampling process using Kumar's (2009) approach before describing the nature of the analysis required to explore the hypothesized relationships. The next Chapter is structured around the research objectives and also explores various elements from extant literature.

Chapter 4

Research Methods

4.1 Research Design

As discussed in *Chapter 2*, export barrier literature has exclusively adopted single cross sectional research design. Within the confines of exporting literature this approach has been criticized for potentially hindering progress towards theory development (Gripsrud, 1990; Leonidou, 2000; Shoham & Albaum, 1995). More importantly, Doty and Glick (1998) have suggested that cross-sectional research design is susceptible to common method variance (CMV) and also incompatible with causal inference (CI). Motivated by the need to build a sturdier theoretical framework while pre-empting CMV and inducing CI, we adopted a longitudinal research design.

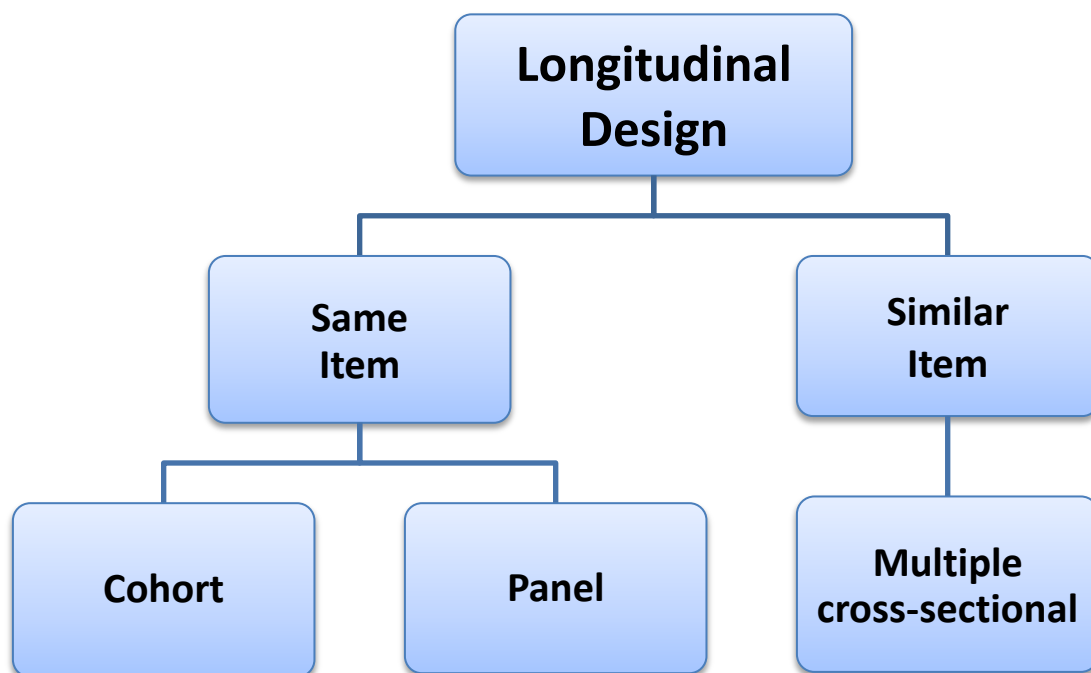


Figure 4-1: An Overview of Longitudinal Research

Longitudinal survey research broadly refers to any approach in which data collection is conducted in two or more separate waves (Lynn, 2009; Rindfleisch, Malter, Ganesan, &

Moorman, 2008). Thus, panel, cohort and multiple cross sectional studies all adopt a longitudinal design (Malhotra, Hall, Shaw & Oppenheim, 2002). Panel and cohort approaches tend to be superior because they track the change in the same individual units through time (Bradley, 2007). Thus panel and cohort approaches are informative where a researcher is interested in examining change in an individual sample element through time. In instances where the aim of the study is to understand change in some phenomena at the aggregate level (i.e. across samples), multiple cross sectional design is acceptable (Malhotra et al., 2002). In this approach, two or more random samples (combining both new and surviving elements) are selected from the same working population. Since our aim is to examine change in export barrier perception across both samples and not for individual firms, a multiple cross sectional design should be considered adequate. Further, firm demographic data (*refer back to Table 1.1*) for New Zealand suggest high mortality and turnover for SMEs in general (Statistics New Zealand, 2010) and exporters in particular (Adalet, 2009). Thus SME exporters are susceptible to life-cycle factors which discourage the use of panel or cohort-type approaches (Da Rocha et al, 2008). Consequently, a multiple cross sectional design becomes the most feasible option for studies with relatively small initial samples given that annually as much as 20% of the sample can be lost to attrition and life-cycle factors (Bradley, 2007; Malhotra et al., 2002). Thus, we use the multiple cross sectional approach within an exploratory setting, to conduct an '*analysis of gross change*' (Lynn, 2009) in export barrier perception. Our approach is also consistent with Da Rocha et al. (2008) and Tesar and Moini (1998) whose analysis includes original, new and surviving sample items. In the remainder of the Chapter, we explain the fundamental elements of the quantitative hypothetico-deductive methodology (Dana & Dana, 2005) adopted in this thesis.

4.2 The Sampling Process

This study sought to investigate the current and ongoing problems for New Zealand's manufacturing exporters and compare these results with data collected in an earlier administration of the questionnaire. In selecting our sample, it was imperative to target a working population that reflected export-oriented manufacturing ventures. Although we could have considered the Universal Business Directory or Kompas Directory there was a clear need for consistency with the initial study to allow for valid comparisons. The initial study had utilized Canterbury Manufacturers Association (CMA) which subsequently merged with the Engineering Federation to form the New Zealand Manufacturers and Exporters Association (NZMEA). NZMEA provided the sampling frame or working population for this study. NZMEA comprises various industry groups and is the preeminent organization representing the interests of the exporters of manufactured goods. Since NZMEA represents a large and diverse base of manufacturing exporters, this working population can be considered to have a low sampling frame error (Zikmund & Babin, 2010).

Studies on export barriers have utilized two types of sampling frames. The studies examining the impact of export barriers for exporters and non-exporters, employ more general sampling frames such as the Kompas Directory (Bell, 1997; Morgan & Katsikeas, 1997a), or industry-wide databases (Arteaga-Ortiz & Fernandez-Ortiz, 2010; Dichtl et al., 1990; Korneliussen & Blasius, 2008; Morgan & Katsikeas, 1998; Peel & Eckart, 1996; Pinho & Martins, 2010, Ramaseshan & Soutar, 1996; Sharkey et al., 1989; Shaw & Darroch, 2004; Suarez-Ortega, 2003). On the other hand, research investigating barriers for continuing exporters, tends to utilize more specific sampling frames comprised exclusively or primarily of exporters (Bennett, 1997; Campbell, 1996; Crick & Chaudry, 1997; Gripsrud, 1990; Katsikeas & Morgan, 1994; Jensen & Davis, 1998; Leonidou, 2000; Rabino, 1980; Shoham & Albaum, 1995). In some instances, multiple databases/sources have been used to construct a sample

frame (Katsikeas & Morgan, 1994). This is sometimes necessary for cross national studies (Bell, 1997; Neupert et al., 2006; Patterson, 2004) or when conducting exploratory research involving an unknown or harder to reach working population (Bennett, 1997; Crick, 2002).

Studies on export barriers typically utilize probability sampling methods in which every element in a chosen sample frame has equal chance of being selected in the final sample. Of the probability sampling methods, simple random sampling has been used frequently (Dean et al., 1998; Jensen & Davis, 1998; Korneliussen & Blasius, 2008; Leonidou, 2000; Morgan & Katsikeas, 1998; Pinho & Martins, 2010; Ramaseshan & Soutar, 1996; Shaw & Darroch, 2004, with systematic (Hornby et al., 2004) and stratified random sampling (Barrett & Wilkinson, 1985; Suarez-Ortega, 2003) employed to a lesser extent. Non-probability sampling methods have seldom been used; for example (Barker & Kaynak, 1992; Campbell, 1996; Patterson; 2004; Tesar & Moini, 1998) used convenience sampling. Our study thus uses a probability sampling procedure in that all exporting members of MEA have an equal chance of being represented in the final sample (Zikmund & Babin, 2010). For a summary of research methods used in export barriers research, *see Appendix E*.

Another important consideration in the sampling process relates to the determination of sample size. A sample size can be computed from the mean, proportion or required confidence interval (Malhotra et al., 2002). A sample size can be determined using a pilot study, secondary sources or heuristic estimates (Schmidt & Hollensen, 2006). Due to cost and time constraints, we were unable to conduct a pilot study for purposes of establishing sample size. We therefore used secondary sources to ascertain the required sample size. The formula for calculating a sample size is

$$n = \frac{(z_{\alpha/2})^2 p(1 - p)}{E^2}$$

Where

n = sample size.

$(z_{\alpha/2})$ = corresponding value of z at selected confidence interval.

p = proportion of sample in target population.

E^2 = error term or level of precision required.

Statistics New Zealand's *Business Operations Survey Data* (2010) shows that there are 36348 exporting firms, 2170 of which are continuing manufacturing exporters, thus a proportion of 6%. Assuming a 95% confidence interval and a precision level of 5%, both acceptable in the social sciences, we compute our sample size as follows;

$$n = \frac{(1.96)^2 0.06(1 - 0.06)}{0.05^2}$$

n = 87 firms.

4.3 Instrument Design

We initially considered several survey methods including personal, intercept, telephone, postal and online surveys (Brace, 2008) before choosing an electronic survey. Although the adoption of online surveys in international business research has been slow (Han & Celly, 2008), electronic surveys offer several advantages. Compared to mail surveys, electronic instruments offer low cost and speedy data collection, as well as the ability to reach geographically dispersed respondents and easier data re-collection (Frazer & Lawley, 2000; Bradley, 2007). Electronic surveys also eliminate the need for subsequent data entry, encoding or transcription. This results in significant time savings and reduction in transcription errors. Electronic surveys also offer a fair level of anonymity (Frazer & Lawley, 2000) which is crucial when collecting commercially sensitive data on firm performance (Aaker, Kumar, Day & Leone, 2010). Overall response rates, ranging from 10 % (Bradley, 2007) to 14 % (Zikmund & Babin 2010), are not much lower than mail surveys. Also,

response quality is comparable to, or better than phone and mail surveys (Brace, 2008; Zikmund & Babin, 2010).

The content of the survey instrument was based on the initial study but the layout was updated to reflect the method of delivery. We made some modifications to the paper copy to make it more readily useful for web-based responses. We limited branching instructions to one question (Q7) and also modified verbal, graphical and symbolic language to prevent branching errors (Christian & Dillman, 2004). The branching instruction was essential because it modified the instrument into a screened sample questionnaire separating none and ex-exporters from continuing exporters (Schmidt & Hollensen, 2006). We locked in ‘compulsory’ formatting which permitted submission only after completion of mandatory questions while highlighting the non-completed questions. This eliminated incomplete questionnaires, a common problem in mail surveys (Presser et al., 2004). Where mail surveys are used, item non-response and incomplete surveys can lead to loss of a substantial portion of the original sample (see Jensen & Davis, 1998; Morgan & Katsikeas, 1998). For every guided response question we added an ‘other’ category. This allowed us to prevent force field responses thereby preventing inaccuracies emerging from loss of original responses (Presser et al., 2004).

Electronic surveys should pass functionality and integrity checks before they are fielded (Presser et al., 2004). Testing for functionality is essential to verify whether the technological and/or technical aspects of the survey are working as intended. Integrity checks focus on accuracy and completeness to ensure the soft copy matches original hard copy specifications. The following methods were used to validate functionality and integrity.

1. *Q-by-Q Testing*. A question by question check for integrity was performed.

2. *Testing by Task Done.* Any change resulted in the entire instrument to be checked and re-checked.

3. *Data Testing.* The instrument was checked for functionality to verify whether numeric data were loading properly into database.

4. *Pretesting with Survey Respondents.* The instrument was tested using preselected exporters to expose and modify termination questions.

5. *Simulation.* MEA software mimicked a human participant by generating random responses on the basis of actual questions.

Through this rigorous and repetitive testing procedure, we were able to establish that on average, the instrument took eight minutes to complete. This completion time is short enough to discourage premature termination which is often induced by longer online surveys (Miller, 2006). In terms of overall design, the questionnaire flowed from general to specific information (Brace, 2008).

The final instrument comprised three sections covering classification data, exporting information and export barriers (*see Appendix C for Survey Instrument*). The exporting information section included subheadings addressing order attraction and export revenues.

4.3.1 Classification Data

This section of the questionnaire focused on firm demographics presumed to have an impact on the firms exporting activities. Our questions focused on location, industrial classification, age and size of the firm because these factors have an effect on the behaviour and performance of the firm (Tookey, 1964). The questions in this section were marked as compulsory.

4.3.2 Exporting Information

Developing a profile for each exporting firm is imperative because exporters are not a homogenous group (Cavusgil, 1984; Gripsrud, 1990; Leonidou, 1995b; Reid, 1981, Westhead, 2008). We attempted to obtain fundamental insights into the dynamics of exporting by collecting data on the specific factors such as export experience (years), number of annual transactions, number of products and number (and names) of major export markets.

In this section we combined disguised and undisguised questions. Respondents may be discouraged to participate if they presume the questions to be direct and sensitive. For example in one study some respondents were reluctant to answer a question regarding ‘ethnic ownership’ of the firm because they perceived such a question to be ‘racist’ (Crick & Chaudry, 1997). Disguised questions are therefore vital because they make it easier for respondents to divulge sensitive information without undue regard for ego, prestige or self-concept (Zikmund & Babin, 2010). We therefore, purposely disguised the questions relating to export revenues and export orientation.

4.3.3 Stages of Export Development and Export Barriers

Leading up to the section on export barriers, we asked respondents to summarise their export philosophy by selecting one of the six statements corresponding to the stages of internationalization framework (Bilkey, 1978). This allowed firms to self-classify using the innovation-adoption inspired stages paradigm (Czinkota & Johnston, 1981). This question was marked compulsory because it is fundamental in segmenting exporters according to firm type (Westhead, 2008) or sequential internationalization typologies (Vozikis & Mescon, 1985).

The study focused on the barriers developed in the initial study. These constraints could be summed up as comprising the following six categories;

- Internal Resource Problems
- Procedural and Distribution difficulties
- Foreign Market Factors
- Knowledge and Experience Problems
- Legal and Political Issues
- Management Considerations

4.3.4 Export Barrier Scale

For this section we utilized structured questions to purposely limit the type of allowable responses (Zikmund & Babin: 2010). Since all 42 questions on export constraints followed the same format, we used a grid layout with ‘radio button’ responses, for clarity and consistency (Miller, 2006; Zikmund & Babin, 2010). Respondents were asked to evaluate the influence of perceived export barriers on a five-point *likert* scale. Although some studies have utilized three (see Jensen & Davis, 1998) and seven-point scales (Arteaga-Ortiz & Fernandez-Ortiz, 2010) five-point scales are considered the norm and therefore used more extensively (Brace, 2008; Malhotra et al., 2002; Schmidt & Hollensen, 2006).

There are a variety of approaches to anchoring the scales. One approach uses five-point (bipolar or dichotomous) scales to ascertain extent of agreement with statements with answer choices ranging from ‘*strongly agree*’ to ‘*strongly disagree*’ (Leonidou, 2000; Ahmed et al., 2004). Another method involves asking respondents to indicate the magnitude of barriers on a scale ranging from ‘*minor/no obstacle*’ to ‘*major obstacle*’ (Hornby et al., 2002; Ramaseshan & Soutar, 1996; Shaw & Darroch, 2004; Suarez-Ortega, 2003) or *minor importance/ major importance*. The choice of either scale appears valid and Moini (1997) found that the ‘obstacle’ and ‘importance’ anchors coincide in that major obstacles are also important

barriers. In this study we adopted a five-point scale with response options ranging from ‘not important’ to ‘very important’ (Bauerschmidt et al., 1985; Campbell, 1996; Christensen, et al., 1987; Crick, et al., 1998; Czinkota & Ursic, 1991; Da Silva & Da Rocha, 2001; Karafakioglu, 1986; Kaynak et al., 1987; Kedia & Chhokar, 1986; Keng & Jiu, 1989 Korneliussen & Blasius, 2008; Mahone & Choudhury, 1995; Naidu & Rao, 1993; Sharkey et al., 1989; Shoham & Alba, 1995; Sullivan & Bauerschmidt, 1989 and 1990). This scale is based on the notion of influence, a central tenet in this study.

4.4 Data Collection

We approached NZMEA with a request to replicate and extend the initial study conducted under the auspices of CMA (*see Letter of Request in Appendix A*). After careful consultation, NZMEA agreed to build our survey instrument into their database for delivery to their members. Since NZMEA conduct monthly database surveys on their membership, we relied on their expertise to integrate the survey instrument with their colour and layout scheme. We also added a multi-method element to the survey by including a downloadable version for those respondents with a preference for hard copy or limited connectivity. The resultant electronic survey resembled NZMEA internal mailings. It was distributed (as a hyperlink embedded within an e-mail) together with a letter, signed by the CEO, explaining the benefits of the study and encouraging participation (*see Cover Letter in Appendix B*). The decision to allow NZMEA to send the invitations was crucial to the overall research design. Had we sent bulk e-mails to hundreds of exporters directly, it is likely spam-filtering software used by most Internet Service Providers (ISPs) would have flagged and blocked the invitations (Miller, 2006). However, this risk was eliminated with NZMEA contacting its members via intranet. Overall, we also made ample use of the support and endorsement from NZMEA, which is indispensable for ‘*facilitating reasonable response rates*’ (Crick et al., 1998).

The questionnaires were forwarded on 18 March 2010 with a reminder being sent on 25 March 2010. This is consistent with literature which emphasizes the importance of sending reminders almost immediately because there are no mailing lead times that are typically associated with postal surveys (Presser et al., 2004). For online surveys it is advisable to use one reminder because multiple reminders may easily be confused with spam (Miller, 2006).

4.5 Description of Analysis

4.5.1 Independent Sample t test

The central question for the analysis is whether the noted differences between the influence of export barriers at t_0 and t_1 are sufficient to infer that there are changes in the impact of perceived export barriers for the two samples. We test the hypothesis using independent sample t tests. Independent sample t test is a parametric analytical technique and as such, it is subject to some underlying assumptions relating to normal distributions. The assumptions or conditions are;

- Measurement is at the interval level or higher.
- The sample data are normally distributed.
- Score points are unrelated or independent of each other.
- Variances are equal and homogenous (Field, 2009:326)

By collecting raw primary data using a five-point *likert* scale, we satisfied the first condition. Using Q and P-Plots we also established that data approximated a normal distribution. The actual score points are independent as they come from different respondents divided into two groups. To ensure that the fourth condition was satisfied we also report (in *Chapter 5*) the results of *Levene's* test for equality of variances.

The standard formula for computing t assumes equal samples and is given as follows.

$$t = \frac{X_1 - X_2}{\sqrt{\left(\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}\right)}}$$

Where:

X_1 = mean of the first sample

X_2 = mean of the second sample

n_1 = the number of observations in the first sample

n_2 = the number of observations in the second sample

s_1^2 = variance of first sample

s_2^2 = variance of second sample

However, in social science research, equality of samples is difficult to attain (Lind, Marchal and Mason, 2004). A t statistic can be calculated for unequal sample sizes by using the pooled variance estimate as a weighting mechanism (Field, 2009). The resultant independent t -test formula for unequal samples can be noted as follows (Field, 2009).

$$t = \frac{X_1 - X_2}{\sqrt{s_p^2 \left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Where:

X_1 = mean of the first sample

X_2 = mean of the second sample

n_1 = the number of observations in the first sample

n_2 = the number of observations in the second sample

s_p^2 = pooled estimate of the population variance

It is important to note that statistical software, in particular SPSS incorporates this adjustment and the output accounts for similarity or differences in sample size (Field, 2009).

4.5.2 The Discriminant Analysis Technique

Discriminant analysis (DA) is a multivariate technique which allows the simultaneous comparison of multiple independent variables across a few categorical or dependent variables (Breiman, Friedman, Stone and Olshen, 1984; Morrison, 2005). (DA) has a descriptive and a predictive component (Klecka, 1980). As a descriptive technique, (DA) entails a process of selecting variables that allows one to completely separate two or more groups while as a predictive tool, it involves classifying members in the groups (Klecka, 1980; Breiman et al., 1984). It is a vital technique for studies in which a researcher is interested in expressing and understanding group differences. The choice of (DA) over other multivariate techniques such as multiple or logistic regression was motivated by the realisation that (DA) is an extension of canonical correlation analysis (Morrison, 2005) and addresses multiple-related questions thereby generating more insights (Sharma, 1996). In comparing two sets of categorical variables, (DA);

- Ascertains whether substantial differences exist between such variables
- Illustrates which independent variables account for most of the differences
- Determines a classificatory procedure for objects.
- Provides basis for evaluating accuracy or ‘fit’ of classification.
- Establishes number and composition of discriminatory dimensions.

Mathematically (DA) takes the form of a linear equation.

$$Y_1 = X_1 + X_2 + X_3 + \cdots X_n$$

Y_1 = non-metric or categorical dependent variable

$X_1 + X_2 + X_3 + \cdots X_n$ = metric independent variables

4.5.2.1 Application of Discriminant Analysis

In this study we focus on the perceptions of export barriers across two time periods, 1995 and 2010. (DA) is particularly useful where categorical variables fall into naturally occurring, mutually exclusive groups. We use the 42 constraints to express the differences in perception of export challenges over the two periods. The interval-level export barrier data constitute the independent variables that can be used to predict the categorical variables. Instead of predicting export barriers, we attempt to predict ‘group membership’ on the basis of the export constraints. The statistical output from the discriminant analysis centers on the discriminant function (DF). The function is a linear equation which takes the following form;

$$Z = W_1X_1+W_2X_2+...W_nX_n$$

Z = discriminant score

W_1 = discriminant weight for variable 1

X_1 = independent variable

Using the (DF) a researcher can meet three specific objectives, namely exposing variables that best separate categorical variables, developing an index to express the differences between the categorical variables and using this index to assign data points to each group or categorical variable (Sharma, 1996). We selected this technique because of its capacity to generate results that would directly respond to the study’s objectives. In the realm of export marketing, (DA) is a reliable segmentation tool (Shoham, Evangelista and Albaum, 2002) that can be used to distinguish exporters from non-exporters (Gripsrud, 1990; Lopez, 2007; Moini, 1995 and 1997; Tesar & Moini, 1998), proactive from reactive exporters (Campbell, 1996), and high from low export performance (Dean et al., 2000; Ogunmokun & Ng, 2004).

Before proceeding with the analysis, we checked the dataset to ensure it satisfied the extensive list of preconditions required for (DA) (see Klecka, 1980:8-11) and (Hair, Black,

Babin, Anderson and Tatham, 2006:285-291). This study utilizes both the descriptive and predictive components (Klecka, 1980) of (DA).

Where small samples are used (DA) can involve a direct testing procedure (Campbell, 1996; Moini, 1995), in which a function developed on the basis of all data, is used to classify all the data. However, there are legitimate concerns not only with validity but also with upward bias in the classification accuracy (Gripsrud, 1990; Sharma, 1996; Hair et al., 2006). A way to reduce this bias while improving validity, involves splitting the entire sample into two sub-samples, estimation and holdout sample (Sharma, 1996; Hair et al., 2006; Klecka, 1980). The (DF) is computed from the estimation sample before being applied to the holdout sample for classification purposes (Cavusgil & Naor, 1987; Eshghi, 1992).

We divided the data into estimation and holdout samples using a 75% (168 firms) vs. 25% (56 firms) split as recommended by (Hair et al., 2006). Membership in these subsamples was based on systematic sampling which involved picking every 4th data point and assigning it to the holdout sample. Validity of the (DF) can also be enhanced by employing ‘*a leave one out*’ cross validation technique (Hair et al., 2006). With sample sizes of 95 and 129 for t_0 and t_1 respectively, the analysis used estimation, hold-out and cross validation approach. We combined this with the stepwise estimation procedure which is the appropriate tool in an exploratory setting (Klecka, 1980; Hair et al., 2006). Where stepwise selection is employed, *Mahalabonis D^2* distance (or *Rao's V*), are superior measures because they do not result in data loss due to dimension reduction, a situation common where *Wilk's Lambda* is used (Hair et al., 2006).

4.6 Data Preparation

4.6.1 Reliability

Reliability refers to the overall consistency that is observed when measurement is repeated through time. An instrument or scale is considered reliable if it produces similar results during subsequent measurement. Reliability can be ascertained using inter-rater, inter-item or split-half reliability. Inter-item reliability is a coefficient which illustrates the correlation between items on the same dimension or scale. If perceived export barriers measure the same thing (in this instance export challenges) then individual barriers ought to correlate highly. The mean scores of these correlations are referred to as the average item-total correlation and denoted by Cronbach's alpha (Cronbach, 1951).

Table 4-1. 42-Item Reliability Test

Cronbach's Alpha	Alpha: Standardized	No. of Items
.933	.934	42

To be considered reliable, data require an alpha (α) (>0.75), though a coefficient exceeding 0.95 is extremely rare (Cronbach, 1951). The data for this study illustrate high inter-item correlations ($\alpha=0.93$) for all 42 constraints. Split-half reliability involves separating the data into two groups before computing inter-item scores across those groups. Through random assignment we split the scale items into two groups and calculated split-half reliability.

Table 4-2. Split-Half Reliability Test

Reliability Statistics			
Cronbach's Alpha	Part 1	Value	.872
		N of Items	21 ^a
	Part 2	Value	.885
		N of Items	21 ^b
		Total N of Items	42
		Correlation Between	.838

		Forms	
Spearman-Brown Coefficient		Equal Length	.912
		Unequal Length	.912
		Guttman Split-Half Coefficient	.911
a. The items are: bar01, bar02, bar03, bar04, bar05, bar06, bar07, bar08, bar09, bar10, bar11, bar12, bar13, bar14, bar15, bar16, bar17, bar18, bar19, bar20, bar21.			
b. The items are: bar22, bar23, bar24, bar25, bar26, bar27, bar28, bar29, bar30, bar31, bar32, bar33, bar34, bar35, bar36, bar37, bar38, bar39, bar40, bar41, bar42.			

Like the inter-item reliability, the split half reliability coefficient (.911) is high and considered adequate (Hair et al., 2006).

4.6.2 Validity

4.6.2.1 Content Validity

Content validity establishes the extent to which a scale assesses all the relevant theoretical and conceptual aspects relating to a particular phenomenon (Phillips, 2007). However, in the realm of international marketing there is no consensus as to how many (and which) barriers satisfactorily cover the dynamics of internationalization (Arteaga-Ortiz & Fernandez-Ortiz, 2010). Studies utilizing barrier lists have employed as many as 211 constraints (Schroath & Korth, 1989). A list comprising few impediments overlooks critical aspects while a scale with numerous barriers inadvertently duplicates some elements (Arteaga-Ortiz & Fernandez & Ortiz 2010). To be considered adequate, a list should comprise between 25 and 45 constraints (Arteaga-Ortiz & Fernandez-Ortiz, 2010; Leonidou, 1995a and 2004; OECD, 2006; Tesfom & Lutz, 2006). We adopted the list of 42 barriers developed in the t_0 study (see Myers, 1996). This all-inclusive list covers 28 of the 37, and 25 of the 26, constraints identified in Leonidou's (2004) and, Arteaga-Ortiz and Fernandez-Ortiz's (2010) detailed review of the literature, respectively. This study also compares well with the 'decision-maker' prototype

list used by APEC to investigate the impact of export barriers amongst 1000 firms in 78 countries (OECD, 2006). On the strength of the extensive literature review conducted at t_0 and the anecdotal evidence above, there is indication of reasonable content validity.

4.6.2.2 Convergent and Discriminant Validity

Convergent and discriminant validity extend the concept of construct validity using prediction (Phillips, 2007). For illustrative purposes, we limit the analysis to four randomly selected barriers. Using Arteaga-Ortiz's and Fernandez-Ortiz's (2010) approach two of the barriers are resource constraints while the other two are exogenous factors. On the notion of convergent validity we predict high correlations within each factor of two (that is between the two resource barriers and between the two exogenous factors). On the basis of discriminant validity we expect lower correlations between the two factors (that is resource constraints and exogenous constraints).

From the *table 4.3*, we can infer evidence for both convergent and discriminant validity. The correlations within each factor (.489 for exogenous and .436 for resource constraints) are high, thus convergent validity within each factor. However, coefficients across the two factors are lower (ranging between 0.216 and 0.381) thus discriminant validity since resource and exogenous factors measure different dimensions.

Table 4-3. Correlations for Convergent and Discriminant Validity

Correlations				
	Exogenous	Exogenous	Resource	Resource
Exogenous	1	.489**	.257**	.216**
Exogenous	.489**	1	.381**	.347**
Resource	.257**	.381**	1	.436**
Resource	.216**	.347**	.436**	1

4.6.2.3 Construct Validity

Construct validity establishes whether a set of scales adequately operationalize an underlying concept or construct (Phillips, 2007). Construct validity can be inferred from the results of an exploratory factor analysis. We compared the underlying dimensions for both the t_0 and t_1 samples using factor analysis. This is analogous to the approach used by Da Rocha et al., (2008). A brief overview of the results is given below. For detailed results, *see Appendix F*.

Table 4-4. Exploratory Factor Analysis Results

	<u>1995</u>	<u>2010</u>
Kaiser-Meyer-Olkin (MSA)	.857	.837
Bartlett's Test of Sphericity	.000	.000
Number of factors	12	11
Eigen value	<1	<1
Variance explained	72%	69%

Both t_0 and t_1 samples exceed the minimum requirement of sampling adequacy as measured by the Kaiser-Meyer-Olkin (KMO) test. The *chi-square* measure for Bartlett's Test of Sphericity (B'sTS) is also extremely significant at the 1% level. More importantly, the results suggest the existence of similar underlying dimensions whose explanatory power is comparable across the two periods. Although most studies typically identify fewer underlying factors, empirical studies that utilize comprehensive barrier lists tend to identify more components. For instance, using 30-item scales, Da Silva and Da Rocha (2001) and Sullivan and Bauerschmidt (1990) uncovered eight and 10 factors, respectively. Similarly, Shaw and Darroch (2004) also suggested eight underlying factors on the basis of a 46-item scale. Overall, the stability in underlying dimensions validates the barrier scale though it does not preclude the existence of substantial differences in barrier perception across the two

periods (Da Rocha, et al., 2008). It is the purpose of this study to identify, examine and explain these differences in export barrier perception between the two periods.

Chapter 5

Research Findings

5.1 Sample Profile

Sample sizes for export barrier research, range between 33 (Diamantopoulos et al., 1990) and 777 (Naidu & Rao, 1993). Further, response rates range from 7% (Weavar & Pak, 1990) to 92% (Campbell, 1996). Such wide ranges appear to ensue from the different approaches to research design. As a general observation, larger sample sizes ($n > 200$) are usually obtained in studies (for instance Moini, 1997 [242]; Morgan and Katsikeas, 1997 [449]; Patterson, 2004 [347]; Sharkey et al. 1989 [438]; Suarez-Ortega, 2003 [297]; Tseng and Yu, 1991 [378]) that explore the influence of export barriers for exporters and non-exporters. Similarly, higher response rates are attainable in situations where non-probabilistic sampling methods are used; for instance Campbell, 1996 [92%]; Crick, 2002 [79%]; Kaleka and Katsikeas, 1995 [80%]; Kaynak et al. 1987 [86%].

For studies drawing simple random probabilistic samples from working populations of continuing exporters, response rates and sample sizes tend to be on the lower end of the ranges described above. As mentioned in *Chapter 4*, we obtained sample sizes of 95 and 129 for t_0 and t_1 respectively. Consistent with survey methods' literature (see Bradley, 2007), the paper survey (t_0) achieved a higher response rate (37%) than the electronic (t_1) survey (24%). Firstly, the sample sizes are adequate as they meet the sample size criteria set at 87 for each survey. Secondly, the sample sizes and response rates are consistent with other studies examining continuing SME exporters.

Table 5-1. Sample Sizes and Response Rates

Study	Sample Size	Response Rate
Pavord and Bogart (1975)	105	28%
Albaum (1983)	129	31%
Bauerschmidt et al. (1985)	112	17%
Karafakioglu (1986)	108	54%
Keng and Jiuan (1989)	156	17%
Gripsrud (1990)	111	30%
Katsikeas and Morgan (1994)	87	24%
Leonidou (1995b)	112	20%
t₀ (1995) (see Myers 1996 / Dean et al., 2000)	95	37%
Peel and Eckart (1996)	195	22%
Crick et al. (1998)	99	24%
Leonidou (2000)	100	18%
Fillis (2002)	123	25%
Hornby et al. (2002)	83	28%
Julian and Ahmed (2005)	122	18%
Barnes et al. (2006)	112	20%
Vivekanandan and Rajendran (2006)	126	14%
Pinho and Martins (2010)	138	12%
t₁ (2010)	129	24%

Thirdly, our response rates are also comparable to recent New Zealand studies on export development (Dean et al., 1998; Export NZ, 2010; MFAT, 2010; Shaw & Darroch, 2004).

Export research frequently overlooks non-response bias (Leonidou et al., 1998). To determine non-response bias we synthesized the approaches suggested by Armstrong and Overton (1977), Filton (1975-76) and Hawkins (1975), into four components. Firstly, we compared first wave respondents against second wave or late respondents (Czinkota & Ursic, 1991; Patterson, 2004). Secondly we compared 20 randomly selected non-respondents to known profiles of continuing SME exporters (Moini, 1995; Morgan & Katsikeas, 1998). Thirdly, we checked representativeness of sample against the Australia New Zealand Standard Industrial Classification (ANZSIC)¹¹ industrial classification (Ramaseshan & Soutar, 1996; Ahmed et al., 2004). In all three instances, univariate statistics (*Anova* and *t* tests) did not reveal substantial differences. Fourthly, 10 randomly selected firms were asked in subsequent

¹¹ We used ANZSIC 2006. See Statistics New Zealand for details of this classification system. http://www.stats.govt.nz/surveys_and_methods/methods/classifications-and-standards/classification-related-stats-standards/industrial-classification.aspx

telephone interviews, why they had chosen not to participate (Crick, 2002). The reasons for non-participation were random, diverse and non-systematic.

Apart from non-respondents, bias can also result from key informants surveyed (Shoham & Albaum, 1995). For instance, Shaw and Darroch (2004) suggest that founders perceive higher financial barriers than other respondents probably because unlike employees, founders have stronger emotional ties or 'patriotic feelings' (Eshghi, 1992) for the firm. In export research, key respondents tend to be high-level staff (Bilkey, 1982) such as Chief Executive Officers or Managing Directors (Sullivan & Bauerschmidt, 1989 and 1990). One way to detect key informant bias involves purposely targeting an alternative informant within the same unit of analysis or firm (Leonidou, 1998; Katsikeas & Morgan, 1994). However, this was not feasible due to cost and time constraints. Our t_1 sample comprised Managing Directors (71%) and Export/Marketing Managers (29%). A comparison of the two groups (Morgan & Katsikeas, 1997a) did not expose any measurable differences.

The comparisons and tests described above suggest that both samples are fairly representative of New Zealand's continuing SME exporters and are largely free of any anticipated biases. As described in *Chapter 4*, we also conducted further tests to examine both the reliability and validity of the scales used. The tests also indicated an acceptable level of validity and reliability. Thus our sample and data provide a satisfactory basis for testing the relationships hypothesized in *Chapter 3*. We use the remainder of the Chapter to report our results. The research findings are reported under three major headings each reflecting the study's objectives. Firstly, we test the primary cognitive model comprising 14 separate hypotheses. Secondly, we test the alternative model's overarching affective hypothesis. Thirdly, we develop a quantitative indicator to encapsulate major changes in the influence of perceived export barriers across the two periods.

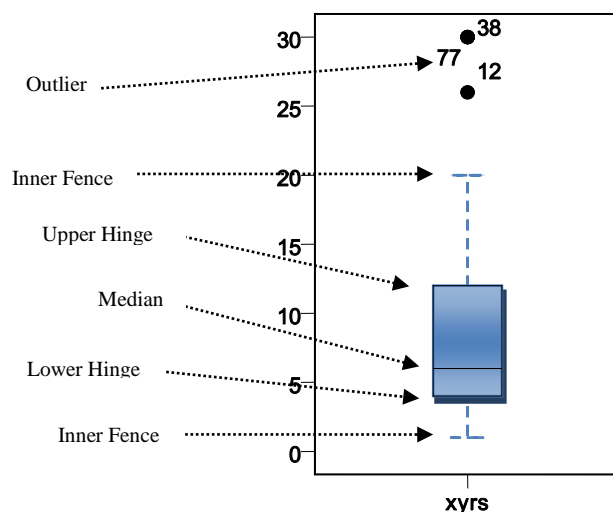
5.2 The Cognitive Model

5.2.1 Data and Presentation

Before using a parametric statistical method, it is imperative to verify the degree to which the data approximate a normal distribution. We utilized SPSS^{xix} *Q* and *P-plots*. *Q-plots* show the spread of *likert* scale data points against the quartiles while *P-plots* compare expected cumulative probability to actual data. Both the *Q* and *P-plots* for t_0 and t_1 satisfy the linearity condition. These tests satisfied the condition that the data followed a normal distribution.

Another critical proviso that requires fulfilment before analysis is sample size. An independent sample should be at least 30 in order for central limit theory to take effect (Field, 2009). With a sample sizes of $n = 95$ (t_0) and $n = 129$ (t_1), the data met this condition. The salient elements of the above discussion are presented in the form of *Box Plot* diagrams.

Instead of displaying numerous *Q* and *P-plots* we opted for a pictorial illustration that summarizes measures of central tendency and dispersion. A *Box Plot* is a powerful descriptive tool which permits a researcher to better understand the nature and shape of the data prior to performing any analysis.



A *Box Plot* consists of a pair of lower and upper fences, lower and upper hinges lying either side of the 50th percentile or median (Field, 2009; George & Mallery, 2009). The lower and upper fences approximate the hypothetical end or asymptotic points of a *Bell*-normal

distribution. The lower hinge represents the 25th percentile while the upper hinge stands for the 75th percentile (Field, 2009; George & Mallery, 2009). The difference between the lower and upper hinge corresponds with the inter-quartile range or length of the box. The distance between the lower or upper and inner fence is the ‘whisker’ and is conceptually similar to the stem in a stem and leaf diagram. Data points outside the upper and lower fences are outlier. Outliers are denoted by a dot where they lie between 1.5 and 3 inter-quartile ranges) or by an asterisk when they are more than 3 inter-quartile ranges from the lower or upper hinge (George & Mallery, 2009; Weinberg & Abramowitz, 2008). From a *Box Plot* one can view the nature of the data in terms of mean mode and median and also its shape in terms of dispersion and skewness (Field, 2009; George & Mallery, 2009).

By presenting useful data in a simple format using few variables (Field, 2009), a *Box Plot* is a critical parsimonious tool which can be an adequate substitute for a histogram, frequency polygon or bar graph (Weinberg & Abramowitz, 2008). In this study we confine presentation of the box plots only to those barriers for which hypothesis will be tested. *Box Plots* are used both for t_0 and t_1 samples. Of particular interest to this study are the overall shape of the distribution and also the presence of outliers (Weinberg & Abramowitz, 2008).

5.2.2 Analysis and Results

The central question for the analysis is whether the noted differences between the export barriers at t_0 and t_1 are sufficient to infer that there are changes in the impact of perceived export barriers for the two samples.

In the next section we present the results of the analysis. For every hypothesis, we present *Box Plots* corresponding to t_0 and t_1 respectively. This is followed by a brief comment on the shape and nature of the data before inferential statistics results are presented. We will

summarize the results focusing on prediction and outcome. It should be noted that unlike other statistical packages such as Minitab or Megastat®, SPSS does not provide the option to conduct one-tail-test(s). However, the p -value for a two-tail test can be adjusted to its one-tail equivalent by simply halving it (Field, 2009; George & Mallery, 2009; Weinberg & Abramowitz, 2008). For hypotheses started in the affirmative (that is suggesting an increase or decrease) we highlight one-tail significance, while for those stated in null/alternate style (H_5 and H_7), our focus shifts to two-tail significance. Of the fourteen variables tested in this section, two have unequal variances as measured by *Levene's* test. For these (H_8 and H_{12}), we read the p value from the 'non-equal variance' line.

H_1 : Handling export documentation is less influential now than at t_0 .



Basing our argument on harmonization or standardization of documents and procedures, we posited that *handling export documentation* would be less influential at t_1 compared to t_0 . An initial view of the boxplots for the two periods shows a marked difference. For t_0 , the distribution is largely symmetrical with the 50th percentile approximating score point 'three'. However for t_1 , the distribution is visibly skewed with a long lower whisker and an inter-quartile range fitting between score points 'three' and 'five'. Compared to t_0 , the t_1 distribution is skewed towards the higher end score points.

	n	Mean	Std Dev	Std Error	Assumption	F	Sig	t	df	SIG2	SIG1
t ₀	95	2.6526	1.2613	.1294	≠ variances			5.529	203.088	.000	1.000
t ₁	129	3.5969	1.2656	.1114	= variances	.021	.886	5.526	222	.000	1.000

For this barrier the data have equal standard deviation(s) and also, the variances for the two samples are roughly equal as inferred by the non significant *f* test score of .886. The two-tail *t* test confirms that there is a statistically significant difference between the impact of this barrier over the time periods as measured by mean scores of 2.653 and 3.597 respectively. However, the one-tail results (*sig 1*) indicate that our prediction was the opposite to the data. Results appear to suggest that the undertaking of processing export documentation is more momentous now than at t₀.

H₂: Knowledge of overseas business practices is less influential at t₀.



Using the increase in opportunities for exporter education, through the work of TPOs and various business associations, we proposed that knowledge of overseas markets was a less important hindrance now than at t₀. *Box Plots* illustrate that at t₀, most firms considered knowledge a high impact issue as evidenced by the high hanging box and long whisker at the bottom. However, currently, the distribution is symmetrical with the box centered on either side of similar size whiskers.

	n	Mean	Std Dev	Std Error	Assumption	F	sig	t	df	SIG2	SIG1
t ₀	95	3.6316	1.1944	0.1225	≠ variances			-0.327	204.228	.001	.000
t ₁	129	3.1008	1.2109	0.1066	= variances	0.1	0.92	-0.326	222	.001	.000

The standard deviations for the two periods are close at 1.194 and 1.211, respectively, while equality of variances is implicit from the non-significant (0.92) *f* test score. The reduction in mean score from 3.632 to 3.100 constitutes a statistically significant decline in the perceived importance of the barrier. This is supported by the results of the one-tail *t* test illustrating a *p* value of .0005. With respect to this barrier we find full support that knowledge of foreign business practices is a less important constraint at *t*₁ than *t*₀.

H₃: The influence of export financing is higher at *t*₁ than *t*₀.



Arguing that most small and medium-sized firms enjoy little access to affordable funding, we posited that export financing would constitute a more important constraint at *t*₁ than *t*₀. The *Box Plots* illustrate that at *t*₀, the firms are symmetrically distributed with the median not only matching score point three but also bisecting the box or inter-quartile range. For *t*₁, most firms appear to accord increasing importance to export financing with half the sample scoring between ‘three’ and ‘four’. Further, there are four outlier firms beneath the inner fence.

	n	Mean	Std Dev	Std Error	Assumption	F	sig	t	df	SIG2	SIG1
t ₀	95	3.1684	1.3421	.13769	≠ variances			2.265	186.120	.025	.011
t ₁	129	3.5581	1.1720	.10319	= variances	.986	.322	2.312	222	.022	.001

For this barrier the standard deviation is higher at t_0 than t_1 . Although this may appear counter-intuitive given the presence of outliers at t_1 , it is noteworthy that without the outliers, t_1 is tightly packed between score points ‘two’ and ‘five’ suggesting a smaller spread and therefore a smaller standard deviation. Equality of variances between the time periods can be inferred from the non-significant f test value of 0.322. The mean score for t_1 is 0.39 points larger than t_0 . When analysed using independent t tests, the increase from 3.168 to 3.558 represents a statistically significant result corresponding with a p value of 0.001. In this regard, we found support that export financing is a more important impediment at t_1 than t_0 .

H₄. Collecting and transferring payments is less influential at t_1 than at t_0 .

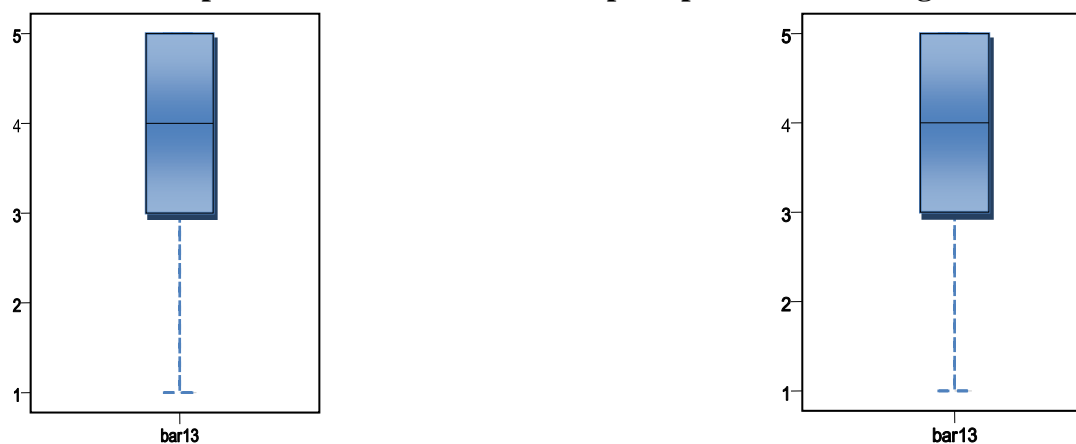


Premising our proposition on the advent of an integrated financial market and the increase in payment methods and banking options, we posited that collecting and transferring funds would be a less important barrier at t_1 compared to t_0 . The sample of firms at t_0 is evenly distributed around the five score points and the 50th percentile or median (which appears to be just above ‘three’), is virtually the same as the mean score of 3.137. However, for t_0 , the respondents are skewed towards the lower score points with the lower hinge extending all the way to the inner fence denoted by score point ‘one’.

	n	Mean	Std Dev	Std Error	Assumption	F	sig	t	df	SIG2	SIG1
t_0	95	3.1368	1.3338	.13684	\neq variances			-2.314	206.554	.022	.011
t_1	129	2.7132	1.3818	.12166	= variances	1.077	.300	-2.301	222	.022	.011

The standard deviations for t_0 and t_1 are largely the same lying within <0.05 points of each other. On the basis of large f score of 1.077, we can also infer roughly equal variances across both samples. The mean score has decreased by 0.424 and this constitutes a measurable decline as suggested by the negative (-2.30) critical value t . One-tail t test results show that the decrease (with a p value of 0.011) is statistically significant. Therefore the hypothesis that transferring and collecting funds is less significant now, is fully supported by this analysis.

H₅: We did not expect to find differences in the perception of the strong NZD



Using the appreciation in the RBNZs (TWI) against 13 currencies as a proxy for the strength of New Zealand Dollar, we found no basis to propose that the perception of the strong NZD would be different across both periods. The *Box Plots* for both t_0 and t_1 are largely similar with long whisker on the lower inner fence and a box located on the high end of the distribution. An appreciating New Zealand Dollar is a crucial issue for both periods as illustrated by means and medians near score point ‘four’ the *Box Plots*.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2
t_0	95	3.9895	1.1345	.11640	\neq variances			-.658	213.174	.511
t_1	129	3.8837	1.2601	.11095	= variances	1.780	.183	-.647	222	.518

The standard deviation for both periods is largely similar and lies with 0.12 of each other while the variances should be considered statistically equal on the basis of the non-significant f test result. Although, the mean score declined by 0.105 such a decrease (detectable via the

negative critical t) is not statistically significant. Results of the two-tail t test suggest the existence of a non-statistically significant difference between the two periods. This analysis fully supports our conjecture that the importance of the appreciating NZD is constant across the two periods.

H₆: The importance of exchange rate risk is higher at t_1 than t_0

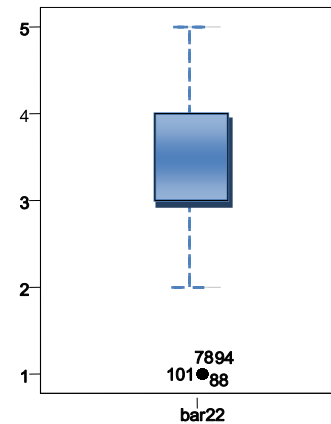
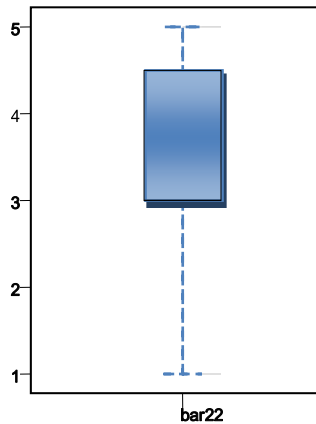


Utilizing fluctuations (as measured by standard deviation) in the TWI for the 15-month period leading up to data collection for t_0 and t_1 , we posited that the importance of exchange rate risk would be higher at t_1 than t_0 . An initial glance at the *Box Plots* appears to offer some prima facie support for this. This is because approximately half the sample at t_0 fits between score points ‘three’ and ‘four’ while half the sample at t_1 fits between score points ‘three’ and ‘five’.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2	SIG1
t_0	95	3.5158	1.1096	.11384	≠ variances			1.100	204.899	.273	.136
t_1	129	3.6822	1.1318	.0997	= variances	.003	.958	1.096	222	.274	.137

For both t_0 and t_1 the standard deviations are close at 1.11 and 1.13 respectively, with the variances roughly equal on the strength of the f test. Consistent with our prediction, the mean increased from 3.516 to 3.682. However, this increase (p value = 0.137) is not statistically significant on the basis of an independent t -test analysis. Our prediction suggested an increase in importance, and while one was noted, such an increase was not statistically significant.

H₇: The significance of freight costs is the same for both t₁ and t₀.



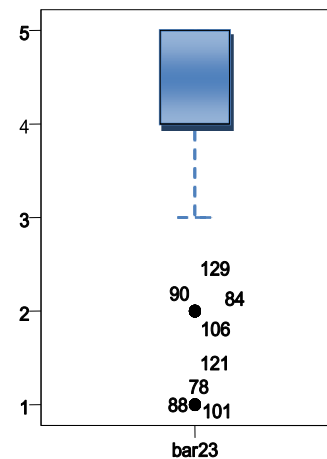
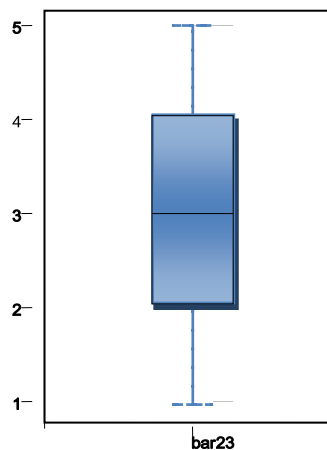
We developed a proxy for freight costs by subtracting the F.O.B from the C.I.F value of sea and air freight shipments. On the basis of this proxy ,we proposed that the importance of freight costs would be constant for both periods. For both periods boxes retain a somewhat similar shape with the lower hinge extending from score point ‘three’. It should be noted that for t₁ the entire *Box Plot* with the inner fences fits between score points ‘two’ and ‘five’.

Respondents scoring ‘one’fell outside the inner fence and were considered outliers at t₁.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG
t ₀	95	3.4316	1.2261	.1258	≠ variances			.111	198.137	.912
t ₁	129	3.4496	1.1790	.1038	= variances	.464	.496	.111	222	.912

A comparison of the variances using *f* statistic (0.496) suggests equality of variances across t₀ and t₁. With mean scores within 0.012 of each other, there is statistically no difference in the mean scores as determined by a *p* value (0.912) close to one. This lends full support to our hypothesis that there should be no difference in the importance of this constraint between t₁ and t₀.

H₈. Foreign tariff barriers are less influential now than at t₀



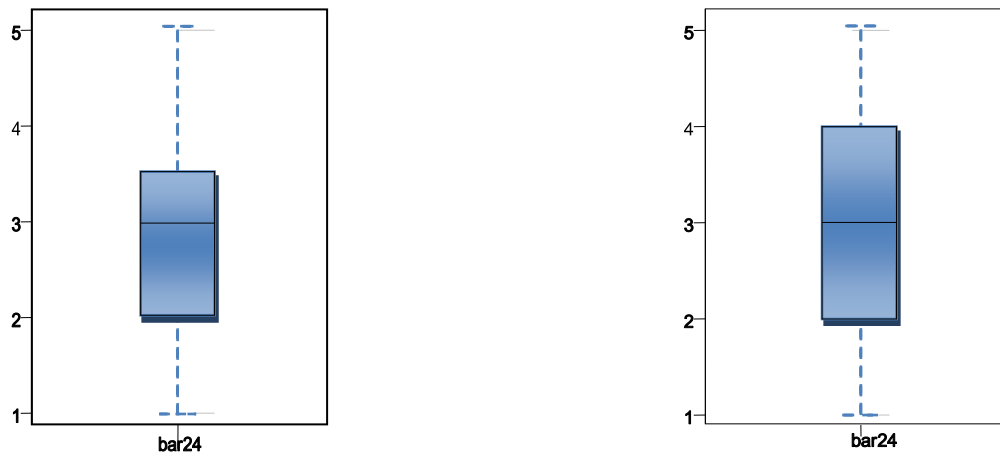
Basing our discussion on the role and increase in the number of Customs Union(s) (CU), FTAs and CEPs, we proposed that importance of foreign tariff barriers would be lower at t₁ compared to t₀. A closer look at the *Box Plots* appears to point in the opposite direction. The distribution is fairly evenly spread, approaching a normal curve at t₀. For t₁ the distribution is characterised by shorter box at the top of short stem or whisker. The upper hinge flashes with score point ‘five’, demonstrating the scale of skewness towards the higher score points. Further, this distribution also comprises numerous outliers located beneath the lower end of the inner fence.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2	SIG1
t ₀	95	3.2000	1.2932	.13268	≠ variances			5.563	183.731	.000	1.000
t ₁	129	4.1163	1.1084	.0976	= variances	6.533	.011	5.695	222	.000	1.000

At 0.916, the difference between the means is high and this is also inferred by the high positive value of critical t . For this barrier the ‘equality of variance’ assumption is violated since the f test is significant at 0.011. Accordingly we read the inferential statistics from the (bottom) row that correctly assumes inequality of variances. A two-tail t test shows that this difference is statistically significant. However, for our prediction, one tail-test yields a p value of 1.00, demonstrating our hypothesis points the opposite way as the data. In spite of

the well documented movement towards trade liberalization or free trade New Zealand exporters appear to accord a higher level of importance to tariff barriers at t_1 than at t_0 .

H₉: The availability of skilled and flexible labor is more influential now than at t_0 .

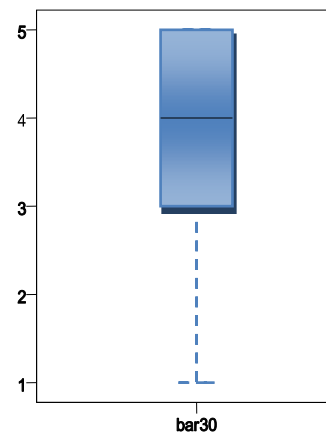
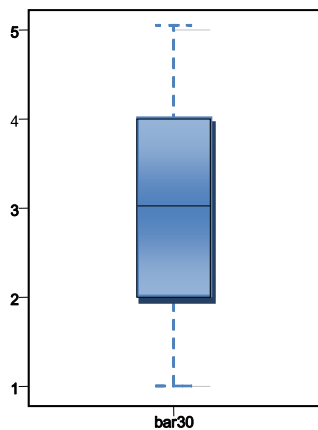


Premising our argument on published surveys and recent trends in the New Zealand job market, we proposed that the availability of skilled and flexible labor would be a more important hindrance at t_1 compared to t_0 . Although both distributions are generally symmetrical, the upper hinge for t_1 extends to score point ‘four’ possibly indicating a higher proportion or density of respondents assigning increasing importance to this constraint.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2	SIG1
t_0	95	2.6632	1.1634	.1194	≠ variances			2.904	208.917	.004	.002
t_1	129	3.1318	1.2335	.1086	= variances	.004	.947	2.878	222	.004	.002

With a mean difference of 0.469, t_1 firms scored this constraint almost half a point higher than t_0 firms. The standard deviations are close while equality of variances is upheld across both samples as highlighted in the non-significant f statistic. The increase in mean score (from 2.663 to 3.132) is statistically significant as shown by the p value of 0.002. With respect to this barrier we have found full support that availability of skilled and flexible labor is more significant at t_1 than t_0 .

H₁₀. Perceived risk of selling abroad is higher now than at t₀.



We used the changes in the *Euromoney* country risk index as an indicant of the risk of selling abroad. We hypothesized that perceived risk of selling abroad was a more significant barrier in line with the recent uptick in the *Euromoney* measure of country risk. The *Box Plots* for this barrier closely resemble those for H₁. The t₀ sample is evenly distributed with a centrally located box and equal whiskers marking the inner fences. For t₁ however the sample is skewed towards the higher score points with a median of ‘four’.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2	SIG1
t ₀	95	2.9684	1.1801	.1210745	≠ variances			3.147	211.657	.002	.001
t ₁	129	3.4922	1.2920	.1141966	= variances	2.592	.109	3.105	222	.002	.002

The skew towards higher score points is supported by an increase in the mean of 0.524. Sample t₁ has a marginally higher standard deviation with equality of variances maintained across both time periods. The increase in magnitude from 2.968 to 3.492 is statistically significant and corresponds with a one-tail test *p* value of 0.002. Our hypothesis, that the perceived risk of selling abroad is a more significant constraint now than at t₀, is supported by this analysis.

H₁₁: The influence of the cost of overseas travel is higher at t₁ compared to t₀.



Using the rise in the BTS' (FS-ATPI) as a proxy for the cost of overseas travel, we proposed that the cost of travel should be higher at t₁ compared to t₀. A precursory look at the *Box Plots* does not appear to highlight this increase. Both *Box Plots* have a lower hinge of 'three' and a median of 'four', and extend up to close to score point 'five'.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2	SIG1
t ₀	95	3.6000	1.1242	.1153	≠ variances			.180	207.303	.857	.429
t ₁	129	3.6279	1.1731	.1033	= variances	.143	.706	.179	222	.858	.429

The means show only a slight increase of 0.028 while the standard deviations are within 0.05 of each other. The data also passes the equality of variance test as shown by a non-significant *f* statistic of 0.706. However, the increase from 3.600 to 3.628 represents a non-statistically significant rise with *p* value of 0.429. Although there is some indication of an increase in importance, we found no empirical support for our hypothesis.

H₁₂: The cost of labor is more influential now than at t₀.

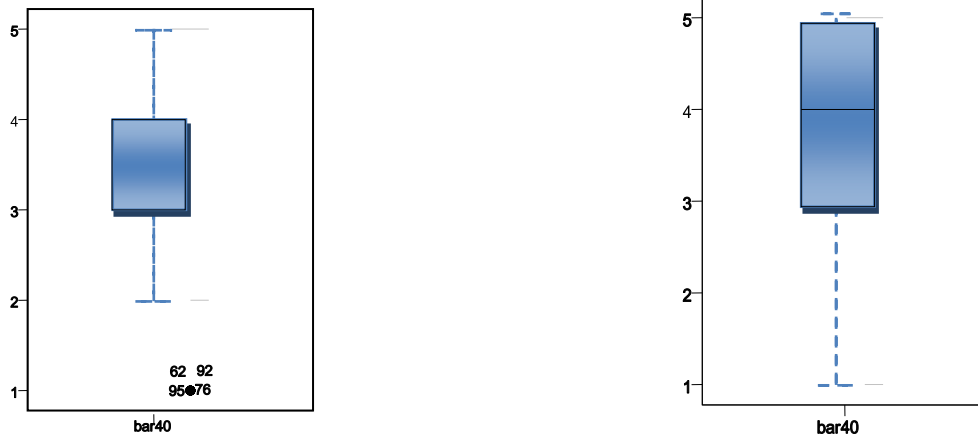


We based our prediction on the increase in the cost of labor as measured by NZ time series' LCI for manufacturing firms. The symmetrical distribution for t₀ shows a *Box Plot* with equal quartiles spread across lower hinge of 'two', a median of 'three', and an upper hinge of 'four'. For t₁ the distributions' upper hinge extends to 'five' with a median of 'four', potentially suggesting an increase across the two periods.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2	SIG1
t ₀	95	2.8632	1.0580	.1085	≠ variances			4.042	220.124	.000	.000
t ₁	129	3.5039	1.3118	.1155	= variances	15.202	.000	3.914	222	.000	.000

The mean has increased by more than 0.641 across the time periods. Like H₈, this barrier also violates the 'equality of variances' provision and the inferential statistics will be read from the line that correctly assumes that variances are unequal. However, this does not take away from the huge increase whose super significant p value extends to ($p = n^{-5}$) five decimal places. We found full support that the cost of labor is a more critical issue at t₁ than t₀.

H₁₃: Inflation and interest rates are more significant now than at t₀.

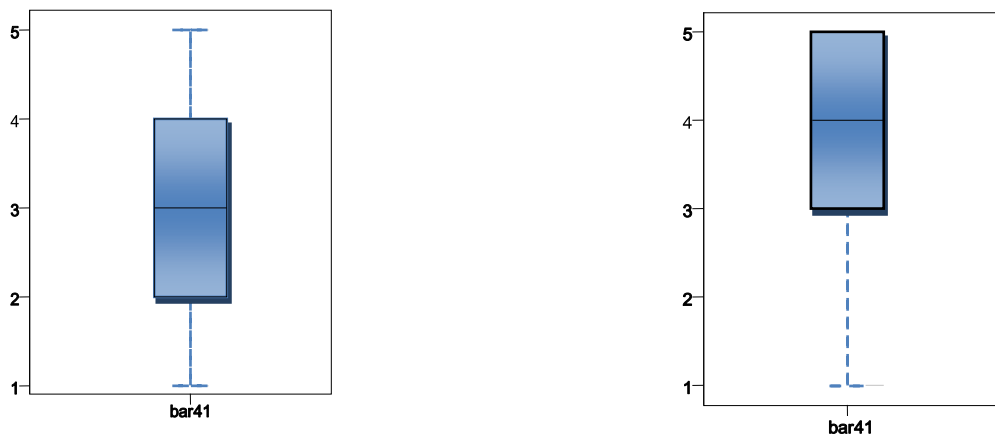


Using NZ time series' Producer Price Index (PPI) and interest rates, we posited that inflation and interest rates would be more important impediments at t₀ compared to t₁. The t₁ distribution was characterized by firms scoring this constraint between 'three' and 'four' while 50% of t₁ firms scored the constraint between 'three' and 'five'. Also, the t₀ distribution consisted of firms scoring the barrier well beneath the inner fence boundary of 'two'. Both observations appear to suggest an overall increase in the impact of the item at t₁.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2	SIG1
t ₀	95	3.3053	1.1400	.1170	≠ variances			2.633	204.045	.009	.005
t ₁	129	3.7132	1.1538	.1016	= variances	.022	.883	2.628	222	.009	.005

The mean score has increased by 0.408 points with similar standard deviations for both time periods. The data upholds the equality of variances provision with a non-significant *f*-statistic of .883. The change in mean score from 3.305 to 3.713 represents a sizeable increase as insinuated by the fairly high positive critical *t* value of 2.628. This increase is statistically significant as represented by the one-tail *p* value of 0.005. We found support for the hypothesis that inflation and interest rates are more significant at t₁ than at t₀.

H₁₄: Inconsistent government policy is more influential now than t₀.



Premising our argument on the ongoing debate about domestic market priorities and export growth, we proposed that the perception of government policy inconsistencies is higher now than at t₀. A presursory look at the data appears to lend some credibility to our proposition.

The *Box Plots* for this barrier are analogous to both H₁ and H₁₀. The defining elements include near perfect symmetry at t₀ and extreme skewness (towards high end) at t₁.

	n	Mean	Std Dev	Std Error	assumption	F	sig	t	df	SIG2	SIG1
t ₀	95	2.9579	1.3441	.1379	≠ variances			4.192	190.718	.000	.000
t ₁	129	3.6899	1.2171	.1072	= variances	.563	.454	4.255	222	.000	.000

The table above shows an increase in the mean score from 2.958 to 3.690. An increase of .740 is fairly large and is also reflected in the high critical value of *t*. The one-tail independent *t* test shows that there is a statistically significant increase in the perception of the importance of this barrier at t₁. Like H₁₂, the *p*-value is super significant extending to (*p* = n⁻⁵) five decimal places. We found full support for the hypothesis that *inconsistent government policy* is a more influential barrier.

5.3 The Affective Model

On the basis of cognition we found support for nine of the 14 hypotheses. For two of the propositions, the results were contradictory to the hypothesized relationship. It was against this background that we sought to develop an alternative model to explain the changes in export barriers. Such an alternative framework was intended to explore three main aspects as follows;

- In the first model we produced 14 predictions from a list of 42 constraints. There was therefore need to suggest a model that could account for all constraints.
- In line with this need was a prerogative to generate new information. New information or results could be produced by focusing attention on the 28 barriers not addressed by the cognitive model.
- As already mentioned, since the results for two of the hypotheses conflicted with the prediction, there was also a need to find an alternative explanation with respect to these two constraints.

In this model, we based affective dimension on a broad and frequently used measure of sentiment, business confidence. On the basis of a comparison of the exporter expectations between t_0 and t_1 , both the NBBO and QSBO surveys illustrate that t_1 is characterised by lower expectations or higher pessimism. We argued that such pessimism or negative sentiment would generally lead to a higher perception of export barriers. More formally, we predicted that all the barriers would be higher at t_1 than t_0 . We report the results of this model in line with the objectives above. Firstly, we review the broad explanatory power of affect for all 42 hindrances. Secondly, we examine whether affect generates accurate predictions for barriers not covered in the cognitive model-thus new information. Finally, we re-examine the two barriers (for which cognition did not result in an accurate prediction) to establish if affect carries any explanatory power.

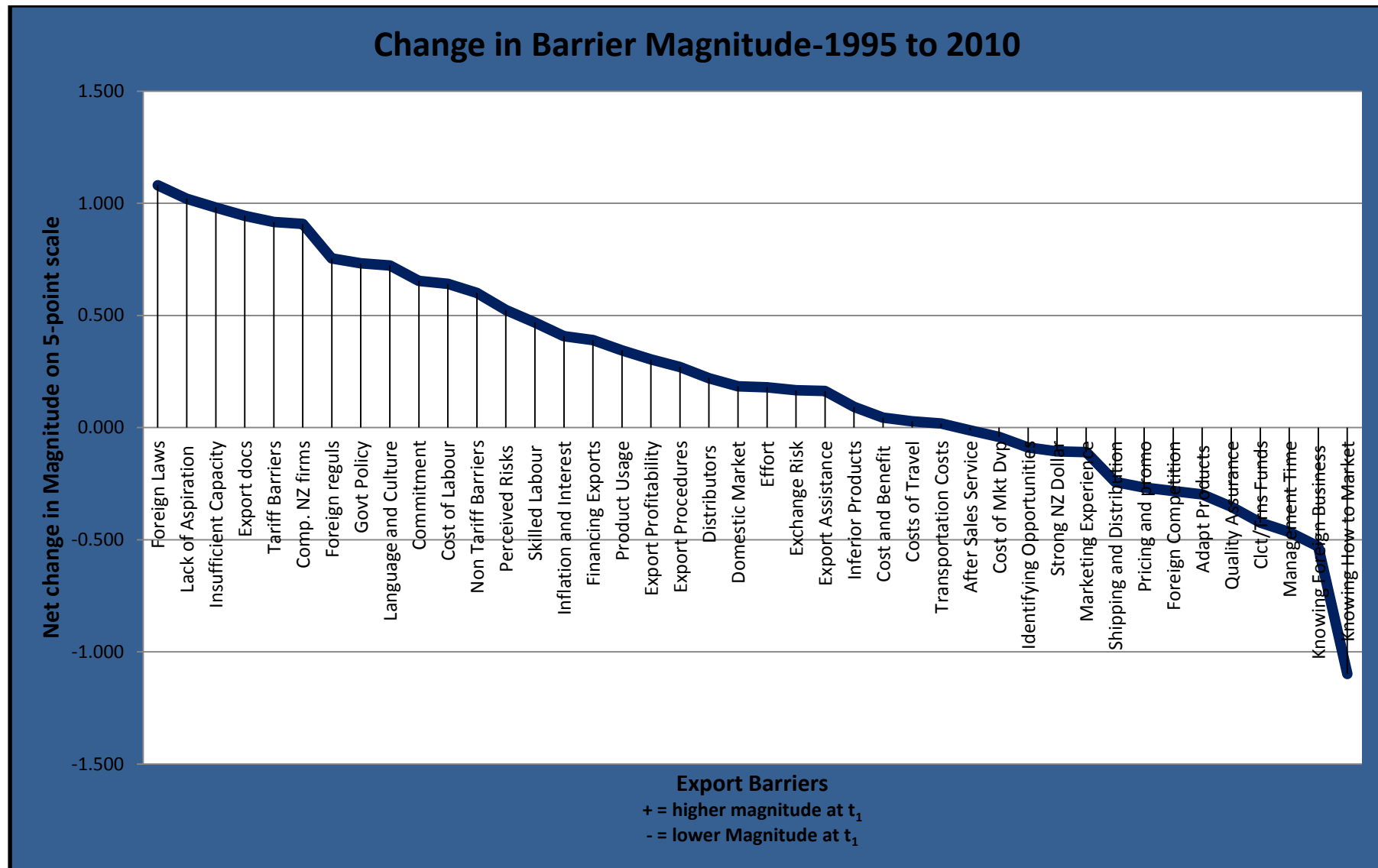


Figure 5-1. Change in Barrier Influence

5.3.1 Overall Change in Barrier Magnitude

Of the 42 barriers investigated in this study, 28 were higher at t_1 compared to t_0 . This change in magnitude ranged from 0.018 to 1.080. Of these 28 constraints, 13 increased by more than 0.5 points with two increasing by more than one point. Amongst the barriers with a large increase were *competing with NZ firms*, *foreign tariff barriers*, *handling export documentation*, *lack of management aspiration* and *unfamiliarity with foreign laws*. The barriers that showed a smaller change in importance included *technically inferior products*, *low cost to benefit expectations*, *cost of overseas travel* and *high transportation cost*. For these impediments, the increase in importance from t_0 to t_1 was less than 0.01. It is noteworthy that 14 barriers decreased in magnitude from t_0 to t_1 . This finding runs contrary to the broad conjecture that barriers would rise in response to pessimism or negative sentiment. The barriers for which a modest decrease was noted include, *providing after sales service*, *cost of market development*, *identifying foreign market opportunities*, *appreciating New Zealand dollar* and *lack of marketing experience*. A more pronounced decline ($-0.5 >$) was noted with respect to *knowing foreign business practices* and *knowing how to market overseas*.

Although 14 constraints decreased in magnitude an argument can be made that there is an affective basis to the perception of export barriers. This is because our over-arching proposition that barriers would increase in line with poor exporter expectations, was supported by the increase in importance of two-thirds of the barriers. However, since the change in magnitude ranged from a mean difference near zero (0.018), to a mean difference over 1 (1.080), it may be informative to conduct tests to establish significance of each change.

Table 5-2. Independent Sample t-test Results († p < 0.10; *p < 0.05; ** p < 0.01; * p < 0.001)**

Perceived Export Barrier	time	n	Mean	Mean Difference	Std. Deviation	Equality of variance	f	Sig	t	df	Sig (2-tailed)
Handling export documentation	1995	95	2.6526	.9443	1.2613	Equal	.021	.886	5.526	222	.000***
	2010	129	3.5969		1.2656	Unequal			5.529	203.088	.000
Language and cultural barriers	1995	95	3.0211	.7231	1.2546	Equal	1.862	.004	4.597	222	.000***
	2010	129	3.7442		1.0917	Unequal			4.501	185.667	.000
Financing exports (working capital)	1995	95	3.1684	.3897	1.3421	Equal	.986	.322	2.312	222	.022*
	2010	129	3.5581		1.1720	Unequal			2.265	186.120	.025
Insufficient production capacity	1995	95	2.8947	.9812	1.2418	Equal	1.801	.181	6.132	222	.000***
	2010	129	3.8759		1.1389	Unequal			6.052	192.327	.000
Lack of export commitment	1995	95	3.2526	.6543	1.3207	Equal	4.271	.040	3.953	222	.000***
	2010	129	3.9069		1.1487	Unequal			3.870	185.610	.000
Foreign government restrictions	1995	95	3.1684	.7541	1.2347	Equal	10.707	.001	5.109	222	.000***
	2010	129	3.9225		.9732	Unequal			4.931	173.079	.000
Foreign tariff barriers	1995	95	3.2000	.9163	1.2932	Equal	6.533	.011	5.695	222	.000***
	2010	129	4.1163		1.1084	Unequal			5.563	183.731	.000
Lack of skilled and flexible labor	1995	95	2.6632	.4686	1.1634	Equal	.004	.947	2.878	222	.004**
	2010	129	3.1318		1.2335	Unequal			2.904	208.917	.004
Foreign non-tariff barriers	1995	95	2.7789	.6009	1.1221	Equal	.333	.565	4.133	222	.000***
	2010	129	3.3798		1.0398	Unequal			4.085	193.613	.000
Product usage differences	1995	95	2.6632	.3446	1.1725	Equal	2.600	.108	1.968	222	.050*
	2010	129	3.0078		1.3778	Unequal			2.017	217.338	.045
Perceived risk of selling abroad	1995	95	2.9684	.5277	1.1801	Equal	2.418	.121	3.139	222	.002**
	2010	129	3.4961		1.2877	Unequal			3.181	211.630	.002
Competing with NZ firms	1995	95	2.2316	.9079	1.1710	Equal	.197	.658	5.522	222	.000***
	2010	129	3.1395		1.2484	Unequal			5.576	209.448	.000
Lack of management aspirations	1995	95	2.7158	1.0206	1.2688	Equal	2.939	.088	6.133	222	.000***
	2010	129	3.7364		1.2023	Unequal			6.083	196.368	.000
Unfamiliarity with foreign laws	1995	95	2.8421	1.0804	1.1514	Equal	.810	.369	7.117	222	.000***
	2010	129	3.9225		1.1012	Unequal			7.069	197.481	.000
Low perception of export profitability	1995	95	2.7895	.3035	1.0807	Equal	2.128	.146	1.886	222	.061†
	2010	129	3.0930		1.2652	Unequal			1.931	217.094	.055
High cost of labor	1995	95	2.8631	.6407	1.0580	Equal	15.202	.000	3.914	222	.000***
	2010	129	3.5038		1.3117	Unequal			4.042	220.124	.000
Inflation and interest	1995	95	3.3053	.4079	1.1399	Equal	.022	.883	2.628	222	.000***
	2010	129	3.7132		1.1537	Unequal			2.633	204.045	.000
Inconsistent NZ government policy	1995	95	2.9579	.7320	1.3441	Equal	.563	.454	4.255	222	.000***
	2010	129	3.6899		1.2171	Unequal			4.192	190.718	.000

5.3.2 Analysis and Results

In this section we attempt to ascertain which increases were substantial. We return to independent sample t tests focusing on statistical significance as measured by the p value from one-tail t test. We utilize the formula and analysis developed in the prior results chapter on cognition.

Results show that 18 of the 28 barriers had a substantial or statistically significant increase. *Unfamiliarity with foreign laws, lack of management aspirations and insufficient capacity* were supported by particularly strong p values ranging between eight and 12 decimal places. The lowest statistically significant p value was recorded with respect to *perception of export profitability* corresponding with a mean difference of 0.306. An interesting observation is that the barriers identified in this analysis originated predominantly from the firms domestic or foreign operating environment and include, *competing with NZ firms, foreign government restrictions and regulations, foreign non-tariff barriers, inconsistent government policy, language and culture, inflation and interest rates and perceived risk of selling abroad*. Of the 18 barriers that increased significantly six had also been predicted accurately on the basis of cognition. With respect to these constraints, affect does not necessarily generate new results rather it confirms what the cognitive model suggested. Thus, on the basis of cognition and affect, *inconsistent government policy, cost of labor, perceived risk of selling abroad, availability of skilled and flexible labor, inflation and interest, and export financing* were correctly predicted to increase in influence. Save for *risk of selling abroad*, the barriers in this discussion all emerge from the host-market environment. These results appear to suggest, business confidence may be a useful predictor of cost-driven barriers arising from the local market.

Premising our argument on harmonization/standardization of documents, together with the use of electronic processing we had proposed that *handling export documentation* would be a less influential barrier at t_1 compared to t_0 . Using the broad movement towards trade liberalization we had also proposed that foreign tariff barriers would assume reduced importance at t_1 compared to t_0 . While our results were contradictory on the basis of these cognitive arguments, affect provides a plausible alternative.

The results show that each of these barriers increased in influence by close to 1 point (0.94 and 0.91 respectively) across the time periods. As noted previously the constraint 'tariff barriers' violates the 'equality of variances' provision and the inferential statistics will be read from the line that correctly assumes that variances are unequal. For both impediments the increase was substantial with highly significant p values extending to ($p = x^{-8}$) eight decimal places. Thus, the affective model correctly predicted that the influence of these two barriers would increase from t_0 to t_1 . In this regard, the affective model accomplished one of our objectives of finding an alternative explanation for the contradiction emanating from the cognitive model.

Another key objective of the alternative model was to generate supplementary explanatory power beyond what had been previously covered by the cognitive model.

On the basis of affect we have managed to obtain insights into ten hindrances not examined in the cognitive model. *Unfamiliarity with foreign laws, lack of management aspiration, insufficient capacity, competing with NZ firms, foreign government restrictions, language and cultural barriers, lack of commitment, foreign tariff barriers, product usage differences and low perception of export profitability* are significantly higher at t_1 than t_0 .

Ten of 28 barriers did not show a statistically significant increase. For these constraints, the mean differences ranged from 0.180 to 0.270. Among the non-statistically significant impediments with higher mean differences are *export procedures* and *locating foreign distributors*. The *cost of overseas travel* and *the cost of transportation* had the lowest mean differences. The barriers in this analysis appear to generally reflect the firms' operational and marketing concerns within a given business environment. These barriers include, *marketing effort*, *minimizing foreign exchange risk*, *focus on domestic market*, *inadequate government export assistance* and *technically inferior products*.

Overall, we found support for the proposition suggesting that sentiment on exporter expectations would be reflected in perceived export barriers. Consistent with our broad prediction, the majority of the barriers (28 of 42) were higher at t_1 compared to t_0 . To gain more insight into this conjecture, we proposed t tests to establish whether all the increases were substantial. 18 of the 28 barriers showed statistically significant increases. Of these, six played a confirmatory role, two accounted for contradiction in the cognitive model while ten generated useful insights into previously unexplored issues. The results suggest the possible efficacy of business confidence as a constructive general predictor of changes in perceived export barriers. As a broad measure business confidence explained the change in two-thirds of the export barriers from t_0 to t_1 . However as a specific measure, its explanatory power was limited to only 43% of the barriers.

To get a deeper understanding of the type and nature of constraints whose influence increased between the time periods, we conducted exploratory factor analysis. Firstly, we tested the data to establish suitability for factorial analysis. The KMO measure of sampling adequacy was acceptable at .887 and B'sTS confirmed that the correlation matrix for the data was

distinguishable from the identify matrix (Hair et al., 2006). The analysis yielded four factors each with an *Eigen value* > 1 and explaining 78% of the variability in the data. Further, we named these factors focusing on the variables with the highest loadings and also referring to barrier clusters found in the literature.

Table 5-3. Factor Analysis for Affective Model

	Component			
Factor	1	2	3	4
Internal Resource Constraints				
Insufficient productive capacity	.784	.127	.068	.016
Financing exports (working capital)	.705	.303	.300	-.085
Lack of skilled and flexible labor	.697	.188	.093	.206
Cost of labor	.691	.054	-.212	.213
Interest rates and inflation	.538	-.090	.335	.228
Legal & Political Obstacles				
Foreign tariff barriers	.086	.853	-.017	.017
Foreign non-tariff barriers	.185	.803	.026	.074
Unfamiliarity with foreign laws	.150	.781	.068	.101
Inconsistent policy	.373	.534	.390	-.065
Foreign government restrictions	.213	.405	.341	.128
Foreign Market Factors				
Competing with NZ firms abroad	-.042	-.023	.767	.124
Product usage differences	.319	.101	.668	.189
Language and cultural barriers	.017	.397	.509	.441
Handling export documentation	.108	.294	.500	.314
Management Considerations				
Lack of export commitment	.092	.055	.217	.786
Low perception of profitability	.416	-.073	.092	.717
Lack of management aspirations	-.048	.413	.248	.468
Perceived risk of selling abroad	.383	.283	.010	.403

We defer discussion of the specific constraints to the next Chapter.

5.4 Discriminant Analysis

5.4.1 Descriptive Discriminant Analysis (DDA)

An aim of this study was to develop a theoretical basis for predicting the changes in export barriers. We initially predicted change in export constraints from t_0 to t_1 , using the perceptual elements of cognition and affect. The cognitive model, although well-supported, was limited only to those constraints for which we could find a persuasive cognitive basis to predict such changes. On the basis of cognition we were able to predict increases and decreases in the influence of constraints. With respect to affect, our predictions were more general suggesting a likely increase in the importance of the export constraints. It is noteworthy that our analysis using independent sample t tests indicated a wider spectrum of change in magnitude, ranging from substantial increases to considerable decreases in influence. It was against this background that we considered a data-driven alternative that took into account all 42 constraints. At stake was the need to uncover a set of hindrances that best explained the differences between t_0 and t_1 . (DA) is a canonical technique which can be used to accomplish the objective above. For this study we adopt a rigorous version of the analysis involving estimation and holdout sample, as well as SPSS^{XIX} ‘*leave one out*’ validation procedure (Hair et al., 2006).

For this study, the process of selecting the variables constituting the (DF) involved up to (twice the number of independent variables) or 84 separate steps. With the initial step, the technique enters the variable with the highest separating power as measured by *Wilks’ Lambda*, *Mahalabonis-distance* or *Rao’s V* (Hair et al., 2006). The second step considers the element with the second highest discriminatory power and not accounted for by the first variable. This orthogonal approach allows for the iterative entry and/or removal of variables where overlap is detected. Detailed results of this procedure are shown in *table 5.4*.

Table 5-4. Stepwise Discriminant Analysis

Variables Entered /Removed ^{a,b,c,d}							
Step	Entered	Min D2 Statistic	Between Groups	Exact F Statistic	df1	df2	Sig.
1	Foreign tariff barriers	.783	1995 2010	31.968	1	166.000	.000***
2	Knowing how to market	1.663	1995 2010	33.738	2	165.000	.000***
3	Lack of aspiration	2.668	1995 2010	35.883	3	164.000	.000***
4	Knowing practices	3.453	1995 2010	34.617	4	163.000	.000***
5	Foreign laws	4.219	1995 2010	33.622	5	162.000	.000***
6	Product adaptation	4.552	1995 2010	30.046	6	161.000	.000***
7	Lack of commitment	4.991	1995 2010	28.063	7	160.000	.000***
8	Language and culture	5.349	1995 2010	26.152	8	159.000	.000***
9	Lack of management time	5.670	1995 2010	24.487	9	158.000	.000***

***p<0.001

At each step, the variable that maximizes the *Mahalabonis* distance between the two closest groups is entered.

a. Maximum number of steps to enter is 84

b. Minimum partial F to enter is 3.84

c. Maximum partial F to enter is 2.71

d. F level, tolerance, or VIN insufficient for further computation

Of the 84 possible steps, the technique was able to develop a compound index accounting for unique variance, in nine steps. The nine variables in the function, individually contribute a significant *f* statistic towards maximization of *Mahalabonis* D^2 distance. We defer discussion of the variables in the function to the end of the results section.

Table 5-5. Key Point Estimates for Discriminant Function

Element	Value
Eigen Value	1.302
Canonical Correlation	0.752
Wilks' Lambda	0.434
Chi-square, significance	0.000
Centroids	t_0 (-1.342) t_1 (0.959)

We specified in the model, we required one function that best discriminated t_0 from t_1 data. Thus our (DF) explains the total or cumulative variance in the independent variable. A summary of the key point estimates relating to the function is shown in *Table 5.5*. The coefficient of 0.752 and the Eigen Value of 1.302 indicate that the large portion of variability relates to differences between (and not within) the categorical variables and that the categorical variables are also correlated with the resultant (DF) (Klecka, 1980). A high canonical correlation is an essential pre-requisite that suggests the suitability of the data for (DA) (Klecka, 1980).

Wilks' Lambda is a test-statistic which measures the residual discrimination associated with the function (Hair et al., 2006; Klecka, 1980). It is an inverse point estimate in that a high canonical correlation coefficient is associated with a low *Wilks' Lambda* (Klecka, 1980)¹². A *Wilks' Lambda* of '1' illustrates perfect correlation while a *Lambda* of '0' suggests that the categorical variables are uncorrelated (Klecka, 1980). The strength of *Wilks Lambda* can be tested using *chi-square* test of independence. For this study the significance level extends to twenty four decimal points ($p = x^{-24}$), illustrating that the probability of obtaining a chi-square equal or larger would be extremely low (Klecka, 1980).

Another fundamental point estimate in the computation of the (DF) is the centroid. For every data point in the categorical variable, a discriminant z score is calculated. A centroid is the mean of the z scores for each categorical or dependent variable (Hair et al., 2006). For analysis involving one (DF) and two categorical variables, there are two corresponding centroids (Klecka, 1980). The further apart the group centroids, the stronger their power to maximally separate the categorical variables (Hair et al., 2006). The centroids for this

¹² Mathematically, *Wilks' Lambda* is equivalent to $(1-R^2)$, where R^2 is the canonical correlation's coefficient of determination.

analysis at -1.342 (for t_0) and 0.959 (for t_1) are far apart to allow for the computation of a strong discriminant function.

5.4.2 Predictive Discriminant Analysis (PDA)

This form of analysis focuses on the accuracy of classification and nature of the resultant discriminant function. Even for centroids as far apart as shown above, the respective distributions for the categorical variables will overlap (Hair et al., 2006; Klecka, 1980; Sharma, 1996). Classification can be conducted only if the two distributions are disentangled using a predetermined score. For similar-size samples, the critical cutting score is the weighted average of group centroids (Hair et al., 2006). For discriminant scores below -0.0169, the data point is assigned to t_0 while z scores higher than that result in the classification in t_1 .

The classification results in *Table 5.6*, show that 160 (of 168) firms in the estimation sample were correctly classified, representing an accuracy of 89.3 %¹³. When the (DF) was applied to the holdout sample, the classification accuracy of 89.3 % was maintained across both groups. The cross validation test, conducted with the estimation sample, predicted group membership with an accuracy of 88.1%. Equality of classification accuracy across the three groups may imply the use of appropriate cutting criteria (Hair et al., 2006). The computed (DF) is a good fit, predicting group membership with an overall hit rate higher than in previous studies on export development (see Campbell, 1996; Cavusgil & Naor, 1987; Dean et al., 2000; Eshghi, 1992; Gripsrud, 1990; Lopez, 2007; Moini, 1995 and 1997; Ogunmokun & Ng, 2004).

¹³ We divided the data into estimation and holdout samples using a 75% (168 firms) vs. 25% (56 firms) split as recommended by (Hair et al., 2006). Membership in these subsamples was based on systematic sampling, i.e. picking every 4th data point and assigning it to the holdout sample.

Table 5-6. Classification Results

Classification Results ^{b,c,d}				Predicted Group Membership		Total
				1995	2010	
Cases Selected	Original	Count	Time			
			1995	62	8	70
			2010	10	88	98
		%	1995	88.6	11.4	100
			2010	10.2	89.8	100
Cross-validated ^a	Original	Count	Time			
			1995	60	10	70
			2010	10	88	98
		%	1995	85.7	14.3	100
			2010	10.2	89.8	100
Cases Not Selected	Original	Count	Time			
			1995	24	1	25
			2010	5	26	31
		%	1995	96	4	100
			2010	16.1	83.9	100

a. Cross validation is done only for those cases in the analysis. In cross validation, each case is classified by the functions derived from all cases other than that case.

b. 89.3% of selected original grouped cases correctly classified

c. 89.3% of unselected original grouped cases correctly classified

d. 88.1% of selected cross-validated grouped cases correctly classified

5.4.2.1 Accuracy of Predicted Group Membership

Further tests such as *chance criterion* and *Press' Q* can be conducted to evaluate the accuracy of predicted group membership (Hair et al, 2006). Where sample sizes are identical, equal chance criterion infers that there is a classification accuracy of 50% can occur by chance alone. For unequal sample sizes this probability is adjusted using the relative weights of the samples based on numbers. Proportional chance criterion can therefore be computed as;

$$C_{PRO} = p^2 + (1 - p)^2$$

Where;

C_{PRO} = proportional chance criterion

p = proportion of firms in t_0

$1 - p$ = proportion of firms in t_1

$$C_{PRO} = 0.42^2 + (1 - 0.42)^2$$

$$C_{PRO} = 51\%$$

The highest possible classification attainable by chance alone is 58% which results if (by chance alone) all 224 firms are allocated to t_1 . Thus, based on chance alone, classification

accuracy would range between (proportional chance criterion) 51% and (maximum chance criterion) 58%¹⁴. This evaluation technique clearly illustrates the strength of the predicted group membership in this study.

¹⁴ Maximum chance arises when all firms are allocated to the subsample with the largest number of items. Allocating all 224 items to the largest subsample (t_1) will thus result in a default accuracy of 58%, since 129 data points already belong to t_1 .

Chapter 6

Summary and Conclusion

These are trying times for manufacturing exporters. The influence of export barriers has increased across the two periods, in spite of increased global integration, free trade and advances in I&CT. More importantly these barriers appear to be arising primarily from New Zealand's operating environment. This probably explains the declining export performance amongst manufacturing firms.

6.1 Export Barriers and the Temporal Dimension

This thesis unequivocally illustrates that the influence of perceived export barriers is dynamic through time. Our study thus adds a new component towards understanding of the differential impacts of export barriers. This thesis also demonstrates the presence of a cognitive dimension to the change in export barrier perception through time. More importantly, the cognitive dimension carries superior explanatory power compared to its theoretical rival, the emotive dimension. Superiority of the cognitive dimension emanates from its ability to correctly predict change in 10 of 14 exploratory hypotheses in this study. On the other hand the affective dimension accurately predicted change in only 18 of 42 hypotheses.

However, the observation that 27 of 42 barriers increased in influence across the time periods alludes not only to the plausibility but also to the potential explanatory power the affective dimension has in predicting the change in the influence of perceived export barriers.

Specifically, results showed that the perceived influence of *internal resource constraints, legal and political obstacles, foreign market factors* and *management considerations* has increased across the two time-periods. At first glance the emergence of the factor labelled

'internal resource constraints' appears counter-intuitive. If expectations for growth are poor, then firms should have slack in terms of production capacity, free cash flow and under-utilized skilled personnel. Thus *internal resource constraints* should indeed be less influential. However, the increased influence of *internal resource constraints* may suggest that during times of poor prospects, firms are introspective (and probably more realistic) with respect to resource and capability deficiencies. Moreover, internal resource constraints are an enduring obstacle for SMEs regardless of circumstances. The increase in the perceived influence of *legal and political obstacles* and *foreign market factors* probably highlights how sentiment on business conditions may be directly related to environmental factors. The increased influence of *management considerations* may signal how managers engage in increased pessimism and self-scrutiny in the face of hindrances. Overall the affective dimension embodies efficacy when utilized at a more general level or aggregate level. With respect to individual export constraints, the cognitive dimension is more informative. Support for the cognitive hypotheses lends validity to our conceptual cause-effect relationship between export barriers and changes in operating environments and also to the efficacy of the conceptual and metric cognitive drivers responsible for articulating such change. Thus, we become the first study to propose, test and find support for the overarching hypothesis that there is a cognitive dimension to the perception of export barriers. We elaborate on some key issues that carry important implications for New Zealand exporters in particular and the economy in general.

The perceived influence of the *availability of skilled and flexible labor* has increased across the two-time periods. Availability of skilled labor is a major firm-level and economy-wide concern in New Zealand. Support for our hypothesis is symptomatic of systemic problems that require agent attention. Over the past decade, New Zealand has suffered from an inability to retain her own qualified graduates resulting in huge talent drain, not only to Australia but

further afield. Even the ‘skilled migrant’ immigration policy provision, purposely designed to offset the talent drain, appears to be falling short of labor market requirements. While firms can up-skill, cross-train and drum-up employee retention programmes, the problem also needs to be addressed at higher policy-making levels. More importantly, it can be inferred that globalization is Dr Jekyll and Mr Hyde personified; on one hand it provides internationalization infrastructure, while on the other it shatters the very foundations that prop up internationalizing SMEs. Concerns over the availability of skilled and flexible labor demonstrate this double persona. A benefit of globalization is that it has induced increased mobility of factors of production, but with respect to human capital, such mobility amplifies the undertaking of competing for and retaining talent. Thus, both firms and policy-makers have to wake up to, as well as adjust to this new reality.

Our study also found that exporters are increasingly concerned about *inconsistency in government policy* regarding export development. This finding is compelling because traditionally, exporters have focused on the need for increased government incentives. Indeed New Zealand does not have dedicated export stimuli that compares to the *Maquiladora* (Mexico) or Export Processing Zone (EPZ) concepts used elsewhere. However, such change-agent stimuli is secondary to New Zealand exporters who appear to be more concerned about mixed signals that policy-makers send. Questions have been raised about how some current fiscal, monetary, investment and exchange rate management policies are incompatible with the development of a vibrant export sector. It is reasonable to also suggest that the lack of coordination and concomitant duplication of activities among various stakeholders underlies these inconsistencies. It may be beneficial to set-up an independent cross-functional unit with professionals from different bodies e.g. (RBNZ, NZTE, MFAT, MED, NZ Treasury, MEA,

Export NZ) and entrust this unit with the establishment and implementation of a unified export programme.

Consistent with our hypothesis, *financing exports* is a more influential constraint at t_1 than at t_0 . Thus exporters have greater difficulty in terms of funding their operations. Because we did not draw a distinction between availability and affordability, it is plausible that exporters may be facing challenges with respect to both aspects. Working capital financing represents critical short-term funding, the absence of which may prevent a firm from exporting. Further, inadequate short-term funding affects the solvency position and this may induce the firm to focus on the domestic market, the risk of which local banks may be more willing to accommodate. Thus funding issues extend beyond the firm and maybe reflected in bank lending policies and practices. Therefore, our results contribute to a wider body of recent literature (Hussain et al., 2006; ITC, 2009; MED, 2005; OECD; 2006) calling for a comprehensive re-examination of financing options and costs for the emergent SME exporter with a view to suggesting viable funding choices.

The perceived risk of selling abroad is evidently more influential now than 15 years earlier. In general this barrier has been examined as a pre-entry constraint which shapes the perception of market attractiveness. As a post-entry impediment the *perceived risk of selling abroad* appears to be influenced by political factors and economic conditions in the operating environment. For instance, with continued uncertainty in global financial markets, the notion of exporting to diversify risk is starting to lose impetus. Increasingly, threats of terrorism, pirate activities and also an upsurge in natural disasters, appear to be fuelling the perceived risk inherent in cross-border business. These factors massively disrupt international logistics adding cost and delays. Some of the risk associated with these factors is systemic and

therefore not covered by maritime insurance. Indeed, just a week after completion of the second wave of data collection, volcanic ash spewing from Eyjafjallajökull, disrupted flights into and across Europe. New Zealand firms exporting perishables into Europe suffered immediate losses, and when the ash cloud eventually cleared, there was further fallout from shipping backlogs. Thus, the perceived risk of selling abroad is a real threat and probably constitutes the most discouraging barrier for SME exporters.

We also correctly hypothesized that the cost of inputs as measured by the cost of labor and inflation and interest rates would be more influential at t_1 compared to t_0 . For the manufacturing exporter cost of labor is a major component of the cost of goods sold and ultimately the firm's gross margin. Similarly, an increase in inflation (PPI) also squeezes out the manufacturing exporter's margins. Thus regardless of price strategy or market power, an upsurge in such input costs puts exporters at a competitive disadvantage. Indeed, not all exporters have the wherewithal (in terms of either free cash-flows or finance strategies) to withstand the impact of escalating cost, and sustain long-term viability. These results carry wider implications as they illustrate the evolutionary perspective to export problems. Export development research has traditionally examined challenges for New Zealand exporters in context of either the small domestic market or exchange rate volatility. Our empirical analysis highlights that problems are evidently more diverse and far-reaching than prior studies have depicted. Skill shortages, inconsistencies in government policy, labor costs and working capital financing, perceived risk in selling abroad and (PPI) inflation, headline a list of issues that need to be addressed immediately.

However, the influence of some constraints has decreased across through the time-periods. Collecting and transferring funds and knowing foreign business practices are less of a

concern now than in 1995. The past decade has seen a shift towards financial deregulation and transparency in many countries including New Zealand. This has put credit rating agencies in a better position to evaluate the credit worthiness of particular countries or specific customers. Thus, a potential customer's solvency can be established ahead of the export transaction. Some countries have also been moving towards convertible and free floating currencies. These changes have encouraged greater participation of international banks with expertise in foreign payments. The involvement of reputable international banks is an underappreciated element to the foreign payments equation. In most instances it is only these institutions that have the requisite knowledge and reputational capital to issue internationally valid (or recognizable) instruments. Increased innovation in international financial management has also seen a rapid growth in payment options and methods. Knowledgeable SME exporters now realize that it is possible to obtain early payment by selling the commercial invoice to a financial services firm such as a debt factor. Thus it appears exporters are aware of and are taking advantage of all these benefits. Thus in perspective proficiency with foreign payments is vital because it can act as a bulwark against the brunt of cost and availability of external working capital financing.

We found support that *knowing foreign business practices* is less influential at t_1 than t_0 . Internationalization is predicated on the ability to acquire knowledge about foreign operations and thus be cognisant of the standardization/customization trade-offs required for successful operations. The traditional argument has been that such knowledge acquisition developed largely through the experiential learning that accompanies increased export involvement. In recent years an awareness of foreign business practices has arisen from the increased connectivity associated with I&CT. Indeed, proponents of the *attention economy* (Davenport & Beck, 2002) argue there is excess information in the public domain and it is up to the

export manager to fine-tune their scanning practices to enhance their understanding of foreign markets. Knowledge acquisition may also be emanating from greater networking and international orientation on the part of export managers. As the world inches towards a converging commonality (Levitt, 1983), geographic, psychic and cultural measures of distance are set to become less relevant in constraining an export managers ability to learn about and understand foreign business practices. Regarding currency appreciation and transportation cost our hypotheses were also supported. Although sudden shifts and spikes were observed across the two periods, it appears that cognitively, exporters are aware of the volatile and cyclical nature of currency movements. Similarly, with respect to the cost of transportation, the predicted stability across the two periods was fully supported. Overall, appreciating currency and freight costs are high impact and static across the two periods. It is noteworthy that in connection to both barriers we found no cognitive basis to suggest change in the influence of perceived export barriers across the two periods. Thus the cognitive dimension is plausible in all three instances empirically tested; namely, increase (in influence), decrease (in influence) and constant (influence) between the time periods. Before reiterating the study's contribution we address the four unsupported hypotheses. This is fundamental because it may point towards different meanings and relationships than suggested in the literature and hypothesized in the theoretical model.

With respect to minimizing exchange rate risk and cost of overseas travel, change in barrier perception was in the direction predicted but there was no empirical support for the hypotheses. Although the conventional argument regarding exchange rates is that higher volatility may increase the need for hedging, few exporters realistically consider hedging as a viable and realistic option. Under such circumstances exporters do not micro-manage exchange rates with a view to minimizing risk. They may consider exchange rate volatility as

a heuristic or trigger mechanism for modifying pricing strategy. Although the importance of overseas travel is well-documented in international business literature, the lack of support for our proposition may point towards a different conceptual meaning for this barrier. The reason why exporters probably do not indicate an increase in the importance of this barrier is because the cost of overseas travel is not an out-of-pocket expense. Overseas travel is part of the cost of export market development and the actual changes in airfare costs are absorbed into a much larger company wide marketing budget. The inconsistent results duly noted with respect to foreign tariff barriers and handling export documentation may also suggest a deeper essence to these constraints than previously conceptualized. New Zealand has signed more than four trade agreements since 2001 and is negotiating and setting in motion, several more. However, New Zealand exporters consider tariff barriers to be more influential now than at t_0 . One explanation may be that the benefits of free trade agreements do not accrue immediately. Another explanation may be the general lack of awareness by exporters regarding free trade provisions and how to take advantage of them. Thirdly and perhaps most vitally, free trade provisions are efficacious only when they are transferred from policy-maker dialogue to inter-firm transactions. Free trade provisions may also be the reason behind the inconsistent results for handling export documentation. This is because free trade provisions may inadvertently exacerbate the undertakings of preparing and understanding export documentation. For instance, with no free-trade agreements in place, New Zealand exporters could use a generic and distinct certificate of origin document. However, in order to exploit the opportunities granted by free trade provisions, such exporters may have to select from a suite comprising at least four different types of certificates of origin, each with its own peculiar requirements and conditions. Assuming they are plausible, taken in combination, these arguments imply that in the short-term free trade provisions may complicate documentation while not resulting in any immediate benefits.

We also sought to develop a quantitative model which parsimoniously separated 1995 from 2010 firms on the basis of latent differences in export barrier perception. Adopting a conservative and rigorous, test-retest and cross validation approach, we identified nine constraints that maximally separated 1995 from 2010 SME exporters. These constraints fall into three distinct clusters; marketing, foreign market and managerial factors. Compared to 1995, current exporters appear to have developed the marketing aptitude to identify and target export markets. As mentioned earlier, current exporters also have a better understanding of foreign business practices. They also appear to have a superior knowhow in relation to overseas marketing in particular customization and adaptation of products for different markets. These firms also devote enough time to such marketing activities. From an export market orientation perspective these results are encouraging because they suggest that export managers may be better prepared now than at t_0 to serve foreign markets. There is reason to suggest New Zealand exporters may be coming of age as they shift from a passive export selling to a more proactive export marketing stance.

While the marketing challenges dissipate, foreign market barriers have assumed increased importance. Current exporters are increasingly wary of foreign laws, foreign tariff barriers and language and cultural differences. Thus foreign market factors have a high impact inhibitive effect at t_1 compared to t_0 . Our results suggest a hierarchical view on the effect of perceived export barriers. As firms become more adept at export management, concern shifts from procedural or informational hindrances, to marketing, and finally to foreign market constraints. Thus higher export involvement sensitizes the exporter to previously mundane constraints whose influence escalates with involvement. Lack of aspiration and lack of commitment are the two managerial constraints that have become more influential. With regard to these, we suggest the possible existence of interactive effects among the barrier

clusters. Indeed, inclement business environments may be triggering or demanding a greater measure of aspiration and commitment on the part of export managers. Overall, although exporters appear to have overcome market-related obstacles, presumably due to the adoption of market-oriented initiatives, their resolve and commitment are constantly being put to test by foreign market factors. Such factors are particularly exigent because they can put exporters in a reactive posture which is at odds with the development of successful entrepreneurial export marketing strategies.

6.2 Outcomes of the Thesis

6.2.1 Contribution to Knowledge

Export barriers are dynamic over time. The dynamism is so substantial that we can separate 1995 from 2010 firms with accuracy close to 90%. Principal to this dynamism are plausible cognitive and emotive explanations.

Responding to Leonidou's (2004) call to conduct longitudinal studies to ascertain the temporal limitations of the export barrier phenomenon, we have moved the boundaries of research by employing theory to establish such temporal dimensions. Within this thesis, we have responded to other instructive calls including tackling individual barriers (Arteaga-Ortiz and Fernandez-Ortiz, 2010), adopting a micro and macro-level view on export barriers (Korneliussen and Blasius, 2008) and utilizing environmental factors (Barrett & Wilkinson, 1985) to establish whether export barriers are *objective and verifiable* (Doern, 2009) or static and dynamic (Dean et al., 1998). Pursuant to these aspects, we have also made three specific contributions.

Our study conclusively suggests export barriers are dynamic through time. At the core of such dynamism are plausible cognitive and affective forces. This single unique contribution

adds a major component to the ultimate research question in export barrier literature; understanding differential impacts. As detailed in both *Chapters 3* and *4*, extant literature has used a cross sectional approach to investigate differential impacts. With respect to the ‘time dimension’ we found that the importance of two-thirds of the constraints changed substantially across the two time periods. Thus, through time, the majority of export constraints are dynamic leaving only a narrow band of static constraints. These few constraints could also be divided into two groups namely, ‘static low impact’ (e.g. low cost to benefit expectations, lack of overseas marketing experience, technically inferior products, quality assurance requirements) and ‘static high impact’ (e.g. cost of market development, providing after-sales service, exchange rate risk, appreciating NZD, transportation costs). We have (implicitly) yet empirically examined several anecdotal viewpoints relating to the changing dynamics and outcomes of internationalization. As discussed in the *Chapter 2*, a chronological review of export barriers provides useful synopsis on the possible existence of temporal elements. One anecdote is that traditionally, barriers were structural and institutional but in recent years have become managerial and informational. Our, empirical results appear to refute this anecdote as they demonstrate that, *foreign laws, non-tariff barriers* and *foreign government regulations and restrictions* have become increasingly influential for exporters. Thus structural and institutional barriers are still very much a part of the current exporting landscape, in spite of the movement towards free trade. However, our results lend support to the general observation that competition and exchange rate risk are enduring barriers affecting all exporters across both time periods. The decrease in the influence of informational and knowledge related barriers also substantiates anecdotal evidence on the efficacy of I&CT.

Another contribution of this study is that it explicates on the environmental influences to perceived export barriers. As discussed in *Chapter 2*, until now, literature had focused on firm characteristics, internationalization path and managerial factors as drivers of perceived export barriers. Although the role of operating environment had been discussed in relation to other aspects of export marketing, no empirical work had linked changes in operating environment to perceived export barriers. In examining this relationship, we found that changes in the home country and international operating environment(s) can explain changes in the perceived influence of export barriers through time. Thus export barrier perception is influenced both by changes in tangible environmental factors (as implied by cognitive drivers) and also by changes in emotive elements such as business confidence. On a broader scale our study suggests a close symbiotic relationship between an SME exporter and its operating environment.

We have revitalized the research agenda (Buckley, 2002) by invigorating largely stagnant stream of literature (Leonidou, 2003) by generating new knowledge (Griffith et al., 2008). As mentioned in *Chapter 2*, studies exploring export barriers reached their peak in the 1980s and 90s and have been in decline ever since. Further as a research area, export barrier literature has not gone much beyond the exploratory and conceptualization stages. More importantly, it has been suggested that exporting literature appears tangential to the central dialogues in IB and IM fields due to the inability of research to communicate to a wider audience. We have attempted to overcome these setbacks by revitalizing this stream of literature. Firstly, we have adopted mid-level psychological theory which allows us to reach audiences in disciplines such as *Social Psychology* and *Consumer Behaviour* and thus speak to a wider marketing audience. As part of our revitalization approach, we posed probing questions, while attempting to generate new knowledge by exploring novel concepts or challenging

prevailing paradigms. Focusing on the broad question of differential impacts, we have attempted to spawn new knowledge with respect to temporal boundaries of perceived export barriers.

By adopting theoretical elements of cognition and affect our study can be the conduit that links the construct of managerial cognition to perception. In this regard our study has opened alternative paths for exploring the antecedents and consequences of the behaviour of an exporting firm. This marks a small incremental step in building sturdier theories. This study has also suggested methodology for conducting longitudinal research in the IM sphere. We thus set the platform for revisiting all the drivers of perceived export barriers in a longitudinal research. Our research opens a new boulevard of enquiry urging future studies to examine how changes in export barrier drivers such as firm factors, path to internationalization and managerial characteristics may influence perceived export barriers through time. With respect to the operating environment, future studies could also address the effect of the foreign or host market environment of perceived export barriers. Such an approach would thus incorporate all three dimensions of the operating environment and thus give a more complete picture regarding the relationship between changes in the operating environment and the effect of perceived export barriers.

6.2.2 Managerial Implications

Needs-based policy-maker support has to adapt to the shifting challenge of export development. Export managers must also recognize that triumphant strategies of yesteryear may be limited in today's dynamic and volatile operating environment.

Over a 15-year period, perceptions of export barriers can change substantially. For managers there is a need to revisit strategic reference points and planning horizons. The export approaches that worked a decade ago may carry insufficient efficacy as the business environment changes. The study also points to an emerging export barrier paradox. On one hand are barriers that can be overcome; for instance, as explained earlier, resource constraints can be overcome by mobilizing, accessing or leveraging the resources. On the other hand enduring constraints, in particular 'static high impact barriers,' need to be managed effectively to defray costs or mitigate risks that may ensue from them. Such barriers can be used as triggers and drivers of export strategy. For example, though exchange rate volatility is an exporter's worst nightmare there is no real need to overcome it per se. Thus exporters can use sudden or gradual shifts as triggers for pricing strategy adjustments. Similarly, the perceived hindrance of foreign competition does not need to be surmounted. Rather, a perceived increase in competition ought to activate specific exporter responses regarding market-mix, positioning or value propositions.

Support for the cognitive model carries informative managerial implications. Predicated on the notion of cognitive driver, support for cognitive hypotheses appears to signify that managers are indeed attuned to dynamics in the operating environments. As mentioned earlier this is conceivable given the manager's job contains a huge component of environmental scanning. More importantly, the cognitive hypotheses also suggest that beneficial changes in the environment can have positive outcomes for exporters through reduction in barriers and perhaps an increase in export involvement. Thus, efforts by policy-makers to improve the operating environment may be successful because cognitively, New Zealand exporters are aware of these. Indeed within the confines of this thesis there is some support for this contention. For instance, the specialized trade promotion role of NZTE may

actually have worked and could be the reason why some knowledge and marketing barriers may have declined.

Escalating concern over the operating environment and resource shortages reinforce the fact that export success cannot occur absent policy-maker. Exporters rely on policy-maker assistance to gain access and stabilize the business environment. Policy-makers are in a position to reduce the impact of some business environment factors such as tariff barriers. However, free trade provisions alone are no panacea for export success. Thus policy-maker support may have to extend support to include knowledge and awareness because free trade provisions are of limited importance unless exporters are aware of their availability and also value the purported benefits. There is also a need to update and target export promotion programs. With the impact of barriers changing through time it is imperative to adjust trade promotions so that they reflect current problems. An incentive scheme that worked in 1995 probably has limited impetus today.

Overall the key for successful policy-maker intervention lies in adopting a long term view that takes into account several instruments for reducing barriers such as working with trade partners to reduce nontariff barriers, and working with industry and academia to build and retain skill sets indispensable to export success. Though policy-maker support is necessary, it is evidently insufficient, and exporters cannot afford to sit idle and wait for the policy-makers to assume the lead role. In this regard, exporters can focus on up-skilling by taking advantage of numerous training programmes available. More importantly, exporters can also work towards creating stronger network ties both within and outside New Zealand. Networks have the effect of reducing psychic distance and the feeling of *outsidership* which often complicates export problems. Since exporting occurs even in the face of problematic barriers,

firms may also need to develop the capabilities to manipulate business environments for competitive advantage. This is particularly compelling given that barriers are potential sources of competitive advantage. For instance, firms experiencing resource constraints have been known to adopt several strategies to turn this perceived weakness into strength. They can use information technology to leverage firm size, cross-train employees and reduce labor budget or adopt lean production methods and reduce production costs. We thus, recommend a multiple stakeholder approach because exporting is both a country-level and a firm-level activity. This is a pronounced departure from the routine approach to export development which focuses on giving export incentives and training exporters on procedural or logistical issues.

6.2.3 Limitations

Conceptual

Exploratory research is never without limitations. Our hypotheses were induced from the premise that an assumed increase in the magnitude of an export barrier was equivalent to an increase in its perceived influence. While, this direct relationship is clearly reasonable and logical the opposite may also be plausible. For example, lower magnitude may in fact imply more influential. In this regard, 'more influential' means *important consideration* in firms export behaviour, and not (necessarily) an impediment. Thus a barrier can decline in magnitude and consequently become a vital trigger mechanism for firm-level strategy. This conceptual issue is symptomatic of the overarching challenges in export research. Indeed, conceptual causal relationships remain exigent to explicate and in some instances (for example, export barrier and export performance) dual causality is feasible.

Methodological

We used a tracking approach which we justified on life-cycle factors combined with small size of initial sample. The tracking approach involved drawing two independent samples from the same working population, at different intervals. In reality, a tracking approach may introduce bias (e.g. measurement or methodological rival) in that some of the variability may emanate from the 'new' and not the 'surviving' items from the initial study. Thus, these underlying differences between the samples may actually be the reason for the variability across the two time periods. However, as already mentioned, we justified our approach on SME life-cycle factors and also on small size of initial (t_0) sample.

Analysis

Independent sample t-test and discriminant analysis although reasonable in an exploratory setting may lack the rigour required to elucidate on the hypothesized relationships. While cognition and affect are evidently plausible explanations for the observed variability so too are firm demographics, management considerations, and path to internationalization or firm type. Thus, absent a more rigorous analytical technique the research results may have an underlying indeterminacy problem.

6.2.4 Further Research

We recommend further research as a means of addressing the three major limitations discussed above. Thus, future research could add to and improve on our study by focusing on conceptual, methodological and analytical aspects.

Conceptual

Export barrier language, terminology and meaning remain an elusive issue. Indeed extant literature can only be synthesized on assumed and not substantive or actual meanings of

barrier items and anchors. With respect to anchors, our study has raised a potential fundamental conceptual issue. What are the connotations of particular barrier anchors for example, minor obstacle/major obstacle, not a problem/major problem, and not important/very important? Are ‘very important’ obstacles necessarily ‘major obstacles or problems’? Future longitudinal studies could focus on this trail of thought by examining temporal effects using alternative barrier scale anchors other than ‘not important/very important’ used in this study.

Methodological

To overcome the limitations of a tracking approach, subsequent studies should use a panel or cohort approach. Such an approach would pre-empt methodological rivals in that the comparison would involve initial study sample and only the surviving firms from subsequent samples. However, as discussed earlier, this approach is feasible only when the initial sample is sufficiently large and also where the working population is not susceptible to life-cycle factors. Further, collection of data on shorter intervals may also help elucidate on the short and long-term perspectives to drivers. In other words are barriers more likely to be dynamic with respect to longer time intervals?

Analysis

Future longitudinal studies can focus on constructing a more parsimonious model to account for covariates. As suggested above, firm factors, internationalization path and managerial factors all constitute plausible alternative explanations for the findings in this study. Thus an analytical technique such as *Manova* (which explores main and covariate effects) or *SEM* (which explores changes in both independent and dependent variables simultaneously) can generate more parsimonious results and surmount the indeterminacy problem.

Notwithstanding the shortcomings highlighted in the preceding discussion, this study has opened a new boulevard of enquiry while setting the platform for subsequent studies to add to and improve on this exploratory research. The concept of cognitive drivers in particular can be extended to explain other export marketing phenomena such as strategy or performance. With more than 40 years of exporting literature, opportunities for multipoint longitudinal comparison are copious. For instance with respect to export performance, future longitudinal studies can attempt to predict performance utilizing price effects or technological spill-overs as cognitive drivers. This thesis has not only developed an innovative and informative blueprint for examining such relationships, it has and opened an engaging dialogue in this previously unexplored sphere.

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Appendix A: Request Letter

This appendix contains the initial correspondence with NZMEA requesting assistance and access to their membership.



New Zealand Manufacturers and Exporters Association
PO Box 13152
Aramagh
Christchurch 8141
New Zealand

17 November 2009

Dear Mr. Walley

I'm a PhD candidate at Lincoln University and my thesis examines the impact of perceived export barriers for New Zealand firms. I am requesting your assistance in this project. This study replicates and extends an earlier research project conducted in 1996 with the support of the then Canterbury Manufacturers Association. The study was published in the *Journal of Enterprising Culture* and the results were presented at a CMA seminar.

The goal of the current study is to develop a comprehensive approach to the study of export barriers that will allow multiple stakeholders to understand the implication and impact of these hindrances. Of particular interest to us is how the global economic downturn may have affected the operations of both current and prospective exporters. Even in times of stability, exporting is inherently more challenging than serving domestic markets. There are, however, opportunities to improve the productivity of the export sector. For example, in the past decade, New Zealand's export growth rate has ranked in the bottom half of the OECD. Recently, the export sector has been characterised by high concentration and high mortality rates. We presume that the magnitude of these challenges has been compounded by resource constraints, the financial crunch, the declining demand in major export markets, and the volatile exchange rate fluctuations. Our approach will involve utilizing qualitative and quantitative sources to identify trends and changes that have occurred since 1996 that impact perceived export barriers. In essence we seek to establish the extent to which export barriers are influenced by environmental factors.

We intend to utilize a survey instrument to collect primary data from manufacturing firms in the Canterbury region. We would greatly appreciate your support in accessing the MEA membership for this survey. We look forward to meeting with you to discuss the focus and benefits of this study.

Sincerely

Eldrede T. Kahiya
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New Zealand's specialist land-based university

Appendix B: Cover Letter

NZMEA Cover Letter

Export Barriers Survey

We are working with Lincoln University to repeat a survey of exporters that was completed around 10 years ago. The objective is to study the barriers to exporting and see how those barriers might have changed since the initial survey. [Click here](#) to read the earlier report.

The survey will be confidential, subject to the standard University Code of Practice, and your details will not be disclosed.

The objective of this survey is to provide information on the barriers to exporting encountered by New Zealand manufacturing companies.

The results will underpin a broader understanding of the current and on-going challenges to growing an export business in New Zealand. It will help inform policy makers of these issues and possibly encourage appropriate policy responses.

The survey should take approximately eight minutes to complete. Please answer all the questions as best you can and where a problem exists, please provide your best approximation. [Click here to complete the survey](#).

Regards

Trudy Diggs
New Zealand Manufacturers and Exporters Association (NZMEA)
ph: 03 353 2542 / fax: 03 353 2549
email: trudydiggs@mea.org.nz
website: www.mea.org.nz

Appendix C: Survey Instrument

NZMEA (t₁) Export Barrier Survey Instrument

Manufacturing, export, employment, support and advocacy | New Zealand Manufacturers and Exporters Association (NZMEA)



Please note: All questions in **red** are compulsory.

[Download Survey](#)

Thank you for taking the time to complete this survey.

Question 1 (Required)

Region

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Northland | <input type="checkbox"/> Wellington |
| <input type="checkbox"/> Auckland | <input type="checkbox"/> Tasman |
| <input type="checkbox"/> Waikato | <input type="checkbox"/> Nelson |
| <input type="checkbox"/> Bay of Plenty | <input type="checkbox"/> Marlborough |
| <input type="checkbox"/> Gisborne | <input type="checkbox"/> West Coast |
| <input type="checkbox"/> Hawkes Bay | <input type="checkbox"/> Canterbury |
| <input type="checkbox"/> Taranaki | <input type="checkbox"/> Otago |
| <input type="checkbox"/> Manawatu-Wanganui | <input type="checkbox"/> Southland |

Question 2

Email and contact details:

CLASSIFICATION DATA

Question 3 (Required)

To which NZSIC manufacturing group does your company belong? (Tick one only)

- | | |
|--|--|
| <input type="radio"/> Food, Beverage and Tobacco | <input type="radio"/> Non-metallic Mineral Manufacturing e.g. Glass, Ceramics, Cement, etc |
| <input type="radio"/> Textile, Clothing, Footwear and Leather | <input type="radio"/> Metal Product Manufacturing |
| <input type="radio"/> Wool and Paper Products | <input type="radio"/> Machinery, Equipment and Electronics |
| <input type="radio"/> Printing, Publishing and Recorded Media | <input type="radio"/> Other |
| <input type="radio"/> Chemicals, Petroleum, Rubber, Plastics and Associated Products | |

Question 4

If you selected 'other', please provide details:

Question 5 (Required)

How many people does your company employ (working proprietors plus employees)?

EXPORTING INFORMATION

Question 7 (Required)

Has your company been involved in exporting?

- ☐ Yes, we are a current exporter. (Proceed to Question 8.)
- ☐ (Yes, but we are no longer exporting. (Proceed to Question 22.))

- ☐ No, we have never been involved in exporting. (Proceed to Question 22.)

Question 8

How long has your company been involved in exporting? (Years)

Question 9

How many export transactions do you process annually?

Question 10

How many different products does your company export?

Question 11

To how many countries does your company currently export?

Question 12

To which countries/regions is your company currently exporting? (Tick all that apply)

- | | |
|---|--|
| <input type="checkbox"/> Australia | <input type="checkbox"/> Germany |
| <input type="checkbox"/> USA | <input type="checkbox"/> Singapore |
| <input type="checkbox"/> Japan | <input type="checkbox"/> Africa |
| <input type="checkbox"/> China (PR) | <input type="checkbox"/> Middle East |
| <input type="checkbox"/> United Kingdom | <input type="checkbox"/> Other Asian |
| <input type="checkbox"/> Russian Federation | <input type="checkbox"/> Latin America |

☐ South Korea

☐ European Union

☐ Indonesia

☐ Other

☐ Malaysia

Question 13

If you selected 'other', please provide details:

ORDER ATTRACTION

Question 14

What is your company's main method of attracting new orders in existing overseas markets?

☐ Unsolicited orders.

☐ Order seeking by an overseas based agent/distributor.

☐ Actively sought from New Zealand.

☐ Website and e-commerce.

☐ Other.

Question 15

If you selected 'other', please provide details:

Question 16

What is your company's main method of attracting new orders in potential overseas markets?

☐ Unsolicited orders.

☐ Order seeking by an overseas based agent/distributor.

☐ Actively sought from New Zealand.

☐ Website and e-commerce.

☐ Other.

Question 17

If you selected 'other', please provide details:

EXPORT REVENUE

Question 18

Please state your export sales for the most recent 12 months period available? (\$)

Question 19

Please state your export sales as a percentage of total sales. Current (most recent 12 month period available). (%)

Question 20

Please state your export sales as a percentage of total sales. Past (the 12 month period prior to the most recent). (%)

Question 21

Please state your export sales as a percentage of total sales. Future (projected/anticipated 12 month). (%)

Question 22 (Required)

Which of the following statements best describes your company philosophy towards exporting? (tick only one)

☐ We are not currently exporting and are not interested in exporting.

☐ We attempt to solicit overseas business and export experimentally primarily to countries that are physically and/or culturally close to New Zealand.

☐ We are interested in exporting and are prepared to fill unsolicited export orders, but make no effort to explore the feasibility of exporting.

☐ We are a semi-experienced exporter.

☐ We are interested in developing exports and actively explore export feasibility.

☐ We are an experienced exporter that constantly explores the feasibility of exporting to additional countries that are physically and/or culturally distant.

PERCEIVED EXPORT BARRIERS

Please give your company's evaluation of the importance of the following barriers to initiating and expanding exports. (Circle one number per line only.)

Question 23 (Required)

Minimising foreign exchange risk.

Not Important

Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 24 (Required)

Inflation and interest rates.

Not Important

Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 25 (Required)

Foreign tariff barriers.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 26 (Required)

Financing exports.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 27 (Required)

Dealing with the strong New Zealand dollar.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 28 (Required)

Foreign non-tariff barriers.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 29 (Required)

High transportation costs.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 30 (Required)

Knowing foreign business practices.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 31 (Required)

Foreign competition in overseas markets.

Not Important

Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 32 (Required)

Language and cultural barriers.

Not Important Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 33 (Required)

Foreign government restrictions and regulations.

Not Important Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 34 (Required)

Lack of New Zealand government export assistance.

Not Important Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 35 (Required)

Unfamiliarity with foreign laws.

Not Important

Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 36 (Required)

Inconsistent New Zealand government policy.

Not Important

Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 37 (Required)

Competing with New Zealand firms overseas.

Not Important

Very Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 38 (Required)

Pricing and promotion in foreign markets.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 39 (Required)

Providing after sales service and support.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 40 (Required)

Need to adapt products to overseas markets.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 41 (Required)

Lack of management time.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 42 (Required)

Quality assurance requirements.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 43 (Required)

Lack of export marketing effort.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 44 (Required)

Low perception of export profitability.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 45 (Required)

Insufficient productive capacity.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 46 (Required)

Lack of skilled and flexible labor force.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 47 (Required)

Product usage differences.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 48 (Required)

Knowing how to market overseas.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 49 (Required)

Lack of export marketing commitment.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Very Important

Question 50 (Required)

Knowing export procedures.

Not Important

☐ 1 ☐ 2 ☐ 3 ☐ 4 ☒ 5

Very Important

Question 51 (Required)

Lack of overseas marketing experience.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 52 (Required)

Lack of aspiration for export development.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 53 (Required)

Technically inferior products.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 54 (Required)

Handling export documentation.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 55 (Required)

Cost of market development.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 56 (Required)

Locating distributors overseas.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 57 (Required)

High costs of overseas travel.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 58 (Required)

Low cost to benefit expectation.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 59 (Required)

High cost of labor.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 60 (Required)

Inability to identify foreign market opportunities.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 61 (Required)

Focus on domestic market.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 62 (Required)

Collecting and transferring funds.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 63 (Required)

High perceived risk of selling abroad.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

Question 64 (Required)

Shipping and distribution overseas.

Not Important

Very Important

- ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5

We appreciate you taking the time to complete this survey. Thank you.

Submit

Appendix D: Export Barriers

The following two tables compare export barrier scales used in previous studies to the 42-item scale adopted in this study. It is reasonable to assume our scale is comprehensive and representative and thus embodies an acceptable level of construct validity.

	Groke & Kraidle (1967)	Alexandrides (1971)	Pavord & Rodart (1975)	Rahino (1980)	Tesar & Tarleton (1982)	Czinkota & Irsic (1983)	Albaum (1983)	Cavusgil (1984b)	Kavnak & Kothari (1984)	Barrett & Wilkinson (1985)	Bauerschmidt et al (1985)	Yanrak (1985)	Karafakionlu (1986)	Kedia & Chhokar (1986)	Kavnak et al (1987)	Hook & Czinkota (1988)	Kavnak & Erol (1989)	Kenn & Jivan (1989)	Sharkev et al (1989)	Sullivan & Bauerschmidt (1989)	Dichtl et al (1990)	Ginsrud (1990)	Sullivan & Bauerschmidt (1990)	Korh (1991)	Czinkota & Irsic (1991)	Barker & Kavnak (1992)	Naidu & Rao (1993)	Katsikeas & Moman (1994)	Leonidou (1995b)	Mahone & Choudhury (1995)	Shoham & Albaum (1995)	Number of Citations
Internal Resource Constraints																																
Financing exports (working																																
High value of domestic currency																																
High transportation costs																																
Lack of skill/flexible labor																																
Insufficient productive capacity																																
Cost of market development																																
Interest rates and inflation																																
High costs of overseas travel																																
High cost of labor																																
Procedural and distribution																																
Locating distributors overseas																																
Handling export documentation																																
Shipping and distribution overseas																																
Pricing and promotion in foreign																																
Collecting and transferring funds																																
Minimizing foreign exchange risk																																
Foreign Market Factors																																
Competition in overseas markets																																
Adapting products to overseas																																
Providing after sales																																
Quality Assurance Requirements																																
Product usage differences																																
Technically inferior products																																
Competition from Local Firms																																
Knowledge and experience																																
Knowing foreign business																																
Identifying foreign market																																
Language and cultural barriers																																
Knowing how to market overseas																																
Lack of overseas market																																
Knowing export procedures																																
Legal and Political Obstacles																																
Overseas govt.																																
Foreign non-tariff barriers																																
Lack of home government support																																
Inconsistent government export																																
Foreign tariff barriers																																
Unfamiliarity with foreign laws																																
Management Considerations																																
Management focus on domestic																																
High perceived risks in selling																																
Low cost/benefit expectations																																
Lack of management time																																
Lack of export market																																
Low aspirations for export																																
Low perceived profitability																																
Lack of management effort																																

[illegible]

Appendix E: Research Methods

The following appendix summarizes the research methods used in export barrier literature. Virtually all studies are cross-sectional, as they take a ‘one snapshot’ look at the export barrier phenomenon. Also, most studies adopt a quantitative research design involving collection of primary data using a mail survey, the subsequent analysis of which involves factorial analysis exclusively, or in combination with other multivariate techniques.

Focus Country	Survey Method	Analysis	Author(s)
USA- Illinois	Personal Interviews	Percentage frequency	Groke and Kreidle (1967)
USA-Georgia	Mail survey	Mean score	Alexandrides (1971)
USA-Midwest States	Mail survey	Percentage frequency	Pavord and Bogart (1975)
USA-Massachusetts	Phone/Personal Interviews	Percentage frequency	Rabino (1980)
USA-Virginia	N/A	Percentage frequency	Tesar and Tarleton (1982)
USA	Mail Survey	Mean Score	Czinkota and Ursic (1983)
USA-North Western States	Mail Survey	Percentage frequency	Albaum (1983)
USA-Midwest	Personal Interviews	Percentage frequency	Cavusgil (1984b)
USA and Canada Texas/Nova Scotia	Mail Survey	Mean score Percentage frequency	Kaynak and Kothari, (1984)
USA-Detroit	Mail and Phone Survey	Percentage frequency	Yaprak (1985)
Australia	Personal Interview	Mean Score	Barrett and Wilkinson (1985)
USA	Mail Survey	Factor Analysis	Bauerschmidt et al. (1985)
Turkey	Mail Survey	Percentage frequency	Karafakioglu (1986)
USA-Louisiana	Mail Survey	Rank order	Kedia and Chhokar (1986)
Sweden	Mail Survey	Percentage frequency	Kaynak et al. (1987)
USA-Hawaii	Mail Survey	Percentage frequency	Hook and Czinkota (1988)
Singapore	Mail Survey	Percentage frequency	Cheong and Chong (1988)
Singapore	Mail	Percentage frequency	Keng and Jiu (1989)
Turkey	Mail and Personal Interviews	Mean score	Kaynak and Erol (1989)
USA-Ohio	Mail Survey	Factor Analysis One way Anova	Sharkey et al. (1989)
USA and EU Aust, Fin, Germ	Mail Survey	Factor Analysis	Sullivan and Bauerschmidt (1989)
EU-multiple	Mail Survey	Factor Analysis	Sullivan and Bauerschmidt (1990)
South Korea	Mail Survey	Percentage frequency	Weavar and Pak (1990)
			Korth (1990)
Finland	Mail Survey	Mann Whitney <i>U</i> -Test	Diamantopoulos et al. (1990)
Norway	Mail Survey	Discriminant Analysis	Gripsrud, 1990
Germany	Mail Survey Personal Survey	Weighted ranks Regression Analysis	Dichtl et al. (1990)
Taiwan	Mail and Personal Interviews	Percentage frequency	Tseng and Yu (1991)
Canada-Prairie	Mail Survey	Mean score	Barker and Kaynak (1992)
USA-Wisconsin	Mail Survey	Chi-square	Naidu and Rao (1993)
Greece	Personal Interview	Factor Analysis One sample <i>t</i> tests	Katsikeas and Morgan (1994)
Cyprus	Telephone Interview	Percentage frequency <i>z</i> test	Leonidou (1995b)
Cyprus	Personal Interview	Factor Analysis Anova/Kruskal-Wallis test	Kaleka and Katsikeas (1995)
USA-Florida	Mail Survey	Anova and Chi-Square	Mahone and Choudhury (1995)
Denmark	Mail Survey	Factor Analysis Regression Analysis	Shoham and Albaum (1995)
Canada	Mail Survey	Discriminant Analysis	Campbell (1996)

UK	Mail Survey	One sample <i>t</i> tests Chi-Square	Peel and Eckart (1996)
Australia	Mail Survey	Factor Analysis Logistic Regression	Ramaseshan and Soutar (1996)
USA	n/a	Anova and Manova	Kwon and Hu (1996)
Finland, Ireland and Norway	Mail Survey	Anova	Bell (1997)
UK	Mail Survey	Regression Analysis	Bennett (1997)
UK	Mail Survey	Multivariate Analysis of Variance (Manova)	Crick and Chaudry (1997)
UK	Mail Survey	Factor Analysis	Morgan and Katsikeas (1997a)
UK	Mail Survey	Multiple Regression Factor Analysis	Morgan and Katsikeas (1998)
USA	Mail Survey	Logistic Regression	Jensen and Davis (1998)
USA-Wisconsin	Mail Survey	Discriminant Analysis	Tesar and Moini (1998)
New Zealand	Mail Survey	One-Way Anova Factor Analysis	Dean et al. (1998)
Saudi Arabia	Mail Survey	MANCOVA	Crick et al. (1998)
New Zealand	Mail Survey	Factor Analysis Discriminant Analysis	Dean et al. (2000)
Cyprus	Mail Survey	Factor Analysis and One sample <i>t</i> tests	Leonidou (2000)
Brazil	Mail Survey	Principal Component Analysis and Discriminant Analysis	Da Silva and Da Rocha (2001)
UK and Ireland	Mail Survey Interviews	Chi-Square	Fillis (2002)
Australia	Mail Survey	Descriptive Statistics	Hornby et al. (2002)
UK	Mail Survey	Factor Analysis	Crick (2002)
Spain	Mail Survey	One-way Anova and Factor Analysis	Suarez-Ortega (2003)
Australia	Mail Survey	Logistic Regression	Patterson (2004)
Lebanon	Mail Survey	One sample <i>t</i> -test One Way Anova	Ahmed et al., 2004
New Zealand	Mail Survey	Factor Analysis	Shaw and Darroch (2004)
India	Mail Survey	Anova & Factor Analysis	Vivenkanadan and Rajendran (2006)
Vietnam and USA-Idaho	In-depth interviews	'Critical incident'-approach	Neupert et al. (2006)
UK	Mail Survey	One way Anova	Barnes et al. (2006)
Norway	Mail Survey	Categorical Principal Component Analysis	Korneliussen and Blasius (2008)
Canada	Mail Survey	Factor Analysis	Rutihinda (2008)
Brazil	Personal Interview	Factor Analysis	Da Rocha et al. (2008)
Spain	Mail Survey	Structural Equation Modelling	Arteaga-Ortiz and Fernandez-Ortiz (2010)
Portugal	Mail Survey	Regression (Probit/Logit)	Pinho and Martins (2010)

Appendix F: Factor Analysis

This appendix contains detailed results of the exploratory factor analysis performed on both t_0 and t_1 42-item scales. As highlighted in *Chapter 4*, there is stability across the samples in terms of number of components, variance explained and also items loading under each component.

(t ₀) Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	11.150	26.547	26.547	4.357	10.373	10.373
2	3.812	9.077	35.623	4.034	9.605	19.978
3	2.489	5.927	41.550	3.499	8.330	28.308
4	2.179	5.189	46.739	3.197	7.613	35.920
5	1.810	4.310	51.049	2.728	6.496	42.417
6	1.629	3.878	54.927	2.089	4.975	47.392
7	1.576	3.753	58.680	2.038	4.853	52.245
8	1.357	3.232	61.912	1.985	4.726	56.970
9	1.266	3.014	64.926	1.822	4.338	61.308
10	1.101	2.620	67.547	1.750	4.167	65.475
11	1.022	2.433	69.980	1.538	3.662	69.138
12	1.010	2.406	72.386	1.364	3.248	72.386
13	.951	2.263	74.649			
14	.872	2.076	76.726			
15	.828	1.972	78.698			
16	.754	1.796	80.494			
17	.738	1.758	82.252			
18	.656	1.562	83.814			
19	.606	1.442	85.256			
20	.518	1.234	86.490			
21	.512	1.220	87.709			
22	.494	1.175	88.885			
23	.464	1.104	89.989			
24	.431	1.026	91.015			
25	.424	1.010	92.026			
26	.385	.916	92.942			
27	.344	.818	93.760			
28	.308	.733	94.493			
29	.294	.700	95.193			
30	.271	.645	95.838			
31	.240	.571	96.409			
32	.222	.528	96.937			
33	.203	.483	97.420			
34	.194	.463	97.883			
35	.176	.419	98.302			
36	.134	.320	98.621			
37	.129	.307	98.928			
38	.113	.269	99.197			
39	.095	.226	99.422			
40	.091	.216	99.639			
41	.085	.202	99.841			
42	.067	.159	100.000			

(t ₁) Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.666	30.157	30.157	4.861	11.574	11.574
2	2.902	6.911	37.068	3.449	8.213	19.787
3	2.159	5.140	42.208	3.193	7.603	27.390
4	1.962	4.671	46.879	2.842	6.767	34.157
5	1.889	4.497	51.375	2.757	6.564	40.721
6	1.520	3.619	54.994	2.615	6.226	46.948
7	1.398	3.327	58.322	2.439	5.807	52.754
8	1.236	2.944	61.265	1.994	4.747	57.501
9	1.211	2.884	64.150	1.786	4.253	61.754
10	1.112	2.647	66.797	1.771	4.217	65.971
11	1.005	2.393	69.190	1.352	3.219	69.190
12	.916	2.181	71.371			
13	.894	2.128	73.499			
14	.768	1.829	75.328			
15	.745	1.774	77.102			
16	.716	1.706	78.808			
17	.672	1.599	80.407			
18	.612	1.456	81.863			
19	.609	1.449	83.312			
20	.574	1.367	84.679			
21	.536	1.277	85.956			
22	.509	1.211	87.167			
23	.476	1.134	88.301			
24	.451	1.074	89.374			
25	.446	1.063	90.437			
26	.423	1.007	91.444			
27	.378	.900	92.343			
28	.353	.842	93.185			
29	.329	.784	93.969			
30	.303	.721	94.691			
31	.289	.688	95.378			
32	.261	.621	95.999			
33	.253	.604	96.603			
34	.226	.539	97.142			
35	.211	.504	97.645			
36	.184	.438	98.083			
37	.168	.400	98.483			
38	.159	.379	98.862			
39	.144	.342	99.204			
40	.124	.296	99.500			
41	.120	.286	99.786			
42	.090	.214	100.000			

(t₀) Rotated Component Matrix												
	Component											
	1	2	3	4	5	6	7	8	9	10	11	12
Knowing export procedures	.826	.034	.096	.024	.196	.062	.116	.126	.057	.215	.138	.003
Knowing foreign practices	.696	.256	.192	.009	.064	.247	.124	-.067	-.049	-.123	-.170	-.064
Handling documentation	.693	.012	.192	.207	.155	.148	.101	.022	-.017	.250	.048	.166
Knowing how to market	.650	.311	-.079	.067	.097	-.110	.316	.156	-.043	-.016	.134	-.247
Shipping & distribution	.625	-.063	.215	.271	-.181	-.016	-.051	.040	-.007	.517	-.173	-.007
Foreign laws	.532	.294	.388	.176	.165	.231	.024	.196	.145	-.214	.007	.184
Perceived risk of selling	.516	.365	.194	.127	.001	.055	.051	.248	.268	-.042	.212	.109
Lack of commitment	.139	.767	-.032	.101	-.108	.066	.244	.029	-.032	.077	.036	.287
Domestic market focus	.156	.743	.021	.252	.158	.169	.018	-.079	-.053	-.048	.132	-.162
Lack of effort	.116	.710	-.197	-.054	.085	-.222	.176	-.188	.026	.050	-.035	.189
Lack of aspiration	.083	.661	.170	.378	.047	.080	.044	.002	-.109	-.052	.012	.207
Low cost/benefit	.025	.543	-.070	.177	.258	.100	.031	.429	.116	.250	-.317	-.143
Lack of marketing expnc	.276	.490	.097	-.405	.121	.031	.125	.304	-.099	-.171	-.063	.047
Non-tariff barriers	.158	-.049	.849	.170	-.012	.036	.072	.050	.060	.112	-.038	-.059
Tariff barriers	.160	-.133	.753	.095	.233	.109	.047	.026	.156	.263	.090	.040
Competing with NZ firms	.131	.215	.605	.068	.164	.392	-.223	.137	.028	.043	-.023	.147
Foreign restrictions/rules	.298	.006	.582	.224	.131	.022	.316	-.111	.277	-.028	.177	.009
Identifying opportunities	.008	.383	.484	.082	.137	-.074	.264	.106	-.110	-.006	-.235	-.110
Insufficient capacity	.056	.217	.088	.761	.071	.031	-.106	-.073	-.001	.055	-.011	-.045
Lack of skilled labor	.198	.039	.102	.637	.288	.066	.043	.005	.290	.057	-.004	.251
Technically inferior product	.136	.398	.257	.612	.020	.055	.091	.289	-.131	.090	-.006	.076
Product usage differences	.121	.040	.376	.588	-.159	.253	.167	-.026	.099	.079	.204	.058
Need to adapt products	.187	.154	.107	.554	-.047	.277	.286	.285	.147	-.244	-.041	.154
Cost of overseas travel	.041	.140	.111	-.148	.822	.062	.116	-.006	-.011	-.085	-.084	-.018
Inflation & interest rates	.267	.034	.182	.259	.645	.131	.009	.126	.182	.171	.071	-.001
Inconsistent govt. policy	.123	.054	.270	.125	.515	.285	.113	.069	.097	.472	.187	.112
High cost of labor	.329	.171	.149	.337	.513	-.034	-.082	.409	.263	.020	-.060	-.043
Lack of govt. assistance	.106	-.028	-.065	.107	.508	.370	.143	.248	-.092	.241	.067	.279
Financing exports (WC)	.078	-.066	.109	.103	.210	.775	.103	-.058	.176	.058	-.002	-.074
Collecting/transferring fund	.322	.198	.039	.194	-.038	.556	.298	.175	.164	.147	.099	.018
Language & culture	.401	.154	.277	.118	.171	.510	-.109	.010	-.077	-.128	-.132	.134
After sales service	.238	.374	.102	.104	.014	.130	.677	.085	-.087	.058	.149	.138
Cost of market development	.012	.269	.136	.022	.312	.046	.558	-.009	.030	.017	-.229	.122
Pricing & promotion	.359	.114	-.003	-.117	.032	.156	.537	.338	.070	-.017	-.162	.069
Foreign competition	.103	-.117	.054	-.022	.086	.032	.141	.828	.096	.077	-.011	-.051
Perception of profitability	.146	.196	.347	.206	.224	-.132	-.076	.409	-.036	.147	.357	.014
Dealing with strong NZD	-.043	-.100	.111	.016	.030	.136	-.109	.038	.811	.136	-.075	.000
Minimizing forex risk	.129	-.054	.154	.299	.166	.099	.284	.187	.599	.183	-.024	-.065
High transportation costs	.135	.064	.235	.010	.129	.059	.030	.109	.305	.762	-.007	-.034
Quality assurance	.239	.044	.262	.140	.157	.062	.070	-.047	-.299	.075	.691	-.094
Locating distributors	.243	.035	.283	.110	.230	.009	.235	.041	-.151	.109	-.579	-.049
Lack of management time	.012	.275	.010	.145	.060	-.010	.154	-.064	-.021	-.021	-.023	.839

(t₁) Rotated Component Matrix											
	Component										
	1	2	3	4	5	6	7	8	9	10	11
Perception of profitability	.788	.018	.049	.167	-.059	.044	.057	-.027	.145	.233	.062
Product usage differences	.769	.080	.214	-.059	-.045	.108	-.018	.262	.103	.087	-.017
Lack of skilled labor	.747	.045	.132	.274	.061	-.025	.043	.122	.013	.012	.041
Domestic market focus	.723	.247	.068	.215	.212	-.032	.091	-.068	-.052	-.032	.001
Lack of marketing experience	.600	.270	.099	-.135	.194	.190	.134	.211	.253	.276	.093
Knowing export procedures	.579	.133	-.043	.240	.211	.056	.204	.159	.200	-.017	.051
Identifying foreign opportunities	.421	.207	.128	-.035	.181	.075	.129	.340	.354	.171	.031
Lack of management time	.072	.806	.145	.055	-.013	.162	.004	.074	-.023	.160	.108
Low cost/benefit expectation	.259	.700	.150	.103	.122	.122	-.061	.323	.071	.022	-.106
Lack of marketing effort	.149	.600	.042	.339	.046	.182	.377	-.074	.118	.163	-.013
Pricing and promotions	.207	.543	.069	.451	.307	.077	.189	-.035	.151	-.038	-.012
Quality assurance	.498	.534	.029	-.077	.193	-.015	.212	-.012	.105	.112	-.041
Need to adapt products	.338	.497	.253	.085	.012	.147	.183	.161	-.175	.025	.372
Language and culture	-.060	.402	.367	.047	.260	.198	.106	.229	.174	-.207	.007
Handling documentation	.054	.143	.770	.215	.073	.025	-.003	-.051	.213	.068	-.041
Insufficient capacity	.345	.140	.735	.105	.035	.091	.117	-.016	-.080	-.091	-.076
High cost of labor	.099	.095	.717	.057	.121	.049	.226	.243	.108	.059	.070
Perceived risk in selling abroad	-.020	.083	.505	.174	.149	-.044	-.045	.094	.474	.066	.336
Lack of commitment	.173	.339	.403	.255	.136	.328	-.155	-.089	-.161	.261	.321
After-sales service	.150	.221	.225	.683	-.072	.157	.177	.139	-.007	-.024	.118
Locating distributors	.086	-.063	.181	.659	.257	.042	.080	.250	.119	-.013	.225
Lack of aspiration	.452	.191	.284	.580	.012	.085	.226	-.091	-.043	-.014	-.177
Cost of market development	.403	.167	.016	.577	.156	.117	.057	.265	.034	.177	-.164
Financing exports	.082	.066	.051	.133	.812	.114	.087	.015	.054	.136	.015
Unfamiliarity with foreign laws	.051	.061	.364	-.122	.680	.060	.182	.086	.070	-.117	.184
Minimizing forex risk	.163	.148	.008	.162	.678	.268	.171	.077	.074	-.065	-.050
Foreign tariff barriers	.033	.030	-.027	.097	.142	.813	.042	-.002	.064	.003	-.137
Dealing with strong NZD	-.001	.186	.085	.077	.085	.762	.158	.016	.008	-.023	.235
Knowing foreign practices	.097	.268	.178	.060	.169	.658	.161	.248	.203	.111	.012
Lack of govt. assistance	.078	.057	.044	.047	.203	.167	.734	.058	.220	.046	-.123
Foreign non-tariff barriers	.208	.112	.221	.204	.161	.022	.631	.141	.039	.035	.367
Foreign govt. restrictions/rules	.118	.159	.267	.242	.267	.274	.598	.001	-.147	.172	.089
Inflation and interest rates	.140	.323	.234	.265	.296	.256	.418	.052	-.008	-.191	-.288
Cost of overseas travel	.166	.138	.140	.274	.161	.080	-.044	.726	.098	.188	.082
High transportation costs	.231	.109	-.040	.235	-.094	.047	.425	.578	.075	.067	.062
Competing with NZ firms	.311	.239	.197	-.151	.259	.328	.190	.422	-.171	.233	-.316
Knowing how to market	.248	-.016	.136	.021	.097	.179	.200	.023	.702	-.100	.015
Technically inferior product	.337	.232	.269	.080	-.028	.042	-.090	.127	.486	.362	-.067
Collecting and transferring funds	.111	.159	-.078	-.075	-.083	-.033	.077	.121	-.026	.716	.020
Shipping and distribution	.250	-.069	.362	.196	.106	.140	.220	.007	.284	.517	.196
Inconsistent govt. policy	.195	.044	.068	.245	.340	.099	-.009	.293	-.066	.488	-.305
Foreign competition	.195	.115	-.037	.157	.323	.367	.190	.169	.253	-.009	.469

Appendix G: Drivers of Perceived Export Barriers

