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Blue Oceans: Looking overseas for business success - How do New Zealand SMEs internationalise and manage branding in foreign markets?

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Abstract

The purpose of this study and its underlying research questions is to understand how New Zealand SMEs, that fall within knowledge intensive service industries, internationalise and manage branding in foreign markets.

The research is important because it aims to provide insight into cost effective means for SME''s to directly deliver service solutions to international markets. Consequently, this will allow companies to further build and develop their resources, assets and markets.

New Zealand is a small market economy with limited growth potential and domestic market opportunities. Therefore, companies are considering extending their sales activities and customer reach to foreign markets and develop international networks.

In the literature review, a strong link between internationalisation and FSA has been established and Dunning (1997) suggested that firms develop a competitive advantage in their home market and transfer this advantage to international markets with CSA. Other literature pointed out that FSA and company capabilities can also be acquired and augmented abroad. Therefore, these can act as a driver and motivator for firms to internationalise.

This is a phenomenological research and data was collected through semi-structured interviews.

The findings of this research suggest that business have to focus on global niche markets and provide quality outputs in order to effectively compete internationally. The primary method for internationalisation is through personal and direct relationships with international key clients which facilitate foreign market entry. The organisational structure and corporate culture are key competencies that must be managed or they can turn into a barrier.

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Problem Analysis

The international landscape has become a new strategic route for business survival and advances in technology and communications have produced new opportunities for small firms to extend their sales activities and customer reach to international markets (Evers, 2011). The trend of internationalisation of businesses with fewer resources has considerably increased and obtaining a substantial portion of sales from foreign markets which can build a significant competitive advantage. Global companies realise around 25% of total sales through international markets within the first three years of operation (Knight & Cavusgil, 2005).

The cost of doing international business has significantly decreased due to advances in technology and communications. Small and medium enterprises (SME) heavily rely on communication technologies in order to achieve their international goals. Such technologies enable low-cost global communication and support foreign market penetration (Knight & Cavusgil, 2005).

New Zealand has a domestic market of only 4 million and a large geographic distance to the European Union and the USA, with access to over 400 million and 250 million consumers and companies, respectively. Therefore, in a small market, firms have to export and internationalise in order to grow and access foreign markets, networks and connections (New Zealand Treasury, 2008).

How do New Zealand SMEs in the service sector internationalise and manage branding in foreign markets?

The following literature review will give an overview of theoretical frameworks and research on international business theories. In particular, Dunning's eclectic paradigm and the resource based view will highlight various motivators and strategies for international market entry. In addition, push and pull factors for internationalisation are analysed, along with industry and market conditions, networks and forms of international market entry. This is followed by emphasising challenges for service firms and barriers, such as cultural differences.

Literature Review

Dunning offers a holistic approach to the complexities of internationalisation and his eclectic paradigm provides a robust and influential framework in the international business literature (Buckley & Hashai, 2009). It explains that three elements, ownership (O), location (L) and internalisation (I), determine the international activities and entry modes of enterprises to foreign markets (Dunning & Bansal, 1997). It suggests that firms develop a competitive ownership advantage in their home market and transfer this to foreign markets with specific location advantages. The internalisation advantages are the transactional abilities of the firm to internalise and integrate ownership advantages and intangible assets such as brand, knowledge, management skill and company culture. Thus, there is a strong link between internalisation and ownership advantages and the later cannot exist without the former (Dunning & Bansal, 1997).

Other literatures that adopt Dunning's ideas combine ownership and internalisation advantages to firm- specific advantages (FSA) and location advantages to country-specific advantages (CSA). This view is compatible to the resource-based view of the firm and recognises FSAs as value-creating internal competencies, which are rare and difficult to imitate. Therefore, they must be used to further develop the firm's capabilities and efficiency, differentiate from competitors, or access new resources, distribution channels and capital (Rugman, 2010). In fact, the initial assumption of Dunning's eclectic paradigm has been that FSAs originated in the home country and are used for host country entry, based on a firm's motivation to find new resources, markets or efficiencies. However, recent studies have shown that enterprises also access foreign markets in search of knowledge-assets. This implies that ownership advantages and FSAs do not need to originate in a firm's home market, but can be acquired and augmented abroad and it is therefore an additional internationalising motivation (Buckley & Niron, 2009).

In more recent literature, Dunning's concept has been further developed and Evers (2011) identifies pull and push forces that direct a firm's strategy towards internationalisation. Pull factors can be internal and external drivers that pull an organisation to internationalise through foreign market opportunities and incentives to seek out international customers as part of the overall business strategy. Thus, pull factors are a response to industry and market conditions and it is influenced by the nature and degree of competition within the sector. Therefore, companies may ignore smaller and more challenging domestic markets and focus on world markets with more favourable conditions and direct their strategy towards highly specialised global niches (Evers, 2011). This is facilitated by deeper and wider global economic integration that has let to market homogeneity across many industry sectors and as a result, products and services can spread more easily to markets around the globe (Marsden & Servais, 1997). Consequently, the idea and view that internationalising firms are customer oriented and customise products and services to suit client requirements has been challenged by findings that suggest that multinational businesses choose markets with homogenous customers in order to reduce product customisation and adaptations to the marketing mix. This means that firms offer standardised products, with minimal customisation, to global niche markets in order to enable and assist rapid access to foreign markets (Evers, 2011; Knight & Cavusgil, 2005).

Furthermore, the increasing role of global networks and alliances has had a significant pull effect on SMEs that follow or are forced to follow their customers into international business networks (Evers, 2011) or connect and link to foreign suppliers (Knight & Cavusgil, 2005). This may, in fact, be a survival response to competitive domestic industry and market conditions. On the other hand, social networks and personal contacts of company management may lead to foreign market opportunities (Evers, 2011).

Push factors are mainly internal and entrepreneurial forces that drive a firm to internationalise and create opportunities or innovate. Adverse home market conditions and limitations can lead to companies to become internationally proactive and seek foreign market opportunities. Studies have confirmed that firms in small economies, with limited domestic markets or that are geographically isolated from principal markets, have an interest, motivation and an incentive to go abroad (Evers, 2011).

Nevertheless, the most common factors permitting these firms to internationalise are their unique capabilities of their products, services or processes and set of available resources in the form of knowledge, know-how and experience (Dunning, 1997; Rugman, 2010, Evers, 2011). Therefore, an additional source of competitive advantage is the aptitude of the management teams and their ability to exploit proprietary knowledge, commercial opportunities and competitive position (Roberts & Senturia, 1996). Furthermore, rapid developments in communication, digital and internet-based technologies are further key drivers and enablers that facilitate foreign market entry within knowledge-based products and services (Evers, 2011). These developments along with technological improvements in the areas of production processes and operations have contributed to the economic viability of specialisation and customisation of products and services to new niche markets. Thus, international niche markets play an important role in the low-scale production of high-value added products and services (Bell et al., 2003).

Lastly and most importantly, the role of the entrepreneur is central to the internal push factors behind a firm's internationalisation strategy. The specific capabilities, vision and global orientation of the founder and management team will set the direction and degree between a global and locally based operation. Consequently, managers of internationalising firms have been found to have a more geo-centric mind set with a positive and pro-active attitude and behaviour towards risk and value creation across borders (Knight & Cavusgil, 2005).

Thus far, the literature points to ownership and internalisation advantages or FSA, and location advantages or CSA, as the two key variables that determine a firm's internationalisation strategy. However, it is important to note that country-specific advantages may be in relation to either the host country or the home country (Rugman, 2010). For that reason, companies with high CSAs can position themselves to attract foreign relations through multinational enterprises aiming to access their markets. Locally based companies better understand culture, political issues, consumer trends and behaviour within their home market, and can therefore add significant value to multinational enterprises (Lee et al., 2013). As a result, local firms will always outperform foreign firms in a host country unless the foreign firm has a distinctive advantage. Consequently, international joint ventures have become a dominant strategy for foreign markets entry and can lead to and drive a sustainable competitive advantage and high performance (Pehrsson, 2004; Lee et al., 2013).

In contrast to foreign direct investment, joint venture firms provide an immediate strategic and competitive advantage. On the one hand, it allows the incoming firm access to local resources, networks and assets. Hence, the access to local knowledge, know-how and insights of the target market considerably reduces and mitigates risk while providing immediate access to customers and consumers (Lee et al., 2013). On the other hand, the incumbent firm may leverage of the competencies of the international organisation and realise cost reductions or efficiencies in production, distribution or operations (Pehrsson, 2004).

There is also potential to access a variety of other markets or collective learning within the organisations through integrated new technologies, production skills and competencies, or diversification (Bell et al., 2003). As a result, joint ventures easier overcome barriers to entering local markets and can exploit the established brand recognition, resources and distribution channels. This significantly reduces costs of local adaption in terms of technology, consumer loyalties and customer switching costs (Pehrsson, 2004) and in this regard, joint ventures provide a more efficient way of transferring knowledge across organisations and borders. However, there is also a trade-off between control and resources and the degree a partner is prepared to commit may vary to the nature of the business, choice of entry mode and ultimately the relationship and associated mutual trust (Domke-Damonte, 2000). Mutual trust is critical within collaboration and can significantly lower transaction, monitoring and coordinating costs (Lee et al., 2013).
Nevertheless, literature on international joint ventures has suggested that partners are hesitant to share their core competencies and know-how due to potential opportunistic behaviour and the prospect of losing a proprietary knowledge or a competitive advantage (Lee et al., 2013).

The theoretical framework of the eclectic paradigm and of the resource- based view of the firm, both imply that success in internationalisation activities can only be achieved if the organisation holds a competitive advantage, such as a resource or an asset that is valuable, rare, difficult to imitate and non-substitutable (Domke-Damonte, 2000). Figure 1 gives further insights to the forms of market entry and highlights that ownership advantages or FSAs permit and encourage multiple internationalisation strategies. Thus, such a diversification strategy can protect a multinational enterprise against risks and uncertainties in the home market and assist to create a position that enables and maintains a competitive advantage (Stopford et al., 1991).

		Categories of advantages		
		Ownership advantages	**Internalization advantages**	**Location advantages**
Form of market entry	**Licensing**	**Yes**	No	No
	Export	**Yes**	**Yes**	No
	FDI	**Yes**	**Yes**	**Yes**

Figure 1. Trade and FDI patterns (Stopford et al., 1991)

Furthermore, the characteristics of service firms require different forms of control, due to the inherent variation in service output and coordination. Accordingly, the market entry modes and strategies are considerably different (Domke-Damonte, 2000). Conceptually, services are intangible, perishable, heterogenic and inseparable from the consumer. The intangibility dimension describes the consumer's and service provider's inability to measure the quality of the service before consumption. The heterogeneity dimension acknowledges the output variation and the inseparability dimension recognises that some form of consumer participation is required in the service production process and in the co-creation of value (Lam & Woo, 1997).

Therefore, multinational enterprise or firms that want to enter foreign markets have to develop and formulate a competitive international service strategy that aligns with local consumer service expectations. A successful service marketing strategy can create a sustainable competitive advantage through intangible assets, such as brand equity and organisational processes (Lee et al., 2013). However, the unique cultural aspects that shape consumers' service experiences, expectations and behaviours are critical issues to take into consideration when internationalising (van Birgelen et al., 2010). Consequently, understanding the cultural and cross-cultural dimensions of the local market will significantly influence service delivery and the perception of service encounters and quality. Foreign consumers have different service expectations and perception, and research has established the service quality dimensions, standards and behaviour significantly vary based on culture, and as a result, service quality gaps may occur (Lee et al., 2013). Thus, local businesses have a natural advantage compared to multinational enterprises and its international success depends on the firm's ability to effectively deal with cultural differences in expectation, perception and evaluation (van Birgelen et al., 2000).

Research found that consumer preferences for global brands are based on the perception of higher quality and prestige. However, the advantages of local brands are brand awareness and trust of the home market (Whitelock & Fastoso, 2007) and as a consequence, consumers are more likely to identify, relate and associate with local brands (Keller, 2001). This implies that the brand equity of local brand names has more value and often leads multinational companies to acquire local brands as a means of market entry, if the relative strength of local competitors is high (de Chernatony et al., 1995). On the other hand, an international brand can enter foreign markets, if country specific advantages (CSA) are high, the competitive market structure and preferences for local products and services are low (Douglas et al., 2001). Hence, different market and industry characteristics determine whether a brand adapts to its host country or whether it standardises across all markets. Douglas et al. (2001) make the point that the core essence of a brand and the value positioning, to the extent to which it satisfies rational, functional and emotional needs, should remain unchanged and standardised. However, the execution of how a brand is implemented and conveyed, in terms of packaging, content or delivery, needs adaptation to the local market.

Successful international brands aim to identify and find similarities rather than differences in consumer behaviour and offer opportunities for economies of scale, if there is adequate customer convergence (de Chernatony et al., 1995). This may be driven by common worldwide consumer trends with relatively homogenous needs, interests and demands on an international scale (Douglas et al., 2001). Thus, targeting a global market or consumer segment will centralise control of the brand and reduce local and cultural differentiation and variations. This will also facilitate to manage consumer expectations and the perception of quality (de Chernatony et al., 1995).

The idea that multinational firms offer standardised products to global niche markets has been proposed in earlier parts of this review. The literature supports the possibility that this internationalisation strategy may be the most appropriate entry mode to foreign markets, based on the firm-specific and country- specific advantages of New Zealand SMEs. Furthermore, barriers to international markets, such as cross-cultural differences, trust, service delivery and the perception of quality, are significantly reduced and mitigated.

Research Design

Methodology

This is a phenomenological study that followed an inductive research design, thus, the relationship and sequence of theory generation was reversed from a deductive study (Bryman & Bell, 2001). The inductive research process moved from observations and search for patterns to a generalisation of the findings and finally to the generation of an idea or thesis. The data collected in this study was qualitative and it was gathered through semi-structured interviews that described the experience of the participants. In Phenomenology, understanding and analysing the patterns, similarities and differences of shared and individual experiences did generate the thesis of this research. Below is a description of the methodology of the research design, data collection and analysis of this study.

Research Design

This was a comparative case study design and it recognised the social paradigm of organisations and the underlying subjectivity, interpretation and understanding of human nature and behaviour (Bryman and Bell, 2011). The ontological position of this research was evident in the design of the case study.

The purpose of this research was to find the key factors that assisted selected SMEs to internationalise and to understand the role the firm's capabilities and competencies would take in penetrating overseas markets. In addition, data was collected, which compared the advantages of foreign direct investment over international joint venture or direct client engagement from the home market. Finally, country specific advantages were analysed and barriers to an international strategy were examined.

The scope of this research was narrowed to firms in knowledge- intensive service industries.

The case studies use contrasting strategies to internationalise and imply a constructionist approach that examines diverse social constructs of reality based on the perception of individuals and groups (Bryman & Bell, 2011).

Data Collection

Semi-structured interviews from managers in the organisations were the primary method for collecting data in this study. This was a qualitative research project with emphasis and focus on gathering and understanding the participants' subjective experiences and interpretation of the internationalisation process within their organisation and how this assisted in the development and management of their brand and value position in international markets. The participants were in senior management and leadership positions in order to provide a strategic view of the organisation and its direction. A total of five interviews were conducted ranging between 45 and 90 minutes. This offered a clear and balanced interpretation and understanding of the companies' strategies and capabilities. The interview questions that were asked to the participants have been provided below.

Participant Interview Questions:

1. What was your reason for going international? Drivers and motivators?
2. What is the internationalisation strategy of your company? Market Entry?
3. What do you feel were the advantages/ specific capabilities that facilitated the internationalisation strategy?
4. What were and are the challenges/ difficulties/ barriers in pursuing this strategy?
5. How did your specific firm characteristics assist or prevent the internationalisation process?
6. How does an international brand orientation/ positioning help your company? How did internationalisation help to build your brand in your home market?
7. How do you manage your brand/ customer expectations and customer experiences in the overseas markets? In the home market? Is there any difference?
8. Have you noticed market specific consumer behaviour, trends or perceived quality?
9. How do you manage risk (limited information, uncertainties)
10. What is your value proposition (domestic/ international)? Does it differ?

Analysis

The researcher recognised the interpretive approach in this study and the underlying epistemological orientation of the subjective and personal data that had been constructed and created by each participant in their own unique way. This research took the individual's social and professional background and the way that situations and contexts were perceived and interpreted (Bryman and Bell, 2011) into consideration, therefore, the data was analysed in two steps.

The first step considered interview data exclusively from participants of the respective organisation within the relevant case study and synthesised the findings. Emphasis was placed on identifying common perceptions, understandings, processes and thought patterns in the participants' data. This was then used to generate a distinctive and idiosyncratic position that was reflective of characteristics, structures and strategies. As a result, each theme was archetypal of the applied and implied internationalisation strategy, its characteristics and its benefits and limitations.

The second step of the analysis was to compare the results and findings of the themes with the literature review. The aim was to find similarities and differences in the approaches and to gain a greater understanding and insight of the internationalisation and branding strategies in foreign markets.

The purpose and intention of this analysis was to allow multiple characteristics, strategies and orientations to shape and influence the theory and provide a pluralistic view and assessment of the research question and topic.

Limitations

The collected data and findings of this study are qualitative in nature and therefore highly subjective. Consequently, the results of this research are an interpretation of experiences and may be biased, generalised, inconsistent and ambiguous.

Planning

The success of this research paper is subject to the access to companies that fit the profile of organisations as laid out within the respective case studies and scope of the research question. This qualifies small to medium enterprises within the service industry, such as communication and consulting agencies or language service providers. Furthermore, a willingness of senior management, within the firms, to participate in the interviewing process is required.

Research Findings

Data and key findings, which have been generated from the interview participants' responses, have been summarised, recorded and tabulated in Appendix 1. The results have been grouped into themes, in order to give a more structured view of the internationalisation drivers, strategies, capabilities and barriers, and are named as follows: Push and Pull Factors, Strategy, International Market Entry, Firm Specific Advantages (FSA), Country Specific Advantages (CSA) and Barriers.

Push and Pull Factors

This theme gives a detailed view of the drivers and motivators behind the companies' internationalisation strategies and, while all participants agree that New Zealand is an export based economy and that they are excited by the prospect of overseas opportunities and possibilities, there are three key findings that have been identified as the primary push and pull factors of internationalisation, economic conditions, vision and global mind set.

Push Factor: Economic Conditions

The market size and limited growth potential of the New Zealand economy has been acknowledged by the respondents as a crucial constraint for business operations and development. Respondent 4 (R4) commented that they had to expand to foreign markets in order to sustain business activity and to ensure continuous workflow.

"We needed to know that we had enough work coming through" (Respondent 4, personal communication, October 2, 2015).

Respondent 3 (R3) is looking to overseas companies to help with volume in order to realise economies of scale. Respondent 5 (R5) mentioned that a lot of companies in New Zealand have not embraced their services, while international demand is high.

Key finding: New Zealand's economic market conditions and climate are pushing companies to internationalise and penetrate foreign markets.

Pull Factor: Vision

Respondent 2 (R2) credits the directors' energy, passion and willingness to expand as the key drivers of the company's international strategy and, consequently, this idea has created a culture of growth and internationalisation within the organisation. This view is supported by R5, who is "excited by working internationally and by the diversity and scale of projects" (Respondent 5, personal communication, October 3, 2015).

Furthermore, the vision that New Zealand has to offer a broad capability set to international markets will help promote local industries, competencies and talent overseas and significantly contribute to New Zealand's economy.

"We are not just a nation of rugby players. New Zealanders are multitaskers, innovative and make things happen" (Respondent 5, personal communication, October 3, 2015).

Key finding: An individual's vision is a strong driver for internationalisation and motivates others to follow.

Pull Factor: Global Mind Set

"The organisational structure of the company was set up with international clients in mind", says respondent 1 (R1) and this is due to "the strategic time zone advantage that New Zealand has to offer over Europe" (Respondent 1, personal communication, September 9, 2015). Therefore, overseas offices, partner agencies, networks and existing relationships may provide the right connections and links to potential clients who need to be serviced in foreign markets. This assessment is reinforced by R2: "You have to be in the market in order to attract business opportunities." (Respondent 2, personal communication, October 2, 2015). Meanwhile, R4 stated that at times they have to absorb cost to be able to work within overseas clients and try to build a relationship with them.

Key finding: Planning for internationalisation in the early stages of company life will attract opportunities.

Business Strategy

The drive and commitment towards quality in service delivery and outputs, is a key success factor and an integral part of the competitive strategy and displays a clear orientation towards excellence and customer centricity.

Quality

The focus on excellence and service delivery is vital for New Zealand SME's to be competitive overseas as this is what international value. Distance is not considered a barrier when looking at global niche markets that emphasis quality and value.

"Location doesn't matter as long as quality work is delivered", said R4 (Respondent 4, personal communication, October 2, 2015) and R5 asserted that "you must be extremely good in order to operate internationally" (Respondent 5, personal communication, October 3, 2015). Thus, delivering results and consistent excellence is an integral part of a successful international strategy; this is how long term relationships and new connections are formed, company reputation and profile enhanced and referrals communicated.

Key insight: Quality is a key driver for internationalisation.

Long Term Relationships

From a strategic perspective, long term relationships with clients are essential for business growth and success. R3 explains that the service industry is "relationship driven" and R5 actively invests in building relationships, "We rely on our referral network – when businesses come to us because we have been recommended, they immediately trust us" (Respondent 5, personal communication, October 3, 2015). R4 has built up a network of long term clients who are loyal, because of the quality of results and services delivered. This emphasises that strong relationships build trust, loyalty and actively assist business development and growth through endorsements. In addition, they may also provide information and the opportunity to enter new markets or provide global connections and service touch points.

Key insight: Relationships are of strategic importance and must not only be maintained, but also grown and invested in.

International Market Entry

Expansion and direct investments into foreign markets require significant resources and a reliable revenue stream. “It is very difficult to build a company overseas” says R5 and adds that “you have to grow a strong company and develop the business capabilities and competitive advantages in the home market first” (Respondent 5, personal communication, October 3, 2015).

The preferred method of entry into foreign markets is through large global clients and, “even though this may be a loss leader in some instances, it may provide new entry points to these markets, along with new connections and links” (Respondent 1, personal communication, September 9, 2015). In addition to this, according to R3 (Respondent 3, personal communication, September 28, 2015) “most of our new business development overseas is produced by referrals and by leveraging off existing client relationships”.

International joint ventures were generally considered not an option by R5, as “we wouldn’t want anyone else involved in the decision making of the company” (Respondent 5, personal communication, October 3, 2015). On the other hand, R1, R3 and R4 can see the value of a global network and point out advantages to be gained in service delivery by utilising partner agencies as touch points. In addition, the joint ventures may share resources and optimise the supply chain, systems and processes or leverage and support for large global tenders. However, commercially sensitive information is only shared to a degree between partners and “we still haven’t figured out how to generate a regular revenue stream- [from the network]” (Respondent 3, personal communication, September 28, 2015).

Digital communications and technology allow for virtual commuting, therefore, a global footprint through overseas offices is only viable if it is of strategic importance and can deliver a competitive advantage in terms of geographic spread, time zone positioning or an emerging growth market. In some instances, staff relocating to a different country may provide the opportunity and access to a new market and local connections (Respondent 2, personal communication, October 2, 2015).

Key insight: Internationalising through a large global client will allow for immediate cash flow and appears to be the most efficient way of international market entry.

Firm Specific Advantages (FSA)

This section lists the organisation's internal capabilities, competencies, skills and advantages that allow and enable the company to successfully compete internationally. These points fall within the organisational structures and culture of the companies.

Organisational Structure

The way the company is set up greatly facilitates client engagement and relationship management through overseas offices or local representatives. These act as service touch points to clients and reduce the impact of distance. "We are always local enough to connect with customers and align and fit their cultural expectations" (Respondent 2, personal communication, October 2, 2015).

Moreover, an office with multi-national staff permits the firm to manage customer relationships on a more market specific level and offer cultural appropriateness and relevance. "It helps with a competitive pitch and client engagement" (Respondent 3, personal communication, September 28, 2015).

In addition, knowledge, competencies and skills can be transferred and exchanged between or within offices in order to generate the best outcome and results. "We have a very collaborative culture and there is often an international component to an assignment" (Respondent 2, personal communication, October 2, 2015). Moreover, there is also a willingness to adopt international systems, processes and best practises that improve the overall quality of service delivery and results.

Key insight: We are always local enough to connect to our customers

Corporate Culture

The conducted interviews found that a strong corporate culture is key to delivering quality services and results. This is achieved by providing and creating a collaborative and friendly environment for talent to flourish and develop. There is a degree of autonomy which allows staff to come up with ideas and act on them. "We celebrate success and we listen to our people" (Respondent 1, Personal Communication, September 9, 2015).

Key insight: Enable staff to act on their ideas.

Country Specific Advantages (CSA)

The geographic location of New Zealand provides a natural time zone advantage for European clients in that it allows for overnight service, which helps them to achieve a continuous workflow. This means that clients in Europe and the United States then have a significant efficiency advantage as work can be passed from office to office to help work proceed without delays. Furthermore, New Zealand is also strategically positioned in proximity to the Asia- Pacific region and provides overseas clients a springboard into these markets.

The combination of quality and calibre of New Zealand talents, developed through education and training, provides an important competence advantage for organisations. There is also easy access to high tech, software and management capabilities in New Zealand, which greatly enhances the competitiveness of NZ businesses. “New Zealand businesses are world class, innovative and nimble, but we also have to be world changing” (Respondent 5, personal communication, October 3, 2015).

New Zealand culture has been described as a key strength when competing internationally. R5 defines New Zealanders as “practical people and multitaskers” with a “can-do attitude” who “don’t complicate things and get the job done” (Respondent 5, personal communication, October 5, 2015). There is a willingness to take a multi-skilled approach and a unique way of doing things the New Zealand way. Consequently, there is a feeling that the “kiwi” attitude and culture is a key component in the delivery of quality results and outcomes. “This is our DNA, who we are and what we are about” says R2, “and there is strong evidence of our New Zealand heritage in all our international offices and servicescape” (Respondent 2, personal communication, October 2, 2015).

There is also a social connection and “cultural fit” between New Zealand and Europe, which fosters the perception that “kiwis” can be trusted overseas.

Key insight: Kiwi culture is associated with trust and can also be exported.

Barriers and Risks

It can be difficult to work in countries with ambiguous or complex legal and regulatory frameworks; however, these risks can be mitigated through contractual agreements or pre-arranged payment terms. The barriers, as observed by the respondents, are outlined below. However, it is interesting to note that differences in quality perception or expectations have not been an issue and the risk of reduced margins is acceptable, provided that the market is strategically important.

New Zealand's Image

Some countries are resistant to New Zealand branding and, while there is no adverse perception of the New Zealand brand in Europe, Australian customers are more sensitive to sourcing from firms in New Zealand. "Our business would be negatively affected selling anything specifically New Zealand and this is the reason we have had for changing our brand name to a more local, market specific banner in Australia" says R3 with regard to the above (Respondent 3, personal communication, September 28, 2015).

R5 explains that, while New Zealand is perceived in a positive light, the country is still framed and compartmentalised into categories that do not apply. "We are a country with major high tech, software and manufacturing industries and strong management capabilities, but this is not properly communicated abroad" (Respondent 5, personal communication, October 3, 2015).

Key insight: The New Zealand image as not communicated accurately to global partners.

Distance and Culture

New Zealand's geographical location and, as a result, the distance to the target markets makes it hard to form and maintain close and personal relationships with clients. "This business is relationship driven and therefore how we engage with our customers is a key part of our growth strategy" says R3 (Respondent 3, personal communication, September 28, 2015). Moreover, there is a risk of people drifting away as the organisation internationalises and becomes more graphically dispersed. Working remotely or from different countries may isolate employees, erode shared value, assumptions and norms and ultimately reduce outcomes and results for the company. The corporate culture as FSA may begin to break down and miscommunication may become more frequent. "People need to be bound into the corporate culture and you cannot lose touch with them” (Respondent 5, personal communication, October 3, 2015).

A further point is that, if the strength of the company is its New Zealand corporate culture, there will be clear barriers and difficulties to integrate into local cultures from the host country. Consequently, exporting the “Kiwi culture” to other markets is extremely difficult, due to the different ways of doing business and engaging internal and external stakeholder. R2 remembers: “We felt most comfortable working with kiwis as the New Zealand attitudes are quite unique, but we now more rely on locals and therefore we are over that barrier” (Respondent 2, personal communication, October 2, 2015).

Key insight: “Out of sight, out of mind” staff relationships must be managed in a similar manner to client relationships when distance is a barrier.

Discussion

Discussing Point 1: Pull and Push Factors

This research acknowledges that the economic conditions and competitive landscape within New Zealand do have some influence on the company's decision to internationalise; however, this is not the primary driver for businesses to move overseas. In fact, the findings suggest that the key forces that direct a business towards internationalisation are the personal drive, vision and global mind set of the directors and managers. The literature agrees with this observation and that the role of the owners, directors and managers is the central push factor behind an organisation's internationalisation strategy and global orientation (Knight & Cavusgil, 2005). Nevertheless, the literature does not address the actual role of the owners in the company. The findings in this research show an aspirational and idealistic nature of entrepreneurs who display an intense willingness and determination to internationalise and move the company operations abroad. This require a global mind set that anticipates and plans the organisational structure, business capabilities and connections that may be essential for future international activities. Furthermore, the research also shows that staff follows the vision of the owner and buy into the strategic direction of the company. An entrepreneur's energy and passion is infectious, motivates and positively contributes to the internal push factors. Therefore, it can be proposed that the leadership qualities and abilities of the entrepreneur or manager are directly related to the drive and degree towards a company's internationalisation. Consequently, the leadership attributes of owners and managers are a crucial and fundamental element in a company's efforts to internationalise.

Discussion Point 2: Business Strategy

Dunning's eclectic paradigm suggests that a company develops a competitive advantage in their home market and uses these competencies for foreign market entry and internationalisation (Dunning & Bansal, 1997). The research findings agree with the literature and confirm that the operations moved and grew from a primarily national to an international scope and this transition was facilitated by the focus and direction towards quality and excellence in service delivery. However and in contrast to the literature, cultural aspects and differences in the perception and expectation of quality and service delivery have not been considered a significant problem. In fact, the organisation's growth and internationalisation strategy is based on active referrals from existing clients that generate long-term relationships, links and connections. Moreover, this also allows the business to establish a reputation and profile for quality and builds relationships that are based on trust and loyalty. Therefore, international and cultural expectations, perceptions and evaluations of quality are very similar and a local firm may not have a natural advantage of multinational enterprises as stated by van Birgelen et al (2000). Thus, a competitive international strategy should primarily be focused towards the delivery of quality and relationship management.

Discussion Point 3: International Market Entry

This research suggests that international market entry through expansion and foreign direct investment requires significant resources and a reliable revenue stream, therefore, the necessary capabilities and competencies have to be developed in the home market first and before internationalisation. This is in contrast to the view that a company's capabilities do not need to originate in the home country but can be acquired and augmented abroad (Buckley & Niron, 2009). However, this idea requires resources and investment that might not be available to the organisation and the commercial feasibility, reliability and profitability of the investment may have not been confirmed or tested. As a result, there is a degree of risk and uncertainty when investing resources into capabilities that are not proven to be reliable or profitable. Consequently, Buckley and Niron's view may not be appropriate for SME's and only apply to big multinational companies or organisation with large investment capabilities.

The findings in this research propose that working with a global client is the most suitable way of international market entry for New Zealand SME's. Other research work in the field of international business confirm that some SME's follow their clients into overseas markets (Evers, 2011). This form of internationalisation and new market entry is hugely effective, as it already provides one client relationship and an existing revenue stream to the business. Furthermore, there is a high likelihood that this relationship may provide referrals, connections, links and market information to the company, which allow for further growth and business development. Therefore, a strong long-term relationship with an international client is extremely valuable and must be developed, maintained and invested in.

The literature on international ventures has suggested that while partners are hesitant to share competencies, they are still considered a key strategy for foreign market entry and development of a competitive advantage (Lee at al., 2013). The results from this research accept the value of being part of a global network and the underlying advantages have been recognised and understood by the interview participants. Nevertheless, the idea of shared decision making and reduced control of the business activities has not been supported by any of the participants. Furthermore, the inability of the venture to produce a regular revenue stream has not been answered and a viable plan in order to generate cash flow has not been designed or presented. Consequently, this makes international ventures an ineffective alternative for overseas market entry. The researcher is surprised by this outcome and further study and research into the composition and make- up of an effective international joint venture may be proposed and should be undertaken.

Discussion Point 4: Firm Specific Advantages (FSA)

In the literature, FSAs are described as value-creating internal competencies that must be used to develop the organisation’s capabilities and support the primary business strategy (Rugman, 2010). The findings in this study indicate that the organisational structure and corporate culture, as described by the interview participants, do add value and deliver capabilities that support a competitive international service strategy.

On the one hand, representatives, either through joint venture partners or established clients, and overseas offices provide local service touch points that allow for effective client engagement and customer relationship management. On the other hand, a multinational office permits the company to be more responsive to unique cultural and behavioural aspects within local target markets and to design market specific and appropriate communications that resonate with the audiences. As a result, internationalising companies have the opportunity to be in proximity to their markets and in a better position to understand cultural biases. This challenges the view that local companies are more in touch with their audiences and better understand the consumer behaviour and culture in their home markets (Lee at al., 2013). Hence, service delivery programs designed by international SME’s may equally meet quality expectations within the foreign market.

Findings in the literature suggest that the talent of management teams and their skills to exploit knowledge and opportunities is a source of a competitive advantage (Roberts & Senturia, 1996). Consequently, this research finds that a strong corporate culture that enables staff to act on ideas and that provides a supportive environment for talent to develop is in a position to respond faster to changes through innovation and problem solving. This gives the business the capabilities to be innovative, nimble and responsive to changes in consumer trends, behaviour or expectations.

Discussion Point 5: Country Specific Advantages (CSA)

Rugman (2010) points out that country specific advantages can be in relation to the host or the home country, however, for the purpose of this research, only the location advantages of New Zealand have been considered.

The findings propose that the geographic location of New Zealand offers a natural time zone advantage in comparison to Europe and America. Subsequently, European or American companies can realise efficiencies by contracting projects or assignments to New Zealand businesses that can complete the work or continue on the work flow in their local time zone. Nevertheless, this advantage may not materialise or ensue if a firm’s capabilities, systems or processes are not organised, coordinated or set up to deliver results or values to the client. In addition to this, the organisation’s competences have to be sustained and supported by local talent and supporting industry in order to fully benefit and make the most out of the time zone differences. Therefore, a single CSA advantage may not be enough or viable in order to effectively compete on a global scale. The researcher suggests that a bundle of location advantages that complement each other and in combination with FSA may provide a stronger value proposition than an individual or single CSA.

Moreover, the results of the research find that the “kiwi attitude” and New Zealand culture is an important part in the delivery of quality and innovation. The practical and simple approach to problem solving and creative thinking provides a valuable asset to many organisations and can be a source of a competitive advantage. In addition, the ability of New Zealanders to adapt to various environments, socially connect and “fit in” with the local culture, convey a perception of trust. However, this national culture is not restricted within the borders of New Zealand and can be exported to overseas offices through a unique “kiwi” specific corporate culture. As discussed in the previous section, a strong corporate culture can be the source of a competitive advantage and FSAs, therefore New Zealand corporate culture can be valuable, rare and hard to imitate in a foreign country and may be a key differentiation factor. However, this approach would make it difficult to integrate local talent within the corporate culture, as they are not familiar with New Zealand values, norms, perceptions and thinking.

Discussion Point 6: Barriers and Risk

Lee et al. (2013) propose that understanding local culture, trends and consumer behaviour is a key barrier for organisations to internationalise and van Birgelen et al. (2010) add that unique cultural aspects and dimensions considerably influence the service expectations and perception of quality. The researcher of this paper acknowledges that the quality dimension is certainly a driver for internationalisation, as discussed in the previous sections of this report. However, the findings indicate that the client expectation and perception of quality and service across cultures and countries is not significantly different from each other. Consequently, cross-cultural consumer behaviour and perception of quality and service deliver cannot be considered a barrier to overseas markets.

In fact, the results of the research point towards the perceived capability set of a company or country and whether the competencies are proficient and skilled to deliver the expected quality. As an example, the perception and image of New Zealand does not always reflect the country’s advanced technical and managerial competencies. Consequently, New Zealand companies may be disadvantaged when tendering against other international business for large global contracts.

As mentioned in the previous section, the “kiwi” culture can be a source of a competitive advantage when exported overseas. It is aligned to the business strategy and an emphasis on the competencies that deliver on quality and client relationship management may be realised. However, there may be difficulties of integrating local employees and this would generate cultural distance to the target market and audience. As a result, the company’s service and quality delivery may be reduced and client requirements and expectations neglected or not met. Additionally, that distinct “kiwi” culture may erode over time and this process needs to be managed in order to maintain the heritage and DNA of the parent company. Consequently, the organisational servicescape has to reflect the appropriate mix of local and New Zealand elements in order to be effective and a competitive advantage. Moreover, regular engagement and communication of internal stakeholders and employees may be one way to prevent staff that are located overseas from drifting away and remain an integral part of the company.

Recommendation

The aim of this business research paper is to understand the internationalisation process of SME's in New Zealand and recommend solutions, suggestions and findings to the factors that push or pull an organisation into overseas markets. The leadership qualities, vision, personal drive and global mind set of the owners, managers and directors have been identified as key factors for internationalisation, while the economic condition of a country has some effect, this is not the primary reason for internationalisation.

A main insight of this paper is that there are little cultural differences in the perception and quality of service delivery. Therefore, competing on quality in international niche markets is the preferred business strategy.

The service industry is relationship-driven, therefore maintaining close and personal relationships with key international clients is an effective entry strategy and short-cut into foreign markets. In addition, this approach will also generate business growth through referrals if the quality provided is at an acceptable level and client relationships well maintained.

The quality and calibre of employees has been identified as the strongest firm specific capability, therefore, providing a supportive environment and allowing staff to act on their ideas will create value and competitive advantage.

Effective communication with internal and external stakeholders and clients will keep the organisational culture going.

The New Zealand culture and "kiwi" attitude is country specific advantage and can become a source of a competitive advantage, if managed efficiently.

International joint ventures have not been considered the primary and preferred mode of international market entry, which is in contrast to the literature. Therefore, research into partner selection and composition of international joint venture may add further insight into internationalisation strategies.

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Appendix 1

Research Findings			
1. What was your reason for going international? Drivers and motivators?		*6. How does an international orientation/ positioning help your company to build your brand in your home market?*	
Results:	Limited market size	**Results:**	Servicescape
	Limited growth potential		Reputation and Profile
	Global mind set and culture		Service delivery and quality
	Vision		Knowledge transfer & collaborartion
	Overseas opportunities		Broader capability set
	Strategic geographic location		Scale and volume
			Company Infrastructure and talent
2. What is the internationalisation strategy of your company? Market Entry?		*7. How do you manage your brand/ customer expectations and customer experiences in the overseas markets? In the home market? Are there any difference?*	
Results:	Focused on quality, nich markets, top-end consultation and service delivery	**Results:**	Outcome and quality focused
	Market entry through direct client connections, links, relationships and referrals		Strategic timezone advantage and global positioning
	Exporting of company culture		Service delivery and quality
	Strategic global presence		Client relationship management
	Networks		Multinational Staff
	International Joint Ventures (IJV) to a lesser degree		Overseas offices
	Branding		Customer focused (centric) not market driven
3. What do you feel were the advantages/ specific capabilities that facilitated the internationalisation strategy?		*8. Have you noticed market specific consumer behaviour, trends or perceived quality?*	
Results:	Timezone advantages	**Results:**	Regulatory and legal frameworks
	Quality of work		Business principals are similar
	Customer centricity		Formality in Europe and USA
	Company culture		Quality differences
	Organisational structure		Cost driven
	Kiwi attitude and practicability		Cultural differences
	Global mind set and vision		
	Talent		
4. What were and are the challenges/ difficulties/ barriers in pursuing this strategy?		*9. How do you manage risk (limited information, uncertainties)*	
Results:	Distance	**Results:**	Insurance, contracts & agreements
	Client relationship management		Quality management systems and processes
	Cultural barriers		Diversified client portofolios and geographical spread of customers
	Legal and regulatory frameworks		Debt and payment terms
	Resources		Organisational Infrastructure
	Competition		Regulatory and legal framework
5. How did your specific firm characteristics assist or prevent the internationalisation process?		*10. Is there a difference from your domestic to your international value proposition?*	
Results (assist):	Service and quality delivery	**Results:**	Nich focus in international markets
	Trust between players due to referral business		No changes in value proposition
	Kiwi company culture and DNA		Customer focused (centric) not market driven
	Client relationship management		
	Broader capability set		
	Mind set		
Results (prevent):	NZ Image		
	Resources		