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## INTERNATIONAL BUSINESS BY SMES: EMPIRICAL FINDINGS FROM NEW ZEALAND

### ABSTRACT

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Why do small firms from small countries internationalize? This study investigates the motives of small-scale entrepreneurs from New Zealand to internationalize via exporting, and particularly evaluate the role of government assistance. Our empirical findings of 139 SMEs situated in the Canterbury region of New Zealand suggest that export is strongly related to government-induced programs. Also important are personal motivations, declining domestic sales, saturated domestic market and excess capacity.

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*Key Words: SMEs, international entrepreneurship; exports; government, New Zealand, declining domestic sales, saturated domestic market*

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## INTRODUCTION

Why do small firms from small countries internationalize? Most studies focusing on internationalization have used large countries and multinational companies as a reference for their model development (Dana, Etemad, and Wright 1999). In this age of globalization and advanced technology, small firms from small countries can also become global. Ohmae (1989) pointed out that the reduction of barriers, in a global economy, is providing unprecedented opportunities for emerging firms and markets. On the other hand, well- entrenched, international competitors penetrating formerly protected and small domestic markets can cause havoc on domestic incumbents sharing the same competitive space (Dana 2001). Small firms, thus, may internationalize in defense, or pursue internationalization on the basis of opportunity recognition. Internationalization, therefore, is becoming a tool of survival, growth and sustainability for small firms facing globalization.

Considering the situation in New Zealand, a small economy with limited markets and resources, how can small firms thrive in the age of globalization? Linowes and Dixon (1992) raised concern that the situation is becoming increasingly difficult for small business, which employ a large majority of the local labor force in this country; Cameron, Massey, and Tweed (1997) calculated that 85% of all New Zealand firms employed five persons or less. McGregor and Gomes (1999) reported that SMEs employed 60% of the New Zealand workforce. Fletcher (1999) noted that out of a total of 250,000 firms in New Zealand, only 1,300 employed more than 100 people. Given the smallness of the New Zealand economy and its firms, policy implications and alternatives might benefit from an evaluation.

McGregor and Gomes (1999), in a study of SME manufacturers in New Zealand, found that these had relatively weak product development systems, managerial skills and technology-adoption strategies which are essential drivers of export or growth strategy. Lye and Hamilton (2001) found that exporters, particularly those new to exporting were focused on short-term profits rather than on building enduring relationships. These results may be interpreted as reflecting a lack of commitment to growth. In consideration of the relative lack of research on small countries, such as New Zealand, and small firms' internationalization in general, our article makes a singular contribution to the study of internationalization of small companies from small countries by investigating SMEs in New Zealand. Our study is exploratory since the literature on these types of firms is

rather limited. As a result, we rely on the mainstream internationalization literature to provide guidance in constructing questions to New Zealand SMEs, collect data on a regional basis in the country, and summarize this data in both ANOVA regression models and Chi-square cross tabulations. Our analysis helps elucidate the impact of defensive and offensive strategies on internationalization in small firms located in small countries, and particularly examines the role of government intervention in the promotion of international business.

Our objective is to shed light on one of the key dimensions of internationalization – the reasons for exporting. We are interested in internal (*i.e.*, resources of the entrepreneur and the business) as well as external environmental factors (*i.e.*, declining profits in domestic markets, activities of foreign customers pulling a firm abroad, etc.) associated with the exporting behavior of SMEs based in Canterbury. Our study explores the extent to which the firms in the different industries select proactive or reactive export strategies. The impact of government-induced and personal motives is also analyzed. Encouraging export-capable firms to operate globally may facilitate job generation and wealth creation (O'Farrell, Hitchens, and Moffat 1992).

Given this objective, we proceed as follows: first, we examine the literature of internationalization; second, we describe the business environment in New Zealand with specific reference to SMEs; thirdly, we describe the construction of a research instrument and data collection; finally, we present and discuss our results in the context of the existing literature.

## **LITERATURE REVIEW**

The term internationalization is commonly referred to as the process of increasing involvement in international business (Welch and Luostarinen 1988). In order to exploit technological or organization advantages as well as decrease business costs, firms have increasingly commenced international operations (Ibeh 2000). Internationalization embodies various modes of entry and, among them, exporting is the least risky, due to the comparatively lower level of needed investment, often used by SMEs. Internationalization also has important contributions for different countries due to its impact on economic growth (Jaffe and Pasternak 1994) and on a country's well being (Dichtl et al. 1984). Wright and Ricks (1994) suggest that given the emerging global environment, entrepreneurs and small businesses are no longer limited to the domestic market, and it

also forces locally oriented entrepreneurs to be attentive to international players increasing competition.

Traditionally, the international business literature focused on large multi-national corporations (Dana, Etemad, and Wright 1999). However, recent growth in exports has been fuelled by smaller enterprises that were once confined to local or regional scope. These changes have resulted from the removal of governmental imposed barriers that segregated and protected small business and the recent technological advances in manufacturing, transportation and telecommunications (Wright and Dana 2003). There has been continuing research in the areas of internationalization of small businesses especially in the area of exporting (McDougall and Oviatt 1997).

Internationalization of a small firm can vary with the location of the firm in the international value chain (Holmlund and Kock 1998). To defend or maintain its position in a particular business network, a firm may be pushed into becoming an exporter. Firms can also be pulled into becoming exporters because other firms in the same business network have established relationships with other businesses in foreign markets. (See Dana 1997, for a discussion of push and pull concepts.)

SMEs are becoming an increasing force in the globalization of various economies. In an OECD 1997 report, internationalized SMEs accounted for about 25-35% of the world's manufacturing exports with their export contribution to GDP representing 4-6% for OECD countries and 12% for Asian countries. Internationally-active SMEs are emerging in greater numbers throughout the world, and they tend to be faster growing than their domestic counterparts (Knight 2001). Those in traditional industries (around 50%) internationalize incrementally via exporting and those in niche markets and new industries (20%) constitute the fastest growing segment. It has become visible that most firms not only see internationalizing as fashionable, but imperative (Ibeh 2000). Small and medium sized enterprises (SMEs) now account for a substantial proportion of exports from most developing countries. However, these smaller firms usually lack the resources, capabilities and market power of traditional multi-national enterprises (Knight 2001), constraining international growth.

The management of SME is critical for when and how the firm engages in international activities (Bilkey and Tesar 1977). Various factors of internationalization have been identified and among them are ones relating to the entrepreneur. For example, the social relationship the individual has with others has a substantial impact on business

conducted abroad (Aldrich and Zimmer 1986). The entrepreneur of a small firm often has the key input to positioning the firm on the foreign market and, at the beginning of the process, the entrepreneurs former experience plays a vital role.

The concept of networking has emerged as a factor in internationalization. Networking involves mutually beneficial relationships through the sharing of information, support and assistance (Dana, Etemad, and Wright 2000). Aldrich and Zimmer (1986) have linked entrepreneurship to social networks. Ibeh (2000) suggested that internationalization proceeds through the interactions of these networks in the foreign markets which result in increased trust and subsequent commitment to and evolving knowledge about foreign markets.

Oviatt and McDougall defined international entrepreneurship as “the discovery, enactment, evaluation and exploitation of opportunities – across national borders – to create future goods and services (2005, 540).” These authors suggest that there are two branches of study of international entrepreneurship, one focusing on the cross-national-border behavior of entrepreneurial actors and another focusing on the cross-national-border comparison of entrepreneurs, their behavior and the circumstances in which they are imbedded. Our article focuses on the former. Research on international entrepreneurship (IE) has grown rapidly with continuing research, especially in exporting (McDougall and Oviatt 1997). Exporting as defined for this research is the selling of a product/ service made in one own home country for the use or resale in other countries (Romo 2002).

Factors influencing internationalization via exporting have been well articulated in the literature and can be summarized in the four dimensions below:

1. **Expansive motives** – These include: (1) unique products, the firm produces goods or services that are not widely available from international competitors (Albaum, Straskov, and Duerr 1998, Ghauri 2000); (2) exclusive information, knowledge about foreign customers, marketplaces, or market situations that are not widely shared by other firms (Albaum, Straskov, and Duerr 1998); (3) higher profit margins, perception of international sales as a potential source of higher profit margins than domestic sales (Albaum, Straskov, and Duerr 1998, Czinkota, Ronkainen, Moffett, and Moynihan 1998); (4) technological advantage, the firm has made technological advances in a specialized field that are not widely available from other firms (Albaum,

- Stranskov, and Duerr 1998, Czinkota, Ronkainen, Moffett, and Moynihan 1998); (5) risk diversification, spreading the companies risk profile by diversifying markets (Knickerbocker 1973); (6) economies of scale, ability to increase output and therefore reduce unit production costs, both domestically and internationally (Czinkota et al. 1998, Ghauri 2000).
2. **Defensive motives** - These include: (i) declining domestic sales, sales volume or market share (Westhead, Wright, and Ucbasaran 2001); (ii) follow customers, need to continue servicing domestic customers who have expanded abroad (Anderson, Blenker, and Christensen 1995); (iii) competitive pressures, fear of losing domestic market share to competing firms overseas that have benefited by international marketing activities (Westhead, Wright, and Ucbasaran 2001); (iv) overproduction, outlet for inventories there were significantly above desired levels (Czinkota et al. 1998); (v) saturated domestic market (Czinkota et al. 1998); and (vi) excess capacity, production equipment underutilized (Czinkota et al. 1998).
  3. **Governmental motives** - These include: (1) tax benefits, existence of tax benefits (at home or abroad) that encourage export activities (Smallbone, North, and Leigh 1993, MacPherson 1995); (2) other governmental inducements, introductions, guarantees or other assistances (Smallbone, North, and Leigh 1993, MacPherson 1995).
  4. **Personal motives** - These include: (1) managerial urge, a general desire, drive and enthusiasm of management toward international marketing activities (Albaum, Stranskov, and Duerr 1998); (2) personal contacts, family friends, business associates, etc. (Ellis 2000) (3) learning, desire to gain international business experience.

Whilst the factors of internationalization in large firms from big countries have been long studied, how these same factors impact SMEs from small countries is less known. The role of government assistance is particularly important to policy makers and to the developmental plans for globalizing an economy and is, therefore, of particular interest in our research. In the next section, we review the context for our investigation, *i.e.*, New Zealand, and describe in more detail the SME environment, internationalization, and manufacturing there. This will be followed by a description of data in and analysis of our research.

## THE NEW ZEALAND ECONOMY

New Zealand's isolated economy operates in a unique context. Campbell-Hunt (2001) suggested that the two key differences of the context are: the small home base to expand from, and the rate of growth it requires in the time available increases the risk of the whole process; and the firms operate with very limited resources with the large task of going global in a limited period of time.

New Zealand's former economic growth and internationalization has its roots in government involvement and agriculture. As far as government involvement is concerned, the country's first welfare legislation was enacted in the 19<sup>th</sup> century. Airmail was introduced between Auckland and Great Barrier Island, in 1897, when pigeons began carrying mail across the 60-mile distance. In 1898, the country introduced old-age pensions (Walker 1952). A free medical care program was made available in 1938.

In 1950, New Zealand was among the richest countries in the world, on a per capita basis (Christainsen 1996). From an agricultural standpoint, Walker (1952) noted there were 17½ sheep per inhabitant at the time, and more than 2½ cattle. He elaborated: "Fifth among the world's flock owners, the country exports more mutton and lamb than any other; it stands third in wool production and second in its export. Local mills absorb only 15 million pounds of the annual clip; more than 300 million pounds, on the average, go far and wide (p.421)." Furthermore, the export of dairy products was on the rise.

Defining "competitiveness" as the set of institutions and economic policies supportive of high rates of economic growth in the medium term, *Competitiveness Report 1999*, released by the World Economic Forum in Geneva, ranked New Zealand as N° 13, a peak in this competitiveness report for the country. The following year, when the definition was expanded to include what drives growth and how it affects standard of living, New Zealand fell to position N°20.

In 2001, Lehman Brothers released a report that measured economic health, based on a database of 400 variables. The study considered three distinct categories of microeconomic policies: (i) those that increase the long-term potential growth rate of an economy, taking into consideration education and R&D; (ii) policies that affect labor-market performance, taking into account wages, costs, flexible working practices, employment protection, and taxes; and (iii) policies that cause reductions in costs, such as the dismantling of monopolies. Analyzing the structural policies of New Zealand, the report ranked this country as having the third best economic health, in the world. New

Zealand, today, has one of the world's most open economies, with one of the most deregulated business sectors.

### **The manufacturing sector**

Since the 1930s, quotas and high tariffs sheltered the manufacturing sector in New Zealand (Cameron 1985). Yet, the sector was slow to develop. In 1966, manufacturing accounted for only 2.7% of GDP. Cameron (1983) reported that, in 1978/79, 94% of the manufacturing firms in New Zealand had 100 employees at most, and that these small manufacturers provided half the jobs in the manufacturing sector. By 1987, there were 15,615 manufacturers in New Zealand. Of these, approximately 99% of these had fewer than 200 employees, and 82% had fewer than 20 employees.\*

Carlsson (1996) found that the manufacturing sector in New Zealand declined from 1984 to 1991, and subsequently grew rapidly. That study reported that in 1993, the manufacturing share of total employment in New Zealand was 17%, compared with 21.5% in Ohio. Yet, New Zealand, with a third of the population of Ohio, had 20,200 manufacturing establishments in 1993, considerably more than the 18,400 in Ohio. By 1994, the manufacturing sector was contributing 25% of New Zealand GDP. McGregor and Gomes (1999) found relatively weak product development systems, managerial skills and technology-adoption strategies among small and medium manufacturers in New Zealand.

### **SMEs in New Zealand**

In New Zealand, SMEs are defined as enterprises with 19 or fewer employees. Interest in these has been on the rise. Levine and Levine (1983) focused on small enterprises on Stewart Island. Levine (1985) conducted an ethnographic study of self-employed fishermen on Stewart Island, and their effects on the social organization of the community; from an anthropological perspective (Barth 1963, 1966, 1967, 1981), this study explored the relationship between entrepreneurship and social change. Taylor (1993) found that small firms in New Zealand were less market-oriented than larger ones. Likewise, in their study of 427 respondents (from a list, of 1250 organizations, supplied by the New Zealand Department of Statistics), Taylor and Brooksbank (1995) found significant differences between small and large firms. In their study of the pre-export

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\* Source: Department of Statistics, Wellington



behavior of small-scale manufacturers in New Zealand, Caughey and Chetty (1994) focused on export stimuli.

Combining in-depth case research and a mail survey, Coviello and Munro (1995) obtained data from 25 computer software firms based in New Zealand. The study found that foreign market selection and entry initiatives came from opportunities created through formal and informal network contacts. Network relationships facilitated rapid growth and actively influenced the growth pattern and internationalization process. It was concluded that small New Zealand software firms relied on network relationships for marketing-related activities in foreign markets.

In their qualitative study of the causal processes of exporting in twelve owner-controlled New Zealand manufacturers, Chetty and Hamilton (1996) found support for Reid's (1981) stage model and concept of psychic distance. This study also revealed other causal factors influencing the exporting process; these included relative technological sophistication, firm size, and the domestic market environment.

Carlsson (1996) conducted an international comparison of manufacturing firms in Europe, New Zealand, and the United States. The study found a unique scenario in New Zealand. While the economy declined, the number of manufacturing establishments grew rapidly, but manufacturing employment fell. The average manufacturer declined in size, from 30.9 in 1978 to 11.5 employees in 1993.

Frederick (2004) in the report published for the Global Entrepreneurship Monitor suggests that the typical SME in New Zealand is a lifestyle firm which is not export-oriented, but that would rather exploit existing opportunities and optimize supply and demand in established markets rather than exploit innovative venture opportunities and create new market at home and abroad.

## **INTERNATIONALIZATION OF SMES FROM NEW ZEALAND**

While New Zealand in 2001 had 8,500 exporters, 30% of its foreign exchange earnings come from 30 large companies that the country is dependent making the economy potentially vulnerable to shifts in the world economy and to the possibility of foreign control of these businesses (Hamilton and Dana 2003). Hamilton and Dana (2003) suggested that New Zealand needs to diversify its risk by increasing the number of exporters. We suggest that insights in the motives of entrepreneurs whose SMEs have

entered export markets (and the reasons SMEs might consider to export) could be valuable for policy-makers and practitioners.

Coviello and Munro (1997) examined the internationalization process of four software firms in New Zealand. They found the establishment chain to be rapid and compressed into only three stages, and characterized by externalization of market development activities, through investment in network relationships. The authors suggested that internationalization patterns could be better understood by integrating the models of incremental internationalization with the network perspective.

Berg and Hamilton (1998) focused on internationalization efforts of New Zealand firms, and found that joint ventures tended to result in failures. Dean, Gan and Myers (1998) focused on manufacturing firms in Canterbury region, in the South Island; in their examination of export development, they identified two types of barriers to export: those that were stable across stages of development and those that changed, in their level of importance. Albaum, Stranskov, and Duerr (1998) suggest that managerial urge reflects the desire, drive, enthusiasm and commitment of management towards exporting and in SMEs the companies export decisions may be at the providence of a single entrepreneur. Therefore entrepreneurs' personal reasons for exporting are thought to positively impact motives for exporting. Sadler and Chetty (2000) found New Zealand exporters influenced by business networks. In their study of SMEs in New Zealand, Chetty and Campbell-Hunt (2003) suggested that expansion into foreign markets is an important way for New Zealand firms to grow however they require the collaboration with other firms either in New Zealand or abroad to overcome the challenges of entering new markets.

### **Government involvement in internationalization**

Many governments have established programs, the purpose of which is to increase the rate of creation of new ventures to sell domestically and internationally. To this end, New Zealand set up its state-funded Small Business Agency, in 1978, as a division of the Development Finance Corporation. Nonetheless, it is widely known that most new ventures soon disappear.

In New Zealand, the Ministry of Commerce has instituted a Business Development Program, which includes the Enterprise Growth Development Scheme. The purpose of this scheme is to improve the nation's competitiveness, by providing grants to help enterprises become more efficient and effective in the marketing of their goods and

services. Operated by 21 Business Development Centres across New Zealand, the Enterprise Growth Development Scheme offers financial assistance to applicants requiring protection of intellectual property rights, market research, trade fair participation, promotion and advertising. The Ministry of Commerce has also established the Expert Assistance Grant Scheme, which provides grants to establish small-scale and medium-sized enterprises engaged in international business. The grants are provided for the purpose of hiring business consultants in key management areas, where improved performance will yield sustainable increases in efficiency and competitiveness. The target areas of this scheme include marketing strategy, research and development.

TRADENZ is the government agency, which is responsible for promoting the internationalization of New Zealand industry. This export agency attempts to increase the number of New Zealand exporters, the scale and quality of exports and the level of international involvement.

Government intervention has had a great impact in the internationalization of SMEs. There are both the economic and political considerations for intervention (Romo 2002). In May 2001 New Zealand government created a \$100 million fund to provide initiatives into venture creation. This was joined with the promise not to introduce capital gains tax would attract between 150 and 200 new venture capitalists over a 10 year period (Hamilton and Dana 2003). It is thought that these interventions would positively impact motives for exporting.

## **DATA COLLECTION AND SAMPLE**

Our study focuses on individuals and established SMEs (at least 12 months operating in business) that are (a) actively involved in running the business, and (b) owns at least 50% of the business. This research is based on a telephone survey of business entrepreneurs based in the Canterbury region of New Zealand. All respondents to the survey were owner-operators who considered themselves entrepreneurs, but not necessarily the founders of the business. The random sample for this research was gathered from the Kompas Database ([www.kompass.com](http://www.kompass.com)).

The interviewer explained that the study was designed to better understand what motivates entrepreneurs to enter into international business activity, especially exporting. The study is trying to find motives for small companies to internationalize. The overall goal is to understand why some entrepreneurial enterprises internationalize and others do

not. As well the entrepreneurs were asked whether the firms is manufacturing or not, whether they are an agricultural firm or not and if they were exporting or just selling domestically. The sample size was 216 firms, of the 216 firms, 139 participated in the study giving response rate of 64%, all with useable surveys. See Table 1 and Table 2 for descriptive statistics.

**Table 1: Sample**

Type of Firms	Number of Firms	Type of Firms	Number of Firms
Non-manufacturing	78	Manufacturing	61
Agricultural	73	Non-agricultural	66
Wholly domestic	97	Exporting	42

Sample Size = 139

**Table 2: Correlations**

Variables		(1)	(2)	(3)	(4)	(5)	(6)
(1) Expansive	Pearson Correlation	1	.672**	.407**	.032	.605**	-.166
	Sig. (2-tailed)	.	.000	.000	.707	.000	.051
	N	139	139	139	139	139	139
(2) Defensive	Pearson Correlation	.672**	1	.465**	-.124	.565**	-.117
	Sig. (2-tailed)	.000	.	.000	.147	.000	.170
	N	139	139	139	139	139	139
(3) Government Intervention	Pearson Correlation	.407**	.465**	1	.098	.407**	.004
	Sig. (2-tailed)	.000	.000	.	.249	.000	.963
	N	139	139	139	139	139	139
(4) Learning	Pearson Correlation	.032	-.124	.098	1	.043	.355**
	Sig. (2-tailed)	.707	.147	.249	.	.618	.000
	N	139	139	139	139	139	139
(5) Managerial Urge	Pearson Correlation	.605**	.565**	.407**	.043	1	-.041
	Sig. (2-tailed)	.000	.000	.000	.618	.	.634
	N	139	139	139	139	139	139
(6) Personal Contacts	Pearson Correlation	-.166	-.117	.004	.355**	-.041	1
	Sig. (2-tailed)	.051	.170	.963	.000	.643	.
	N	139	139	139	139	139	139

\*\* Correlation is significant at the 0.01 level (2-tailed)

No uni-variate outliers were found. Normal plot regression of standardized residuals was conducted, indicating only a slight deviation from the normal distribution. Also the scatter-plot of residuals against predicted values shows that there is no clear relationship between the residuals and the predicted values. We use both parametric (ANOVA) and

non-parametric (chi-square) empirical techniques to test the relationships between predictors.

## RESULTS

Respondents in the 139 SMEs were asked to rank their reasons for exporting products/services abroad (and for those not currently exporting they were asked to rank the reasons they might consider for doing so) on a 5-point Likert scale from 'not at all important' to 'extremely important'. The scale had 17 items/reasons for exporting.

The data was initially examined visually followed by the calculation of descriptive statistics. This included frequencies, means and standard deviation. Histograms were plotted to analyse the distribution of each variable checking for normal distribution. Skewness and kurtosis tests were conducted to ensure all the data was in within the acceptable ranges of -2 to 2.

The scales for the motives as described earlier were computed using the average of the items. The reliability of these scales was tested for internal consistency of each of the items. The Cronbach Alpha coefficients were - expansive motives ( $\alpha = 0.6780$ ), defensive motives ( $\alpha = 0.7633$ ), governmentally-induced motives ( $\alpha = 0.8675$ ) and personal motives ( $\alpha = 0.2883$ ). Expansive motives were slightly below the acceptable range of  $\alpha = 0.70$ , but close enough to be useful. No items could be removed to enhance the alpha of the scale.

There were a number of significant correlations between the variables as shown in Table 2, above. What the correlation shows is that many of the motivations to internationalize overlap: expansive, defensive, governmental and personal motives, suggesting that the decision to internationalize is multifaceted.

There were no significant relationships with learning and any other variable. Learning is an individual's desire to gain international business experience. This might be explained because an individual wanting to learn is an intrinsic value, they want to learn because it is rewarding whereas the other motives are somewhat external to the entrepreneur.

ANOVA regressions were run to examine the difference between exporters and non-exporters of New Zealand small businesses. A full model is presented in Table 3.

Initially multiple and stepwise regression analysis was conducted using all the independent variables. Collectively, the variables, motives for internationalization, explain over 31% of the variation in export behavior. The stepwise regression model suggests that government involvement is key, consistent with the economic history of New Zealand.

The 17 motives were also examined individually to test if there were any significant relationship between the firms exporting and domestic; manufacturing and non manufacturing; and agricultural and other. Nonparametric tests were used – chi square test for relatedness or independence (shown in Table 4).

**Table 3a: ANOVA Model**

Model	R	R square	Adjusted R sq	Std Error of Est
1	.314	.098	.057	.447

Predictors: (constant), managerial urge, personal contacts, learning, government intervention, defensive, expansive

**Table 3b: ANOVA**

Model	Sum of squares	Df	Mean Square	F	Significance
Regression	2.882	6	.480	2.400	.031 (see A)
Residual	26.427	132	.200		
Total	29.309	138			

A: Predictors: (constant), managerial urge, personal contacts, learning, government intervention, defensive, expansive

B: Dependent variable: Exporting or domestic

**Table 3c: Coefficients (dependent variable: exporting or domestic)**

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std Error	Beta		
(constant)	.034	.174		.193	.847
Expansive	.110	.083	.164	1.328	.187
Defensive	-.077	.072	-.131	-1.066	.289
Government Intervention	.133	.040	.270	2.799	.006
Learning	-.061	.036	-.156	-1.702	.091
Personal Contacts	.009	.034	.025	.278	.782
Managerial Urge	.001	.046	.001	.012	.991

**Table 4: Chi square test for relatedness or independence**

Motives	Variables	Exporting/ Domestic		Manufacturing/ Non-manufacturing		Agriculture/ Other	
		Value	Asump Sig (2sided)	Value	Asump Sig (2sided)	Value	Asump Sig (2sided)
Expansive Motives	Unique Products	4.061	0.398	20.249	0.000**	8.872	0.064**
	Exclusive Information	5.826	0.120	19.019	0.001**	2.385	0.496
	Higher Profit Margins	5.686	0.224	20.451	0.000**	9.206	0.56
	Technological Advantage	1.438	0.837	16.333	0.003**	5.832	0.212
	Risk Diversification	2.987	0.394	13.589	0.004**	5.910	1.16
	Economies of Scale	6.664	0.155	28.519	0.000**	6.333	0.176
Defensive Motives	Declining domestic sales	13.170	0.01**	40.374	0.000**	3.124	0.537
	Follow Customers	9.815	0.20	7.161	3.067	2.391	0.495
	Competitive Pressures	7.474	0.113	26.060	0.000**	2.000	0.736
	Overproduction	8.388	0.039**	38.418	0.000**	0.802	3.849
	Saturated Domestic markets	14.490	0.006**	29.308	0.000**	4.741	0.315
	Excess Capacity	14.785	0.05**	36.590	0.000**	6.999	0.136
Govt-induced Motives	Tax Benefits	10.411	0.034	19.019	0.001**	4.351	0.316
	Other Governmentally inducements	20.566	0.000**	12.906	0.12	1.921	0.750
Personal Motives	Managerial Urge	3.344	0.502	43.253	0.000**	4.769	0.312
	Personal Contacts	2.457	0.652	14.611	0.006**	4.133	4.388
	Learning	2.669	0.615	9.600	4.048	.3415	0.491

Statistically significant results are at the 0.05 level (two tailed test) and are shown with \*\*

The output indicates that the relationship between reasons for exporting and declining domestic is significant. In examining the observed cell frequencies, it can be concluded that declining domestic sales can stimulate the search for export markets. The relationship between reasons for exporting and overproduction is significant, but no industry shows a particular preference for the variable. The relationship between reasons for exporting and saturated domestic markets is significant. In examining the observed cell frequencies, it can be concluded that saturated domestic market is considered a more important reason for firms already exporting compared with domestic firms. Excess capacity was considered more important for firms exporting than domestic firms.

Government incentives were considered. In examining the observed cell frequencies, it can be concluded that both industries do not show a marked preference towards the importance of the variable.

Our findings indicate that the relationship between the industries and unique products is significant. In examining the observed cell frequencies, it can be concluded that unique products is considered a more important reason for manufacturing firms. The output indicates that the relationship between the industries and exclusive information is significant, but no industry shows a particular preference for this variable. The output indicates that the relationship between the industries and higher profit margins is significant, and manufacturing firms have a marked preference toward the variable. The relationship between the industries and technological advantage is significant. Risk diversification was considered more important for manufacturing firms than non-manufacturing firms. The relationship between the industries and economies of scale is significant, with manufacturers preferring scale. Declining domestic sales, competition, output, market saturation and tax benefits were considered more important for manufacturing firms than non-manufacturing firms. The output indicates that the relationship between the industries and competitive pressures are significant. In examining the observed cell frequencies, it can be concluded there is a preference toward the variable by non-manufacturing firms.

## **CONCLUSIONS AND DISCUSSION**

This study explores the relationships between expansive, defensive, managerial and governmental incentives on internationalization of SMEs from New Zealand. Several findings are noteworthy. First, motivations to internationalize are overlapping. Internationalizing firms are likely to be motivated by more than one reason to varying degrees. Given that New Zealand is a small market, firms, even small ones, oftentimes need to seek out international markets to sustain growth. In our sample, when the reasons for exporting (six items) were analyzed separately and compared across firms that are international and domestic, the analysis indicated that the relationships between the exporting firms and declining domestic sales, saturated domestic market and excess capacity are significant. In examining the observed cell frequencies, it can be concluded that there is a preference towards those variables by exporting firms. These three variables are considered defensive by Czinkota, Ronkainen, Moffett, and Moynihan (1998) and Westhead, Wright, and Ucbasaran (2001). Third, ANOVA regression results (both stepwise and ones using all variables) highlight the importance of governmental incentives, which alone can explain as much as 26% of the variation in the dependent variable.



From the chi-square analyses, we can conclude that (1) managerial urge was considered more important for manufacturing firms than non-manufacturing firms, (2) the relationships between the industries and personal relationship was found to be significant, and (3) personal relationships was considered more important for non-manufacturing firms than manufacturing firms.

Stimulating exporting is very important for economic growth and a country's wellbeing; understanding these motives can help policy makers and practitioners facilitate this process. The presented empirical findings are from 139 small medium businesses situated in the Canterbury region of New Zealand. Declining domestic sales, saturated domestic market and excess capacity were found to be significant for firms already exporting, all of which are defensive motives. Future research could analyze what particular government inducements are required to improve export behavior.

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