

**WEATHERING THE GLOBAL FINANCIAL
CRISIS 2008-2011;
SUCCESSFUL BUSINESS STRATEGIES FOR
THE NEW ZEALAND BOAT BUILDING
EXPORT INDUSTRY**

**Margaret Waller
1343756**

A Report for Industry Project CONS 7819

**Submitted in partial fulfillment of the requirements for the Degree of Bachelor
of Construction, Unitec New Zealand.**



**Department of Construction
November 2011**

ABSTRACT

The export boat building sector is predominantly focused on the construction of custom and semi-custom projects with individual customers. It is a very volatile market characterised by a high level of complexity and low margins for the builders. The boat building industry is not geographically constrained so is bound by the market forces of the global economy particularly the national economies of the clients which have traditionally been the USA and Europe.

The industry is characterised by a large number of family owned businesses run by people who have been drawn to the industry by a passion for the sea and previous boating experience, but often with limited business management knowledge.

The scope of this research was to establish what factors influenced the business strategies of selected boat building companies to enable them to survive the recessionary period of 2008-2011. The emphasis was on how the style of leadership influenced the business and what adaptive behaviours were evident.

Case studies were carried out with two selected black boat and two white boat exporters along with the industry body. Semi structured narrative interviews were conducted with the leaders. The insights from the industry body were sought to counter any individual company bias. These were evaluated within an interpretive analytical framework.

Despite all the businesses being led by quite diverse personalities, several key themes emerged from the interviews which were supported by the literature. The single project nature of contracts gives rise to a fluid workflow. This necessitates an emergent business strategy approach allowing flexibility and cumulatively significant decisions being based on subjective judgement calls.

All companies kept a consistent approach to their business policies to be high value rather than low cost producers but were forced to increase their marketing budget. They stayed within their market niche whilst finding another facet within that niche that was more robust during a recessionary period.

Ultimately a combination of strong technical and managerial skills in conjunction with a passion for the industry and their product and a high level of tenacity from the entrepreneurial leaders to work through difficult trading conditions are the hallmarks of New Zealand exporting boat builders surviving the recession.

Key Words: Marine, Business strategy, Leadership, Recession

CONFIDENTIALITY STATEMENT:

The author has agreed with all the research participants that personal and company names of the participants in this research will be kept confidential.

Companies involved in this research are referred to as numbered Case Studies. Some details of the company products and locations have not been reported to ensure the Case Study company can not be identified.

ACKNOWLEDGEMENTS:

I wish to give special thanks to the research participants for their time, encouragement and willingness to share their personal insights, without whom this research would not have been possible.

I would also like to thank my research supervisor Douw van Zyl for his enthusiasm and the interesting and lively discussions to hone this research topic and stretch my thinking.

Finally I'm very grateful to my family and friends who have been so supportive of this whole endeavour.

TABLE OF CONTENTS

| | | |
|----------|---|-----------|
| 1 | <u>INTRODUCTION:</u> | 1 |
| 2 | <u>LITERATURE REVIEW AND ANALYSIS:</u> | 2 |
| 2.1 | ALLIANCES | 2 |
| 2.2 | BUSINESS LEADERSHIP STYLES | 6 |
| 2.3 | BUSINESS STRATEGIES | 8 |
| 2.4 | RECESSIONARY STRATEGIES | 10 |
| 2.5 | EXPORTING STRATEGIES | 11 |
| 2.6 | MARKETING STRATEGIES | 13 |
| 2.7 | BUILDING CLIENT RELATIONSHIPS | 15 |
| 2.8 | SUMMARY | 15 |
| 3 | <u>RESEARCH METHODOLOGY</u> | 16 |
| 3.1 | INTRODUCTION | 16 |
| 3.1.1 | RESEARCH AIMS: | 16 |
| 3.1.2 | RESEARCH OBJECTIVES: | 16 |
| 3.1.3 | HYPOTHESIS: | 17 |
| 3.2 | RESEARCH DESIGN | 17 |
| 3.3 | SELECTED RESEARCH MODEL | 18 |
| 3.3.1 | CASE STUDY SELECTION | 19 |
| 3.4 | DATA COLLECTION | 20 |
| 3.4.1 | METHOD OF DATA COLLECTION | 21 |
| 3.4.2 | SAMPLE SELECTION | 22 |
| 3.4.3 | INTERVIEWS | 22 |
| 3.5 | PROPOSED INTERVIEW QUESTIONS | 23 |
| 3.6 | RELIABILITY AND VALIDITY | 24 |
| 3.7 | ETHICS | 24 |
| 3.7.1 | INFORMED CONSENT | 25 |
| 3.7.2 | CONFIDENTIALITY | 25 |
| 3.7.3 | PRIVACY | 26 |
| 3.7.4 | RIGHT TO ACCESS | 26 |
| 3.7.5 | DATA STORAGE | 26 |
| 3.7.6 | SOCIAL AND CULTURAL SENSITIVITY | 26 |
| 3.7.7 | RESEARCH DESIGN | 26 |
| 3.7.8 | ACADEMIC INTEGRITY | 26 |
| 3.8 | LIMITATIONS | 27 |
| 3.9 | CONCLUSIONS | 27 |
| 4 | <u>DATA COLLECTION</u> | 28 |
| 4.1 | SAMPLE SELECTION | 28 |
| 4.2 | DATA COLLECTION | 28 |
| 4.3 | DATA MANAGEMENT | 29 |
| 5 | <u>CASE STUDY ANALYSIS</u> | 31 |

| | | |
|------------|---------------------------------|-----------|
| 5.1 | CASE STUDY 1 | 31 |
| 5.1.1 | BACKGROUND OF BUSINESS | 31 |
| 5.1.2 | ADAPTIVE BEHAVIOURS | 32 |
| 5.1.3 | BUSINESS STRATEGY | 33 |
| 5.1.4 | MARKETING STRATEGY | 35 |
| 5.2 | CASE STUDY 2 | 39 |
| 5.2.1 | BACKGROUND OF BUSINESS | 39 |
| 5.2.2 | LEADERSHIP STYLE | 39 |
| 5.2.3 | MARKETING STRATEGY | 40 |
| 5.2.4 | BUSINESS STRATEGY | 43 |
| 5.2.5 | ADAPTIVE BEHAVIOURS | 44 |
| 5.2.6 | BUSINESS STRATEGY | 45 |
| 5.2.7 | SURVIVAL STRATEGIES | 46 |
| 5.2.8 | ALLIANCES | 47 |
| 5.3 | CASE STUDY 3 | 49 |
| 5.3.1 | BACKGROUND OF BUSINESS | 49 |
| 5.3.2 | LEADERSHIP STYLE | 49 |
| 5.3.3 | BUSINESS STRATEGY | 49 |
| 5.3.4 | SURVIVAL STRATEGY | 50 |
| 5.3.5 | MARKETING STRATEGY | 51 |
| 5.3.6 | ADAPTIVE STRATEGIES | 52 |
| 5.3.7 | ALLIANCES | 53 |
| 5.4 | CASE STUDY 4 | 55 |
| 5.4.1 | BACKGROUND OF BUSINESS | 55 |
| 5.4.2 | ADAPTIVE BEHAVIOURS | 55 |
| 5.4.3 | BUSINESS STRATEGY | 57 |
| 5.4.4 | LEADERSHIP STYLE | 59 |
| 5.4.5 | MARKETING STRATEGY | 61 |
| 5.4.6 | ALLIANCES | 63 |
| 5.4.7 | SURVIVAL STRATEGY | 64 |
| 5.5 | CASE STUDY 5 | 67 |
| 5.5.1 | BUSINESS BACKGROUND | 67 |
| 5.5.2 | ADAPTIVE BEHAVIOURS | 67 |
| 5.5.3 | LEADERSHIP STYLE | 69 |
| 5.5.4 | LEADERSHIP MENTORING | 70 |
| 5.5.5 | BUSINESS STRATEGY | 71 |
| 5.5.6 | MARKETING STRATEGY | 71 |
| 5.5.7 | ALLIANCES | 74 |
| 5.6 | DATA ANALYSIS CONCLUSION | 76 |
| 6 | CONCLUSIONS | 78 |
| 7 | BIBLIOGRAPHY | 80 |
| 8 | APPENDICES | 84 |
| 9 | CASE STUDY DATA | 85 |
| 9.1 | CASE STUDY 1 | 85 |
| 9.2 | CASE STUDY 2 | 89 |
| 9.3 | CASE STUDY 3 | 93 |

| | | |
|------------|---------------------|------------|
| 9.4 | CASE STUDY 4 | 96 |
| 9.5 | CASE STUDY 5 | 100 |

TERMINOLOGY AND ABBREVIATIONS

| Term: | Description: |
|----------------|--|
| RBNZ | Reserve Bank of New Zealand |
| Ship building | The manufacture of vessels intended for use other than personal or recreational |
| Boat building | The manufacture of vessels intended for personal or recreational use |
| Black boat | A vessel intended for commercial use |
| White boat | A vessel intended for recreational or personal use. This includes RIBs |
| RIB | Rigid inflatable boat using heavy duty rubber or inflatable plastic |
| Superyacht | A sailing or motor yacht in excess of 61m (200') |
| Jones Act 1921 | USA Act that prohibits foreign manufactured vessels from commercial operation between USA ports |
| SME | Small to medium enterprise. NZ definition <5 employees = small; >5<20 employees = medium. Australian definition <200 employees or <\$200m turnover = medium |
| NZMEG | New Zealand Marine Export Group An industry body dedicated to enabling marine companies to export. Provides support with information and logistics to access world markets. |
| Chaos theory | Study of non linear dynamic systems |
| Tender | Small 5-8m support boat for superyacht |
| NZT&E | New Zealand Trade and Enterprise |

1 INTRODUCTION:

The marine industry is one of the top ten manufacturing export industries in New Zealand, employing over 10,000 people. As the third largest supplier of large super yachts in the world, New Zealand still accounts for less than 2% of the total market (UK Trade and Investment, 2011).

The business model of custom and semi custom projects of unique designs developed from an in depth knowledge of the client's aspirations has much in common with the landmark buildings by leading architects in the construction industry.

In contrast to the construction sector, which is predominantly New Zealand centric, the boat building industry is not geographically constrained and is influenced by the market forces of the global economy, particularly the national economies of the clients which have traditionally been from the USA and Europe.

The objective of this research is to examine the adaptive behaviours companies utilized in order to manage the recession via the following research question:

What business strategies did New Zealand export boat building companies employ to survive the period 2008-2011?

The themes of leadership style, business strategies and the role of alliances and networks will be explored by examining two facets of the industry, commercial and super yacht new builds. The commercial sector requires a financial return on a capital investment; a super yacht is an aspirational purchase for private benefit. The research focuses on new builds as they are the catalyst to further downstream procurement decisions.

There is a good deal of literature on general business management practices during a recession and literature on the networking and internationalizing of the New Zealand marine industry. There is very limited literature on how recessionary business practices can be specifically applied to the marine industry.

2 LITERATURE REVIEW AND ANALYSIS:

This chapter reviews the literature collected in the course of researching the topic of the business strategies used to survive the recession by a selection of boat builders primarily involved in the export sector. In refining this research there are four pertinent themes selected from the literature.

The first examines the influence of formal and informal networks and alliances have had on the exporters and the strengths, characteristics and lifecycles of cluster type industries, which are found in the New Zealand, export boat building sector. The second theme examines the effect of company leadership and personal characteristics that define successful small businesses across multiple industries. Many boat building companies are run by owner operators with a passion for their product but with limited business training. Further readings will explore the management and marketing strategies commonly used by small and medium sized companies during recessionary times again across a range of businesses. The research concludes by studying the value of client relationships.

2.1 Alliances

There have been historical upheavals within the New Zealand marine industry, which have led to major structural changes. In 1979 the government imposed a 20% boat tax, which decreased the domestic market opportunities. The intense competition in the domestic market made the option of exporting more attractive. The economic reforms from 1984 led to New Zealand becoming one of the more open economies in the world. In 2000 New Zealand was “ranked first out of 47 countries on the criteria of lack of protectionism, lack of price controls, and accessibility to foreign financial institutions IMD International (2000) as cited in (Kennedy, 2000, p10). One of the consequences of these reforms was the government withdrawing the 15% export incentive scheme. This put immediate pressure on companies to perform at or better than international standards for mere survival. The remaining motivation for exporting was for companies to differentiate their products and find international niche markets to compete in.

An inherent trait of New Zealand business, and the boat building industry in particular, is the many informal associations developed from related activities such as schooling, competitive sailing, and general recreational boating, which bring a mutual benefit to the individual businesses. This high level of interpersonal networking has been previously identified as a precursor to providing background support for individual businesses. (Halle'n, 1992)

A commitment to innovation is another distinguishing quality of the New Zealand marine industry. The network theory of innovation advanced by (Baptista, R., Swann, P., 1998) as cited by (Freel, 2002, p752) holds that innovation is highly dependent on interaction with others in the market and very limited if individual firms work in isolation. A sharing of the knowledge, risks and costs of innovating enhances the capacity for individual firms to advance. The level of co-operation within the industry has previously been researched Chetty, (2004); Chetty & Agndal, (2007) and often stems from social networks.

The New Zealand boat building exports account for less than 2% of the global industry (New Zealand Marine Industry Association, 2005). (Lindsay, 2005) acknowledged the competition for the New Zealand marine industry is from international companies rather than local rivalry. The industry has a large number of small and medium sized firms (SMEs) concentrated in customised manufacturing with limited mass production runs. The local industry is vertically disintegrated with a great diversity of builders and suppliers.

Many of these businesses collaborate within a defined geographical area in different regions of the country. Recognised centres of export boatbuilding clustering are Whangarei, Tauranga, and Christchurch, however the overwhelming centre is Auckland (Glass & Hayward, 2001). The waterfront precinct in Auckland has many of the characteristics that (Chetty & Agndal, 2007) identify as defining an industrial district. It is a defined geographical area centred on the viaduct basin and Wynyard wharf. Many highly specialised marine oriented firms are located there complemented by Qangos and trade associations such as NZ Marine. The governing

Territorial Authority, Auckland City Council has also supported the formation of the district. Porter, (1990) identified external influences such as government assistance as a key component of successful industry clustering. A combination of personal networking and close proximity of businesses have allowed a portion of SMEs in the export sector of the industry to benefit from economies of scale Halle'n, (1992) Chetty, (2004).

In contrast to the New Zealand experience, the Romanian marine industry has many of the prerequisites of a marine cluster such as a significant shipbuilding and repair infrastructure at Constanta, the fourth largest port in Europe located on the Danube delta and Black Sea. Good maritime education and trade training supplement the infrastructure. Despite these attributes the region does not have a recognised cluster style of collaboration. (Ianca & Batrinca, 2010) perceive a lack of collaborative will from the leading companies and place emphasis on external forces such as government policies and external funding to provide the encouragement for companies to act for mutual benefit.

This can be interpreted that geographical clumping alone is not sufficient, a successful cluster cannot be imposed, and the catalyst must be a willingness of individuals within companies to collaborate for the mutual benefit of the individual operations (Chetty, 2004).

This characteristic is vital for exploiting the free flow of information sharing with other competitors. Previous research on the lifecycle of cluster industries, illustrates the very factors of close linkages between firms and the close relationships of individuals that were beneficial at the start can become constraining as the firms within the cluster restrict external players from joining and the flow of new information becomes limited, “ties that bind becoming ties that blind” Grabher, (1993), as cited by (Chetty & Agndal, 2007, p 179) Restrictive entry starts limiting the natural competitive advantage of an industry cluster arrangement by making it too insular.

In the case of the New Zealand boat exporters, the flow of external information helping product development is continually being updated due to the global nature of the market. This situation is enhanced by the international sporting competitions such as Americas Cup that are held which test the companies' products against the rest of the world. There is a tacit agreement amongst the New Zealand boat building industry that despite disagreements between members they will achieve greater business success as a unified group. (Read, 2008) The trust built from the informal networks allows the companies to leverage their combined capabilities and collaborate on larger projects than the companies could undertake individually.

The networks formed from recreational connections provide a basis for developing the trust capital needed for the free flow of business information. (Ettliger, 2003) The individual companies are willing to work for "Brand New Zealand" when exhibiting at international trade shows rather than competing against each other. (Swyngedouw, 2000) recognised that a strong local and regional business sector was important for the success of individual firms. He highlighted increased global trading relationships has brought increased competition for local economies.

Accessing the resources and the initial cost of establishing a successful exporting venture can be problematic for New Zealand SMEs. Business networks can be a valuable method of overcoming these constraints. Many of these connections may be serendipitous by nature gathered from the weak ties of social connections. (Chetty & Agndal, 2007). The NZMEG provides a formal means of hosting networking functions at international trade shows as well as assisting with logistics and promotions at these shows.

Social activities with others in the supply chain such as distributors, suppliers and clients allow constant feedback about products and opportunities. (Chetty & Agndal, 2007) The skills of knowledgeable clients can be harnessed to supplement the design and development process, adding their technical and managerial skills and selecting the optimum specification based on their tradeoffs between price and performance.

2.2 Business Leadership Styles

In an industry of small and medium-sized enterprises the characteristics of the business leaders are significant, (Glass & Hayward, 2001, p 589). One of the distinctive characteristics of the leaders of export boat building companies in New Zealand is their enjoyment of recreational and or competitive boating. This has led to many informal networks and a level of trust built between companies and leaders based on social interactions. One business leader has described this relationship as “sailing mates that I do business with” (Chetty & Agndal, 2007, p 182) This has often led to CEOs of boating manufacturing companies being inspired to commit to projects for the challenge, interest and prestige of the project rather than conventional rewards (Glass & Hayward, 2001, p 589)

“New Zealand business people have an international reputation as honest, open and easy to deal with: although also somewhat naive and unworldly.” Ken Stevens Glidepath CEO (Burns, 2009). These characteristics have also been observed by (Chetty & Agndal, 2007) who observed, many boat building company owners have been tradespeople and are passionate boaties so are well versed in product knowledge but do not necessarily have adequate business leadership skills.

This is reinforced by a Department of Labour survey which identified there is an appreciation by company leaders within the marine industry that increased management competence would be beneficial to individual business growth. Despite this, the survey found a number of firms in the survey

“did not see the need to develop a more strategic approach to building their management capability and were not looking very far ahead. Their stated priority was surviving the recession and getting more business in the door.”

(Department of Labour, 2010, p 13)

One of the DoL’s survey’s conclusions was a lack of awareness of the importance of management capability led to a lack of interest in developing it.

The cultural qualities of self reliance, initiative under pressure and creating cost effective and practical solutions are an enduring theme of New Zealand traits and were noted by Phillips (1989), Holm (1994) as cited by (Kennedy, 2000, p5) as engendering a style of leadership based on leading by example rather than office based procedures. From personal observation boat yard owners also tend to be relatively adventurous, independent and entrepreneurial, willing to take on challenging projects with limited patience for business management processes.

The desire for innovation by the business owner is a basic requirement for custom boat building, which is focused on new product design with each new project. This ability to “continuously innovate even at the peak of success” Bass and Avolio (1997) cited by (Parry, 1999, p 86) is one of the strengths of exporting boat builders, especially those working within the trade association NZ Marine Export Group.

Regardless of the style of business, leadership is by its nature a self development exercise. For someone to achieve positive leader development there needs to be a personal desire to improve their skills. The commitment to leadership education is seen as a leaders personal responsibility to their organisation (Parry, 1999). The recent recession has given many boat builders the opportunity to reassess their companies. The trade organisation NZMEG puts a strong focus on helping businesses access the expertise that they require to ensure the businesses can remain successful. The following comments from company owners are extracts from a Marine Leaders video the NZMEG showed on their web site as part of an industry wide review to encourage better business management practices.

“need to learn how to transfer and communicate that vision to the management team and deeper into the business” David Glen, CEO Southern Spars).

Some successful firms have also recognised the necessity of accessing external governance. This has been difficult for some but they have seen that modest changes and fresh ideas have helped evolve their businesses and provide some strategic plans for the recessionary times.

“it’s hard to let go when you’re passionate about your business”

Ian Cook CEO Yachting Developments

“no one else had any business in my business” Myles Fothergill

MD Q-West,

(New Zealand Marine, 2010)

While leadership qualities are variously classified, from an SME perspective leadership can be defined as “having attributes where ideas articulated in talk or action are recognized by others as progressing tasks that are important to them” (Kjelin, 2009, p 38).

Owner operators dominate the boat building industry in New Zealand. Many of the owners are the expert leaders of their business; the company’s core competencies reflect their own area of expertise and experience. Within the context of their own values and experience, they need to balance the responsibility of ownership with defining the company’s strategic goals.

These company owners need to accept the strategic leadership role. Strategic leadership can be defined in the context of a course of action that has a more wide ranging impact on not only the company but also others in the supply chain. “Strategic leadership is about continually sharpening the shared purpose of an organisation, and in that way not only changing but also highlighting the continuity in changes” (ibid 52).

2.3 Business Strategies

Each business has an initial trigger for starting and a scope of what the capacity of the business will produce, usually accompanied by a motivation to survive and be successful as defined by the originator’s objectives and plans.

(Rumelt, 1993, p2) succinctly notes, “the particular policies, plans, and objectives of a business express its strategy for coping with a complex competitive environment“. This encompasses a longer-term outlook to look at trends and effective responses to opportunities or threats to the business survival should they arise. The essence of a

sound strategy for a company's survival demonstrates the following organizational traits:

- i. A level of consistency amongst the stated goals
- ii. An ability to adapt and respond to changes in the external environment
- iii. Provide and maintain a competitive advantage within its area of expertise
- iv. Must be feasible and adequately resourced

Business strategies can follow one of two paths, deliberate or emergent. Deliberate strategies have advanced detailed planning with explicitly stated objectives to allow managers to execute them in a systematic manner (Langford & Male, 1991, p 29).

Due to the staff numbers of most of the companies in the marine industry the owner is able to formulate the company's strategic objectives to align with their own personal vision. The industry is characterized by a prevalence of leaders adopting an emergent strategy approach, in part due to the custom manufacturing and individual contract nature of boat building. With these fluid conditions of workflow, careful planning is not as useful, the leaders must be flexible and be able to adapt quickly to "roll with the punches" therefore the most applicable technique is to adapt within the overall strategy "with a stream of significant decisions" based on subjective judgment calls gathered from the facts that are to hand at the time (Mintzberg & Waters, 1985; Rumelt, 1993).

By applying chaos theory to strategic planning and viewing a company as displaying complex dynamic non-linear behavior (Levy, 1994, p 167), suggests it is difficult to do meaningful forecasting and advocates strategic planning should look at the outcomes of various scenarios eventuating. Chaos theory shows the value of establishing overall guidelines and rules to deal with idiosyncratic situations as they are presented. The company can then opt to select alternative schemes to achieve their stated goals.

2.4 Recessionary strategies

There are some tactics that are fundamental to the success of all businesses through all economic cycles such as ensuring adequate cash flow and maintaining good client relationships. During recessionary cycles some initiatives are central to all business survival planning. Contingency planning, focusing on the core business activity, strategic alliances, increasing brand awareness through marketing, and rapidly executing efficient processes need special emphasis. (New Zealand Trade and Enterprise, 2009). By adopting a thoughtful and balanced recession strategy the businesses are able to take up opportunities that the recession has created by other competitors either withdrawing from the market or changing their focus from their core business.

Being customer-centric and rapidly responding to changes were highlighted as core attributes to business survival according to participants of a survey conducted by the Economist Intelligence Unit of businesses around the world including New Zealand (Glenn, 2009). The survey stressed the ability to continue to be innovative and tailoring that knowledge into delivering improved value for the client in a consistent manner are the key elements of business success.

Improving efficiencies of processes is a crucial aspect of business survival in recessionary times. Unfortunately this often leads to reduced labour requirements, as companies respond to their current workloads. The boat building industry does have a high mobility of labour between other industries such as interior cabinetmakers to and from the kitchen industry because of the inconsistent workflow. There are also examples of firms sharing workers with other companies to smooth out the labour requirements, along with the use of subcontractors during times of peak demand. This aids the transfer of knowledge between firms and contributes to the innovations of the industry. "the human capital dedicated to the custom boat-building industry is acknowledged to be an essential factor, and one that is central to the flexibility and innovativeness of the industry" (Glass & Hayward, 2001, p 588)

2.5 Exporting Strategies

Technology is able to alleviate New Zealand's relative isolation from the major global markets. Nevertheless, manufacturing customized bulky products such as boats still requires the owners to either travel to collect the boat at the dock in New Zealand or the boat to be sent to the overseas owner.

The increase in global trade allows all buyers to seek out suppliers with the most competitive advantage anywhere in the world. The reputation of the boatyard's skills, their financial standing and the net price including the convenience of the location are all factors in judging the value of the overall package of a New Zealand built boat within the global market. New Zealand Trade and Enterprise (2011).

As an exporting industry the exchange rate has a major impact on the competitive pricing of boats. A low NZ\$ value in comparison to the major export destinations such as USA or Europe gives some compensation for the distance to the clients. The NZ\$ is one of the most heavily traded currencies and can be quite volatile. This instability is compounded by the global economic cycles and makes the value of the NZ\$ at the time of placing the order, one of the most significant factors for boat manufacturers (Glass & Hayward, 2001).

The NZMEG combines marketing the capabilities of the New Zealand industry with advertising New Zealand as a destination to potential boat buyers to try and diminish the distance factor. The home page of their website has articles featuring New Zealand tourism with titles such as "Wine, water and luxury: the perfect mix in New Zealand" and "For the world-weary, well-travelled superyacht set, New Zealand offers a genuinely refreshing approach (New Zealand Marine Export Group, 2011)

Selling the destination helps, however an Infometrics study as cited by (Irving, 2007, p1) asserts companies need to exploit genuine competitive advantages that are not reliant upon the unique benefits of a specific location. The ability to create a competitive advantage can be self-reinforcing as the capabilities developed in the past help determine the circumstances for the future competition.

(Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009) support the theory that small firms that develop an in depth knowledge of selected markets and concentrate on

exporting to those areas increase their chances of success. If the company spreads their resources too thinly the company will be unable to acquire sufficient market data to realize their competitive advantage. They concluded this was the result of small firms not having the financial or managerial resources to operate in a number of markets simultaneously

(Brouthers et al., 2009, p 22) contend the primary motivating factors for an SME to export are

- i. “to exploit the unique knowledge they possess
- ii. to potentially reduce costs by developing scale economies and/or leveraging resources,
- iii. to follow customers abroad
- iv. to alleviate competitive pressures at home and/or
- v. to acquire new products or market knowledge which in turn leads to better performance.”

2.6 Marketing Strategies

The impetus for the boat builders to export is generated from their technology intensive and highly specialized products. To maintain their reputation for innovation the focus of their marketing strategy often centres on traveling to tradeshows that attract their style of client and incorporating the customer feedback into their product. Protecting their intellectual property and creating an identifiable brand are also key elements of the marketing plan, (Chetty & Campbell-Hunt, 2004).

Much of the industry promotional literature makes note of the importance of marketing the “New Zealand Inc” brand along with the individual boat builder’s product. As NZT&E note in their Export Guide (New Zealand Trade and Enterprise, 2011) the ‘Made in New Zealand’ builds on the America’s Cup wins and the “reputation for a technologically-savvy, quality craftsmen producing top products” (p.15).

The superyacht and boat building industry competes at the top end of the discretionary spending sector. The effect of the decreased consumer confidence and the contraction in credit terms by finance institutions during the GFC has had a significant affect on forward orders for companies. New Zealand also suffers from being a small economy, geographically isolated from the major export markets for boats in Europe and USA.

Marketing for the boat building industry is to a small and very targeted market. The primary means of marketing are feature articles in trade magazines with some company advertising, attendance at trade shows and work of mouth from clients. NZT&E has shown that maintaining or increasing advertising and promotions during a downturn has many benefits for the companies to gain market share and retain brand awareness.

The NZMEG provides group strength for exporting companies to exhibit or participate in the major trade shows such as Fort Lauderdale and Monaco. As (Ellis & Pecotich, 2001) observe, international trade fairs are a two way opportunity for suppliers and potential clients to discover opportunities. Either the company or the customer being proactive in initiating the contacts can generate the export opportunities. The greater the international exposure of either party, the more likely there will be a common link to provide a connection between the overseas markets.

A recession has a number of technical definitions. In marketing terminology a recession can be described as occurring when the demand for a range of products falls below their previous levels. (Shama, 1993, p. 63). This current recession is often referred to as the worst since the Great Depression with many commentators predicting a slow recovery and a change of mindset with consumers relying less on debt for purchasing power. Much of the literature advocates businesses to continue marketing in the recession to maintain a brand identity and continue relationships with customers. (Hudak, 2009, p 5) suggests the marketing budget should be forward looking to the future year's objectives, not based on the previous years sales. Hudak highlights four key cost effective strategies for recessionary marketing.

- i. Networking, and maintaining contacts so the company name is at the forefront of customer's minds when making a purchasing decision, even if it will not be immediately.
- ii. Creating an economical option for customers current circumstances
- iii. Maximising the value of existing customers, it is thought it costs twice as much to capture a new customer as to maintain an existing one.
- iv. Continuing to market during a recession can increase market share and give a greater presence if competitors withdraw from the market.

2.7 Building Client Relationships

New Zealand boat builders have a limited domestic market for their products. Many companies have no local clients. The difficulty in finding the right export clients and cultivating relationships with them is a serious burden for relatively small, geographically isolated companies. Many contacts are made in an ad hoc manner through existing networks. As Dwyer, Schurr, and Oh, (1987) et al; as cited in (Ellis & Pecotich, 2001, p 119) notes, new foreign contacts are often the result of being in the right place at the right time based on interpersonal ties and chance social encounters.

A boat building company rarely has the resources or managerial inclination to identify export opportunities from “an objective search and evaluation” basis. The NZMEG encourages their members to attend the trade shows to help the company leaders develop and manage social connections. Formal planning management theorists would contend this non-systematic approach would have a higher failure rate (Ellis & Pecotich, 2001, p 119). However social links can make SMEs aware of the export opportunities and be a greater motivator than economic influences alone.

2.8 Summary

The literature reviews a number of theoretical initiatives from an international perspective that small exporting firms can incorporate into their business practices to enhance their chance of success. Previous research into the application of social networking theories within the New Zealand boat building industry offers a good platform for further investigation. The literature depicts an emergent business strategy as the style most likely to be utilized by companies with fluid workflows. The intended research will test the current practices within the industry against these assumptions.

3 RESEARCH METHODOLOGY

3.1 Introduction

The focus of this research was to answer the question:

Which business strategies did New Zealand export boat building companies employ in order to survive during the period 2008-2011?

As (Naoum, 2007, p 22) suggests, a question “should not investigate all factors” but endeavour to be “specific enough to concentrate on a narrowed problem”. This study drew on selected individual company’s experiences to conduct an interpretive cross case study to gain insights of the interplay between their declared business objectives, the marketing strategy and their perception of the role formal and informal networks have in providing business opportunities. It considered the following areas:

3.1.1 Research Aims:

To establish what factors influenced business strategies of selected export boat building companies.

3.1.2 Research objectives:

The intention of a research question is to “discover, explain or understand a process” (Naoum, 2007, p 40). This project conducted descriptive case studies of four export oriented boat building companies and investigated:

- How leadership characteristics influenced a company’s business strategy.
- What were the key features of export based company structures and their products with a constraint of four variables.
 - i. Leadership style
 - ii. Corporate strategy
 - iii. Marketing strategy
 - iv. Inter-firm networks and alliances

3.1.3 Hypothesis:

As noted by (Burns, 2000, p426) a hypothesis should be:

- Stated clearly
- Testable
- State the differences or relationships between variables explicitly
- Limited in scope
- Not inconsistent with most known facts

The aims and objectives of this research progressed through a review of the literature and culminated in the following hypothesis:

If a company's leadership had a combination of a clear business strategy, strong inter-firm alliances and a targeted marketing plan, they had an increased capacity to survive the recent period of economic turbulence.

3.2 Research Design

The New Zealand boat building industry has a national presence. This project has limited itself to companies that construct new full boat builds. The decision for a new build is at the forefront of the chain of supply choices so is the catalyst for subsequent procurement selections. The unit of analysis was the company organization and how it was influenced at the micro level by company leadership and the macro level by the industry culture.

As noted by (Patton, 2005),

“Qualitative researchers engage in naturalistic inquiry, studying real-world settings inductively to generate rich narrative descriptions and construct case studies. Inductive analysis across cases yields patterns and themes, the fruit of qualitative research.”

In contrast, “quantitative studies emphasize the measurement and analysis of causal relationships between variables, not processes” (Denzin & Lincoln, 2005, p10). They are objective in character allowing the data to be analysed by statistical

modeling to test the stated hypotheses. The data collected from this research would not fulfill this criteria.

The subjective nature of defining leadership characteristics and the difficulty in explicitly defining a business strategy made a qualitative study the most appropriate method for research.

3.3 Selected Research Model

Within the framework of this research project a cross case study model was chosen to test if there is any “replication logic.” The multiple cases can be used to reveal if there are predictable reasons for any similar or contrasting findings.

Nevertheless the findings were idiosyncratic. The case study can generalize to the theoretical propositions but not to the population from which the cohort was selected, as could be done with a quantitative statistical research approach. Any theories developed from this case study could be tested by future quantitative research by means of a survey.

(Yin, 1994) has listed scenarios when it is appropriate to use the case study method for research.

- When the investigator has little or no possibility to control the events
- The study is based on contemporary phenomena in a real life context

This research fits these criteria as companies are “complex, dynamic systems that exhibit both unpredictability and underlying order” (Levy, 1994, p 167).

An interpretative naturalistic approach was used to attempt to understand the way the interviewees have interpreted their experiences. “The interpretive structure becomes a sequence of representations connecting the parts to the whole” (Denzin & Lincoln, 2005, p6). There is a hazard that the interviewer’s own impressions can be overlaid in the narrative which threatens an objective analysis of the data collected.

Within the case study research model there are two sub categories, exploratory and attitudinal.

(Naoum, 2007, p 41) states the objective of attitudinal case studies is to subjectively evaluate “opinions, views, perceptions of a person to a variable, attribute, factor or

question.” The selection of interview questions for this research was posed to gather the attitudes of the respondents.

Conversely an exploratory study is used when “there is a limited amount of knowledge of the topic.” (Zikmund, 1997) as cited in (Naoum, 2007, p.40). The case study method allows a deeper and richer investigation of the subject to give a more holistic analysis than a survey approach.

(Bouma & Atkinson, 1995) highlight three types of case study:

- Descriptive; the research focuses on attitudes
- Analytical; the research focuses on linkages between different sets of facts and identifies associations and relationships.
- Explanatory; The research focuses on finding a causal relationship between one set of facts and another.

This case study will be descriptive, as it will concentrate on the attitudes of the company decision makers.

3.3.1 Case Study Selection

Case studies are used to “illuminate the general by looking at the particular” (Denscombe, 2003, 174). A selected sample is more suitable than a random sample to ensure the specific attributes of company size and product are studied. However as (Yin, 1994) emphasises, one of the limitations of a case study approach is the lack of a basis for scientific generalization.

The suitability of the case selected is paramount for the credibility of the research findings. The choice should be evaluated to ascertain how representative the elected case is of the population as a whole. The alternatives (Denscombe, 2003) suggests are:

- Typical: which allows for the key points of the findings to be generalised for the whole class
- Extreme: in which the key points highlight their effect as a contrast to the normal population.

- Theory testing: the case tests a previous theory. The researcher should be able to predict the outcomes of the significant factors if the theory holds true.
- Convenience: The case is selected because it presents a unique opportunity for study or for the pragmatic reasons of the logistics of location and access to personnel.

The sample of companies was selected as being typical within their sectors. Two opposing sectors within the industry were chosen to find out if patterns of behaviour were industry wide or niche specific phenomena. There was some bias of convenience based on the location and access to personnel. The study was limited to four companies two from the black boat and two from the white boat sectors. The industry body was also studied to gain an industry wide perspective.

This tried to achieve a degree of in depth study rather than a superficial review of multiple companies' as would be gained from a survey of a larger number of companies.

The multiple case study approach used "relies on interviewing, observing, and document analysis... and the use of personal experience" (Denzin & Lincoln, 2005, p25).

3.4 Data Collection

The three principles of data collection as recommended by (Yin, 1994) are

- "Use multiple sources of evidence." Gathering information from different sources including literature provides a means of triangulation, which enhances the validity of the concepts being put forward.
- "Create a case study database." This should contain the notes from the data collection, source documents and the responses to the questions posed by the interviewer.
- "Maintain a chain of evidence." The link between the research questions and the procedure and how the evidence was collected need to be identified. The specific means of collecting the data needs to be

laid out in the case study methodology. The data needs to be collected as per the procedure identified and stored as evidence for future referencing. The evidence collected needs to be cited in the final report for the conclusions to be established.

3.4.1 Method of Data Collection

This research used literature sources to endorse the data collected from semi structured personal interviews with the owners or CEOs of the four selected boat companies and industry body. The responses were voice recorded from four of the five interviews. Full transcripts of those recordings are stored for future access by the examiners, an overview of the types of questions and the responses are attached in the appendices. There is no explicit identification of people or companies surveyed. .

The core data was gathered from the opinions and insights of the company decision makers. Personal interviews were the main vehicle of data collection. From (Naoum, 2007) a personal interview is suitable:

“When the people being interviewed share the same characteristics

When you know enough about your interviewee so you only ask what is important and how to ask it

When interpersonal contact is essential to explain and describe the questions

When a case study needs to be investigated in detail asking questions such as how and why things happened and the way they did.

When the research requires an explanation as to why the respondents are answering or feeling the way that they do.”

(p.55)

To ensure the correct data is noted from an interview it is preferable for them to be recorded. This can be either voice recorded or videoed. The interviews were voice recorded for this research with the prearranged permission of the interviewees. A

technical glitch prevented a voice recording of one interview, the data was recorded with notes and formally written up within one hour of the interview.

The presence of a recording device can lead to some interviewees holding back on expressing themselves but means the interviewer has a means of referencing at a later stage. Supplementary notes by the interviewer documenting the setting of the interview and non-verbal cues are also an important source of data collection.

3.4.2 Sample Selection

This research concentrated on two diametrically opposed sectors of the export boat market; black boats -commercial boats such as ferries, barges and tugs; and white boats -mega yachts, tenders and cruising launches. Each stream represented a different set of economic criteria for investment by the clients. The commercial sector is based on deriving a financial return from a capital expenditure; a mega yacht is an aspirational purchase for private benefit. The two companies selected within those sectors are typical of that grouping and vary between being based in provincial centres and major cities. The limitations of time and access to personnel meant to collect meaningful in depth data, restricting the research to case studies of a small number of companies was the most feasible option.

3.4.3 Interviews

Interviews should be limited to gaining information that is not available from other sources. Of the three types of interviews, structured, semi-structured and open ended, this case study used the semi structured narrative approach. Semi structured interviews allow the interviewer to maintain control of the process whilst allowing flexibility in the flow of the interview.

The questions should be posed in language that is easily understood by the interviewee without embedded jargon. By asking open-ended questions the interviewee is able to answer in his or her natural style of language and has the liberty to structure their response in an unconstrained manner. Conversely the interviewer has the freedom to probe further to gain clarity on specific matters.

The disadvantage of the semi-structured open-ended questioning interview is it can be difficult to analyse the subject matter and establish patterns between cases. The interviewer must also guard against leading the interviewee with a line of questioning or non verbal cues.

3.5 Proposed Interview Questions

The interviews were conducted at the convenience of the interviewee. Each interview was between three quarters and one hour in duration.

The first part of the interview set the scene and allowed a settling in period with questions on the background of the individual and the company. These could have been asked as a series of closed questions as a pre interview questionnaire. However it was felt this would have been more of an imposition on the interviewee and further clarification with some open-ended questions could be gained with a face-to-face interview format. These questions helped establish the experience of the interviewee within the industry as a whole. Their natural aptitudes to different roles within the business have shaped their perspective for their management strategy of the recent economic turbulence so it was important to capture the background of the individuals and the company.

The semi structured narrative nature of the interview meant the listed questions were not asked in a sequential format but provided the basic framework for the interview. Further questions were posed to elucidate the answers to try to delve behind the expected standard replies to gain a deeper insight into how the strategies were successfully melded together. Every attempt was made to remain objective and offer no verbal or non verbal cues that could lead have led the interviewee in a particular direction.

This led on to an unrestricted discussion to give the interviewee an opportunity to add further insights that they felt could contribute to the research. In the interests of confidentiality to other participants no specific information gathered from other interviews was disclosed.

The questions were posed to a test interviewee to determine there was no ambiguity in the questions and they elicited the anticipated responses. The test interviewee has her own business although not directly in the export boat building sector.

3.6 Reliability and validity

The shortcoming of the selection method is it is not random and does not include micro businesses of less than five permanent staff. They are also businesses that are more proactive in marketing and are more prominent than may be the industry standard. It does not include businesses that have liquidated as a result of the recession. The difficulty of locating the decision makers and the sensitivity of their information meant they were not appropriate for this type of research paper.

The industry body NZ Marine has a very proactive role in the industry. They were interviewed for an industry wide perspective, which to help alleviate any individual company bias. There was also an element of convenience based on location and access to personnel.

3.7 Ethics

This paper is subject to the established ethical norms for research under the auspices of Unitec. The overriding concern is to ensure that none of the participants will suffer any adverse effects, either physical, psychological, social or commercial as a result of this research. At all times the participants were treated with respect and dignity. The questions were non-threatening and open ended.

Potential participants had the Unitec consent and information forms discussed with them. Their ongoing participation was contingent on them acknowledging their clear understanding of the research and signing the Unitec consent and information forms provided. These forms included a statement allowing them to read the completed report if they wished to do so. To date none of the participants has asked to review the content of their interview or a copy of the final report.

The following research principles for harm minimisation were adhered to and

discussed with the participants.

3.7.1 Informed Consent

In order for potential participants to engage in this research in a voluntary manner they were given a full understanding of the potential benefits and risks to themselves and their companies. There is no reason to engage in any means of deception or misrepresentation for any purpose during the course of this research.

The researcher's contact details and those of the researcher's supervisor were freely given to potential participants. The context of the research and its' aims were comprehensively explained.

Enquiries from the participants were answered in an open and honest manner. There was no attempt to coerce either explicitly or implicitly any individuals or companies to participate. All participants were able to make free and informed decisions.

The participants were previously made aware the face-to-face interviews would be voice recorded. The researcher took some additional notes, however there was no reason for the participants to provide written data. This avoided any literacy or computer skills difficulties.

3.7.2 Confidentiality

The location and names of the participants have not been named within the research paper or disclosed to any third parties. This means not including any information that will enable the company or persons to be identified. As (Walford, 2005) notes "researchers should give anonymity to research sites and to the individuals involved in research" (p.83).

To accomplish this in reality is difficult within the context of New Zealand boat building circles given the close interaction within the industry. However any analysis of participants' disclosures has been coded in such a manner as to mitigate identification.

Since the research is based on people's thoughts and motivations the discussions that were recorded were used for the basis of the research so it is not practical for them to remain confidential. Again as (Walford, 2005) reminds us the essence of research is to draw out information for the participants and through a process of analysis, disseminate it to a wider audience.

3.7.3 Privacy

Anyone approached for this research paper was made aware his or her participation was on a purely voluntary basis. The participants chose the time and timing and location of the interviews. As (Denzin & Lincoln, 2005, p3) define qualitative researchers, their aim is to “study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them.”

There was also be a discussion on how their input was to be used within the research. Any data collected will only be used for the purpose of this research in accordance with the New Zealand Privacy Act.

3.7.4 Right to access

The author identified within each company or institution the person with the appropriate authority to allow access to premises or any information. This safeguarded the participants’ release of approved information only to ensure that the company permitted and understood how the information was to be utilized.

3.7.5 Data Storage

The participants were informed of the system and security measures for storing the data collected including the locations, time and access restrictions. Unitec’s policy of keeping the data for five years was stated in the participant’s consent form.

3.7.6 Social and cultural sensitivity

During the process of identifying the appropriate participants the author addressed any cultural or social requirements when designing the research data collection methods. This did not entail modifying the style of data collection.

3.7.7 Research design

The methods of data collection were tailored to ensure the minimum numbers of people were contacted to provide sufficient data to maintain the validity of the research results.

3.7.8 Academic Integrity

There are no previous personal relationships with any of the participants. The companies were identified as being suitable from company profiles from their web

sites and the industry body member's directory. All data collected during the course of the research has been used in an unbiased manner to generate the results of the study.

3.8 Limitations

There was some bias of convenience based on location and access to personnel. The companies all have more than 20 employees, which puts them in the top fifteen percent of New Zealand companies. The agreement of the companies selected to participate also show some bias as the leadership acknowledged a commitment of time to an educational pursuit, which may have skewed the type of leadership that is being sampled. One potential participant did not respond to a phone or email request.

3.9 Conclusions

To fulfil the aims and objectives of this research project, the thinking and perceptions of individuals were investigated. The essence of the inquiry has been subjective, which led to a qualitative study. The literature shows a case study approach is the most appropriate for this style of qualitative research.

There was an effort to select companies in an unbiased manner however there were some limitations based on location and accessibility.

The findings have been analysed to show the strategies of a range of businesses in diverse sectors of the export boat building industry with a view to understanding any regional or sectoral behaviours. Whilst the findings cannot be formalised as generalisations applicable to the industry as a whole; it is hoped some patterns and themes that emerged can be further tested within other aspects of the industry.

4 DATA COLLECTION

Which business strategies did New Zealand export boat building companies employ during the economic downturn of 2008-2010?

4.1 Sample selection

As this is a qualitative study on boat builder's business survival strategies all the selected companies were still trading at their primary activity of boat building at the time of this research. The selected firms were chosen on the basis of their difference in size, type of export boats they produced and their geographical location. One company originally selected that produced small recreational boats did not respond to an email request for inclusion in the project and was replaced by another firm that produced a more commercial oriented product.

Three of the four companies interviewed would be considered medium sized by New Zealand standards as they directly employed more than 20 full time equivalent positions. Less than 3% of New Zealand companies employ greater than 20 staff. (Statistics New Zealand, 2010)

This research topic is concerned with business survival strategies, the companies were selected for their length of time in business within a very volatile industry. All the companies had been trading for more than two decades, this longevity meant they had been through several economic cycles and market fluctuations. In the last decade only 31% of new businesses have survived more than nine years (Statistics New Zealand, 2010). Thus the selected businesses are atypical of New Zealand businesses in both size and longevity.

All interviewees had reviewed and signed the Unitec ethics forms noting their voluntary participation and the option of reviewing the final report.

4.2 Data Collection

The supporting evidence for this research was gathered from a variety of data sources as recommended by research theory.(Yin, 1994) These included the

company web sites, trade publications featuring the companies, and semi structured personal interviews with the business owners, which resulted in a wide ranging depiction of the modus operandi of the individual businesses. The narrative format was used for the interviews with the owners to probe for more pertinent data than the alternatives of emailed questionnaires. Four of the five interviews were conducted face to face at the company's offices, the fifth was done at a Trade Show. This alleviated a phone interview which was the only other alternative given the company's location.

In all cases the business owner was also the day to day business leader involved in both the macro and micro aspects of the business operations. There was no attempt to interview multiple persons from any company to glean alternative viewpoints. The essence of the topic focuses on the business leaders as the primary decision makers to gain an understanding of their strategies. An extensive review of the literature was used as a means of triangulation for data analysis.

The interviews were carried out over a two week period in mid September 2011. Interviews varied between 40 minutes to 1 hour conducted in a single session. On site interviews were held in the company boardroom at a time convenient to the interviewee. Open ended questions were posed within a scene setting context in a manner to allow the interviewee to articulate their own experiences. In most cases there were a couple of interruptions from work colleagues and another work commitment to attend to immediately after the interview. My planned interview length was 45 minutes. Four of the five interviews were tape recorded with the permission of the interviewees. A technical glitch with the recording device led to the fifth interview being done by note taking and written up immediately after the interview. The interview at the trade show was done at the company stand within the show.

4.3 Data Management

All interviews were transcribed on the day of the interview to avoid any ambiguities in detail from background noise or unclear voice recordings.

The data collection is held in a retrievable format in a research file held by Unitec. The four companies and the industry body were coded as Case Studies. The questions were grouped as themes and the responses of each participant were noted against each question in a tabular format. Where questions were not asked or were not applicable to the individual company N/A was noted. To date none of the participants have requested a copy of the finished report or to review the transcript of their interview.

The narrative style of interview produces contextually rich data that needs to be systematically analysed. The data has been worked through a three stage analysis method of data reduction, data display and conclusion drawing.(Appleton, 1995). Each transcript was dissected into the various question groups to establish any common themes running through the selected companies. At this stage it was important to disengage from the subject matter and treat it all as unknown ‘make the familiar, strange’ to challenge for other credible alternatives and remove any personal bias to the emerging patterns.

The tabulated data was then supported by a narrative text and conclusions iteratively validated against the data in a gallant effort to have the research measure what it intended to measure.

5 CASE STUDY ANALYSIS

5.1 Case Study 1

5.1.1 Background of business

CS1 is a Composite, steel and aluminium hull boat builder producing a number of world renowned racing yachts, and motor yachts. Their market is 100% export. The business has been established for over 40 years.

CS1 was at first reluctant to participate, feeling the confidentiality aspect could not really be relied upon. *“The only things that are confidential are your thoughts”*. This hesitance had been brought about by previous interviews with the media where the context of the conversations had not been reliably portrayed. After a couple of phone conversations it was agreed I could include the company in my research project although the interviewee felt there was little in the way of a recognisable process that the company used that would answer the research question.

CS1 came to the industry from a multi-generational family background with a history in pioneering manufacturing, not the more common route of being a boat builder or competitive sailor. The boat yard business, which had been started by a couple of boat building apprentices was bought as a going concern.

“Fate I guess to some degree ended up, my Father in particular liked boats & this place came on the market, a little company with 20 people working in it so that’s how we got into it. ...that’s why we’re building boats rather than running a bank or a something else like that so we’re fundamentally technical people rather than marketing and entrepreneurial in the sense of manipulating money & markets & stuff like that.”

Despite being technically oriented, CS1 also brought fundamental business management knowledge and experience to the company of *“20 people on site in a little tin shed”*. Having an appreciation of business systems is essential for the survival of any business and is a recognised area of weakness within the boat building industry, usually caused by the owners identifying themselves as boat builders rather than office bound managers.

Owning a business can bring responsibilities and intrinsic risks that are not always appreciated by professional managers and staff. Even to the owners and leaders the risks sometimes only become apparent upon reflection.

“Anybody who goes into business for themselves is a risk taker. I don’t think anyone who does it understands at the time but as you get older & you get more experience & you substitute experience for sharpness you suddenly realise that any business is very very risky.

I often wonder & often believe that (professional managers) don’t really understand one aspect of business that is the ownership of business and the risk that is being taken, which makes them probably more entrepreneurial. They are prepared to take risks for the company which if they owned it they may not want to take on their own.”

5.1.2 Adaptive Behaviours

Surviving those risks may be put down to luck as at the time there appeared to be no road map of processes to follow.

“I used the word luck to you on the telephone & there’s a huge amount of luck in this business.”

Adapting and assessing the benefits of each endeavour of the company and then refining a response is the essence of an emergent strategy. It seemed the pressure of constantly needing to feed the business with new work was felt quite keenly by CS1.

Some evidence of emergent strategy occurring with CS1 shows when they made a decision to change from specializing in refits to building new boats. There were adequate resources to change the direction of the company whilst still utilizing the core skills of the business.

“about 70-80% of our business was refits, there was the occasional new boat. And we built that up & developed it & worked & did a lot of refit work but decided that strategically that that was so precarious & so seasonal that we chose to start building new boats.”

“we decided to build one on spec. which was... I’ve only done it twice in my life & twice it didn’t work out so we don’t do that any more.”

“People have asked me at boat shows why don’t you build two boats at a time I say because I don’t have two orders at a time, it’s as simple as that. It is very hard to get orders.”

Emergent strategy is reacting to the situation as presented within an overall framework of known resources but not always fully understanding the significance of the intentions of the decisions. The emergent strategist operates with a consistent pattern of responses to maintain a competitive edge whilst adapting to changing markets.

5.1.3 Business Strategy

Identifying a market sector and establishing a competitive edge in some aspect within the expertise and resources available is a necessary facet of business survival. For manufactured goods, this has more likelihood of success if it is based on items that can be controlled by the company, not things that are solely reliant on external factors or such as the NZ\$ exchange rate.

“I think that reputation for doing a good quality product certainly is a huge advantage, the NZ\$ used to be a huge advantage, it’s not any more, in fact it’s frighteningly...we’ve lost our competitive edge, because people are saying why would I want to come all the way to NZ to buy a boat if there is no financial advantage.”

This has made obtaining new orders very difficult, however the company has set the parameters of their target market

“we’re out there a number of companies fishing, for the elusive fish that we want but unlike fishing have to target very specifically what we’re good at, we don’t want any little boats we don’t want any big ones, fishermen want always the biggest apparently but we have a limit that we can build.”

There also needs to be proactive initiatives to meet the external changing markets. Each change in direction has to be seen to be feasible within the overarching guidelines of the business strategy, even if there are no explicit objectives set. These can be incremental steps or the big bold steps of changing the specialty of the

company product. CS1 has continually expanded the yard infrastructure to accommodate the increase in size of client boats showing a combination of stability and agility to modify products. One example of a proactive initiative was building a spec. boat.

“We built a 65’ boat which was huge, it was unbelievably big beyond our comprehension how big a 65’ boat was & today we’re building a boat that’s 147’boat .. that’s (boat there) 115’ long, ..& when (that client) came along the biggest boat we’d built before that was about 89’ or 80 ‘ & he wanted a 130’ boat & I said no it’s too big we can’t build it.”

The ability to understand the client’s aspirations, even if they themselves cannot fully articulate them allows the producer to develop a satisfying relationship with the client. The yards need to have free flowing positive relationships with all parts of the supply chain as the client usually starts the process with the designer. With reference to the process of securing a sizeable contract he recounted:

“(the client) wanted a boat built, went to Monaco, looked at all the boats and said these are boring. We have a great association with a naval architect who sat there and said tell me what you want, tell me what you do, what you do when you get up in the morning. What do you like what don’t you like & he described it & (the NA) sat there and drew the boat for him in concept like that Oh I like that. So he was inspired by that.”

One of the dangers of identifying too closely with one particular style of product is that an individual company can lose their identity within the other parts of the market. A boat builder needs to calculate if the product range the market perceives they produce is flexible enough to cope with unexpected changes. CS1 has set up an arrangement with a previous client to produce spec boats similar to previous designs in part to provide continuity of work since there is intense competition for new orders.

“We’ve never entered into this sort of relationship before, it comes with traps too. Because you then get seen that’s building those boats, why should I go to them, that’s what they build. So we have to really make sure that we don’t lose our identity

in the exercise & that annoys them a bit because they like to think we're bonded but we're not because we know that he can walk away & go somewhere else just as easily as we can turn around and say No we're not going to build you another boat."

If companies position themselves in the high value end of the market they are unable to compete in the low cost sector of price sensitive competitive tendering. Recessions reduce the number of orders whilst increasing the number of tenderers bidding for the jobs. Changing the company's position confuses the established reputation.

"of recent times we're back to where we were 10 or 12 years ago where we're one of 11 companies bidding a boat well that's hopeless, that's never going to work because what criteria are they going to base it on & we're not the cheapest."

5.1.4 Marketing Strategy

The export boat building industry utilises a high degree of interpersonal networking throughout the world. Marketing is often via websites and from others in the supply chain, particularly designers. Other avenues are editorial articles in trade magazines. International trade shows are major networking chances for showcasing products and one of the prime means of establishing a presence within the global market. The need to continue to spend money on marketing is acknowledged as a key factor in maintaining a share of the market for businesses even during recessionary times. Continuity of work in the industry is a very big factor for clients to have confidence the yard has the financial stability and dedication to major projects.

CS1 displayed an acute understanding of the commitment needed for marketing and the priority it must have in the budget despite subdued buyer interest. Consistently keeping the brand name in the public arena forms part of a targeted marketing strategy. The white boat industry has two major trade shows in Monaco and Fort Lauderdale where most of the major international boat yards promote themselves.

“We do attend two of the world international boat shows which are the Monaco boat show & the Fort Lauderdale boat show. You have to. If you don’t go to the shows then there’s a rule that says you have to go three times before you’re noticed & if you miss a year they say Oh well that company’s gone broke. One year (a friend) said “I heard you weren’t coming to the Monaco show, I replied I wasn’t going to but I changed my mind she said you have to come every year you have to be there if you’re not then you’re not in the industry. Fundamentally she’s basically right. And literally if you decide not to go for a year people say oh another yard gone broke.”

“Because it’s a lot of money that people are spending they do a lot of due diligence on you before they place an order and so they will go around and ask people in the industry what are CSI like to deal with? So they ask their friends so you really can’t ever afford, not that you would ever want to, get offside with anyone. But it’s quite difficult because each of these projects is a big undertaking financially and like any business you’re dealing with a new client every time.”

A business needs to differentiate itself within the market place. The typical boat yard in New Zealand has a lot of trades in house. This is a point of difference with many construction companies, which subcontract out a wide range of trades and become co-ordinators and process managers. This means a higher proportion of local companies have more than 20 staff. Keeping the trades in house allows for skill levels to be built up and control of the end product monitored closely. Having in house trades also distinguishes the industry from some of the European and American yards, which have a higher level of subcontracting.

If a company is pitching themselves as a high value best quality provider they need to be able to control the processes that can accomplish that.

“We have control. We’ve always tried to do it ourselves I guess because we’ve always understood the need for control. It’s fairly normal in NZ, overseas it’s not so normal.”

However to distinguish a business within a selected market can be quite difficult, especially when the only option is the high value position. I asked how CSI went about differentiating themselves both nationally and internationally.

“Very difficult quite frankly. We can’t stand up & say we’re any better or any worse than anyone else. But I think the fact that we have a product there that we’ve been successful in some awards & that other people say we’re good to deal with is a good start.”

CS1 depicted a company that is customer centric and has arranged its skill base to cater for client’s options. During the course of the interview I did get the sense that CS1 has a high level of pride and passion and enjoys the process of creating truly world class boats and to some degree a sense of amazement at what had been created.

“And in the end I guess it’s a whole lot of little things that add up & a client says yeah OK I got treated well when I came here”

Failure is quite easy to identify and define, defining success is more subjective in nature. Whilst CS1 has great pride in the yard’s accomplishments it is countered with the awareness of the fragility of the process of achieving them. When asked to define success for the business CS1 reiterated that the ability to survive was the most apt definition.

“Survival. One would like to think you got an ego & high & everything was nice & you walked into a pretty good environment. You stand back & you look at it & you think that we started with some dirty pieces of steel & a bit of an idea and look what we’ve produced. And that’s what most of the guys who work for us that’s what they get their kicks out of & there’s tears in their eyes when we launch a boat, part of that boat goes with them.”

“But success quite frankly is the ability to survive in my opinion. Everything that you see here has been from the tin shed we started with...but yes survival is the way to describe success.”

Calculating what is success and what the end goal is, was not the motivating factor for entering the business. There was not a deterministic path to a defined set of criteria for success.

“(We’re) way beyond what one would ever imagine what we would ever be. But you know what, ... you don’t actually think like that. I think seeing your executives trained at Harvard that spend their life about strategy and plans and where you’re

going would, but when you're more of an entrepreneur it's really just go for it guys don't worry too much about where your plans are don't say you've got a plan that you have to follow, look for an opportunity, they're there all the time."

Controlling costs to match the cash flow is a business given. With boat yards being individual custom contract based and having a high labour content there is an inevitable flow of labour in and out of companies. CS1 accepts the ideal is having a constant flow of work for all the trades but staff numbers need to match the work requirements and inevitably skills acquired at their company will be lost if there are redundancies.

"People come & go all the time, that's a composite boat, those are metal boats. We have heaps of different trades, joiners, electrician, fitters. They're on the basis that we can give them a month's notice."

"There is no magic formula that I've got for overcoming the recession. As I said to you on the phone it's just sheer luck. I don't have any strategy, you can't take away any gems. Some of the other companies have had bad luck even though they're good companies"

These comments hide a high degree of modesty. Of course there is a reluctance to reveal sensitive material to a stranger when the economy is fragile and there is stress to find the next order. Working hard and having multiple ways of making their company and their products appealing to customers, constantly assessing and improving their capabilities and how to use them to market themselves came through as some of the essential elements of this company's longevity.

5.2 Case study 2

5.2.1 Background of business

Case study 2 straddles both the black boat and white boat markets. The company has good contacts within both sectors and appears to embrace having a distinctive product as a small part of many markets. The company has evolved into a design office that also sells components. Exports account for 80% of the company's turnover and are increasing.

5.2.2 Leadership Style

CS2 came to the boat building industry from a product design background. Whilst the basis of their production range wasn't new, CS2 immediately saw how the design could be adapted and then marketed to a defined type of market which was just emerging.

"I introduced a concept of a (boat) into New Zealand. I was excited about the prospects of it ... because I could see that people were starting to use (a style of water transport) which were the commercial people, the police, military, and those organizations."

"Because we were early in the market we didn't have a pleasure boat market at all so we had to be very flexible we had a little bit of a lot of markets which meant it was a real design exercise. I was a designer anyway, I did four years at design school so it was right up my ally you might say."

Having a clear definition of the product's differentiation in the market and a timely entry into a clearly identified potential market was the initiator for starting the business. However, acceptance of innovative products that are much more than just a refinement of an established idea needs a catalyst to create the demand. These can be from a chance encounter, instigated by a third party.

"It was slow to develop quite slow, but after a while it started to catch on a bit. Slow for the concept to be accepted."

“Well several people got involved & tried to start it we had a real good opportunity, it was used in a film we supplied 3 boats, 4m boats for a film, that was very successful”

A business needs to create a mechanism to trade by having a product that people need or want, making those people aware it's available and making it accessible to them. Concentrating on one facet without adequate coverage of the other areas may limit business growth although an emphasis in one of these areas can compensate for less dedication to the other areas. In this instance a lot of energy went into the design of the product with less emphasis on marketing it to a wide audience. There were also problems securing a reliable builder to produce the boats, which led CS2 to set up their own yard to have the security of supply. This helped compensate for the limited marketing.

“when we first started, the development was quite slow & piecemeal & hiccups along the way. People who got the boats really liked them & then other people kept asking for them in ones & twos... It's just developed from there.

“(We) made arrangements for a company to build the boats and market them. But the management changed as it does in some companies and went to more architectural rather than marine so we were left out in the cold a little bit.”

“Once we started building them ourselves we found they became more and more popular. We haven't marketed that hard, we've taken market opportunities when they turn up but we haven't gone out there to date with marketing proposals as such. We tend to put emphasis about developing the product.”

5.2.3 Marketing Strategy

The style of marketing and how the company prioritises the budget for marketing can be dependent upon the subjective assessment the owner makes of the future returns generated by the expenditure. Using word of mouth advertising by clients and other social encounters is a recognized method of marketing.

“I read an interesting article about a year ago about marketing concepts... Apparently we're in a time where we have interruption marketing and the ads have to be spectacular to get your attention and people can't remember what you are selling but they say oh that's a good ad. The next phase they said would be don't

spend all that money on marketing and advertising put it into your product make a better product and let the people you sell it to do the marketing for you they can tell their friends and so on. And I realised that's what we'd been doing all along anyway because we couldn't afford to do the other."

"We're responsive to the market, they come to us with custom designs"

The marketing is reactive but customer centric. The customer finds the product from word of mouth enquiries rather than promoting the company to the market. A comprehensive website is used as a secondary means of marketing which is in some part due to the owner's design interests. An initial interest from a client can be followed up with accessing a company's website to develop an understanding of the type of products and style of the company. This can have increased importance for small companies that are export as it is unlikely their potential client will physically visit them at least for an initial inquiry.

CS2 was asked if having found a segment of the market that showed interest in the product, the product was actively marketed to that sector.

"We do but only as a reaction process not as a proactive process. We don't go to the army or the navy we wait for an opportunity to come. We're so busy we can't deal with all our opportunities. We're under resourced human wise to do that."

New Zealand boat builders do build credibility in the export market from the success of "Brand New Zealand" in competitive sailing and other boat racing. The exposure allows small companies from a small isolated country a recognisable identity when entering new markets.

"When we won The America's Cup we had 5 boats there, got lots of exposure."

"But the America's Cup, in 2000 when we kept The Cup, other syndicates came here, We built for 3 other syndicates. (One syndicate wanted a boat) but no one else would build one for him in Auckland. The skipper was so impressed with our boat he came to us and said I'd like to be your agent in America. So we thought that sounds good because he had a lot of contacts within the yacht racing fraternity. We've built one tender for (America's cup syndicate) & we're building two more for (another America's cup syndicate) for the fast catamarans."

New overseas contacts can be serendipitous based on interpersonal ties. SMEs becoming aware of export opportunities can often be initiated by the client recognising the opportunity and making the first contact, which the company then acts upon.

The white boat trade shows at Monaco & Fort Lauderdale are the premier shows for the market. CS2 uses personal contacts as the major means of keeping a presence in the market rather than attending the shows.

“No well the tender market has come from the Americas Cup because a lot of the America’s Cup sailors tend to then become super yacht captains that’s their career progression. So they know our boats really well and they contact us and say we want to get rid of our rubbish boats that just don’t perform well, we want one of yours and we reluctantly sell them one. Which is a bit of a shame it would be nice to actually focus on that market. But they are a funny market.”

Recently a new business partner was brought in to strengthen the management capabilities and attended an international trade show. Trade shows are an established method of creating connections for overseas markets. By increasing the managerial resources the company is now able to be proactive and operate in several markets simultaneously. The motivation for exporting can be influenced by social contacts.

“(Business partner) went to the Chinese boat show & he met this Chinese Company right up in Northern China got on really well with them, developed a good relationship with them.”

“Yes that’s the first time that we’d actually gone out looking for something and something we’d like to do more of. (The new business partner) was able to get some systems into the business before he went so we could handle it without him.”

Less than 10% of New Zealand companies export. The drive to export is usually to exploit knowledge capital or other competitive advantages and acquire new markets that can provide greater economies of scale. Exporting can also allow the company to acquire new knowledge, which compounds into increased performance. The export division of the business is expanding at an increasing rate.

“Yes the export side is increasing all the time. Slow and steady it might actually be curving up a little bit at the moment.”

5.2.4 Business Strategy

The burden of ownership and the leader’s vision and values direct the company’s strategies. In this instance CS2 wishes to retain the business at a size that can be directly controlled by the owner with minimal staff. The risks of expansion are perceived to be too great compared to any potential rewards generated from the increased ability to service all the opportunities. The basis for calculating the risks is based on CS2’s experiences and a personal interpretation of the detrimental effects of growth.

“Well we can’t afford to. We would quite like to (turn into a large company) but we’re not prepared to borrow a lot of money to employ a lot of people on the chance that it might work. I design the boats but I’m not necessarily a good manager. We’ve got a partner now who’s trying to manage but he’s overworked as well. We have made the decision not to move from (a provincial centre).”

Despite CS2 coming from a design background rather than the more typical boat builder experience CS2 has recognised a shortfall in business management. Whilst addressing this matter, the plans and objectives of the owner based on previous experience led to a policy of limiting directly employed staff.

“We were manufacturing ourselves, we employed welders and finishers and all the trades and it wasn’t until Helen Clark & the Labour Party started loading small businesses with responsibilities so we had employment contracts to deal with & you had to know the ins & outs of those, and it made it too difficult to employ people. OHS could have closed every small business down in the country so it actually became really difficult to employ people and highly risky.”

Firms evolve from the symbiotic relationships between the members of the supply chain, the industry structure and other external influences such as the Government and the financial institutions. Controlled associations can become chaotic and

produce unpredictable outcomes. In this instance the workers who were directly employed by CS2 decided they would prefer a subcontract arrangement, however this proved a short-lived solution. This prompted the shift in focus of the company's business model to concentrate on design only.

“And the guys who were working for us thought we were creaming it because we were the owners, they said we want part of that, we'd rather work as a subcontractor to you we'll buy all your equipment and machinery. We said are you sure you want to do this? It's not as easy as it looks, you've got all this compliance to deal with. “Yeah we can do all that, you guys were doing it so we can.” They only lasted two years then we were left without a builder.”

5.2.5 Adaptive Behaviours

CS2 has a clear appreciation that the competitive advantage for the company is in the design capabilities and has preserved that objective through different arrangements within the supply chain.

“we decided we'd utilise other builders who were looking for work. That wasn't too hard to do & that's become our model. We then became just a design office & that's where we sit now. We have licensed builders, it's not a franchise, it's a license so they have a lot more freedom to modify our designs to suit a particular customer.”

The initial builders were local and the move into the export market was driven from the overseas builders initiating the expansion. This interaction follows the consistent pattern of letting the product do the marketing rather than active promotional campaigns.

“So we have two builders in Australia, one in UAS and one in China. They generally approach us. Once again we should have been more proactive perhaps but it's turned out really well. We've just recently changed one of our builders in Eastern Australia for a better firm.”

We returned to the topic of builder selection later in the interview as they come from specific but diverse geographical locations. I was interested if identifying these areas

was calculated based on the distribution of potential clients or if networks and external parties linking the company with the builders drove all the contacts. These are examples of the strength of formal and informal social networks that are a feature of the boatbuilding industry in New Zealand.

“Just from contacts. As I was saying that you should put a lot of effort in to a good product and it encourages enquiry then. So they contacted us. And so we were with team NZ in 95 when we won The Cup. We had 5 boats there & we were there watching it happen for three of the last races. These were opportunistic marketing things that came up that we took advantage of where we could.”

5.2.6 Business Strategy

Since the design is CS2’s unique knowledge they have set up safeguards within the license arrangements to protect their advantage.

“We have a license agreement with builders now. It keeps them in tow, we supply all the components... and we have a patent on some. We’ve revised our attachment system and we’ve got a patent on it. The value of that patent I’m not sure but nobody’s copied it yet. They’ve copied our concept (bigger competitors)”

Innovating to maintain a competitive edge has been noted as one of the keys to keeping a company’s product current for the market. It is seen as an essential component for business development.

“You have to keep ahead, it’s a good driver to keep innovating to keep trying new things. Our main exports really are parts for our designs. Because we started off in such a limited market or such a small component of each market we had to be versatile with our hull designs so we had to do a lot of experimentation with our customers. So it worked out really well so we have a big knowledge bank of what works and what doesn’t work. A lot of our competitors get a good hull but they don’t know why it’s good but they are reluctant to change it and have stuck with it whereas we are a lot more versatile and we’re making great inroads in to the paramilitary especially in Australia, they are loving our boats more so than in New Zealand. The tendency is not to buy NZ “

The uptake of innovative products is not automatic. There can be several reasons for blocking or ignoring changes. These could relate to cost, personal resistance to change, or the purchaser needing to take responsibility for the performance of the items procured.

“we did get three boats for (client) and we realised after a while that we were allowed to actually talk to the end users but (the clients) are a little bit like God’s children & God’s children get what they want. Whereas if you were dealing with the (departments) then you tend to be talking with what we loosely call desk jockeys who don’t have the real on board experience necessarily & don’t always make the best decisions and so they are worried about their butts so will buy what the Australian(s are) using rather than buying NZ made.”

5.2.7 Survival strategies

By having a small segment of a broad range of markets the recession has not had a serious impact on CS2. By being customer centric they have adapted to orders from any sector.

There has been formal recognition by the government that New Zealand businesses in general lack management capability and have set up a variety of mentoring programmes to try and alleviate this.

CS2 took advantage of one such mentoring scheme.

“Yes we had some mentoring from an accountant which tended to be quite conservative I mean he was helpful, that was the free mentoring...that went for a couple of years, it certainly guided us a bit on the accounting side and helped”

The common pattern for New Zealand boat building companies is an owner operator, often a husband and wife team that do not enjoy the management side of the business, it is not one of the core competencies that has propelled them into a successful business.

“Yes it is a pattern and that certainly the case for us as well. I think if I had to, I could do the systems but it’s not what I enjoy ... and we needed a partner and who

had a business skill. I do the design that I like to do, but we needed someone to put some systems in to keep control of it all.”

“I’m a concept person and (the business partner is) a detail person. We need the opposites so we frustrate each other but that’s what you need you don’t need another me otherwise we won’t progress.”

“It’s a hard hurdle for a lot of us small business owners & to let go I’m quite happy to let go of the money side. I’m not allowed to talk about money & I’m quite happy about that.”

This concept of reluctance to relinquish some of the control of a small business to an external figure is a universal trait, not specific to boat builders but possibly of greater importance during economically challenging times. CS2 has recognised how the business could benefit from additional management resources.

“Yes that’s a key to further development if you don’t have the systems and perhaps some sort of plan so we’ve got a fairly simple model we design the boats. I suppose our philosophy is that they order from America for America, from Australia for Australia, from China for China. We’re not looking to import boats from China to here we just don’t have the funds to do that. So we don’t stock boats, they are all custom designed.”

5.2.8 Alliances

The networking within the marine industry is very strong and supported by a strong industry association. It is particularly strong in Auckland. CS2 is located in a provincial centre. The industry group provides a strong brand image for New Zealand exporters. Indirectly companies can leverage off the attributes of other companies’ successes. The government through NZT&E has also traditionally been supportive of promoting the export part of the industry. The following excerpts relate to questions of CS2’s perception of assistance from these two organisations.

“Not greatly I don’t think, we’ve been a bit of a lone runner because we’re ... out of the Auckland scene. We do belong to the manufacturer’s group so we do belong to that and go to meetings every now & then when we can attend”.

“No they really haven’t been of great benefit to us other than generally lifting the New Zealand boating profile and capability, which probably gives a little bit more

credence to a new customer who might be looking at us. They can say why get a boat designed in NZ and why can't we get it designed in Australia or somewhere else. The marine industry in general like Alloy yachts build some awesome boats, that whole sector really shows the quality of NZ & innovation so that's where it's probably helped. But there's been no direct input from NZ Marine. When we've gone to China we did that on our own we didn't seek any help from NZ Marine."

Despite not getting direct assistance CS2 recognises the background assistance that is achieved from the industry body.

"No well we talked to them they looked at us and said we weren't worthy. And we were a bit hesitant about it what benefit would it be to us they might give us some money. "

This was said in the context of being wary of what strings the government would attach to any financial assistance.

CS2 has found a business model that suits the owner's talents and lifestyle. By consciously keeping the company at a size that can be directly controlled, they have relinquished some opportunities. However by not expanding to cater for everything that was available during the peak of the market, they have not had to contract during the downturn. By licensing the production of their boats they have transferred the fabrication risk to the builders whilst still maintaining control of their designs which is their distinctive competitive advantage. CS2 is focused on client requirements and continues to progress designs. The increase in managerial skills now complements the technical strengths.

5.3 Case Study 3

5.3.1 Background of business

Case Study 3 has specialized in black boats. Currently they export 100% of their product but are actively seeking orders in both the domestic and overseas markets. The company is based in a provincial town. The start of many businesses comes from an opportunity that is presented. The removal of the 15% export bounty by the government in 1984 had a dramatic and immediate effect on the company CS3 was previously employed by. In this case the partners started their own business with a single contract that was initially intended as a stand alone project.

5.3.2 Leadership Style

There are two business partners as directors. CS3 comes from a farming background but has always had an interest in boats.

“I’ve always had a fascination for boats and all that is needed to make them go and keep them afloat.”

“I did all facets of the business (at the previous job), I was lucky enough to get taught lofting, stores and even administration.”

CS3 had wide ranging experience working in boat building. The leader has a combination of technical and business managerial knowledge. CS3 appeared to have an aptitude for finding cost effective and practical solutions to situations, which is a characteristic trait of the New Zealand persona.

5.3.3 Business Strategy

The business started with a clear vision of the sector of the market the owners intended to target.

“We decided to stick with tugs and have deck machinery as fill in work. That’s what we knew and that’s what the workers knew about”.

“There’s a limited amount of machining work, we’ve built some winches”

The machining work was retained in house to utilize the equipment, absorb labour during quiet times and provide an alternative to large one off new build projects.

The competitive advantage is created from the organisation's team rather than individual skills. The strategy is internally consistent and feasible with the available resources. There is an ability to adapt to external forces by having two facets of the business with large projects and small infill work within the same market sector.

“Early on we decided the business would do tugs and quality work, we wouldn't compete with China and Malaysia on price. Quality had a big bearing on winning the (big export order).”

Positioning the business at the high value end and not sliding towards a low cost position maintains confidence in the business's reputation. New Zealand companies have to tailor their products to be high value in the international markets as there are a multitude of countries that have cheaper labour or government assistance to the marine industry that is not available in New Zealand.

5.3.4 Survival Strategy

Black boat clients are willing to make a purchase based on the perceived return on capital investment. The current market downturn had a direct effect on commercial boat builders. External factors such as tightening liquidity and decreased consumer confidence put pressure on the industry. CS3 had a steady workload until the recession.

“We were building lots of things until the recession, including car ferries. The recession was not good. Two years ago in 2009 the company had no work, saw that there had been no work boats built for some time yet demand would be there. Built 2 work boats on spec & sold them to Brisbane. Work boats last a long time but technology gets outdated, need bigger pulling capacity, gone from 22 tonne bollard pulling to 70 tonne now the norm.”

External factors can interrupt the supply chain and amplify the volatility of the market. The decision to take the risk and build a speculative boat to keep the business active and the skills employed was made with a disciplined, informed and reflective approach. The potential market had been researched and it was within their known area of core expertise.

By creating their own work the company bought some time to actively market their company to gain further orders. The sale of these boats generated interest from other clients and resulted in another couple of large export orders. The ability of a company to show they have a successful work profile, are busy and profitable assists in giving potential clients confidence in their financial stability, otherwise the client is at risk if the company defaults on the contract.

“The quality had a big bearing on winning the (big contract) the client gave financial concessions so we could complete the contract.”

A large contract can be difficult to control for an SME that does not have large financial resources to fund the build as it progresses. By developing a strong relationship with the client, CS3 was able to work with the client in a transparent and accessible manner to gain some financial concessions that enabled CS3 to complete the project.

The business must control the costs and the quality to fit the market requirements. The theme of succession planning and the difficulty in finding people with the tenacity to want to keep the business going was touched on. There appeared to be no upside to the recession, it had just required a lot more work to continue in business.

“Subcontractors don’t understand how hard it is to get the work and want to haggle”

5.3.5 Marketing Strategy

Marketing during a recession requires a more proactive approach because of the subdued demand. There is increased competition for fewer orders so establishing a rapport with the clients enhances the prospects of success. For exporting companies this will mean traveling overseas to the client and the client’s market.

“The key to exporting is going and knocking on doors, now marketing is four times more expensive than 5 years ago. Now you have to hunt out the customers, they don’t come to you”

“You do a lot of negative work that doesn’t lead to a contract”

Clients are reluctant to spend capital if they’re unsure of their own revenue streams.

‘Marketing has become more important when the company is starved of work. You have to do it face to face but we’re looking at social networks as well’

The company leaders need to create, develop and manage the social resources when developing new markets.

The more a company has studied the client’s requirements, the better the needs of the customer are understood, and the easier it is to judge what the critical elements are that will engage the customer with the company. Continuing to market and increase the priority of marketing during a recession is a advisable strategy.

“We target where the action is (in Australia) but we find where the people are that want to buy the boats are not always at the place of the action”

“The (Australian) work comes from companies based in Europe so we’ve got to get over there to see the Europeans. (Australian) companies don’t give sufficient time for boat owners to get boat built so they try to buy from wherever they can. The Europeans are used to having specific boat type for the specialist job so like CS3 having the specialist expertise”

“We’ve learnt through the recession you’ve got to get out there and keep your name in front of people, advertising in international magazines.”

The proven performance of a company’s product can lead to a greater profile within the market in the future amongst other competitors. The accumulation of a competitive advantage can be self reinforcing. Further enquiries have come from an initial order into a new export market.

“Once the first barge got in the water and started doing what we said it would do, it started to attract attention”

5.3.6 Adaptive Strategies

CS3 has a variety of trade staff. It has found it difficult to recruit and retain the skills required which they put down to a lack of industry apprenticeship training over a number of years. To overcome this skill shortage they have directly employed immigrants who now make up approximately $\frac{3}{4}$ of the shop floor trade staff.

However due to the volatility of workflow the shop floor numbers have been reduced by 20% over the last two years as large contracts have finished.

Having contingency plans to respond to recessionary pressures and the ability to execute them with speed enhances a company's survival chances. The company has matched the size of the workforce to the work available and has looked at alternative means of acquiring the necessary skills to complete contracts.

For the last two years the shop floor has worked the full week in four days to allow the management a planning and administration day. SMEs often have macro and micro management roles so by changing the hours on the shop floor they have the ability to dedicate some time to longer term strategy and marketing which has become an increased priority during the recession.

A company needs a discernable and valuable point of difference. The company set out with some clear strategies to give them a perceived competitive advantage by developing design policies to allow for quicker build times. These established procedures have created opportunity in a new market.

“We decided to have standard designs for equipment hatches, doors and standard layouts so the boats would be easy to build and shorten the build time. We could build up components in down time & sell a bit to other builders. But we're still able to customize for the client with the std components.”

“Work boats last a long time but technology gets outdated, need bigger pulling capacity, gone from 22 tonne bollard pulling to 70 tonne now norm.”

The theme of the increasing size and technical complexity of boats is apparent across all sectors of the marine industry. Constant innovation is necessary to keep up with the market requirements.

5.3.7 Alliances

The NZMEG has not been directly utilized to any great extent.

“We're black boats rather than white boats, we go to different shows”

The government was not seen as being of any assistance whilst foreign governments were doing a lot to assist their marine industry especially the Australian and US governments. The Jones Act and government financial assistance to US yards made competition there very tough.

The yard has established a long term relationship with an overseas designer who has a well known reputation with commercial boats.

Keeping contacts with previous clients has brought about interest for second generation orders from some of the first clients.

CS3 has adapted to the recession by decreasing labour costs, putting increased emphasis on marketing and taking a calculated risk by building a spec boat that underscored their specialist skills. The leadership has a combination of technical and managerial prowess and a willingness to incorporate original thinking to solve shortfalls in their resources.

5.4 Case Study 4

5.4.1 Background of Business

Case Study 4 concentrates on white boats. The business has built racing yachts and cruising launches and is well established. The owner is quite approachable and has a strong interest in developing training for boat building apprentices and was happy to make time available to allow me an interview.

5.4.2 Adaptive Behaviours

Small firms are often more affected by recessions as they have fewer resources to absorb decreased revenues. One of the keys to survival is keeping costs at an efficient level. Staff redundancies are a typical feature of the boat building industry as workloads fluctuate. Small businesses often build a level of camaraderie and personal interaction between the leader and the workers. This would have been especially so in this case where CS4's natural comfort zone is the shop floor. I gained the impression CS4 committed to the staff.

“There's always times that you do recession but you don't always remember the lessons you learnt before. We have a very stable workforce, so to let this workforce go you wait till too late, you should have let them go earlier. And that's hard work letting guys go, but in recessionary times when you slow down you've got to get some of your costs down so some of your workers have got to go. So that's a lesson you learn every time and in this recession again I should have let guys go earlier than I did.”

“About a 1/3 we had about 36 staff at the time and we let 1/3 of them go which was a pretty big wack but we didn't have a lot of work so we had no option. “

We revisited this topic of redundancies depleting the skill base later in the interview. I asked where the bulk of the redundancies had been made as the skills built up during the course of employment are then lost.

“All (from) the shopfloor, no management changed. We just had lack of work out there. The last guys that should leave are the guys that are in the office chasing work.”

CS4 made strategic moves during the mid 2000s when there was plenty of work to move into the refit market that is often counter cyclical in a downturn. The decision to do this was based on previous experience with a kitchen company. The depth and length of this recession is an unknown in trying to formulate longterm plans. Many New Zealand firms concentrate on short term goals to the detriment of a cohesive long term strategy.

“We do a fair bit of refit work too, which we recognised 8 years ago that this was going to come up so we built this new factory a lot to cater for the refit work.”

“Yeah, we saw that even before (the downturn) while the good times were on that someone needed to tidy them up & we felt we had to make traction in that because everybody will dive into it like they are now, everybody is trying to get the refit work & if you have some traction before and people saw some do ups you’ve got some history to do it.”

CS4 has consistently been in white boats but has had phases of building different styles of boats within that sector. Whilst the range of boats has changed there has been a consistency to the hull materials.

“Early on was just building (designer) yachts because you get bracketed sometimes with a particular brand or design of boat so the first five years was all building yachts.”

“Well it’s the market , today you might be building yachts & next year it might be power boats and the next year super yacht tenders so you’ve got to be able to change and adapt.”

“We finished off some steel & aluminium stuff but no that’s not really what we do, it’s composites and timber, we’ve channelled into those materials. Then we’ve done racing yachts and tenders and pleasure launches.”

The ability to adapt to market conditions using the existing expertise with a level of consistency to the overall goals can be seen as evidence of a planned strategy. The move to refit work opens up a market to clients looking for a more affordable option than the commitment of a new build that still meets their current requirements. Being aware of the historical cyclical nature of the industry led to CS4 formulating

this plan. Initiatives that incorporate planning for the unpredictable events allow a company to have a level of agility to quickly respond to market changes.

“Possibly at that stage it wasn’t thinking of.. Yeah when I think about it we clearly talked about refit work being strong when there is a recession. I was about to say we wanted to do refit work anyway and expand our business. No you’re right, it was a clear decision to do repair work and you have to set up for it.”

5.4.3 Business Strategy

Building spec boats can be a profitable way of soaking up the unstable workloads for a yard. However, there is a risk of over committing if there is a low level of market interest in the product.

“We’re building a spec boat as well...At the moment during this recession time it’s probably not a great time to have a spec boat when the market’s pretty tight....we see value in it we see given the right opportunity we’ll sell it and get the right price for it.”

Another reason for having a spec boat is to refine design ideas to incorporate into the clients’ boats and also for personal enjoyment. The personal experience of a leader will shape their reaction to future business situations. An assessment of the market and previous successes evolve into a strategy of deliberate and calculated risks tempered by their personal bias. The desire to continue to find innovative design methods is a necessity in the custom boat building sector to continue to meet the market demands.

“I’ve always spec built. My first 6 boats all started out as spec so it’s something that I do for enjoyment, it keeps me motivated, it keeps my interest. I still run CS4 but I still come to work in old clothes thinking I’m going to do some work but never do, physical work. And the spec boat for me means I can go & play on it and do a bit & come in on the weekends and do a bit, it means it doesn’t hold anyone up...and also you get payback when you sell it.”

“So there’s a bunch of reasons why I do it. My bankers might say to me there’s a bunch of reasons why not to though.”

Boat building caters to a high end discretionary spending market so is highly susceptible to any reduction in market confidence. This was a theme CS4 returned to several times during the interview.

“I think the world is changing that we’re not wanting or shouldn’t live in so much debt. Society is changing. I’m in the wants category camp, you don’t need a boat you only buy a boat if you can afford to. At the moment you don’t have the feel good mode.”

A company must be consistent in where they pitch themselves in the market. Maintaining a high value position when a decreased market is making tendering more price competitive will preserve the company’s current reputation. There must be a discernable and valuable point of difference in the product.

“We’ve kept our quality of our builds up right through, we haven’t let that drop since the recession. Generally most of the guys that do a top top job are generally busy because it’s a luxury market. I drive a Ford where my clients drive BMWs. I think quality product sells easier than (other options). There’s an expense to it, there’s no point in competing for a guy who wants a second rate job because you’re going to get your butt kicked because someone will be prepared to put their price in. So you just have to keep chasing that top quality work.”

Being willing to try new products but being prepared to stop quickly if they are not successful are hallmarks of an emergent strategy. CS4 has done some production style boats in the past but found the economies of scale were not enough to compete with imported boats or boats that were being liquidated by cash strapped owners during a previous downturn.

“We dabbled with that late 80s early 90s crashed and burned a wee bit the crash came ...we couldn’t compete with the 2-3 year old second hand boats so the molds sat there for a few years and finally we sold them and they went to China.”

Using their core skills, CS4 is now also doing tenders for superyachts. This is an adaption of the larger boats they have developed a reputation for but where the market is suffering from a lack of demand.

“That’s what they’re spending pockets of money on. That boat is 8m and \$1million. So they are expensive, ...and they want something that nobody else has got they don’t want to buy something from the guy down the road.”

The business management expertise can come from external governance or additional in house personal. The government and the NZMEG encourage business mentoring programmes. CS4 was able to use family resources for business mentoring and background business training.

“At school (my Dad) wouldn’t let me take woodwork I had to take accounting and economic studies because he said they (boatbuilder) will teach you in the first 6 months what any school is going to teach you and he was right. So I learnt the value of a \$, I could add up, I’m OK with numbers. So in one sense I’m lucky and I’ve certainly had the support of family around me who have been pretty wise. I married a smart accountant too, for love.”

5.4.4 Leadership Style

The classic New Zealand boat yard is owned by a boatbuilder with a passion for the sea but limited inclination or skill for business management. The expertise and interest of the leader becomes the expertise of the yard and determines the market sector the company follows. CS4 follows this pattern and set up a company soon after finishing an apprenticeship. The initial trigger for a business start up is often unplanned and comes from within a social network.

“Right from a kid I would float stuff in a pond & draw boats at school and doodle boats and follow yachting magazines and yacht races I was just boat nuts.... and just knew from school I was going to be a boat builder and that was it. I got an apprenticeship in town it was a commercial place, nice boats, commercial boats but also repairs and maintenance. The best boatbuilders in my opinion are guys that have come out of the repair market because they see what has gone wrong. My guys that I’m training now I’m just telling them what I know but they’re not learning for themselves because a lot of the stuff is new but now they are seeing things for

themselves with the refit work, windows that have leaked and rotted out & stuff like that so they see the importance of damage and they're saying that if they'd (original builders) done that it might not have happened."

I asked how he got the opportunity to start a business immediately after finishing his apprenticeship.

"It was more accident, I was doing my apprenticeship between 79-83 so Jan 83 we started building a boat for my Dad....So we did that & a month before it was due to hit the water he sold it....We sold it and he gave me another boat to build & I never went back. It was early."

"That is the failing of the marine industry that generally the guy sitting in the office is the best boat builder on the floor and it's got that way because I've had a passion for building boats I left school I was good at it , I built my Dad a good boat, people loved it fantastic job next thing I've got another one I work on that one next thing I've got two in a row, shucks I've got to employ some guys next thing you move. And we're all great boat builders and generally good with our hands. We weren't Drs because we weren't bright enough and generally in the industry are people that are highly skilled tradesmen but not skilled in business."

Successful entrepreneurs often do as much planning and analysis as seems useful, then rely on their own judgement to make decisions. In fluid business conditions an ability to adapt and refine is often more important than careful planning. I asked CS4 if he saw himself as a risk taker.

"No I'm fairly conservative. There's risks you take, there's people out there who wouldn't start a spec boat, there are people out there who wouldn't build a factory this size and so there is some risk but I think I don't have a risk profile that I've only got A plan and there's no B, I've generally got A,B,C & D plans behind me that if it all turns to custard, this could happen and this could happen."

Absolute forecasting is difficult for business managers to do when it is based on inherently chaotic client choices so strategic planning is more effective if it looks at the possible outcomes of various scenarios.

At the end of the interview CS4 reflected on how to judge success. For owner operators it's more concerned with meeting personal objectives rather than shareholder demands.

“My next boat has got to be better than the last one I built. I think when that expires but there's no sign of that at the moment I still like building boats. I certainly enjoy it on the tools more than I do in the office. If a genie sat there and said make a wish it would be find someone to replace my in the office & I'll go back on the floor would be my wish.”

For me success would be hearing that CS4 builds very nice boats but once you start having kids you realise success is being able to feed them and be able to look after them. I suppose you want to sit down in your retired life at 70 -80 and whether it's still going or someone taken over or whether your kids have taken over. I still enjoy it but none of us enjoy these recessionary times, but it's just life.

I've had wonderful support from my family, which has been one of the reasons I'm still here. Certainly have more than plan A or B which has helped and we do a pretty good job and we are very good on after sales service I think that' helped over the years.”

5.4.5 Marketing Strategy

During recessions, maintaining a brand image in front of the customer is important and marketing should take a higher priority. Company leaders are often the main image of the company's brand and reputation. Committing extra marketing resources to gain orders and maintain the existing client base is a common reaction to counter shortfalls in forward work but can be difficult for leaders who have a stronger technical focus.

“I don't think we've gone apart from a couple of years ago gone offshore to chase export work, it's really just what across your desk at the time or contacts you make.

This year has been quite new for us because since about mid 1990 the works' come to us, to get the work you just picked up the phone. Since 2008 now it's quite different where you have to pick up the phone and ring around and chase up some work."

"(Marketing is) not our strong point of our company we struggle with that, that's been hard work. That sales role of picking up the phone and chatting to people that you've never met and chasing work, like I said 15 years prior to that the phone would ring & they'd say would you be interested in pricing a boat for us, you'd say yes we would. Now that's not happening you've got to reverse the role and hunt down the designers and project managers so it's quite different."

The managing of social resources and developing networks through formal and informal gatherings such as sailing regattas is important to connect to market opportunities

"No, not really I should do. I have a few beers on the boat after the race and then go home where you should go to the yacht club afterwards and skite with the other guys. It's not a strong point of any of our senior guys here, it's probably an area that we fail on."

Maximising the value of existing clients by creating an economical option for the client's current circumstances are cost effective marketing strategies. On-selling to an existing client is much cheaper than capturing a new one. I asked how their marketing budget had changed over the last three years.

"Didn't have a budget, don't have a budget. Like I said it's been a learning curve the last 3 years, up till then my marketing has been me. And a boat that's possibly out of warranty and the toilet craps out after four years. You go down there and realise that the toilet cost \$1k to fix so you go fix it and say to the owner it should have lasted a lot longer than four years we've written that off to warranty. They're bubbling, so my warranty \$ are spent looking after my previous clients so I have done that over the years & I have this wonderful client base that I've built two or three boats for. That has been my marketing, my after sales service. And it's worked fine until you get to a recessionary time like this, even though they are great clients, they are saying things are tight we're not in a position to buy."

5.4.6 Alliances

The NZMEG has a major influence within the industry and gives assistance to companies trying to establish themselves in overseas markets. It is especially helpful to the white boat sector.

“We took a boat to Aussie 4 years ago, the people loved the boat there but it’s a completely different boat to their market and the next year we couldn’t afford to go back, so really marketing offshore is a long long process. We walked the Monaco show 4 years ago, that was interesting. It was also difficult, we were there to try & meet project managers and designers, they were there trying to meet potential clients. We’ve picked up most of our work by word of mouth recommendations.”

“There has been over the years some (NZ)Trade & Enterprise grants, the (NZ)Marine Export group gets pretty good discount on show space and stuff like that but it’s not freely available, you’ve got to put a few \$ of your own in to it.”

Often SMEs lack the financial and managerial resources to operate in different markets simultaneously. Researching the international markets and establishing the foreign contacts is a challenging proposition to small companies.

Developing links within the supply chain is a feature of the New Zealand boating industry, which has a high level of vertical disintegration. The designers are often overseas but are an important link in the process as they are often the first contact for the client.

“We try and obviously make as many contacts as we can, designers are one. At the boat show we had 3-4 designers go through our latest boat, they are gold for us. To be seeing our latest product and they like it, we had a couple of project managers go through the boat, which is cool yes we value their relationship as well. I suppose if I spent any \$ outside supporting my customers it would be with those guys. They have the clients that want the dream so most of our work -80% is tender based meaning that we tender for our jobs so you want the opportunity to tender, that’s what you’re wanting.”

“Our export work has been through some of our designers who have designed boats that are going to be exported. We haven’t advertised overseas, we haven’t met clients overseas, it’s been through our designers and project managers.”

The strategic use of networks allows individual companies to profit by leveraging the success of others. The cohesive interactive nature of New Zealand boat building has allowed individual companies to share success when acting globally whilst continuing to compete at a local level. The networks can be used for co-operation to secure the benefits of economies of scale. I was interested to know how this functioned at the individual business level.

“I’d have to say that when I started you never talked to the other boat builder down the road, they were a pack of ratbags, then you went to tech with your peers as apprentices and they were a bunch of good guys. So I think in the NZ industry one of the big growth areas has been in the direction that we share a lot more.”

“As an industry I’m not saying we’re totally, we don’t sit back and fix prices, when we’re competing with each other that’s it we don’t chat with each other to get the job but I think a lot of us will chat a bit more than we used to.”

The recession has had some affect on communication levels though.

“Yes in the recession because everybody is keeping things close...we are very competitive, you are very closed especially with a client stuff. And it’s easier to talk to everybody when it’s bubbling away.”

The relationship capital built up by trust and friendship can be used for the flow of information between businesses. Co-operation within networks to collaborate in the international arena whilst continuing to compete against each other when they have the same product encourages continued innovation.

5.4.7 Survival Strategy

A low NZ\$ exchange rate has been a major advantage to export clients and helps mediate the disadvantage of a remote location from the client’s base. The individual

businesses have few mechanisms available to them to control their pricing for international clients. Currently it is significantly above long-term average rates with the US\$ and the €.

“The \$ is high at the moment and it’s hurting exports. It is high and I think everybody would love to see it back to 50-60cents, it would be great for everybody but I don’t know what to do about it.... It’s really technically only on the labour content because on the materials are self hedging it s more on the labour content.”

A reduced cash flow means a business needs to trim down the costs of non core activities so they are capable of devoting the restricted resources to satisfying the client expectations. Revisiting the operational costs of a business can highlight where efficiencies can be gained.

“Yes typically it sorts out your in house cost structure, it is looked at, efficiencies in your factory, looking at lean manufacturing. It makes you look at your cost structures, we’ve halved our rubbish collection by building a concrete block, (to squash the rubbish) you turn power and lights off. Wage wise it’s tough for the boys they haven’t had their wage increases like they normally should have.”

“Remember what winter is like when summer comes again” Bonoma as cited in (Shama, 1993) pp 63. Keeping the fiscal discipline and continuing with lean thinking can be difficult when the pressure eases.

“I think so but we all forget don’t we, next thing there’s another cleaner or another storemen or whatever we’ve cut down. You do forget and it’s hard hard work. We mow our lawns here we weed our own gardens we wash our own windows there’s definitely cost cutting.”

For CS4 the successful business strategy for surviving the recession has been based on maintaining the market position of high value quality work, matching overheads to cash flow, increasing marketing albeit not as strongly as CS4 is aware it could be and continuing to be customer centric by forecasting the growth of a market that has greater resilience to recessions and finding new products such as small tenders that are consistent with their core expertise. Having access to sound business mentors strengthens the technical focus of CS4. The passion to continue to create boats

despite knowing that it may not produce the most lucrative return on the investment is a motivation for working through the recession.

5.5 Case Study 5

5.5.1 Business Background

Case study 5 is an industry body representative. The marine industry has strong industry bodies, which focus on different aspects of the marine industry including domestic markets, training and export. It is a national body with headquarters in the Auckland marine precinct. The export representation acknowledges that there is only a small demand for many of their member's products in New Zealand so the focus is assisting small businesses to access the right overseas markets.

The industry body is able to give an industry wide perspective to counter any individual company bias from other Case Studies.

5.5.2 Adaptive Behaviours

The recent GFC has been described as the biggest destruction of global wealth ever seen. The New Zealand economy has not contracted to the same extent as the international markets of USA & Europe, which are the traditional centres of client interest for New Zealand made boats. New Zealand competes with USA & European yards for clients. Changes in these economies have had a direct impact on New Zealand boat builders.

“When we started to go into a bit of a global crisis ...a lot of people that are in the super yacht business ...clients or agents ...put things on hold or stood back to see where it was all going to end up. Now that didn't mean that they didn't have finances or money or access to money it was more a case of actually putting a hold on everything to see where the bottom was going to be. We were probably like that for a good 12 months I'm talking around 08-09 period. ...People that had traditionally bought large super yachts on a regular basis ...it is a bit like real estate ... it is a growing process in some ways and they tend to get bigger & bigger boats as they go through. That came to a bit of a halt, they kept their boats that they had and they cancelled their spots that they had.”

“Now as far as NZ was concerned, the bigger yards continued to get new boats coming maybe they weren't selling boats as quickly as they might have been before.

I know that certainly a couple of the bigger yards had in the previous 5,6,7 years have had order books that were going out 2-3 years in terms of wait time for a space. Now in the period that I'm talking about here, that sort of dried up a little bit in that they were chasing the next job rather than having anything planned out. Most of the good ones got through all that, a number of companies within the marine industry had to restructure & look for other ways of tackling the market if you like & that was perhaps more in the middle market rather than the big boats at one end and the small boats at the other end. The middle boats a number of boat builders changed tack a little bit and focused on still building boats but just a different part of the market & looked at doing perhaps tenders as opposed to building big boats. Or interior work rather than doing the whole boat & things like that. There were a few changes in the industry along those lines."

The industry as a whole stayed consistent and stayed within the same niche markets that the individual companies had established but tailored their existing areas of expertise and redefined their target customers and markets to areas that were more robust than their customary client base.

The unpredictable nature of external factors makes it difficult to envisage the results on individual companies. The NZ\$ has been extremely volatile during the last four years. Some contracts especially for superyachts can span 3-4 years, the exchange rate at the time of signing can be a difficult hurdle for negotiations. The product still needs to be perceived as good value from the client. Continuing to innovate helps reinforce a competitive advantage.

"The reason our guys are doing so well, or doing as well as they are doing in that yacht market is because of what they are producing. They're building products equipment and boats at the very top end and the guys that are buying it are saying I want the best & OK it's going to cost me more than what I could get locally & are prepared to do that because of what we're producing and what we're doing."

"That probably wasn't the case 10 or 15 years ago where there was the real attraction of buying in New Zealand was because you got a good boat or a good piece of equipment & it was at a really attractive price. We've almost gone past that & the level of what we're producing has grown & in terms of the product and the

equipment at the expense of the margin & the cost of the product. So most definitely that where the \$ is now is of more concern than where the world's economy is going at any one time."

5.5.3 Leadership style

One of the strengths of all industry bodies is the ability to give greater horsepower to an individual company's activities by being part of a wider group. Relationship capital can be built up in a formal network that can then expand into informal associations. The marine industry has a great depth of formal and informal, social and commercial networks. This is particularly prevalent when combining to compete against international competitors. Belonging and accessing assistance from the industry body is voluntary. Many firms see an advantage to give themselves a competitive advantage over companies that do not belong.

"One of the overriding things I think of how we got ourselves through that period was because of the nature of the marine business in as much as it is an incredible very close knit group of companies, it's cohesive, it's informative, it's collaborative it actually works extremely well & particularly when we do things in the international market be it boat shows or events or programmes along those lines. There is a real focus on putting NZ out front first & then worrying about how we fit in around that."

Industry organisations need to remain outward looking and responsive to members and the markets they serve to avoid a consensus culture that stifles innovation and becomes insular. Constant interaction between members and the organisations' hierarchy and third party assessment of the efficiency of the organisations' service delivery to the members is necessary to maintain momentum. The industry body aims to get regular feedback to regulate their effectiveness.

"We do surveys within the organization within the broader group of companies we put out, an independent company to do survey work for us & then we report those findings back to the group, we have debrief meetings with all the exhibitors to see if we are going down the right path. As a board and as a group in the industry we look at new markets all the time, it's all very well to be going to the shows that we know

but we also need to be conscious of what's going on in other areas & we've dipped our toes into the Chinese market, we've dipped into the Dubai market in terms of having NZ Marine go to those locations with a small group of companies. "

"We just have to be conscious of the fact that new markets will start to open up & we've got jump in there when the timings right but we do talk to the other companies about those opportunities."

5.5.4 Leadership Mentoring

One of the roles of the industry body is to provide leadership self development and mentoring programmes for the business members. Business owners are becoming more aware of the importance of leadership to their companies.

"(A NZT&E report) was reasonably critical of the fact that, I guess the terminology was hobby industries, in other words businesses that had grown from a personal interest in the sport or the activity & a lot of companies had emerged in a smaller capacity that were for want of a better terminology Mum's & Dad's operations that had grown to a particular level without necessarily any expertise in strategizing and business plans & what they should be looking at doing, but were running by the seat of their pants on what they'd known. And it was reasonably critical about how that needed to evolve if those companies were going to evolve themselves. As such there's been a bit of work put into both the mentoring capacity but also into up-skilling some of those people, or providing them with an opportunity to be up-skilled in their business knowledge & the pitfalls of running a business or the opportunities that may be there to grow the business in different areas so that's been a little bit of a focus. And that came about through a survey that found that perhaps within the marine business there weren't the skill levels for people to bring good practice to their businesses."

Unfortunately neither the NZT&E or the NZMEG were able to locate this report when I made enquires. An understanding of the need for increased managerial competence is required before it becomes a priority goal. The organization recognizes the need for up-skilling but also recognizes that individual members are not making it a priority.

“There’s been a few seminars held on that topic...Yeah, probably not as, look it’s definitely made a difference but probably not as much as might have been possible....getting people to a) have the time or b) the inclination to attend some of these types of things is a little bit difficult, “

5.5.5 Business Strategy

The industry body also provides a bridge to government assistance to facilitate business initiatives. The NZT&E have a section of people that work closely with the industry to facilitate trading opportunities.

“People seem to think that we get handouts from NZT&E or from different marketing Govt. departments and so on to do certain things & that does happen from time to time but there is nothing in terms of a standard policy or uniform handout like that It’s on a case by case basis that if we think something is worthwhile to present to them because of the global aspect of what’s going from NZ’s point of view then we’ll put that case forward and sometimes it will be accepted & sometimes it won’t.”

“In the past there has always been a willingness from the Govt to help in different areas but I think in what you’re seeing in terms of where the Govt. coffers are over the last 24 months or so it’s certainly not there on a regular basis now at all.”

5.5.6 Marketing Strategy

Businesses within the export group are able to co-operate for economies of scale for marketing and production and projecting a greater presence as a group for international marketing. The industry is vertically disintegrated so there is a differentiation of products that can complement other business activities. Direct competition is still strong and the industry body’s code of conduct prevents opportunistic behaviour within the group.

“We exhibit as a group of companies & we have a particular part of the show whether it’s Monaco, METZ, Fort Lauderdale or whatever...so people get a focus & a feeling of what we’re about & there’s a bit of a spin off in how that works too. In that someone might come to see a spar maker & by the way so & so over there is

doing tenders & so & so over here is doing marine interiors & so there is a bit a spin off in different areas from being in that grouping.”

“In the past NZT&E have helped with the look of those stands & how they are put together & the NZ branding & everything. This year it’s all down to the exhibitors themselves ...because there is no funding available as such. But that’s one of the things,.. (compared to Australia) that we do I think very well in terms of (being) supportive of member companies & the profiling of those companies in a NZ way internationally. The Dutch do that well also, the English have a similar sort of organization. Most countries do have a national thing they try & put together but we would be right at the top of the pile in terms of the perception if you like internationally how the marine industry works together.”

Overseas governments also recognize the value of their marine industries and provide financial assistance in the form of tariffs, bounties for exports or restriction on the use of imported boats. The Jones Act stops commercial vessels being exported to USA.

An increasing reliance on global trade means many marine businesses have no domestic base and must establish themselves in the global marketplace immediately. Rapid internationalizing of a business requires a vigorous management strategy for a new business. Many SMEs in the New Zealand marine industry that wish to find international clients and exploit their unique knowledge do not have the managerial acumen to succeed independently.

“One of the challenges for us as an export group is to get those fledgling new members on side into the group in some capacity for no other reason than to experience what the opportunity is on the international scene and to get a taster of what sales could be.”

“It’s saying to these guys that their little company down in Whanganui or Bluff that happens to be producing for the marine industry & it’s a little bit unique and a little bit different but they don’t have that domestic market but there is a need for it internationally. It’s about getting those guys to actually be able to have the opportunity for the sake of an air fare basically to get to some of the shows to be part of what’s going on in the New Zealand stand and to get some experience, and to

make some new contacts... it is a little different from a number of other export businesses where you do have to build your home grown roots...there a number of companies that do focus strongly on the international market without having a domestic basis to it.”

We returned to the impact of the \$NZ plays on the industry and how New Zealand builders have to have a distinctive value that is not location dependent to provide a competitive edge. The industry tries to sell the brand ‘New Zealand’ not only for individual products but also the destination to convey a full value package to clients.

“That’s one of the big things & I come back the NZ\$ thing too because it does impact on where to build their boats & the good thing about what we’re doing is that it’s at the very top end. We’re not competing with the boats out of Turkey or Croatia or out of China we’re not worried about that because we know that the people building the boats down here are looking for something innovative, different, state of the art, the best that can be done and so on, so that’s a real advantage in terms of being able to offer those sorts of things. Having said that, we are at the bottom of the world & it’s a long way for an owner to come particularly a European owner to come to look at his boat built & what’s going on. So it generally means there’s got to be another reason to go. It’s good having a fantastic industry, it’s good that we’re innovative & strong in what we do & so on but they’ve also got to probably like the fact that NZ is a good place to come to. And that’s where we try & piggy back on the fact that we have a country where people can actually spend some time in, that they can enjoy themselves here, it’s good place to visit to come down to”

The industry attracts owners from a trade or water based activity background. The previous experiences and level of international outlook of exporters has a big bearing on how receptive they will be to looking at foreign markets. Many marine business owners have had previous experience in or attraction to international competitive sailing.

“In most cases the owner or the major shareholder would be someone who has a connection with the sport & the industry itself. ...And whilst it may not be a hobby for them, they’ve come from a background that understands boats & what they’re

about, and a lot of their employees will relate to the industry & what goes on with it. It would be unusual in our industry to have someone who was running a successful & reasonably large marine company that didn't have an affinity or some connection with the water in terms of their previous background & upbringing in some shape & form, simply by the nature of what we do."

"The people in the marine industry are not dumb they know that their markets are overseas, & that may sound stupid but I see evidence of people not within the marine industry so much but people think they are in the export market but don't get out & do things internationally. They may go on the odd trip here & there & do some stuff or dabble in sending stuff overseas but if you are serious about exporting you've got to get out & do it internationally."

Continuing to spend money on marketing and keep the company brand before the market is encouraged by the industry body within it's membership.

"I think that we as an industry we've kept that strong foothold in all the international shows even through the tough times when it would have been easy for a lot of companies to think "I don't know that I need to spend \$50k on that show this year I mean it's better to keep in touch with all my people but I won't go to the show, I'll put that in the bank & save that for another year. In just about all cases the companies that probably couldn't afford to, have gone back to the shows to profile themselves and to show that they are serious about what they are doing & I think that that's been evidenced that a lot of those companies now have bounced back out of the recession & have been just fine because people do realise that they are a solid operation & that come good times & bad times they are prepared to front up & be in front of their clients."

5.5.7 Alliances

The main focus of the industry body is to provide an alliance for New Zealand companies to compete against other international alliances. New Zealand has 2% of the global market in white boats. The group allows firms to overcome the financial, physical and human resources needed to succeed with exports. Alliances give

companies the ability to accomplish “mutually compatible goals” that would not be possible if they acted independently of each other.

Alliances are an interplay between individuals and organisations. There is usually a focal leader within a company that provides the genesis of the organisation. There is also benefit to be gained by banding different facets of the industry together under a single banner brand that is presented to the public and government to increase the strength of the individual subgroups.

“If I go back into when it first came about it, it was probably more because of the foresight from a few key people that got a couple of major key players together to say look lets do this together because we’ve got more ummph & more punch if we do it together rather than doing it individually & it’s gone from there & I’m going back to probably the late 80s early 90s when (X) was instrumental in terms of getting MAREX up & running & started & it grew to quite a big organization. Even now some of the events that were started back in those days are still continued on now. We as an organization encourage members to meet as often as we possibly can ... but that interaction doesn’t just happen by itself it’s actually because we have evenings where people get together for a guest speaker or a meet & greet or a boating after 5 or those sorts of things where the industry comes together for a particular purpose. And then there’s that interaction.”

Creating formal networking situations allows members to be part of a social gathering because of their business positions rather than as the individual. This allows new entrants to the organization to make networking ties with others in the supply chain. Superyacht captains have a lot of influence with the clients and can direct client choices. Recognising who the client takes advice from in gathering word of mouth intelligence to formulate a purchasing decision is a key marketing tool.

“As part of what the export group is doing is we’re having what we call a Captain’s Forum, which is happening at the same time as the boat show... it’s about getting those people all mixing and mingling with all the key players whether it’s companies building equipment or building boats or whatever that opportunity is....if we just

provide one captain who says by coming down here for the seminar & gets to go & see a decent game of rugby & likes Auckland and enjoys being part of New Zealand, & he goes back & says to his owner I think we should do the next refit for the boat in NZ & the boat comes down here & spends \$3-\$4m I mean the seminar's paid for itself in that one thing"

"I think the industry is strong because it actually has the opportunity to integrate with itself... I can think of a number of instances where a company will get involved in a new project & because of the dissemination of information and so on & the interaction within the business someone else within the NZ marine industry will pick up on an opportunity with that particular customer & profile. Now that might be a distributor who is actually looking for other NZ companies because they have had great success with the ones they have been working with, it might be someone who is building a new boat you get the chance to do some equipment or product for, it might be a bunch of different things. Where there is a piggy back effect if you like where in terms of getting people involved because someone else is involved."

CS5 is marketing the industry, the mood was bright and there was a positive vibe in the air as the Auckland boat show, the Super-yacht Captain's Forum and the Rugby World Cup were all starting in the city. The industry body is probably more focused on white boats than the black boat sector and the proximity to the Auckland industry cluster at the waterfront will make it a bit more Auckland centric but there is a drive to be accessible to all companies within New Zealand.

5.6 Data analysis Conclusion

The companies studied were selected as being typical within their sector, however they produce a mixture of products and are run by a diverse range of personalities. The owners expressed shared values, highlighting a strict adherence to high quality despite the reduced margins, a willingness to innovate and a clear understanding of the significance of positive and professional client relations.

Many of the general practices were supported by the theories proposed in the literature, and common patterns of business behaviour. The belief in placing a high

value on positive networking, having a combination of strong technical and business skills in combination with an increased emphasis on marketing is consistent with the literature. Staying within a dedicated part of the market but tailoring their core expertise to adapt to client demands is a standard industry practice, common to many custom manufacturing and construction businesses.

6 CONCLUSIONS

The genesis of this research topic was to obtain a greater depth of understanding of how boat builders in a small and geographically isolated economy continue to manage a viable business that produces capital intensive discretionary products for an international market during the period of greatest economic upheaval in several generations.

There has been previous research on the dynamics of the New Zealand boat building industry and international literature on the role social networks play in creating an ability to internationalise small firms. Theories on effective management strategies and techniques for recessionary periods were also explored to provide a framework for the study. There is no body of literature detailing the management of the recession by New Zealand boat builders. This study clarifies some of the distinctive features and practices of this sector during 2008-2011.

The central themes of these readings were identified as leadership, business strategy, marketing tactics and alliances, which have been applied to underpin the direction of this qualitative research. The experiences of four companies during 2008-2011 were investigated by conducting semi structured narrative interviews with the key decision makers. The industry body was also interviewed to give a more generalized overview.

This cross case study was analysed within an interpretative framework to gain an insight as to whether the business owners perceived there are symbiotic links between the themes and if there is any dominant factor that is a precursor to business survival.

The preconditions of an interpretative study are the maintenance of the natural environmental conditions, to allow the subject of the study to be observed in the most authentic manner. The interviews were conducted at the participants' convenience regarding the time and location so the physical setting was natural. However the interview was the first time we had met each other and they were acutely aware that the entire conversation was being recorded. The ethics procedures allows them protection from the substance of the matters discussed being made

available to the wider public or being used for commercial gain, but the staged arrangement is likely to have led to an element of caution by the participants.

This is a period of extreme financial stress for many business owners. Two of the respondents admitted they keep business matters closely guarded as the competition for orders is intense. One has to question whether an hour long recorded interview of a CEO by a student is the correct method to achieve a credible observation that can withstand a thorough scrutiny to confirm any distinctive features.

The narrative style of the interview allowed for a level of openness but the inherently intrusive nature of a recorded interview compromised the possibility of gaining deeper insights as the interviewees were able to control the content of their answers.

Nevertheless, the interviews revealed much richer content than a questionnaire would have produced but I have some reservations whether a broader survey would not have depicted the same general answers.

Despite the guarded nature of all the responses, the trustworthiness of the data is real but only lightly touches on the glue that keeps all the recognizable components of a successful business operating in unison. That is the extraordinary passion and tenacity of the owners, which is carefully concealed behind a persona of being an ordinary bloke.

“There is no magic formula that I’ve got for overcoming the recession...it’s just sheer luck. I don’t have any strategy, you can’t take away any gems. Some of the other companies have had bad luck even though they’re good companies.” CS1.

Ceteris paribus, a successful business is one that survives with a degree of longevity, there are technical skills to back up a targeted marketing approach, which is complemented by sound business management skills.

7 BIBLIOGRAPHY

- Appleton, J. (1995). Analysing qualitative interview data: addressing issues of validity and reliability. *Journal of Advanced Nursing*, 22(5), 993-997.
- Bouma, G., & Atkinson, G. (1995). *A handbook of social science research*. Oxford: Oxford University Press.
- Brouthers, L., Nakos, G., Hadjimarcou, J., & Brouthers, K. (2009). Key factors for successful export performance for small firms. *Journal of International Marketing*, 17(3), 21-38.
- Burns, D. (2009). *Sustaining international links through the downturn*. New Zealand. Retrieved from <http://www.nzte.govt.nz/features-commentary/Features/Going-global/Pages>
- Burns, R. (2000). *Introduction to research methods* (4th ed.). London: Sage Publications.
- Chetty, S. (2004). On the crest of a wave: the New Zealand boat-building cluster. *International Journal Entrepreneurship and Small Business*, 1(Nos 3/4), 313-329. doi:10.1504/IJESB.2004.005662
- Chetty, S., & Agndal, H. (2007). Social capital and its influence on changes in internationalization mode among small and medium sized enterprises. *Journal of International Marketing*, 15(1), 176-187.
- Chetty, S., & Campbell-Hunt, C. (2004). A strategic approach to internationalization: a traditional versus a "born global" approach. *Journal of International Marketing*, 12(1), 57-81.
- Denscombe, M. (2003). *The good research guide for small scale social research* (2nd ed.). Philadelphia: Open University Press.
- Denzin, N., & Lincoln, Y. (2005). *The SAGE Handbook of Qualitative Research* SAGE Publications, Inc
- Department of Labour. (2010). *Marine sector survey of employers on skills*.

- Ellis, P., & Pecotich, A. (2001). Social factors influencing export initiation in small and medium sized enterprises. *Journal of Marketing Research*, 38, 119-130.
- Ettlinger, N. (2003). Cultural economic geography and a relational and microspace approach to trusts, rationalities, networks and change in collaborative workplaces. *Journal of Economic Geography*, 3(2)
- Freel, M. (2002). *Sectoral patterns of small firm innovation, networking and proximity*: Centre for Entrepreneurship, University of Aberdeen.
- Glass, M., & Hayward, D. (2001). Innovation and Interdependancies in the New Zealand Custom boat-building Industry. *International Journal of Urban and Regional Research*, 25(3), 571-592.
- Glenn, M. (2009). Organisational agility: How business can survive and thrive in turbulent times, A report from the Economist Intelligence Unit. *The Economist*
- Halle'n, L. (1992). *Infrastructural networks in international business*. Philadelphia PA: Gordan & Breach.
- Hudak, T. (2009). Surviving an economic downturn. *Business & Economic Review*, 3-5.
- Ianca, C., & Batrinca, G. (2010). *Towards a Romanian maritime cluster*. Paper presented at the 3rd International Conference on Maritime and Naval Science and Engineering, Constantza, Romania.
- Irving, D. (2007). Going global. Retrieved from <http://www.theicehouse.co.nz/Bridge/BridgeNewsArticles/BridgeArticles/BridgearticlesGoingglobal/tabid/166/language/en-US/Default.aspx>
- Kennedy, J. C. (2000). *Leadership and culture in New Zealand*. Commerce Division Discussion Paper No. 88. Lincoln University Canterbury
- Kjelin, E. (2009). A concept analysis for strategic leadership. *EBS Review*, 26, 37-57.
- Langford, D. A., & Male, S. P. (1991). *Strategic management in construction*. Aldershot: Gower

- Levy, D. (1994). Chaos theory and strategy: Theory, application, and managerial implications. *Strategic Management Journal*, 15, 167-178.
- Lindsay, V. (2005). The Development of International Industry clusters: a complexity theory Approach. *Journal of International Entrepreneurship*, 3(1), 71-97. doi:10.1007/s10843-005-0307-2
- Mintzberg, H., & Waters, J. (1985). Of strategies, deliberate and emergent. *Strategic Management Journal*, 6(3), 257-272.
- Naoum, D. S. G. (2007). *Dissertation research and writing for construction students* (2nd ed.). Oxford: Elsevier.
- New Zealand Marine. (2010). *Marine Leaders Review*. Retrieved from <http://www.nzmarineexport.com/page/9/>
- New Zealand Marine Export Group. (2011). Destination New Zealand. Retrieved from <http://www.nzmarineexport.com/page/5764/>
- New Zealand Trade and Enterprise. (2009). *Changing the game: Recession survival strategies, report on research into the tactics and strategies used by firms to survive and prosper during recessionary periods*. Retrieved from <http://www.nzte.govt.nz/features-commentary/In-Brief/Documents/Recession-survival-strategies.pdf>
- New Zealand Trade and Enterprise. (2011). *Exporter guide Marine market in The United States, Market profile June 2011*. Retrieved from <http://www.nzte.govt.nz/explore-export-markets/market-research-by-industry/Specialised-manufacturing/Documents/Marine%20Market%20in%20the%20USA%20-%20March%202011.pdf>
- Parry, K. W. (1999). The New Leader: A Synthesis of Leadership Research in Australia and New Zealand. *Journal of Leadership & Organizational Studies*, 5: (82), 82-105.
- Patton, M. Q. (2005). *Qualitative research*. Saint Paul, MN, USA: Union Institute and University
- Porter, M. (1990). *The competitive advantage of nations*. London: Macmillan.

- Read, E. (2008). Sailing's Golden Mile - Wind in the Sails. *New Zealand Management, Vol. 55 (9)*, 38-42.
- Rumelt, R. (1993). Evaluating business strategy. In W. Glueck (Ed.), *Strategic Management and Business Policy*. New York: McGraw-Hill.
- Shama, A. (1993). Marketing strategies during recession :a comparison of small and large firms. *Journal of Small Business Management, 31(3)*, 62-72.
- Statistics New Zealand. (2010). *New Zealand business demography statistics: At February 2010*.
- Swyngedouw, E. (2000). Elite power, global forces, and the political economy of 'glocal' development. In L. C GORDON, M. P. FELDMAN, & M. S. GERTLER (Eds.), *The Oxford Handbook of Economic Geography* (pp. 541–558). Oxford: Oxford University Press.
- Walford, G. (2005). Research ethical guidelines and anonymity. *International Journal of research and method in education, 28(1)*, 83-93.
- Yin, R. (1994). *Case study research Design and methods* (2nd ed.). Thousand Oaks: Sage.
- Zikmund, W. (1997). *Business research methods* (5th ed.). Fort Worth: Dryden Press.

8 APPENDICES

9 CASE STUDY DATA

9.1 Case Study 1

White boat builder:

Background:

Composite, steel and aluminium hull boat builder

Range of world renowned racing yachts, and motor yachts

Composite, aluminium, steel hulls,

100% export

Business established over 40 years, current owners purchased the business over 25 years ago. Limited liability company owned by two brothers

Managing Director

Leadership style

What attracted you to boat building?

Fate to some degree, family interest in boats. From a manufacturing & technical background.

Anybody who goes into business for themselves is a risk taker.

Owning a company is very very risky compared to being a professional manager.

Ended up buying a little company with 20 employees from a couple of guys who were classic boatbuilders doing refits and servicing in a small tin shed .

How do you define success?

Survival. Survival is the way to describe success.

Producing a high quality product from hard work and good ideas.

Way beyond what was imagined when started business. But didn't have a plan at the time.

Entrepreneurial style is go for it guys, look for an opportunity because they're there all the time.

Survival techniques

How has your company planned to adapt to the recent economic turbulence?

Hard to get orders. Always has been a very small market worldwide.

Customer helping with marketing and sale of current boat.

Indirectly building spec boat for customer. Had two boats to span the downturn, just by sheer luck.

Careful not to get branded with a certain style of boat, could lose company identity.

Recession has increased number of bidders for each job, unsure what criteria the tender bid will be judged on.

Lost the competitive edge with the NZ\$ now higher.

Looking at workflow tightening up soon. Not the continuity for the trades at the moment.

Rely on luck for timing of orders. No magic formula for overcoming recession, sheer luck.

What style of business have you tried to create to deal with the challenge of the lumpy nature of contracts?

Used to do refits for international clients. Very seasonal & precarious.

Made strategic decision to concentrate on new builds

Built a 65' on spec, very big boat for the time. Done 2 spec boats in the company's history, neither really worked out.

Build to order only.

Don't do 5 year plans, got to continuously monitor orders. If multiple orders need to decide if builds are staggered or increase the yard's facilities.

It's not very structured, don't have big strategy meetings.

Take opportunities when they come and react.

Does having the ability to build with a wide range of different materials such as fibreglass, aluminium, or steel give you an advantage? You have a wide range of specialty trades in house.

Having trades in house, understood need for control. Common in NZ, not so common overseas.

Can show clients we have a track record in different hull and superstructure materials.

Staff don't know the precariousness of the business. Staff enjoy building the big boats and get emotionally attached to achieving a quality product.

Employ full time permanent staff.

Boats have got bigger so infrastructure at the yard has had to increase.

Build tenders that came as an opportunity. Customised and a good business unit within the business.

Marketing strategy

How did the company grow into it's market niche?

Increased profile from awards helps. Reputation for doing a good quality product is a huge advantage.

Lost competitive edge with value of NZ\$ now, why build in NZ when no financial advantage. Decreased orders.

Market target is the world, not specific countries, where ever the order comes from.

Target the style of boat yard good at. Restricted by the capacity of the yard to 52m.

Got an order for the first superyacht which got to be well known and increased the yard's profile.

Boats entered in to international awards.

Enquiries from the website and trade magazine articles, brokers.

Attend international trade shows at Monaco & Fort Lauderdale as main marketing push. Everyone goes there, designers, project managers. Have to go to keep credibility in the industry.

Make going to the shows a priority even when the financial obligation is challenging.

Have to go to shows 3 times before the company is noticed. If you miss once people think the company has gone broke.

Don't do any domestic work, NZers don't want to buy the style of boat.

Tenders can be the bait for the bigger boats.

What do you think your business does well that differentiates it from others?

Have a product that has been successful at awards. Awards don't make money but lift profile.

Other people say they are good to deal with.

Strong association with designers gets company name in front of clients for building.

A whole lot of little things, comprehensive response to clients. Luck.

Alliances

How important is the success of "NZ Marine Inc" for your company's individual success in the international market?

Heavily involved with the association.

Don't go to races or regattas, clients not involved with those.

The export group gives you the power of the group. Helps formalize the boat shows.

NZT&E have decided to stop backing the group. Every other country is helping their marine industry because they recognize the market has dropped.

How has the recession changed your business relationships within the supply chain?

Long standing great association with a naval architect.

Need to be nice and friendly with all the designers, they can direct clients to yards for building. The designer does the selling of the dream, we have to turn it into reality.

Lot of word of mouth and due diligence done by clients in assessing yards.

No opportunities from the recession, just hard work all the way.

9.2 Case Study 2

Black boat builder:

Background:

RIBs

Business operating for 33 years . Limited liability company owned by husband and wife

Director and chief Designer

Leadership style

What attracted you to boat building?

Saw an opportunity to bring a new concept of boat to New Zealand from UK but radically changed the design.

Come from a design background

Put a lot of emphasis on design of product

Interested in technology

Want to stay in a provincial town

How do you define success?

Survival techniques

How has your company planned to adapt to the recent economic turbulence?

Can't deal with all the opportunities

Business model based on design with builders building under licence

Builders have freedom to modify designs to suit local conditions

Have 2 builders in Australia, 1 in USA and 1 in China

Been slow & steady, didn't have the rush so no big slump during the recession

Very flexible to market requests

There's a common pattern for boat builders to come from the passion of the sea and build a business that they then have to run. How have you coped with the management?

Identifies as a designer not a manager, doesn't enjoy business systems side

Taken on new business partner to manage and put systems in place

Had some business mentoring from retired accountant for a couple of years

Don't want to borrow money to grow the business and require a lot of work to sustain it.

Too difficult to manage employing people

New business partner organizes contracts and interface with clients

Recognised need for complementary skill set

Need some sort of plan for growth with some systems

Wary of how to manage the design side if company grew too big

Marketing strategy

How did the company grow into it's market niche?

Introduced boat concept into New Zealand, coined a phrase that matched the type of person that would use the boat.

Have small pieces of many markets, no pleasure boat market at the time

Slow for concept to catch on but people who bought them really like them

Reacted to opportunities, haven't marketed couldn't afford it

Made product to last and be easily repaired with low maintenance costs

Respond to market when clients request a custom design

Respond to builders wanting to build under license when they are approached

Maintain responsibility for hull performance

Export market increasing

What do you think your business does well that differentiates it from others?

Design staying ahead of competition

Use licensed builders

Versatile hull designs, understanding why they work

Sell specialist components 15% income form directly exported products

80% of designs built overseas

Opportunistic marketing resulting from boat's performance

Favoured by people who use the boats rather than look at them

Alliances

How important is the success of "NZ Marine Inc" for your company's individual success in the international market?

NZ Govt departments wary of buying NZ made goods

Success of Team NZ in America's Cup led to more contacts, lots of exposure

Don't have resources to attend a lot of racing regattas, recognize this would be good marketing.

Doesn't really associate with NZMEG which is more Auckland based

Sees NZMEG as lifting profile of NZ capability and giving credibility to NZ builders.

Helped get spinoff from quality & innovation from other successful NZ superyacht builders.

Don't get any assistance from NZT&E

How has the recession changed your business relationships within the supply chain?

Being able to talk to end users within govt departments.

Proactive move to China boat show and signed up another licensed builder

Three way relationship between designer, overseas builder and local overseas client. Boats built for local client conditions.

9.3 Case Study 3

Black boat builder:

Background:

Steel hull work boats, tugs, ferries, barges

Business operating for 25 years Limited liability company owned by two partners

Managing Director

Leadership style

What attracted you to boat building?

Came from a farming background but always fascinated by boats & all that's needed to make them go & float.

1984 govt. stopped 15% bounty which stopped work at company was working at.

Started with a local barge

How do you define success?

Survival

Hard to find people with skills and tenacity to take over

Survival techniques

How has your company planned to adapt to the recent economic turbulence?

2009 no work, built 2 work boats on spec

Saw there would be a demand and no one had built any for some time

Got some refit work

Difficult to compete with other countries that still have export incentives and bounties

Marketing more important when the company is starved of work

What style of business have you tried to create to deal with the challenge of the lumpy nature of contracts?

Recent barges 12 & 15 month contracts

Build up components in down time and sell to other companies

Marketing strategy

How did the company grow into it's market niche?

Decided to stick to black boats and deck machinery

Area of expertise of workers and managers

100% export but try for domestic customers

Where ever the order comes from

In house machining utilizes existing equipment

Until recession built lots of black boats, tugs, barges, car ferries

Need face to face contact with customers

Use articles and advertising in international magazines

What do you think your business does well that differentiates it from others?

Key is getting overseas to hunt out customers and purchasing decision makers

4x more expensive now ,customers don't come to you.

Do quality work, don't try to compete on price with Malaysia and China

Reputation for quality makes difference for winning more work

Have standard designs for equipment which quickens the build time, more appealing to customers

Using immigrant workers because the right skills aren't here

Lack of trade training over the last 20 years.

Alliances

How important is the success of "NZ Marine Inc" for your company's individual success in the international market?

Not much, organization more white boat oriented.

Go to different shows such as Sydney & Singapore & New Orleans

How has the recession changed your business relationships within the supply chain?

Subcontractors don't understand how hard it is to get work and haggle over pricing

Client gave financial concessions on payment terms to keep yard operating for recent big contract

9.4 Case Study 4

White boat builder:

Background:

Cruising launches

Business operating for 27 years limited liability company owned by husband and wife

Managing Director

Leadership style

What attracted you to boat building?

Been a boat nut since I was a kid, floating stuff, doodling boats

No other family member really into it, grew up away from the water

Knew I was going to be a boat builder from an early age

Arrive each day wanting to do physical work but never do

Hands on training to staff from experience

Enjoy the tools more than the office

Worked for himself straight after finishing apprenticeship

Takes calculated risks with multiple back up plans in place

Expert leader

How do you define success?

Not all about financial rewards, got to enjoy what you do

Want to keep building better boats

Having clients appreciate you're doing a good job

Survival techniques

How has your company planned to adapt to the recent economic turbulence?

Don't always remember the lessons of previous recessions

Reduced staff by 1/3 in early 2009 but not early enough to get costs down

All from shop floor, keep management to keep chasing work

Not spending as much time on spec boat, market too tight

Been through 4 recessions in the boat industry. Think this recession will be longer and slower

Banks would like debt repaid

Society doesn't want to live with so much debt

Previous recessions stopped building boats and done kitchens instead until market picked up again

Recognised new builds would slow so built yard infrastructure for refit work

Anticipated refit work would be more resilient in recession wanted to make traction in the market before everybody else jumped in

Even refit work slow for last couple of years

More people tendering for less work, can lead to confusing standards

Don't do price based tendering

There's a common pattern for boat builders to come from the passion of the sea and build a business that they then have to run. How have you coped with the management?

Supportive family for business mentoring

Made move to own rather than rent premises so have more control of costs

What style of business have you tried to create to deal with the challenge of the lumpy nature of contracts?

Use client mold for spec boat to give continuity of work during slow times to keep things tight

Need to adapt quickly to the market

Change from yachts to power boats to tenders

Haven't made profit for 3 years

Typical build time 9-18 months

Has the recession brought any opportunities?

Makes you look at your cost structure & efficiencies

Lean manufacturing looked at

Marketing strategy

How did the company grow into its market niche?

Started building racing yachts designed by renowned NZ designer

Got bracketed with those types of boats

Narrowed business to composites and timber hulls materials but broad product range within 6m-24m

Chase only the top end work

Haven't tried to go after large super yacht market may do in the future if that is where the market heads

Range of boats that are variations of a theme rather than production boats

Tried production boats 15-20 years ago but found the market was too small for new boats

What do you think your business does well that differentiates it from others?

Build spec boats for interest and refine designs

Well rated for major specialty cruising boats and custom boats

Maintain the quality to keep the reputation of top quality

How has the recession affected your marketing?

Only once gone offshore to chase export work

Since mid 90s work come to you via picking up the phone now have to chase work

Marketing not a strong point with senior management

Have extensive website to get traction

Didn't have marketing budget, owner used word of mouth recommendations

Use after sales service as marketing tool

Creates great client base but clients reprioritizing wants

High NZ\$ makes imported boats cheap

Alliances

How important is the success of "NZ Marine Inc" for your company's individual success in the international market?

Took a boat to a show once but couldn't afford to return next year

Offshore marketing long slow process

Walked Monaco show once

Been a help with some grants for show space

Been a positive growth on knowledge sharing within the industry

Still compete amongst each other for jobs

How has the recession changed your business relationships within the supply chain?

Clients don't have feel good mode

Boats are in wants camp

Pick up most work from word of mouth contacts

Try to foster contacts with designers and project managers

Would spend future marketing \$ with designers and project managers they sell the dream to the clients

Everybody keeps client things a bit closer when things are tight

Export work through designers and project managers

9.5 Case Study 5

Industry Body representative

Background:

Industry body formed in mid 1980s

Aim: To develop New Zealand marine industry and help members build successful businesses

The export section focuses on New Zealand companies wishing to export, helps with logistics and promotions at international Trade Shows

Leadership style

Who does this body represent?

Companies in the marine industry who export either full boats or components or other equipment.

What were the direct effects of the global financial crisis?

In Europe: Clients put things on hold to see where things would bottom out.

Despite having the funds, clients who bought superyachts on a regular basis held back and cancelled their yard spots.

Yards had to downsize when the current orders were completed, as they didn't have new orders.

There was a 12 month critical period between 2008-2009 when orders were at much reduced levels.

What was the New Zealand situation?

The last 5 years have been challenging from an industry angle.

The bigger yards continued but at slower rates. They went from having a 2-3 year forward workload to having to chase new orders.

Most of the good ones got through, some companies in the middle sized boat range had to restructure and change their product range.

Some changed specialties from big boats to tenders or a portion of a boat such as interiors.

Survival techniques

Did many go from export to domestic or from domestic to export?

No, numbers in the export sector stayed pretty static at around 85-100 companies.

About 5-10 companies stopped trading during that period.

One of the overriding things for surviving this period was the incredible close knit nature of the marine business.

There is a real focus on putting NZ out front first & then worrying about how we fit in around that.

Is there a single desk policy for exporters to go through the industry body?

No, some companies prefer to do their own thing.

Industry continues to support them.

Helps companies get to international shows & exhibit. Keep all the NZ companies together at the shows.

Gives a focus to the NZ branding and companies get spin offs from others in the grouping.

Industry body works with NZ T& E to help with funding.

Is there a formal tie up with NZT&E?

No standard policy for funding, on a case by case basis

Depends whether there is a wider NZ advantage to any promotions.

Have been helpful in the past but with the Govt budgets now the funding has been reduced. There is no assistance for the Trade Shows this year.

Have people within NZT&E who focus on the marine industry.

There does seem to be quite a strong focus on everyone working together for the benefit of the whole. How has that just evolved?

Previously the export industry body had been separate from the national marine organizations. That separated the whole industry. The Govt was unsure of the profile of the whole industry.

Now all aspects of the marine industry under an umbrella organization and the export group keeps their focus on exports with the common brand and theme. Has become much closer in the last few years.

It is an incredible very close knit group of companies, it's cohesive, it's informative, it's collaborative it actually works extremely well & particularly when we do things in the international market be it boat shows or events.

Most countries have a national body to unify the individual companies under a banner.

In terms of international perception NZ marine industry is seen as the most cohesive even compared to other countries like Holland & England.

Foresight from a few key people originally in the late 80's.

Work at organising events with a purpose to encourage networking as a side effect.

Lots of export industries tend to start with a strong domestic base, get themselves up & running and then move overseas. A lot of marine companies have little in the domestic market. How difficult is it for companies to get started?

The role of the industry body is to get fledgling companies exposed to international opportunities.

Have tailored packages to shows to give them a taste of international sales with lower cost walker and incubator arrangements.

Different from other export industries, with a unique product that doesn't have a domestic market but there is an international need for it.

Marketing strategy

Did the industry have to change their marketing strategy now the US\$ is high & the AUD\$ is low?

Where the \$ is now New Zealand producers is a bigger problem than what the financial crisis and the imploding of the economy of the previous three years.

Clients for New Zealand products are at the top end and are willing to pay for the quality even at an increased cost.

Changed from 10-15 years ago where the attraction was a good product at an attractive price.

Past that now, product has improved at the expense of the margin because of the NZ\$.

Not competing on price with other countries such as Turkey or Croatia of China

NZ\$ exchange rate is more important than the global economy at any one time.

The combined marketing and alliancing are key factors that are different from the building industry, which is more individual. How do you gauge what the members require?

Surveys by an independent company

Debrief meetings with exhibitors

Assess new markets and be conscious of other areas such as Dubai and China with the member companies.

A lot of boat building companies are owned and led by boat builders. The managerial and marketing aspects at times do not match their core quality trade skills. Does the industry do a lot of mentoring or professional development?

Reports have highlighted the “hobby” nature of some company structures.

Companies run by the seat of the pants with less focus on long term strategizing and business plans.

Industry Body has contributed indirectly to mentoring and up-skilling programmes for business owners.

Take-up has not been as good as it could have been

Lack of time and inclination to attend seminars

Have yearly conferences to inform and encourage members to access programmes.

Govt. has some small business programmes.

Did the Government have a picking winners policy & putting money towards them?

Marine industry one of five major industries targeted for export opportunities.

Everything reviewed on a case by case basis for funding.

Did it take much to move the boat show from March to September to coincide with the Rugby World Cup?

Bit of negative reaction to start but that’s gone away without any problems.

Planning to stay at that time in the future.

Running Superyacht Captains forum in conjunction with boat show with 30 captains.

Talks on opportunities in NZ for new builds, refit and cruising the coastline.

Key networking opportunity combined with some sailing and rugby.

Captains are very influential in the who do I buy from discussions

Seminar could be paid for with one \$3-\$4m refit job if captain enjoyed the whole New Zealand experience.

Alliances

You touched on 'New Zealand Inc' is one of the strongest globally, but what other competitive advantages does NZ has over Holland or America where the owners are?

Being able to offer innovation, state of the art, best there is product is a real advantage.

Industry integrates itself very well. Disseminating info between companies leads to other companies connecting to the same client with different products.

Isolation is big disadvantage as so far from client markets. Clients need another reason to get boat built in New Zealand. Clients need to be sold on New Zealand as a destination as well.

How would you describe a typical owner of an exporting business in the marine industry?

Has a previous connection with the sport or industry, interest in boating of some sort.

Unusual to have someone running a large company that didn't have a connection with the water in their background.

Range of business and academic skills.

Types of personalities in terms of risk taking or creativeness, stoic doggedness?

Know they must go overseas to find the markets

More effort to get overseas than some other industries

Continue to use the international shows even when times are tough

Need to show company is serious about the international markets for their customers.

Were there any opportunities that this downturn?

Unified the industry

Do you have an industry position on national infrastructure? To say that wouldn't be a great idea to put our money & efforts in to that location.

Govt uses the industry body to get national recommendations for locating infrastructure.

Individual companies can directly lobby as regional areas as well.

New challenge of connecting with the new Auckland Super City on industry requirements.