Social capital and export ready clusters

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Abstract

Exporting plays an important role in Australia’s economic well being. There are many international business opportunities available to Australian firms yet small to medium sized enterprises (SMEs) seem unable to fully capitalise on them. The underlying reason for this dilemma it seems, is a lack of financial, production and personnel resources in SMEs to fully take advantage of international opportunities. The first research issue of the thesis investigates whether social capital may aid small firms overcome these lack of resources.

In recent years industry cluster development initiatives have been widely promoted as the cure-all for resource poor SMEs. However, whilst most firms may be happy to form long and lasting relationships with suppliers, the concept of working and sharing information with competitors is yet another story. However to gain economies of scale, and to compete globally, firms may have little choice but to do so. The issue therefore, is how firms can overcome inherent cultural traits of individualism and non-cooperation among competitors to achieve these objectives.

In recent years the concept of social capital has been put forth as a possible remedy to overcome distrust and aid cooperation in attaining shared goals for mutual outcomes in groups. The overall goal of this research therefore, is to provide an understanding of how social capital may benefit SMEs in the internationalisation process and to examine if social capital can be externalised by SMEs when forming exporting clusters. This leads to the research problem for the research:

How does a firm’s social capital contribute to export ready clusters situated in SE Queensland?
Phillip Waite

How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

A review of the relevant literature provides a foundation and focus for the research and the basis for the methodological approach, which could enrich the insights into the phenomenon under study. A theory building methodology was used and data collected through semi structured interviews with industry group and government participants. Four preliminary interviews with government and export industry experts confirmed and reinforced the research issues identified in the literature review. Nine firms across three clusters were examined in the main study.

The main findings of the research indicate that SMEs may export without the existence of social capital in their firms however, social capital may aid a firm’s state of export readiness by overcoming some of the resources often lacking in SMEs. It would seem however, that social capital is an important ingredient for potential export cluster members if cluster success and sustainability was to be attained.

The thesis concludes with the contributions of the research including the development of an export readiness framework for SMEs and a model of social capital and export cluster formation.
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Declaration

This work has not previously been submitted for a degree or diploma at any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

P.J. Waite
1.0 Introduction

The purpose of this thesis is to examine how social capital may aid export readiness in small to medium enterprises (SMEs), and how its presence may help develop sustainable export ready clusters. Social capital is the ability of people in an organisation to work together for common purposes in a trustful and cooperative manner (Neace, 1999). A review of the existing export guidelines reveals that scant research has been undertaken to identify the importance of social capital within firms and the influence it may have on SME export readiness and cluster formation. The aim of this thesis is threefold: firstly, to investigate how social capital can contribute to a firm's export readiness; secondly, to determine whether a firm's social capital may be externalised to aid the formation of export clusters; and lastly, to examine the Australian perception of time to establish whether time is an important element of social capital development, both within firms and during cluster development.

Growing liberalisation, integration, and competition in world economies since the post-war period have been responsible for the increasing engagement of firms in exporting activities (Douglas and Craig, 1995). Exporting has been one of the fastest growing economic activities, consistently exceeding the rate of growth in world economic output over the past two decades (IMF, 1995). Exporting is also considered the most common foreign market entry mode, particularly among SMEs (Leonidou and Katsikeas, 1996).

SMEs are often at a resource disadvantage and may therefore not be able to invest in hiring and training new staff or upgrading production facilities to meet increased demand (Calof, 1994). Dunning’s eclectic theory of production (Dunning 1980, 1988), has been described as the “established theory of the multinational enterprise” (Buckley, 1990 p 657), and is but one of the internationalisation theories which postulate that resource scarcity limits smaller
firms’ ability to reach more advanced stages of internationalisation. A second theoretical reason for a relationship between size and export behaviour lies with management’s attitudes. Smaller firms may be more risk averse due to a lack of information, and the relatively greater impact of an international mistake versus what it would be for larger firms (Calof, 1994).

Liesch and Knight (1999), on the other hand argue that smaller firms are usually unencumbered by bureaucracy and hierarchical thinking and more often are innovative, more customer orientated, and have quicker response times when it comes to implementing new technologies and meeting specialised needs and tastes (Carroll, 1984; Mascarenhas, 1996). Further, SMEs are usually more able to adapt their systems, routines, and the collective employee mindset to the imperatives of international competition. (Kirpalani and MacIntosh; 1980; Oviatt and McDougall, 1994).

However, a recent report compiled by Institute Pty Ltd. for Agriculture, Fisheries and Forestry – Australia (Institute, 2000), concluded that in small business there are skills shortages in general management, product and process innovation, packaging design, e-commerce and export marketing. Additionally, there is little Research and Development (R&D) of a character or on a scale likely to generate leading-edge products which create new markets or enhance market penetration. Moreover, some of the industry (Australian processed foods), lag behind the labour productivity of what competitors achieve in the United States, Europe and some other competitor counties. Institute found however, that the Australian wine industry stood out, as perhaps the nation’s most successful processed food sub-sector.

Numerous factors contributed to wine’s success relative to other sub sectors. Significantly, in several regions there has been the development of clusters of producers and ancillary industries, which cooperate as well as compete.
Clusters are geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions in a particular field, which compete but also cooperate (Porter, 2000). Clustering is an important tool to enable SMEs overcome the disadvantages of their small scale (State and Local Policy Program, 2001). Clusters allow large numbers of smaller producers to enjoy the benefits usually enjoyed by larger organisations and to facilitate the development of effective value chain linkages (Department of Primary Industries, 2000).

There are however some shortcomings to cluster formation. Whilst Porter (2000), argues that intense rivalry is required between firms, cooperation and trust is the cornerstone for cluster success. Porter (2000) concedes that companies are often hesitant about participating for fear of aiding direct competitors. Lyon and Atherton (2000), argue that understanding the processes of clustering raises particular difficulties, as they may be unobservable or hidden within day-to-day practice. For example, linkages in clusters are often based on relationships of trust and reciprocity that are built up over past experience.

The development of trust is an iterative process that takes on a different character in each of the early, development and mature stages of a relationship (Lewicki and Bunker, 1996). Trust in business relations requires an extended period of experience…trust is not spontaneous…knowledge about the exchange partner is accumulated during this time and this knowledge gives one party a reason to trust the other (Ekici and Sohi, 2000). Where trust does evolve, an environment of cooperation exists in conjunction with competition, and becomes a basis of reciprocal benefit for firms (Cohen and Fields 1999).

In an individualistic society such as Australia however, this may not always the case. Individualism versus collectivism constitute one of four basic dimensions for describing and comparing cultures (Hofstede 1980). The
inherent individualism of western culture, in many cases, prevents collaboration in a world where working in cohesive groups is a key aspect for economic performance (Franke, Hofstede and Bond, 1991). In recent years the concept of social capital has been the focus of attention in explaining how firms build trust and cooperation that facilitates collaboration and reciprocity.

The relevance of social capital in SMEs is becoming increasingly important as firms struggle to gain competitive advantage within an ever increasingly competitive global environment (Leana and Van Buren, 1999). High social capital can lower transaction costs (Coleman, 1988); aid firms with their interactions with other firms (Baker, 1990); create positive externalities within the firms’ industry which increases the stability and technical knowledge of its members that benefits all firms within it and thus, each individual firm as well (Walker, Kogut and Shan, 1997). Social capital furthermore, expedites economic development (Fukuyama, 1995). It may be that high levels of social capital improve organisational efficiencies but importantly, may also aid or reinforce export cluster formation. It would seem therefore that social capital is an important asset for SMEs in internationalisation preparation. Before SMEs can begin this process however, an examination of a firm’s internal environment is required to determine its state of export readiness.

Export readiness differs from the commonly used term of a firm having export potential (Waite and Trotman, 2000). Export potential takes into account the external dimensions that a firm must address before beginning active exporting. Export potential also has a more international marketing perspective whereby a firm will investigate how foreign and cross-cultural influences will impact on the likely success of their business in overseas markets (Jeannet and Hennessey 1995; Moini 1997; Muhlbacher, Dahringer and Leihs 1999). Figure 1.1 Export Readiness and Export Potential illustrates the differences between export readiness and export potential.
Figure 1.1 Export Readiness and Export Potential

Export Readiness (Internal Organisational State)  
Internal Organisational State Analysis

Export Potential (External State)  
Foreign Market Analysis

Source: Developed from literature for this research.

Little is available in the literature regarding a firm’s export readiness. The term export readiness is taken from the many existing guidelines on exporting that ask the question “is your firm export ready?” Some of the guidelines include, Austrade (1999), US Foreign Agricultural Service (FAS) (1999), US Department of Agriculture (1999), Department of Trade and Industry (1999), Export Source – Canada (1999), and Trade New Zealand (1999).

Export readiness is an organisational state in which a firm can quickly exploit foreign markets identified through an export potential analysis (Waite and Trotman, 2000). Export Readiness implies that all the functions of management have the commitment, skills, knowledge and motivation along with the financial resources and production capabilities to successfully export their product.

The objectives of this thesis are as follows:
- to examine the concept of social capital to determine whether social capital may assist SMEs in becoming export ready
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- to examine whether social capital within a firm may be externalised to help firms overcome inherent cultural values of distrust in forming clusters and;
- to examine whether the Australian perception of time influences this process.

1.1 Background to the research

Few small businesses in Australia exploit the export feasibility of their business (Yellow Pages 1995). There are just over one million small private sector businesses in Australia employing over 3.5 million people. Small businesses account for approximately 97% of all private sector business and more than 50% of all business sector employment (ABS 1997). Twenty four per cent of all small businesses indicated that it was feasible for their businesses to export, yet less than half were currently exporting (Yellow Pages 1995). This left 13% or over 130,000 businesses in a position to export their product yet not doing so. The implications for Australia’s balance of trade are significant given the untapped potential of these firms.

Many studies have been conducted to explain why some firms export while others do not. A major problem faced by “would be” exporters is the acquisition of the information necessary to enter the export process (Eshghi, 1992; Yaprak, 1985). Exporting requires certain knowledge and skills specific to export procedures and practices (Moini, 1997). Increasingly exporting can translate into a more diversified stream of revenue, faster sales growth, and larger profits (Czinkota, Ronkainen and Moffett, 1999). Even with good preparation however, firms face a hazardous introduction to the internationalisation process. A firm must learn about foreign markets and conditions but importantly, also about its own internal resources in order to understand its capabilities when exposed to new and unfamiliar environmental factors (Muhlbacher, Dahringer and Leihs, 1999).
A recent study of 103 Australian companies by Instate Pty Ltd (2000) examined the competitiveness of the Australian processed food industry sector and found that:

- Larger firms were more likely than smaller firms to know about and draw down support from government programs. The main reason was that smaller firms felt they lacked the resources to find out about them or to apply for them;
- Many firms were too small to be innovative and effective in marketing;
- Firms acknowledged weaknesses in their capabilities to initiate and sustain exporting;
- Many of the firms weaknesses related to people, their skills, motivation, training and outlook;
- Smaller firms were less likely to have the financial or other resources, including management time, to solve market information problems;
- Many firms were critical of the role of government, particularly AUSTRADE;
- There is room for improvement in the extent to which the industry practices ‘through chain management’ for export markets.

Clearly there is a need to address the issues relating to SMEs which impede the internationalisation process. Given the importance of exporting to Australia’s balance of payments, and the number of SMEs who believe they are “feasibly ready” to export, there is a need to develop a model for exporting that can readily address these problems. This may be critical if Australia is to develop a long-term sustainable export culture.

1.2 Research problem

Many businesses today believe that they are ready to export, but research indicates that this belief is often ill conceived (Waite and Trotman, 2000).
Being export ready encompasses much more than simply having a product and a potential buyer abroad. Significant barriers to exporting have been well documented in the literature including; lack of knowledge about exporting (Alexandrides, 1971; Pavord and Bogart, 1975), a lack of trained personnel (Barker and Kaynak, 1992; Naidu and Rao, 1993), managerial experience (Eshghi, 1992; Hester, 1985), lack of awareness of assistance available and too much red tape (Yang, Leone, and Alden, 1992; Barker and Kaynak, 1992). Additionally, studies on a firm’s resources (O’Rourke, 1985; Hester, 1985), managerial motivation and commitment of resources (Luostarinen, 1980; Cavusgil and Nevin, 1981; Calof and Beamish, 1994; Gray, 1995) all place critical importance on the organisational state of the firm prior to and during the internationalisation process.

Exporting is one of the mainstays of the Australian economy yet it seems that exporting assistance, training and education of SMEs by both state and federal governments is duplicated across state boundaries. Both levels of government continually go through the process of reinventing the wheel to identify the best way to guide and encourage exporting by SMEs. State and federal governments invest vast amounts of taxpayer funded dollars into export development, yet exporting continues to be an unclear concept to SMEs.

Australia is not alone in this predicament of determining the optimum approach to assist SMEs to export. Studies in the United States (Moini 1997); Pakistan (Zafarullah, Ali and Young, 1998); New Zealand, (Gray, 1997) and India (Jain and Kapoor, 1996) to name but a few, all reflect the complexities and importance which scholars and governments place on exporting. In an increasingly dynamic, competitive environment, it is extremely difficult for a single firm to develop internally all of the skills and knowledge necessary to compete effectively. This is especially true when a firm is trying to enter a
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foreign market (Pyke, 2000). Industry clusters have emerged as one approach to enable small firms to export.

Australian SMEs are insignificant in the global market, but by competing collaboratively through the formation of clusters, SMEs can combine their strengths to raise their competitiveness and take advantage of growing international markets (Cairns Regional Economic Development Corporation - CREDC, 2000). “Industry clusters” is a term first coined by Dr. Michael Porter of the Harvard Business School. Porter is respected worldwide as an expert in global economic strategies and is generally recognised as the first to recognise the power of clusters to promote regional economies. A cluster consists of industries linked through vertical (buyer/supplier) or horizontal (common customers, technology, channels etc.) relationships (Porter, 1990, p. 149).

Organised industry clusters increase the prospects of exporting success. SMEs within a cluster are able to access specialised resources (including human, other businesses, capital, information and intelligence) on a quick turnaround basis (Porter, 1998). SMEs can exploit their own competencies and gain performance advantages by operating within a cluster.

The ingredients for a successful cluster include many small firms with shared goals, strong leadership, mutual benefit, planning, peer support, commitment, flexibility, communication, information sharing, trust and teamwork. Cluster-led economies working collaboratively have considerable influence and power to overcome constraints to economic expansion (CREDC, 2000).

There are, of course, some disadvantages to locating in clusters, notably higher costs, greater turnover, and diffusion of knowledge to competitors as key employees leave (McCarthy and Nicholls-Nixon, 2001). Understanding the processes of clustering raises particular difficulties, as they may be
unobservable or hidden within day-to-day practice. For example, linkages in clusters are often based on relationships of trust and reciprocity that are built up over past experience (Lyon and Atherton, 2000).

However, despite the large amount of literature devoted to the “clusters” subject, the role of social capital has so far received relatively little attention. This may be altering, however, as interest intensifies in finding ways to improve innovatory capabilities and to best manage change (Pyke, 2000). There has been however, little government assistance or training and little scholarly research targeted at the concept of how social capital may aid this process. This leads to the research question of this thesis:

**How does a firm’s social capital contribute to export ready clusters situated in SE Queensland?**

1.3 Justification for the research

The areas of small business and exporting are among the most important contributory factors to Australia’s future economic success. In November 1999 there were an estimated 990,100 small businesses in Australia (Australian Bureau of Statistics, 2001). Small business is the largest employer in Australia and contributed over 40 per cent to employment (Department of Employment, workplace Relations and Small Business, 1998). SMEs are the main source of employment growth and therefore critical to economic well being. Small business was responsible for almost all of the 1.2million net increase in jobs. In the decade ending 1996, SMEs increased the workforce by an estimated 1.1 million jobs compared to big business at just 270,00 increase (Council of Small Business Organisations Australia, 1999). In 1994-95 small business accounted for almost half of total employment. Small business accounted for 32 per cent of the goods and services sold in Australia as well as becoming a major contributor to Australia’s export (Elder, 1999).
The value of global trade in 1996 exceeded six trillion US dollars and is expected to grow at a rate of 6% per year over the next ten years (Dept. of Trade and Industry-South Africa 1998). To put this in perspective, Australian exporters earned just $114 billion, or less than two percent of world trade for the Australian economy in 1997-98 (ACCI 1999). If the premise is accepted that every billion earned in export dollars generates about 20,000 jobs (Office of International Trade - US Small Business Administration 1999), then clearly, government initiatives should focus on ways to foster an efficient and cost effective exporting processes.

On a micro level, an exploratory telephone survey was conducted by the researcher with thirty regional SMEs to gauge their perceptions of export readiness. The survey, while not exhaustive, revealed that most of these organisations have little knowledge or management expertise in the area of this research. Deficiencies included:

- A lack of detailed business or marketing plans,
- Little knowledge of foreign markets,
- Little knowledge of government regulations and procedures,
- A perception that exporting their product would increase income,
- A lack of knowledge pertaining to transport systems
- An almost non - existent knowledge of cross cultural issues required to export efficiently,
- A lack of technology to facilitate fast and efficient business transactions,
- A reactive approach to exporting in that most of those who had exported were only responding to an approach from an overseas firm.
- While some belonged to associations, the associations themselves had not yet formulated an export readiness plan.
- A concern that their product would be ‘pirated’ in the foreign market,
- A reluctance to commit additional resources in the short-term to achieve long-term gains.
Little or no knowledge of the World Wide Web as a marketing tool and,

A localised and mistrustful approach to industry competitors and suppliers in that they had no real domestic alliances or contacts in foreign markets

Given that many of the above seem to be necessary components of firms being export ready, further research into the area can clearly be substantiated.

Clearly the role of government in the form of financial assistance and training is a vital component of export success for SMEs. However, according to Graham (1999), most Australian businesses are not motivated to enter the export markets. Graham (1999) further suggests that those businesses that are keen to expand into exporting have difficulty obtaining the necessary funding and advice, and the advice that is given does not meet the potential exporters’ expectations.

Several state and federal government agencies and private sector organisations do provide export readiness guidelines and assistance. Austrade, Queensland State Development, New South Wales Department of State and Regional Development, The Export Institute in the US, The International Business Academy, MSU-Ciber-International Business Resources of the World Wide Web, the US Department of Agriculture and Exportsource Canada, all provide some form of frameworks to guide potential exporters into overseas markets. Most of these guidelines however, fall short of providing a comprehensive model for export readiness. The implications and conclusions drawn from this thesis, therefore, could be of use to SMEs and government policy makers alike in order to aid development of long-term sustainable export ready cluster programs for non-exporting SMEs.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

1.4 Methodology

Realism is the preferred paradigm for this research as the identified research problem is deficient in theory and lacking in well-established constructs and principles (Perry 1998). Realists believe that there is a ‘real’ world to discover even if it is only imperfectly and probabilistically apprehensible (Guba and Lincoln, 1994; Merriam, 1988, Perry, 1998).

This research uses the rigorously analytical method of case study inquiry (Yin, 1994; Perry and Coote, 1994; Perry, Alizadeh and Reige 1997). Case study research fits within the realism paradigm and is essentially inductive, theory building research. It also acknowledges that “fact and theory (induction and deduction) are each necessary for the other to be of value” (Emory and Cooper, 1991, p 62).

Case study research methodology relates well to social capital research. Several authors have looked upon organisations as social constructions (Crawford, 2000; Durkheim, 1993; Neace, 1999), whose strategies and policies change as a result of processes of human reaction. They have advocated qualitative research such as in-depth case studies to outline important dynamic dimensions of strategy development (Perry, 1998).

Southeast Queensland was selected as the research site for this study because (1) of the dominant role that small and medium sized enterprises play in the Queensland economy; (2) the authors ties with the trade division of Queensland State Development.

Managers and owners of Queensland’s SMEs formed the population for this study. Firms included in the sample were drawn from a number of referrals from Queensland’s State Development - Trade Division, along with a number of firms
from the author’s local area. In all, thirteen interviews were carried out, four for the preliminary study and nine for the main study.

1.5 Outline of the thesis

Chapter two will start with a broad view of international trade, trade theories, and the internationalisation process, to examine the opportunities for SMEs in a global marketplace. This will be followed by a statistical analysis of SMEs. An overview of world trade and trade theories is then examined in order to explain why firms should embrace the exporting concept. An examination of existing export readiness guidelines is studied to determine the relative worth of the guidelines on offer and to identify their inherent weaknesses. Industry clusters are then discussed to assess the relative worth to SMEs in their exporting process.

The literature on social capital will then be reviewed to identify possible linkages with a firm’s state of export readiness and whether social capital may be externalised to aid the formation of sustainable export clusters.

Chapter three examines the methodology utilised for this research. The chapter illustrates the appropriateness of using case study research as suitable due to the descriptive nature of the research. This approach is justified together with a discussion of the validity and reliability of the case study research method. The procedures used in the research design and in the development of the interview protocol are discussed. Preliminary case studies and techniques of data analysis are argued and justified. Limitations of case study research and how the limitations may be overcome are also addressed. Finally, the importance of ethical considerations in such research is discussed prior to the conclusion of the chapter.
Chapter four provides an analysis of the pilot case studies. Four pilot cases, two from current exporters and two from government trade departments were carried out to test the research protocol and identify any constructs that may have been missed during the Literature Review in Chapter two.

Chapter five presents an analysis of the data collected during the interviewing process. The data is analysed within firms, across the firms and across clusters.

Chapter six reveals the findings and conclusions of the thesis and discusses implications for industry and government. Additionally, limitations of the study are also acknowledged and areas for other future studies on the topic are identified.

1.6 Definitions

Small to Medium Enterprises

The Wiltshire Committee (1971), established to explore ways of providing guidance to small business, proposed that a small business was:

A business in which one or two persons are required to make all the critical management decisions: finance, accounting, personnel, purchasing, processing or servicing, marketing, selling, without the aid of an internal specialist and with specific knowledge in only one or two functional areas (p. x).

The Bureau of Industry Economics proposed the following definition of small business:

…small firms are generally independent of outside control and have a personalised management structure... In Australia these characteristics
Phillip Waite

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are found mainly in non-manufacturing firms employing less than 20 employees, and manufacturing firms employing less than 100 employees, The cut-off for such a quantitative definition is necessarily arbitrary (BIE 1984, p.7)

The Australian Bureau of Statistics classify business as follows:

<table>
<thead>
<tr>
<th>Micro business</th>
<th>defined as those businesses employing less than five people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other small business</td>
<td>defined as those businesses employing less than 20 people</td>
</tr>
<tr>
<td>Medium business</td>
<td>defined as those businesses employing 20 or more people, but less than 200</td>
</tr>
<tr>
<td>Large business</td>
<td>defined as those businesses employing 200 or more people</td>
</tr>
</tbody>
</table>

Source: ABS 1997 Cat. No. 1321.0.

Social Capital

Social capital is a firm’s shared cooperative norms underpinned by trust that encourages a collective goal orientation (associability) for mutual benefit for all stakeholders of the firm (Leana and Van Buren, 1999).

Clusters

Clusters are geographic concentrations of interconnected companies and institutions in a particular field (Porter, 1998).

International trade

International trade or internationalisation, is the specific process of opening up markets that have been protected by removing trade barriers including tariffs and quotas, leading to increasing competition and subsequently economic efficiency (Hill, 2000).
Strategic Management

Strategic management attempts to match the activities of an organisation to the environment in which it operates (Segal-Horn, and Faulkner, 1999).

Globalisation

Globalisation can be described as the expansion and development of global capital and the ascendancy of transnational over national forms of economy, society, politics and culture (Hill, 2000).

Exporting

Exporting is the process of sending goods or services to an overseas market where they can be sold (McFarlin and Sweeney, 1998).

Export Readiness

An operational state in which a firm has the capability and resources to commit to a long term exporting strategy to exploit foreign markets (Waite and Trotman, 2000).

Business background of the firm

The business background of a firm is the establishment of the extent of the experience and profitability of the firm in the domestic market.

Export Awareness

Explores the level of awareness of exporting procedures, knowledge of foreign cultures, importance of skilled and experienced export staff, whether adequate
resources are available for foreign market development, and how the export operation will fit into the present organisational structure.

**Motivation for internationalisation**

Examines what motivates a firm to export. Is the firm exporting as a means of disposing of excess production? Is the firm filling unsolicited orders only? Is exporting a means of enhancing a firm’s competitiveness and contributing to the overall long-term expansion? Has the firm unique technology and know-how or unique production processes?

**Top Management Commitment**

Observations of management reservations about entering international markets, commitment to a substantial amount of time in initially developing international markets and whether the firm can sustain its domestic market are all highlighted in this section.

1.7 **Limitations and Key Assumptions.**

- The research is limited to firms that fall within the parameters of SMEs as defined by the Australian Bureau of Statistics. That is, SMEs have between five and two hundred employees.

- Due to travelling and expense constraints, only firms and clusters that reside in SE Queensland are examined.

- The data collected is from one source within each firm, usually the general manager or export manager. As such, it may only provide a managerial perspective that may need to be confirmed with future studies of other members of the firms.
1.8 Conclusion

Chapter one presented the outline of the thesis. Having defined the general nature of the study, a review and discussion on the existing theoretical literature on social capital and export clusters will now be carried out. The literature review will identify the gaps and weaknesses of the subject matter, which this research seeks to fill in later chapters.
2.0 Literature review

2.1 Introduction

The second chapter aims to build a theoretical foundation upon which the research is based. The chapter reviews the relevant literature of the parent discipline, *International Business* and the intermediate discipline *Export Clusters* to identify the research issues briefly introduced in section 1.2.

The common denominator in both the parent and intermediate disciplines however, are SMEs and as such, an examination of the literature on SMEs and their contribution to the economic well being of Australia is highlighted first. International trade, globalisation and strategic management issues are examined and analysed to form an understanding of the importance of exporting for SMEs. Following a discussion on exporting, an analysis of SME export readiness is undertaken to identify the constraints many SMEs face with exporting. Industry clusters are then examined as a possible solution to overcoming some of the constraints. Underpinning cluster formation between firms however, is trust and cooperation among members of the cluster. A firm’s social capital will therefore be considered as a possible solution to sustaining or reinforcing cluster formation.

2.2 Defining SMEs

There is no definitive explanation of the expression *small business*. A number of qualitative and quantitative criteria have been adopted to distinguish small and medium sized enterprises from others. Quantitatively, the numbers of employees, turnover and asset value have all been identified in possible explanations of a small firm. Management decision making process, independent ownership and a relatively small share of the market describe qualitative definitions of small business (Zimmer and Holmes, 1992).
The Wiltshire Committee (1971), established to explore ways of providing guidance to small business, proposed that a small business was:

A business in which one or two persons are required to make all the critical management decisions: finance, accounting, personnel, purchasing, processing or servicing, marketing, selling, without the aid of an internal specialist and with specific knowledge in only one or two functional areas (p. x).

The Bureau of Industry Economics proposed the following definition of small business:

...small firms are generally independent of outside control and have a personalised management structure... In Australia these characteristics are found mainly in non-manufacturing firms employing less than 20 employees, and manufacturing firms employing less than 100 employees, The cut-off for such a quantitative definition is necessarily arbitrary (BIE 1984, p.7)

Since family businesses dominate the small business sector, the term “family business” may provide an effective definition to assist categorizing businesses as “small” (Abbott and Meredith 1982). Over 97% of all businesses operating within Australia are “owned and controlled by one or more members of an immediate family: father, mother and /or children. The family business may be organised as a sole proprietor, a partnership or a company – private or public”. Furthermore, “the owners of [a family business] are presumably expected to solve their own problems without the luxury of recommendations or assistance from specialists” (Abbott and Meredith 1984, p.1).

Many SMEs are family concerns (Yellow Pages Australia Small Business Index 1993), thus confirming many of Abbott and Meredith’s assertions. The percentages differ however. They claim that overall, 80% (of firms) describe their enterprise as a family concern with over 72% of proprietors working with at least one other member of their family.
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The Australian Tax Office states that a small business is one that is:

- Unincorporated with a total business income of less than $10 million;
- A private company with total income less than $10 million
- A superannuation fund with less than $50 million in investment income; or
- A taxpayer reporting distribution from either partnerships or trusts with business income, but no separate business income (Council of Small Business Organisations of Australia, 1999).

Internationally, the United States defines small business as independently owned and operated and not dominant in its field of operation. The Business Development Centres in New Zealand have generally considered an organisation with less than 20 people to be a small business (Dixon, Hodgetts, Kelmar, Kuratko 1991). The United Kingdom define small business as confined to those businesses with under 50 employees (Small Business Research Trust 1999), while medium size business were no more than 250 employees (Dept of Trade and Industry UK, 1999). In Hong Kong manufacturing enterprises with fewer than 100 employees and non-manufacturing with fewer than 50 employees are regarded as SMEs (SMEs in Hong Kong 1999). According to Eurostat, the Statistical Office of the European Communities in Luxembourg, small and medium sized enterprises are made up by fewer than 250 employees (COSBOA 1999). Table 2.1 outlines the international versions of SMEs.

**Table 2.1. International versions of SMEs.**

<table>
<thead>
<tr>
<th>Country</th>
<th>Small Business Defined As:</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Independently owned and operated and not dominant in its field of operation</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Less than 20 employees</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Small – under 50 employees&lt;br&gt;Medium - under 250 employees</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Manufacturing – Less than 100 employees&lt;br&gt;Non – Manufacturing – Less than 50 employees.</td>
</tr>
<tr>
<td>European Union</td>
<td>Fewer than 250 employees.</td>
</tr>
</tbody>
</table>

*Source: Developed from the research.*
The Australian Bureau of Statistics (Small Business in Australia- Challenges, Problems and Opportunities 1990) defines small business as having traditionally regarded as small if it has the following management or organisational characteristics:

- It is independently owned and operated;
- It is closely controlled by owners/managers who also contribute most, if not all of the operating capital; and
- The principal decision making functions rests with the owners/managers.

The Australian Bureau of Statistics classifies businesses into five different categories:

**Table 2.2 Small business categories.**

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro business</td>
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</tr>
</tbody>
</table>

Source: ABS 1997 Cat. No. 1321.0.

For the purposes of this thesis the ABS definition of SMEs has been adopted. Thus, SMEs are categorised as having at least five but less than 200 people.

An analysis of the statistical information on Australian SMEs reveals the importance and the impact that they have on the Australian economy. The statistics reveal why it is of paramount importance to address any exporting deficiencies in order to improve the economic future of Australia.

### 2.3 Statistical Information

There are approximately 880,000 SMEs in Australia. Almost ninety eight percent of these employ less than 100 people in manufacturing, and 20 in
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retail and rural (COSBOA, 1999). Their importance to the country can be appreciated given the information COSBOA (1999) provides below.

- Small firms generate 40% of the GNP
- Employ 55% of the private sector.
- The average firm size in Australia is 5-7 employees
- Small businesses generated 1.1 million of the 1.2 million (92.5%) of the new jobs in the decade to 1995-1996

SMEs often lead innovation and productivity (Agmon and Drobnick, 1994). Firms that are innovative employ more people (ABS, 1997). However, less than 10% of small businesses seek high growth. Notwithstanding, a study by Yellow Pages Australia, (1995) suggested that those high growth aspirants:

- Are more likely to employ five or more employees and to have higher turnover;
- Are relatively younger than other small businesses with almost a third having commenced in the past five years;
- Are substantially more sophisticated in the use of business planning tools such as formal budgets, cash flow projections, written business plans and computerisation. This is particularly so in the use of written business plans where 78% of high growth firms have written business plans compared with only 40% for the average small business;
- Are more likely to see Federal Government policies as supportive of small business. This is consistent with the greater use that high growth business make of government programs such as NIES or those of Austrade;
- Are more likely to export overseas, or plan to do so

In all, 20% of high growth aspirants and 24% of all small business proprietors indicated that they intended to use exporting as a growth strategy. However, just 11% were found to be exporting at the time of the research. The other
13% expressed a desire to export but given that less than 10% of all small business had growth aspirations it is highly unlikely that the balance would be export ready (Yellow Pages Australia, 1995, pp.1-2).

The number of firms exporting internationally is growing annually (McFarlin and Sweeney, 1998). Firms that are unable to expand internationally are likely to experience declining market share and falling profits (Australian Business on Line 1999). An examination of international trade explains why it is beneficial for countries to engage in international trade and why SMEs should at least explore international opportunities.

2.4 International Trade

International trade has been conducted ever since national borders were formed and has played a major role in shaping world history (Czinkota, Ronkainen, and Moffett, 1999). International trade is the economic link between nations and, is one of the largest and fastest growing aspects of the world economy (Terpstra, and Sarathy, 1997). International trade or internationalisation, is the specific process of opening up markets that have been protected by removing trade barriers including tariffs and quotas, leading to increasing competition and subsequently economic efficiency (Hill, 2000).

Internationally traded goods and services are important to the competitiveness to most countries in a globally competitive marketplace. Jobs and standard of living are closely tied to the inflows and outflows of goods and services. Over the last twenty years there has been a dramatic rise in the volume of trade (Hill, 2000). Countries that were once exporters are now importers (Jeanette and Hennessey 1995). International trade theory can help explain why these patterns have changed.
In essence, international trade theory searches for answers to why nations trade, what goods they trade and why some nations produce goods superior and cheaper than others. Theories of international trade are important to an individual business firm primarily because it helps in understanding a nation’s comparative advantage and is useful for locating supply or production sources (Terpstra and Sarathy, 1997; Hill, 2000).

The foundation for understanding trade today was provided by Adam Smith (1937), who saw trade as a way to promote efficiency because it fostered competition, led to specialisation, and resulted in economies of scale. Specialisation supports the concept of absolute advantage—that is, sell to other countries the goods that utilise your special skills and resources and buy the rest from those who have some advantage (Jeannet and Hennessey 1995).

Ricardo further built on Smith’s theory. Ricardo’s theory of Comparative advantage, measures a product’s cost of production not in monetary terms but in terms of the forgone opportunity to produce something else. Even if one country was most efficient in the production of two products, it must be relatively more efficient in the production of one good. It should then specialise in the production and export of that good in exchange for the importation of the other good (Ricardo 1817, in Hill 2000).

In the early part of the 20th century Heckscher (1919) and Ohlin (1933) argued that comparative advantage was derived by differences in national factor endowments. They reasoned that it was the extent to which a country was endowed with resources such as land, labour and capital, that differences in factor costs could be identified. Furthermore, the more abundant a factor the lower the cost (Czinkota et al 1999).

International trade theory has changed considerably since Smith and Ricardo put forward their theories. Subsequent theoretical development has led to a
more detailed understanding of production and its costs. International trade is now seen as a complex combination of products, technologies, and firms that are constantly innovating to either keep up with or overtake global competitors (Czinkota et al 1999).

A firm’s competitive advantage is usually conditioned in part, by a nation’s competitive advantage (Fletcher and Brown, 1999). Michael Porter (1990) suggests that the determinants of national competitive advantage for an industry are fourfold:

- The elements of production e.g. skilled labour or infrastructure necessary to compete in a given industry;
- The nature of domestic demand for the industry’s product or services;
- The presence of appropriate suppliers or related industries that are internationally competitive;
- The conditions in the country that govern how companies are created, organised, and managed, as well as the nature of domestic rivalry.

Porter’s model also includes government influences and chance events. These latter elements are regarded as important influences rather than determinants. Strong relationships between the four determinants and the two influencers over time foster national competitive advantage in various industries. Yet to some extent, it has only been in recent times that a nation’s competitive advantage could be fully exploited in a global perspective.

After World War Two the goal of removing barriers to the free flow of goods, services, and capital between nations was taken up with the formation of the General Agreement on Tariffs and Trade (GATT) (Hill, 1997). More recently, this was followed by the World Trade Organization (WTO), through regional trade agreements such as the treaty on European Union and the North American Free Trade Agreement. In effect the WTO works to liberalise the
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global exchange of goods and services between countries (Muhlbacher et al 1999).

The world economic environment is undergoing rapid transformation as barriers to international trade and investment have fallen away. Nations and businesses are increasingly thinking globally, and exploiting the unprecedented changes that are taking place (Belisle, 1999).

2.5 Globalisation

Globalisation can be described as the expansion and development of global capital and the ascendancy of transnational over national forms of economy, society, politics and culture (Hill, 2000). Moreover, globalisation has accelerated in recent years, partly as a result of trade liberalisation, but also in response to the end of the Cold War, the development of a global capital market and the rapid evolution of global information and communications systems (Humphrey, 1999; Van Dusan, Wishard, 1999).

The competitive situation that firms face in their domestic environment can influence the international performance of the firm (Naidu and Prasad, 1994). Survival of SMEs is increasingly dependent on their ability to keep pace with ever increasing global change. Globalisation therefore, has forced SMEs to compete with products from abroad (Czinkota, Ronkainen and Moffett 1999). An example of increased global competition is the German supermarket chain ALDI, which recently opened a number of low price supermarkets in the Sydney area. Inevitably, SMEs in all industries can expect such foreign competition.

Whilst SMEs can now expect easier access to international markets, they must become internationally competitive. Increasingly, as demonstrated in the ALDI case, they will find themselves having to compete against international
firms in their domestic market. However, many SMEs may lack the international competitiveness to survive. Competition results from more than one enterprise offering similar goods or services to the same market (Trade Pretoria, 1999). International competition, it can be assumed, is more rigorous, placing even greater pressure on enterprises to become competitive. A firm’s strategy may require major resource changes in order to meet this new competitive environment.

2.6 Strategic Management

Strategies attempt to match the activities of an organisation to the environment in which it operates (Segal-Horn, and Faulkner, 1999).

Organisational strategic decisions are concerned with or affect the long term direction and objectives (Johnson and Scholes, 1999) that affect the whole of the organisation (Hickson et al, 1986). Strategic decisions are those that concern the underlying character of the organisation, including decisions on the activities the organisation should engage in, the acquisition and divestment of resources and the nature and pace of change (Asch and Bowman, 1989). Strategic decisions endeavour to achieve some advantage for the organisation (Johnson and Scholes, 1999).

International strategy is different. For all businesses operating internationally it is much more challenging than operating solely in their domestic market (Segal-Horn, and Faulkner, 1999). When a firm first decides to expand outside its domestic market, it faces a transformation in the complexity of business decision making (Segal-Horn, and Faulkner, 1999). Firms internationalise beyond their domestic market to develop markets of sufficient size to take advantage of high levels of output (Chandler, 1962), and the unique characteristics of the firm’s product (Brown 1997). When a firm plots a course of internationalisation, entry strategies into foreign markets are
therefore a prime consideration when attempting to replicate a firm’s domestic competitive advantage.

Exporting is considered the most common foreign market entry strategy, particularly among SMEs due to the minimal business risks, low resource commitment and high flexibility of action it offers (Young et al 1989).

2.7 Exporting

Growing liberalisation, integration and competition in world economies since the post-war period have been responsible for the increasing commitment of firms in exporting activities (Douglas and Craig, 1995). Exporting is the process of sending goods or services to an overseas market where they can be sold (McFarlin and Sweeney, 1998). Exporting plays an important role in the development of a nation (Terpstra and Sarathy, 1994). The importance of improving export performance of firms is, therefore critical for any economy. The contribution of exports to total world economic activity has increased considerably in recent times, and currently accounts for approximately 20% of world gross domestic product (World Bank, 1995).

Export development has been highly regarded by both public and corporate policy-makers, due mainly to the substantial macroeconomic and microeconomic benefits derived from external trade (Leonidou and Katsikeas, 1996). From a macroeconomic perspective, exporting can enable national economies to enrich their foreign exchange reserves, provide employment, create backward and forward linkages, and, ultimately, lead to a higher standard of living (Czinkota, Rivoli and Ronkainen 1992). In microeconomic terms, exporting can give individual firms a competitive advantage, improve their financial position, increase capacity utilisation, and raise technological standards (Terpstra and Sarathy, 1994).
Australian exporters earned over $114b during 1997/98 illustrating the importance of exporting to the nation (Australian Chamber of Commerce and Industry, 1999). For many firms, exporting represents the means to initiate their international involvement (Johanson and Vahlne, 1977), while for others, it is seen as an attractive mode to serve targeted international markets because it entails lower risks than setting up joint ventures or direct investments (Cavusgil, 1984).

A firm has two principal options for carrying out its export operations. Markets can be sourced domestically through intermediary firms, a process known as indirect exporting or, alternatively, firms can deal direct with foreign customers or trading houses (Jeannet and Hennessey, 1995).

2.7.1 Indirect Exporting

A firm engages in indirect exporting when products are sold in foreign markets but no special activity to do so is carried out by the firm. Indirect exporting is likely to be a domestic sale which is carried abroad by other firms. Indirect exporting can therefore open up foreign markets without any particular expertise or additional investment. The firm’s control however is limited as the intermediary takes control of sales and distribution at point of sale by the SME (Jeannet and Hennessey, 1995; Terpstra and Sarathy, 1997; Czinkota, Ronkainen and Moffett 1999).

2.7.2 Direct Exporting

Direct exporting occurs when SMEs sell direct to a customer in another country. This method allows a firm to build ongoing relationships with the foreign customers and have direct control of their operations. The major limitation of this method is that firms have to acquire cultural and other
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external environmental knowledge and skills in the intending market (Czinkota, Ronkainen and Moffett 1999).

There are a number of factors that motivate firms to initiate exporting. Czinkota and Ronkainen, (1995), argue that SMEs either react to international opportunities or are proactive in the internationalisation process. Table 2.3 illustrates these export motivations.

Table 2.3 Export motivations.

<table>
<thead>
<tr>
<th>Proactive</th>
<th>Reactive</th>
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<tbody>
<tr>
<td>Profit advantage</td>
<td>Competitive pressures</td>
</tr>
<tr>
<td>Unique products</td>
<td>Overproduction</td>
</tr>
<tr>
<td>Technological advantage</td>
<td>Declining domestic sales</td>
</tr>
<tr>
<td>Exclusive information</td>
<td>Excess capacity</td>
</tr>
<tr>
<td>Managerial urge</td>
<td>Saturated domestic markets</td>
</tr>
<tr>
<td>Tax benefit</td>
<td>Proximity to customers and ports</td>
</tr>
<tr>
<td>Economies of scale</td>
<td></td>
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</tbody>
</table>

Source: Czinkota and Ronkainen, 1995.

Larger firms with a dedicated export department are generally more proactive exporters (Paterson, 1999). Large manufacturers typically possess the necessary resources to handle a wide range of exporting activities in-house (Peng, and Illinitch, 1998). Larger firms have certain advantages, for example, larger pools of financial and managerial resources, which enable them to become better competitors in the international arena (Bonaccorsi, 1992; Chetty and Hamilton, 1993).

The first exporting experience for smaller firms on the other hand, may be a reaction to an overseas enquiry or through a chance contact by one of the directors. Smaller firms are at a resource disadvantage when compared to larger firms and may therefore not be able to invest in the employment and training of international personnel (Calof, 1994). Many SMEs are reluctant to export due to these limited resources along with a lack of knowledge.
regarding foreign markets and the perceived risk and uncertainty of the internationalisation process (Peng and Ilinitch, 1994).

Generally SMEs start operations domestically (McFarlin and Sweeney, 1988). Firms with highly competitive domestic environments tend to perform better internationally than other firms in the same industry with less demanding home environments (Porter 1990). Domestic sales fuel the firm’s growth until the point is reached where management must export or diversify. As a result, future growth then comes from export sales (Naidu and Prasad, 1994; Bonaccorsi, 1992). There are however, numerous barriers and obstacles that may impede SMEs from exporting.

Often SMEs are unfamiliar with foreign market opportunities and are often intimidated by the complexities of exporting. Clearly, when choosing target markets and developing the appropriate marketing mix, potential exporters will not be working in a vacuum. The host country language, culture and the political and legal systems are all factors that SMEs often have little or no experience in (Moini, 1997; Cavusgil, 1984; Yaprak, 1985, and Hester, 1985). Other barriers identified by Ball and McCulloch, (1993), and reinforced by Instate, (2000) include:

- High transport costs or transportation systems could prove slow and unreliable, which in turn may lead to late deliveries and customer dissatisfaction;
- A lack of overseas contacts;
- Communication difficulties due to the distances from customers;
- A lack of cultural knowledge of the target market;
- Government trade barriers;
- Product adaptation to target market;
- Insufficient managerial commitment to overcome the initial difficulties and financial requirements of exporting; and
- Lack of international marketing knowledge.
Several models of export development processes have been published in the literature over recent years. Bilkey and Tesar (1977) proposed a six stage export development in relation to managerial attitudes. Wiedersheim-Paul, Olson and Welch (1978) studied the pre-engagement phase of the firm’s export expansion process. Cavusgil (1982) proposed a five-stage export behaviour of firms. Czinkota (1982) developed a model aimed at detecting differences among various types of manufacturing firms with regard to their government export assistance requirements. Barrett and Wilkinson (1986) focused on the level of export involvement by a firm. Rao and Naidu (1992) categorized four groups of firms according to their level of export activity. Despite the differences among all the models, all have contributed to the bank of knowledge on the subject. There would seem to be a number of different opinions however, on how a firm’s internationalisation process evolves.

An internationalisation process entails risk and the investment of resources. A critical consideration in internationalisation is the compatibility between a firm’s existing resources and those needed in a particular foreign market. Knowledge must be gained about the internal resources of a firm, and the extent of the firm’s capabilities when exposed to new and unfamiliar conditions (Johanson and Vahlne 1977; Madhok 1996, 1997; Erikson et al 1997).

Given the importance of exporting to the national economy, export development models can offer assistance not only to SMEs but governments and researchers as well (Thomas and Araujo, 1985; Miesenbock 1988, Anderson 1993). From a governmental perspective, they provide profiles of companies at varying degrees of export engagement that could be used by policy-makers as inputs into the design of national export promotion programs. Government assistance can also be tailored to meet the differing requirements and aspirations of SMEs regardless of what stage of the export process they are in (Leonidou and Katsikeas 1996). In the light of these benefits and to
better understand the pre-export process, firms must evaluate the internal characteristics or, its organisational state, to determine its preparedness to enter the international arena.

It would seem that before SMEs can generally become part of the internationalisation process an increase in commitment and consideration of the existing resources, knowledge and capabilities of the firm must be undertaken.

2.8 Export Ready SMEs.

For firms to develop their ability to enter and compete successfully in international markets, firms need to develop an understanding of the mechanisms that underpin exporting, and develop expertise in using export techniques (Waite and Trotman, 2000). An SMEs readiness for involvement in international markets can be interpreted as being a function of its state of knowledge on targeted foreign markets and the means for entering them (Liesch and Knight, 1999). Important to this process is the compatibility between the firm’s resources and those needed in a particular foreign market (Eriksson et al 1997). An extensive review of the literature on the subject reveals little in the way of succinct definitions of export readiness however Waite and Trotman, (2000), defined export readiness as:

An operational state in which a firm has the capability and resources to commit to a long term exporting strategy to exploit foreign markets

Export readiness implies that the functions of management have the commitment, skills, knowledge and motivation to successfully export their product. Furthermore, the firm has the financial resources and production capabilities to service foreign markets.
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Porter (1990) describes resources or factor endowments, as basic factors including naturally endowed resources such as climate, location and demographics. Advanced factors include communications infrastructure, sophisticated and skilled labour, research facilities, technological know-how and financial resources. An important factor for SMEs is whether resources can be freed to develop a long term exporting plan without risking the domestic market position. Firms with limited financial and personnel resources therefore find it difficult to display high commitment to export markets.

Researchers have focused considerable efforts on identifying the determinates of successful export performance (Stump, Athaide and Axinn, 1998). Top management commitment is commonly recognised as important contributors to a firm’s export performance (Cavusgil and Kirpalani, 1993). Export commitment can be defined as the dedication of financial and managerial resources to exporting (Johanson and Vahlne, 1977). Setting up a dedicated export department (Dalli, 1995), or having a senior manager responsible for exporting on a full time basis (Cunningham and Spigel, 1971), therefore, have been regarded as behaviours denoting export commitments.

Export awareness, (Bonaccorsi, 1992; Calof 1994; Porter, 1990) takes into account the firm’s reasons for exporting, relationships with international buyers, experience and knowledge of foreign cultures and markets, and information gained from other exporters. It is this last point that this thesis will investigate in more detail in the section 2.12 when examining social capital and the inherent cultural values that underpin strong social capital.

Capabilities include the knowledge and the financial commitment of management to cope with increases in production to meet the requirements of new and existing customers (Yip, Biscarri, and Monti 2000).
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There is an abundance of academic literature on the subject of SMEs and their exporting habits. Most research however, is confined to particular elements of export readiness. Table 2.4 Illustrates research on export readiness elements.

Table 2.4 Export readiness elements.

<table>
<thead>
<tr>
<th>Author</th>
<th>Export Readiness Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jain and Kapoor, 1996</td>
<td>the effects of management attitudes and behavior</td>
</tr>
<tr>
<td>Calof 1994, Rueber and Fischer, 1997</td>
<td>the relationship between firm size and export behavior</td>
</tr>
<tr>
<td>Stump, Athaide and Axinn, 1998</td>
<td>management commitment in context to exporting</td>
</tr>
<tr>
<td>Moini, 1997</td>
<td>barriers that inhibit firms when entering foreign markets</td>
</tr>
<tr>
<td>Hester and Holden, 1986, Cavusgil, 1976, 1984</td>
<td>the levels of sales</td>
</tr>
<tr>
<td>Bonaccorsi, 1992; Calof 1994; Porter, 1990</td>
<td>the relationship between the size and the annual sales of the firm leading to the assertion that as a firm develops and grows in its domestic market the firm is more likely to diversify into international markets</td>
</tr>
</tbody>
</table>

Source: Developed from the research.

While all of these topics have contributed to the overall knowledge of exporting, it seems that there is little or no academic literature available to firms to develop a concise export readiness plan. Almost all of the academic literature concentrates on particular aspects of the firm or how to penetrate overseas markets rather than the organisational state of the firm being ready or, in a position to, export successfully to overseas markets should opportunities arise. Chapter one identified that there are a number of export readiness guidelines available from both the private sector and state and federal governments, the content of which will now be discussed.

2.9 Export Ready Guidelines

Several international export readiness guidelines are easily accessed on the Internet. As discussed, the academic literature on exporting tends to examine particular aspects of a firm’s export readiness rather than an overall model development. Some examples include:
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- Management commitment (Cavusgil and Kirpalani, 1993; Johanson and Vahlne, 1977; Dalli, 1995 and Cunningham and Spigel, 1971),

- Export awareness (Alexandrides, 1971; Pavord and Bogart, 1975; Barker and Kaynak, 1992),

- Business background of the firm (Eshghgi, 1992; Yaprak, 1985) and


The literature however, tended to discuss the elements in isolation rather than as a total construct (see Table 2.2).

Mühlbacher, Dahringer and Leihs, (1999) offer some academic explanation for export readiness together with a number of diverse national and international government agencies and international business colleges. These are highlighted in table 2.5.
Phillip Waite

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Table 2.5 Export ready guidelines.

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<tr>
<td>Austrade on line</td>
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</tr>
<tr>
<td>International Business Academy (IBA) - Export Ready Prerequisites</td>
<td><a href="http://iba.tradecompass.com">http://iba.tradecompass.com</a> 1999</td>
</tr>
</tbody>
</table>

All of the above guidelines propose a series of generic questions to *would-be* exporters to ascertain the organisational state of the firm to measure the firm’s current state of export readiness.

The questions identified from the guidelines are grouped under four principal areas that include business background of the firm, export awareness, the motivation for going international, and top management commitment to exporting (identified on page 38). A short description of each is supplied below. (See appendix one for complete questionnaires and analysis of each export readiness guideline).

**2.9.1 Business background of the firm**

The business background of a firm seeks to establish how experienced and profitable the firm is in the domestic market. Sound marketing knowledge,
experience, and an awareness of a firm’s competitive advantage and that of its competitors are all prerequisites of export readiness and are identified in this section.

2.9.2 Export Awareness

This area explores the level of awareness of exporting procedures, knowledge of foreign cultures, the importance of skilled and experienced export staff, whether adequate resources are available for foreign market development, and how the export operation will fit into the present organisational structure.

2.9.3 Motivation for internationalisation

This section examines what motivates a firm to export. Is the firm exporting as a means of disposing of excess production? Is the firm filling unsolicited orders only? Is exporting a means of enhancing a firm’s competitiveness and contributing to the overall long-term expansion? Has the firm unique technology and know-how or unique production processes?

2.9.4 Top Management Commitment

Observations of management having any reservations about entering international markets, commitment to a substantial amount of time in initially developing international markets and whether the firm can sustain its domestic market are all highlighted in this section. Additionally, whether the firm has or will develop formal marketing plans for each foreign market, and whether the firm has the technical expertise required to ensure that their product is suited to international markets in terms of design quality and function are included. Figure 2.1 illustrates where these elements ‘fit’ in the exporting process.
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**Figure 2.1** Exporting model.

![Exporting Model Diagram]

**Source:** Developed from the research.

The diagram above suggests that for a firm to be export ready all four elements should be in place before contemplating foreign market expansion. Anything less than total management commitment is likely to lead to at the very least, under performance or, at worst, export failure. Business experience and marketing skills learnt from the firm’s domestic market will help firms in the internationalisation process. The important issue however for most firms, is the last element. An awareness that added resources (financial, production and personnel) may be required to meet overseas demand.
SMEs should be careful of developing new markets if they do not have the capacity to supply the needs they create. Primarily two things hamper SMEs. First, they are, by definition, inexperienced. They face the problem of "unknown unknowns." Any one or more of numerous differences and obstacles in international markets can trip them up. Second, being typically smaller companies, they lack the resources and capabilities to properly deal with potential problems (Yip, Biscarri, and Monti 2000).

As identified earlier (section 1.1), many SMEs do not export. State and federal governments have for decades supplied training and incentives to encourage SMEs to internationalise, yet it seems that they have made little progress in developing a comprehensive and sustainable successful export strategy from these experiences. Lack of economies of scale and scope in the technological field seem to have become important motives for SMEs to cluster and to cooperate with other firms (The State and Local Policy Program, 2000).

In recent times a greater emphasis has been placed on the importance of gaining competitive advantage by forming industry clusters. Competitive advantage is created and sustained through a highly localised process. National, regional or metropolitan economies will more likely succeed in international business if the firms within that economy are clustered in close proximity (Porter, 2000).

2.10 Industry Clusters

Clusters are defined as geographic concentrations of interconnected companies and institutions in a particular field (Porter, 1990). Porter's "Diamond of Advantage" approach used to analyse key industry clusters highlights four key determinants of competitiveness: 1) factor conditions, 2) home demand, 3) related and supporting industries, and 4) industry strategy,
structure, and rivalry. Porter and others have found these four determinants along with chance and government have much to do with the competitive nature of an economy's industries.

**Factor Conditions**
- What workforce skills are crucial to the success of your firm? Which skills do you see as being plentiful in the region? Which is in short supply?
- Are local educational and training institutions fulfilling your firm's workforce development needs? What are their strengths? What are their shortcomings?
- Which types of infrastructure (shipping, communications, utilities, etc.) do you consider to be especially important to your business? Are your needs being satisfied?

**Home Demand**
- In general, who are the local purchasers of this firm's products? Are they especially demanding relative to the firm's other customers?
- Is local demand stronger here than in other regions? Is local demand for your products growing more rapidly than in the economy at large?

**Firm Strategy, Structure and Rivalry**
- Do you have a large number of local competitors? Who are your competitors? Where are they (local vs. international)?
- What part of your firms is located in the region? (Headquarters? Research and development? Manufacturing?)

**Related and Supporting Industries**
- Who are the most important suppliers for your firm? Do they tend to be local or non-local? Are local suppliers of generally higher quality than suppliers from other regions?
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- Is your firm purchasing significant inputs from outside the region? If so, what prevents those inputs from being purchased locally (lack of suppliers, high cost, low quality, well-established relationships with current suppliers, etc.)?

Many terms have been used to describe geographic agglomerations of firms in an industry or related industries. Terms with somewhat different meanings are sometimes used interchangeably, creating confusion and a need for more precise definitions. In particular, it is important to distinguish between:

- An **industrial cluster** (Porter, 1990) is a set of industries related through buyer-supplier and supplier-buyer relationships, or by common technologies, common buyers or distribution channels, or common labor pools.

- A **regional cluster** (Enright, 1992, 1993) is an industrial cluster in which member firms are in close geographic proximity to each other. A more inclusive definition would be: regional clusters are geographic agglomerations of firms in the same or closely related industries.

- **Industrial districts** (such as the Italian industrial districts described in Brusco, 1992; Piore and Sabel, 1984; Becattini, 1987, 1989; Goodman and Bamford, 1990; and Pyke, 1992) are concentrations of firms involved in interdependent production processes, often in the same industry or industry segment, that are embedded in the local community and delimited by daily travel to work distances (Sforzi, 1992).

- A **business network** consists of several firms that have ongoing communication and interaction, and might have a certain level of interdependence, but that need not operate in related industries or be geographically concentrated in space (Staber, 1996).
Yet another form of cluster description comes from the Australian Department of Primary Industries which describe clusters as chains, both supply and value.

- **Supply chain.** A “Supply Chain” is a string of firms supplying a major customer, as in the case of an automobile assembler and its suppliers.

- **Value chain.** A “Value Chain” is a similar concept, but emphasises the idea of a chain of inputs that cross traditional industry sector boundaries – as when a clothing value chain might include everything from retailers, to manufacturers, to textiles producers, to dyers and chemical producers, right down to the cotton growers or sheep rearers – and including all the service agencies and support institutions involved. (Pyke, 2000).

The Department of Primary Industries Qld (2001) describes value chains as often comprised of horizontal and vertical alliances. Horizontal alliances are formed via the integration of companies at the same level in the chain (e.g. grower cooperatives or groups) in order to achieve:

- greater critical mass
- continuity and consistency of supply
- quality and traceability
- efficient response to consumer requirements.

Vertical alliances are between parties at different levels of the chain (e.g. producers and processors/manufacturers). Alliances can take many forms from formal to informal networks to joint ventures and acquisition (DPI, Qld 2001)

The reason SMEs need to organise themselves into clusters is because the majority of firms are small, often lack critical mass and cannot leverage
finance and marketing expertise to compete in the new global economy (CREDC, 2000). This is particularly important for the development of exporting clusters. Porter (2000), concludes that most cluster participants are not direct competitors but rather serve different segments of industries. Whilst vertically formed clusters (alliances between parties at different levels e.g. producers and processors/manufacturers) undeniably increase a region’s economic performance (e.g. Cairns, Bundaberg, Gold Coast and Boonah) the fundamental and underlying problem most SMEs face in the internationalisation process is the lack of resources (i.e. financial, production and personnel) to consistently supply export orders. Horizontal led export cluster formation on the other hand, can overcome these problems while at the same time foster vertical cluster integration e.g. processors and other suppliers. Paradoxically, Porter argues the reverse pointing out that “companies are often reluctant about participating for fear of aiding direct competitors” (2000, p. 4).

An export cluster approach however, offers SMEs an opportunity to expand in international markets and create joint ventures. Those SMEs already selling to or working with firms abroad can help open the doors for another cluster members (Economic Development Strategy Report Minnesota, 1999). The firms included in the cluster may still be both competitive and cooperative. Horizontal export clusters members may compete directly with some members of the cluster, purchase inputs from other vertical cluster members, and rely on the services of other cluster firms in the operation of their business (Economic Development Strategy Report Minnesota, 1999).

The ingredients for a successful export cluster include many small firms with shared goals, strong leadership, mutual benefit, planning, peer support, commitment, flexibility, communication, information sharing, trust and teamwork (CREDC, 2000).
Porter uses the California wine industry and Hollywood as examples of clustering. Clusters, are a “striking feature of virtually every national, regional, state, and even metropolitan economy, especially in more economically advanced nations” (Porter, 1998, p.78). Some of the more obvious benefits to SMEs are illustrated in table 2.6 and include:

Table 2.6 Cluster benefits.

| Creating a fertile area for growth and therefore better quality jobs | Attracting suppliers into a region |
| Greater economies of scale | Information sharing |
| Enhanced productivity | Specialised buyer-supplier relationships |
| Creating a breeding ground for new companies | Increased value adding |
| Creating a diverse pool of skilled workers | International recognition |
| International strategic alliances | Improved access to soft infrastructure |

Source: Gibson, 1997.

Clusters of firms are not a new concept. The renowned economist of the late 19th and 20th century, Alfred Marshall, extolled the virtues of clustering. Marshall argued that the concentration of firms in an industry in one location provided benefits to individual firms owing to the effects of proximity to one another. Such firms that are clustered together can take advantage of access to specialised suppliers, skilled labour, and an environment enabling the spillover of technological knowledge from on firm to another. These external economies operated much like internal economies by lowering costs and they helped explain the phenomenon behind the agglomerations of firms from the same industry that he termed “industrial districts” (Marshall, 1961 in Cohen, and Fields, 1999). Marshall argued that in such a district where firms from the same industry are concentrated: “The mysteries of the trade become no mysteries, but are as it were in the air.” Thus, from Marshall’s theories emerges a picture of localised economic vibrancy, nurtured by the cost savings of resource sharing and information exchange that occurs within a localised industrial environment.
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Both Porter and Marshall imply that the relationships within a cluster foster trust and facilitate the flow of information. However, in culturally individualistic societies such as Australia this concept may not always be embraced. Whilst most firms may be happy to form long and lasting relationships with suppliers, the concept of working and sharing information with competitors is another story altogether. However to gain economies of scale, and to compete globally, firms may have little choice but to do so. The issue therefore, is how firms can overcome inherent cultural traits of distrust among competitors to achieve these objectives.

Trust, inherent in our cultural values, takes time to evolve (Lewicki and Bunker, 1996). Business relationships are dependent on personal trust, confidence and respect being built. (Lyon and Atherton, 2000). Many commentators stress the importance of building close relations and trust, but they do not explain how this occurs and how cluster development policies can support and stimulate the development of trust and intimacy (Pyke, 2000).

Much of the existing work on cluster development concentrates its efforts on describing the potential benefits and drivers for forming groupings, but does not explain how clustering takes place on a day-to-day basis (Pyke, 2000).

A relatively new concept called Social Capital may be the panacea that may enable state and federal governments help develop sustainable export strategies through export clusters. None of the export guidelines researched placed any specific importance on social capital or how it “fits” when firms assess their position on exporting.

Research has found social capital encourages cooperative behaviour, thereby facilitating the development of new forms of association and innovative organisation (Fukuyama, 1995; Jacobs, 1965; Putnam, 1993). The concept is central to the understanding of institutional dynamics, innovation, and value
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

creation (Nahapiet and Ghoshal, 1998) and may be useful for predicting successful and sustainable cluster formation.

Social capital assumes that all of us sit in “one boat” aiming at the same objectives with the same strategies in mind, however we live in a world of different cultures, interests, values, and beliefs, and that means struggling and dealing with conflicts (Erbin, Franzkowiak and Wenzel, 1999).

Social capital is underpinned by a nation’s social and business cultural norms (Adler and Trompenaars, cited in Hofstede, 1991). A discussion on the merits of social capital should therefore include the cultural environment that the firm operates in to determine the likelihood of whether social capital can be formed and sustained over the long term.

2.11 Social Capital

The fall of command economies to demand economies in the early 1990s has opened the way for a global economy in which all participants progressively operate under the general logic of capitalism. However, while the pressures of globalism are obviously formidable, economic societies remain diverse and react to these pressures in many different ways. Despite the rapid rise of modern communications technology and the evolution of global outsourcing and production networks that globalisation has forced upon us, business continues to centre on the social interaction of human beings (Crawford, 2000).

The workplace serves as a community in which individuals can satisfy their natural longing for recognition and belongingness (Durkheim, 1993). In other words, social capital is essential not only for economic activity (a form of economic behaviour) but also for human wellbeing (Neace, 1999). In any form of business activity, from the humble corner store or a conglomerate such as
BHP, social partnership is a necessary prerequisite for operating. The role of social capital in an organisation is fundamental to these social partnerships.

The term social capital came to prominence in the late eighties led by Coleman (1988), followed by Putnam (1993). They defined social capital as “those features of social organisation, such as trust, norms and networks that can improve the efficiency of society by facilitating coordinated actions”, or, as “features of social life-networks, norms and trust that enable participants to act together more effectively to pursue shared objectives” (Putnam, 1995 p.p 664-683). There is increasing evidence to show that social cohesion is critical for societies to prosper economically and for development to be sustainable (World Bank, 1999). Thus social capital is not just the sum of the institutions, which underpin a society - it is the glue that holds them together.

Furthermore, “…economic and social development thrives when representatives of the state, the corporate sector, and civil society create forums in and through which they can identify and pursue common goals” (World Bank, 1999 p. 2). Social capital therefore, is the ability of people to work together for common purposes in groups, organisations, and communities and is a harmonious commingling of trust, viable channels of communications, and norms and sanctions (Neace, 1999). In addition to knowledge and skills (human capital), sufficient levels of social capital are essential for a firm’s social and economic development (Neace, 1999; Paxton, 1999).

Social capital in its broadest sense can influence economic exchange in two ways. Trust and emotional attachment to a group, society, or association may improve efficiency or facilitate greater cooperation for services benefiting that group, society, or association (Coleman, 1988; Putnam, Leonardi and Nanetti, 1993, Greif, 1993, 1994; Platteau, 1994; and Gambetta, 1988). Benefits can also occur directly to the individual or the firm through knowing others with whom the individual forms networks of interconnected agents (Fafchamps,
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(1999). This might facilitate screening in the labour and credit markets (Montgomery, 1991; Cornell and Welch, 1996; Lorenz, 1998); reduce the search costs for market opportunities (Kranton, 1996); improve the diffusion of information on innovations (Barr, 1998); and reduce risk (Fafchamps, 1999; Fafchamps and Minten, 1999).

Cox, (2000), concludes that social capital processes are underpinned by:

- Working together collaboratively and respect for other’s values and differences;
- Resolving disputes by recognising and accepting the existence of different interests, within a framework, which takes account of common good, not just sectional interests;
- Recognising that building trust requires fairness and equity to all involved and therefore, prejudice or exploitation are negatively correlated;
- Ensuring that the exclusion and demonisation of others does not effect the building of internal cohesion.

To reinforce these points McGregor (1960), argued that employers could have more success with their employees if they treat them humanely rather than mechanically, and that worker antagonism, militant unionism, and various forms of sabotage were the result of management mistreatment. Workers perform better when their jobs have a beginning and an end and when they saw themselves as producing something of value (Hackman and Lawler 1971). Adams (1963), further argued, performance is higher when employees felt that they were being fairly compensated for their efforts.

When both management and labor are primarily concerned with their own self-interest, it is likely that both will be delayed in reaching the optimal solution that maximises firm efficiencies. However, when both subscribe to a mutually
held higher value system, they can more quickly reach a mutually maximising payoff (Cohn, 2000).

Clearly, the pace and complexity of business today demand that strategic planning efforts combine both top-down and bottom-up approaches. The hierarchical methods of strategic planning that worked in the past are no longer valid (Sternad, 2000).

Social capital is described by Leana and Van Buren (1999, p.538) as a resource reflecting “the character of social relations within the firm”. Organisational social capital benefits both the organisation (by creating wealth for the shareholders) and its members (by enhancing employee skills). Organisational social capital is realised through members’ levels of collective goal orientation and shared trust, which creates value by facilitating successful collective action.

An example of this is Silicon Valley, one of the most famous clusters in the world, described by Cohen and Fields as “an economic space built on social capital” (1999 p. 109). Cohen and Fields argue however, that it is an entirely different kind of social capital popularised by other social capital theorists. In Silicon Valley, collaborative partnerships were formed to pursue specific objectives of innovation and competitiveness rather than, the dense networks of civil engagement as postulated by Putnam (1993). The authors argue that Silicon Valley’s social capital is built on focused, productive interactions among social institutions, instruments, and entities including universities, governments, businesses and people (human capital). However the underlying premise of all the definitions that one may find on social capital relies on institutions, governments and communities working together towards a common good for all or, as Cohen and Fields (1999) assert, collaborative partnerships formed to pursue specific objectives. The only difference it seems, is the setting (business clusters as opposed to civic), for it would seem
that these elements are a necessary requirement for both civic and business success including that of Silicon Valley.

Building these collaborative relationships requires resources, skills, energy, motivation and, most critically, trust (Putnam 1995). The fundamental proposition of social capital theory is that network ties provide access to resources. One of the central themes is that social capital constitutes a valuable source of information benefits (i.e., “who you know” affects “what you know”) (Nahapiet and Ghoshal, 1998). Information is important in providing a basis for action but is costly to gather. However, social relations, often established for other purposes, constitute information channels that reduce the amount of time and investment required gathering information (Coleman, 1988). Nahapiet and Ghoshal, (1998), in their study on intellectual capital and organisational advantage found that information benefits occur in three forms: access, timing, and referrals.

“Access” refers to receiving a valuable piece of information and knowing who can use it, and it identifies the role of networks in providing an efficient information screening and distribution process for members of these networks. Thus network ties influence both access to parties for combining and exchanging knowledge and anticipation of value through such exchange (Burt, 1992).

“Timing” of information flows refers to the ability of personal contacts to provide information sooner than it becomes available to people without such contacts.

“Referrals” are those processes providing information on available opportunities to people or actors in the network, hence influencing the opportunity to combine and exchange knowledge. They constitute a flow of information not only about possibilities but frequently include reputational
endorsements for the actors involved thereby influencing both the anticipated value of combination and exchange and the motivation for such exchange (Granovetter, 1973; Putnam, 1993).

Porter (1998) endorses this concept by arguing that strong relationships between firms can allow access to shared purchasing, joint export marketing, joint R&D as well as in some circumstances, shared manufacturing. The viability of a business network is determined by the quality of the relationships and shared norms that govern the ties amongst the networked firms. These shared norms develop over a period of time and are the glue that helps networks survive turbulent times (Gupta, 2000).

In an industry’s early history, social capital among firms is low but essential for developing the kinds of cooperative relationships that create positive externalities for an entire industry. Cooperation among firms within an industry increases the stability and technical knowledge of all of its members - benefiting all firms and thus, each individual firm as well (Walker et al, 1997). For example, when viewing suppliers as collaborators, the firm can be considered to be part of a more complex system that includes all the organisations implied in production. The successful implementation of this business philosophy however, may demand a total change of the firm’s culture thus improving the relationship with external agents. A change in culture may eventually cause an increase in the company’s profits, as well as an increase in the welfare of the firm in general (Valensuela, and Villacorta, 1999).

Clearly then, in most cases it is not costless to produce social capital. It requires resources – especially time. The amount of social capital that will be produced is therefore in part a function of the opportunity cost of time and the expected return from the social capital (Grootaert, 1998).
There are a number of recurring themes in the literature on social capital. Trust, cooperative norms, and group associations are included in all definitions of social capital and all three components are essential to well-functioning societies and their economic progress (Knack and Keefer, 1997). High levels of the above also develop stronger network ties and efficient channels of communications. For the purposes of this thesis, social capital is defined as:

\[
\text{a firm's shared cooperative norms underpinned by trust that encourages a collective goal orientation (associability) for mutual benefit for all stakeholders of the firm (Leana and Van Buren, 1999).}
\]

The elements of trust, associability and cooperative norms, are now examined. To determine how the cooperative norms impact on the levels of social capital within a firm it is useful to reflect on the cultural environment of Australian organisations to ascertain the likelihood of firms to exhibit social capital.

2.11.1 Cultural Environment

Culture is “the collective programming of the mind which distinguishes the members of one human group from another” (Hofstede 1980, p.21). Societal variables of culture such as religion and language along with economic, political and legal factors, “determines basic attitudes toward work, time, materialism, individualism and change” (Deresky 1997 p. 66 ).

Culture underpins the likely strength of social capital in society therefore it will be beneficial to reflect on the values and norms that are inherent in Australian culture. Individuals with different national backgrounds hold different but stable beliefs and underpinning values, different assumptions regarding the environment and different expectations about relationships among people (Hofstede, 1980, 1991). Contrary values about what is and is not of worth in
life can be expected to influence the motivations for the development of trusting relationships. Different expectations about relationships among people may influence both with whom business relationships will be sought, and the processes which will and which will not lead to the formation of trust and cooperation (Harris and Dibben 1999). Culture shapes a firm's beliefs and values. In every culture there is implicit dimension, a set of beliefs that are subconscious because the members of that culture take these so much for granted that they fall below the threshold of awareness (Costa and Bamossy 1995). These subconscious beliefs are known as norms.

Norms are the social rules and guidelines that prescribe appropriate behaviour in particular situations (Hill, 2000). A norm exists when the socially defined right to control an action is held not by the actor but by others (Coleman, 1990). Thus, norms represent a degree of consensus in the social system. The importance of social norms of openness and teamwork as key features in firms is highlighted by a significant emphasis on cooperation rather than competition, on open disclosure rather than a disclosure of information that leads to a building of loyalty to the firm (Starbuck, 1992). Table 2.7 illustrates a study by Hofstede and Trompenaars that reflect Australian business norms.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

**Table 2.7 Australian Business Values. (H – Hofstede. T – Trompenaars)**

<table>
<thead>
<tr>
<th>Australian Values Concept</th>
<th>Implications for Business Relationships.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance Low (H)</td>
<td>Close relationships will be equally possible with individuals no matter their relative social positions. This is particularly important in an inter-organisational setting although more likely to occur with people of equal rank e.g. CEO to CEO.</td>
</tr>
<tr>
<td>Universalism (T)</td>
<td>Focus is more on the rules than on relationships. This implies that general ‘rules’ will be applied in the formation of new, and the management of existing business relationships.</td>
</tr>
<tr>
<td>Low Uncertainty Avoidance (H) Specific (T)</td>
<td>Company activities are less formal, managers tend to take more risks. The intrinsic novelty of new business relationships will be an attraction to their formation. Relationships are specifically determined by their purpose rather than broadly based and not context linked (Diffuse).</td>
</tr>
<tr>
<td>Individualism (H &amp; T)</td>
<td>More frequent use of ‘I’ and ‘me’. Relationships not seen as important as individual achievement which is highly regarded.</td>
</tr>
<tr>
<td>Masculine (H)</td>
<td>Although Australia is positioned about half way on Masculinity-Femininity continuum there are still a number of key elements that can be identified as typically Australian. These include material success, male assertiveness, and the notion that failing is a disaster and conflicts are resolved by fighting them out.</td>
</tr>
<tr>
<td>Attitude to time (T)</td>
<td>Time is measured in money and therefore should not be wasted. Short-term financial outcomes are sought from business relationships, which should not affect the underlying nature of the business.</td>
</tr>
</tbody>
</table>

Source: Adapted from Harris and Dibben (1999 pp. 470-471).

The cultural underpinnings of society and the inherited ethical habits support social capital, which is critical for a healthy economy (Crawford 2000). An ethical habit, or normative judgement, can consist of an idea or value, such as the view that free enterprise is the best economic system or, it can consist of an actual social relationship, such as passing down the family farm from father to son (Velasquez 1992).
Ethical habits can also influence the nature of economic activity. For example, the Protestant work ethic encouraged followers to work hard and create wealth (Weber, 1930). This ethos is in line with Hofstede’s (1984) theory on individualism. Hofstede argued that individuals have a high need for achievement and tend to believe that personal interests are more important than group interests. Conversely, collectivists value reciprocation of favours, a sense of belonging, or as person that “includes the person himself plus his intimate societal and cultural environment which makes his existence meaningful” (Hofstede, 1984 p.150). The logic of collective action focuses on getting individuals to pursue their joint benefits rather than their individual welfare. This may only be true however, if participants are allowed to commit to cooperative strategies they themselves design (Ostrom, 1990).

Members acting together in association with common values and norms are able to build networks among themselves and with others, further increasing the strength of their social capital. Networking leads to the formation of coalitions, increased status, and increased power to influence decisions and policies (Gittell, Bustamante and Steffy, 2000).

It is evident from Table 2.7 however, that Australian culture in general, focuses more on the individual and individual achievements rather than that of the group or society as a whole. Social capital is underpinned however, by a more collectivist type model where working with others is the norm. Additionally, the manner in which Australians view time as a scarce commodity rather than taking a long-term view is critical to a firms export readiness as export readiness relies on, in part, taking a long term view and a degree of perseverance. Moreover, in general, relationships need to be nurtured and built upon with a view of long-term mutual gain rather than short-term profit maximisation. Time therefore, may be an important issue in the development of social capital.
2.11.2 Time and the development of social capital

As with other forms of capital, social capital represents a form of amassed history, that is, it reflects investments of social relations and social organisation over time (Bourdieu, 1983; Granovetter, 1992). Time is important as all forms of social capital rely on stability and continuity of the social structure (Nahapiet and Ghoshal, 1998). It takes time to build trust, therefore relationship stability and durability are key network features associated with high levels of trust and norms of cooperation (Granovetter, 1985; Putnam, 1993; Ring and Van de Ven, 1992). Australians normally perceive time as a commodity to be spent, or wasted and generally short-term financial outcomes are sought from business relationships (Harris and Dibben 1999).

Business relationships imply that there is some sort of associability between parties or a collectivist orientation. Whilst social capital can be practiced by individuals in a firm, the benefits flow directly to the collective as a whole, then indirectly back to the individual (Leana et al. 1999). Research has indicated that social capital encourages cooperative behaviour thereby supporting new forms of association (Fukuyama, 1995; Jacobs, 1965; Putnam 1993).

2.11.3 Time and cluster development

In an Australian context, time is measured in money and therefore should not be wasted. Generally, short-term financial outcomes are sought from business relationships (Harris and Dibney 1999). Porter (2000) however, argues that close attention should be paid to relationships within clusters as many benefits flow from the personal relationships that facilitate linkages, foster open communication, and build trust. Yet equally important, SMEs competing in a global environment, need the ability to pull their resources
It seems though that little research has been carried out as to how long it may take to form sustainable clusters. One point of view is that the cluster process is a step-by-step process that takes between six to nine months to complete (Industry Cluster Development, 2000). Yet another point of view is that cluster formation should work within realistic time frames – a commitment of 3 or four years is normally required to build sustainable business clusters (OECD, 2000) as the required change of behaviour patterns will not occur overnight (Ffowcs-Williams, 2000). Another view from Norton (1992) suggests that life cycle forces may restrict the growth of industry clusters. Clusters may evolve along an industrial life cycle much like individual firms, and the later phases of this cycle may be characterised by decline.

Fundamental to the time taken to form clusters may be the time it takes to form the relationships that Porter deems as vitally important. Whilst relationships may not necessarily rely on trust to build, trust may be the glue that binds people to work together for mutual outcomes and may facilitate a smoother transference into cluster formation.

2.11.4 Associability

Associability in an organisational sense, is the acceptance of the individual to voluntarily put the collective goals and strategies of the firm ahead of their own goals (Leana et al 1999). This is not the immediate and formally accounted exchange of a legal or business contract but a combination of short-term altruism and long-term self-interest (Taylor, 1982), or “self interest rightly understood” (Toqueville, in Onyx and Bullen, 2000). The individual provides a service to others, or acts for the benefit of others at a personal cost, but in the
general expectation that this kindness will be returned at some undefined time in the future as the need arises (Onyx and Bullen, 2000).

Associability, therefore, implies that individuals “together make up a whole because each contributes something and receives something from the whole” (Thompson, 1967 p.6). This type of collectivist culture is characterised by cooperation among members and an emphasis on the welfare of the group (Hofstede, 1990). Early (1989), summarised this thus, “An essential element of a collectivist society is that individuals will subordinate their personal interests to the goals of their collective, or in-group, those with whom a person works and identifies” (1989, p. 567-568). Groups that are strong in associability will display collectivist tendencies that lead to agreement of collective goals (Leana et.al, 1999). The need for associations and connections is not only a means to an end therefore, but also an end in itself as successful small business development requires a blending of human and social capital toward a specific economic goal. (Neace, 1999). The willingness of an individual however, to work collectively is, in part a belief that the individual will also receive an overall benefit. The individual therefore, puts their trust in the belief that there will be some form of reciprocal arrangement.

2.11.5 Trust

Social capital is high where people trust each other, and where this trust is exercised by the mutual acceptance of obligations (Schuller and Field, 1998). The development of trusting, cooperative relationships between business has long been recognised as an essential element of international business. Moreover, international expansion through significant business relationships requires agreement and cooperation over complex issues (Powell, 1996).

Trust is defined as “socially learned and socially confirmed expectations that people have of each other, of the organisations and institutions in which they
live, and of the natural and moral social orders, that set the fundamental understandings for their lives" (Barber 1983, p.165). Trust therefore, is the lubricant that eliminates the need for third-party insurers or enforcers (Coleman 1988). High levels of social capital would therefore, benefit firms mainly through a reduction in high transaction costs that enables firms to deal with each other in a more trustworthy manner (Fafchamps, and Minten, 1999; Leana and Van Buren, 1999).

Research by Neace (1999) is an example of how trust can facilitate business success. Neace concluded that it was the role of the entrepreneur that kick started the return of democratic civil society in Russia after the destruction of culture and social capital by the communists who had erected significant barriers to economic activity. In the view of the Russian entrepreneurs, it was social capital in the form of trust that was a critical factor in establishing viable, sustainable businesses. It is the trust of their employees, suppliers and customers that has underpinned their successes.

Trust development is an iterative process that takes on a different character in the early, development and mature stages of a relationship (Lewicki and Bunker, 1996). Trust in business relations requires an extended period of experience…trust is not spontaneous…knowledge about the exchange partner is accumulated during this time and this knowledge gives one party a reason to trust the other (Ekici and Sohi, 2000). Trust has more to do with situations of uncertainty rather than with situations of certainty (Held, 1968).

Where trust does evolve, an environment of cooperation exists in conjunction with competition, and becomes a basis of reciprocal benefit for firms (Cohen and Fields 1999). A substantial body of research exists (Fukuyama, 1995; Gambetta, 1988; Putnam, 1993, 1995; Ring and Van de Ven, 1994) that demonstrates where relationships are high in trust, people are more willing to engage in social exchange and cooperative interaction.
2.11.6 Cooperative Norms

The development of trusting, cooperative relationships between business has long been recognised as an essential element of international business. Cooperation is a demonstration of trust. Violated trust leads to non-cooperation, and restoration requires parties to be disposed to cooperate again (Lewicki and Bunker, 1996; Bies and Tripp, 1996). The interaction of trust and cooperation however, may lead to the development, over time, of generalized norms of cooperation, which further increase the willingness to engage in social exchange (Putnam, 1993). In this respect, collective trust may become a potent form of “expectational asset” (Knez and Camerer, 1994) or, business norm, that group members can rely on to help solve problems of cooperation and coordination. (Kramer, Brewer and Hanna. 1996).

On an organisational level, the following factors have been identified as supportive of a climate of cooperation in SMEs between employees and management.

- A sense of caring, as demonstrated by the absence of symbols of rank and status (e.g., reserved executive parking, special executive benefits packages, separate executive cafeteria services, and lavishly decorated executive offices).
- Internal promotion as a dominant theme for filling supervisory and management vacancies where possible
- Management that listens and demonstrates their openness to employee input
- Managers who are carefully trained and keenly aware of the importance of good employee relations
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

Other factors include convenient location, growth and profitability, employment security, an influential human resources department, and competitive pay and benefits (Davis and Lander, 1999).

Whilst the above elements of social capital are critical it would seem that unless the process is being driven by someone within the firm that it will be unlikely that it will evolve. Leaders within organisations have to lead the way in implementing changes of ideas and work practices. The firm has to foster a learning culture to understand the benefits of social capital and how social capital may ultimately lead to future rewards for both the employee, and the firm.

2.12 Leadership

Leaders are central figures on a stage watched by all (Carlzon, 1989) and the creators of images that influence organisation members’ feelings and behaviour (Zaleznik, 1992). The nature of the management challenge has been transformed. The focus of strategy needs to be vastly broader than the traditional product/market approach of Adam Smith. It now engages managers in considering a complex array of factors of which the social context within the company is an integral part of success. It requires the wealth generating function of the company to be thought of as constituting a set of relationships – with employees, customers, suppliers and community interests as well as shareholders – which can add or subtract value and from which the company derives its ability to go on creating wealth (Tunzelmann, 1997).

Organisations need the capability to learn and adapt continually to achieve long-term success in the dynamic global environment (Collins and McLaughlin, 1996). A learning organisation is one that has developed the capacity for continuous adaptation and change (Popper and Lipshitz, 2000). Continually
learning and adapting organisations are faced with changing and improving the way work is done (Thorne and Smith, 2000). Social capital plays an important role in influencing change, and obtaining an environment that is ready to adapt and change (Kilpatrick, Bell and Falk, 1998).

Management’s commitment and support has been found to be crucial for successful change programs in general (Huber et al., 1993), and for the success of programs that involve cultural change in particular (Kanter, 1991; Schein, 1990).

Managers are dismantling organisational hierarchies in order to cut costs, improve efficiency and competitiveness, increase employee participation, increase flexibility and concentrate on those work activities they do best (Robbins, Bergaman, Stagg, and Coulter, 2000). Organisations of the future will not be able to expand into new markets and win market share without entrusting their employees with the purposeful use of the organisation’s resources (Thorne and Smith, 2000). Trust in organisations does not appear by mandate, but as a carefully developed outcome in organisations that are well designed and well led at each level of management (Davis and Lander, 1999).

Organisations must build learning organisations where people continually expand their capability to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together (Senge, 1990). Unless the employees of the organisation are convinced of, and enthusiastic about the basic direction of the organisation, there is no way to sustain market advantage. Unless employees and staff deliver the products and services the organisation makes, provides, or has available, those things that satisfy customers, there will be no ongoing income flows allowing the firm to grow and prosper (Schultz, 1999).
Empowerment and participation based on shared ideas are said to create business control (Hill and Wilkinson, 1995). Another argument posits that major change attempts often fail or are characterised by underachievement (Alexander, 1985; Kotter 1996). Zaleznick (1990), argues that this is the presence of a “leadership gap” whereby, management pays too much attention to activities such as planning and budgeting, controlling and monitoring, and too little to leadership in the sense of establishing direction and aligning, motivating, and inspiring people (Burns 1978; Kotter, 1996). Employee lifetime value creates the internal and external culture that builds and binds organizations together and maintains continuity of focus and customer satisfaction (Schultz, 1999).

It would seem that if organisations are to maintain or expand their competitive advantage an alignment of the collective productive and creative energies of their people is a necessary component for future success.

Whilst leadership has been identified as an important dimension for the formation and reinforcement of social capital this field of study is far too large to cover in this thesis and has been well covered by the literature albeit, not from a social capital perspective. For the purpose of this thesis it is assumed that high levels of social capital can only be present within an organisation if properly nurtured and encouraged by all levels of management. Further research should be conducted to enable evaluation and correlation of the importance of leadership and social capital.

2.13 Summary and Model Development.

Thus far this thesis has identified that social capital in an organisational setting relies strongly on high levels of trust underpinned by cooperative norms and a disposition to participate in collective behaviour. Without all of these elements, high levels of social capital may not exist. Associability for example relies on
some degree of cooperation between stakeholders. It also requires a ‘we can do’ attitude rather than the ‘I can’. Underpinning these elements is the trust between the stakeholders. By cooperating and putting their trust with other stakeholders for mutual gain rather than individual gain, the individual trusts that rewards gained by group cooperation will be passed back to the individual.

Associability or the ability to work within a group towards a common goal has been well documented in academic literature as a means of producing better output. This is a crucial element as it goes against inherent Australian cultural values of individualism. Associability is not only critical as an internal mechanism but once adapted could lead to external levels of associability.

Hand in hand with associability is cooperation. By cooperating with the overall goals of the firm over that of the individual, individuals trust the system to reward or recognise their collective output in an individual way.

Trust, if developed within the firm may be easier to facilitate exchanges of information between like or even complementary industries. This would reinforce Porter’s theory of cooperation among like industries, which is particularly important to the exporting readiness process. An experience gained and shared by a current exporter is invaluable for first-time firms entering in the internationalisation process. The first research issue may now be articulated as:

2.13.1 Research Issue 1. How can Social Capital aid a firm’s Export Readiness?

For firms to have high levels of social capital they must be supported by the business norms of the firm. Particular elements of business norms including
Australians’ perceptions of time, are critical to exporting success as exporting success generally relies on long term strategies.

2.13.2 Research Issue 2. What role does the Australian perception of time play in social capital development within the firm and in cluster development?

While it may be beneficial for firms to have high levels of internal social capital that can aid export readiness in firms, arguably internal social capital may lead to an external form of social capital i.e. between other firms. Cooperation and associability between like industry firms and suppliers can assist firms to become export ready. This would seem to reinforce Porter’s theory (1990) on clusters of like industries in a close geographic area, however, therein lies the paradox. Social capital, as with culture, takes time to evolve. Porter strongly argues the importance of personal relationships and community ties that foster trust. Moreover, Porter claims that firms should operate in a collective action to take advantage of local assets and institutions, which further strengthens the argument for trust and cooperation that social capital provides. Table 2.8 illustrates that there seems to be some symbiosis of social capital and Porter’s cluster theory.

Table 2.8 Porter and Social Capital

<table>
<thead>
<tr>
<th>High Social Capital</th>
<th>Porter and Cluster theory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leads to:</strong></td>
<td><strong>Leads to:</strong></td>
</tr>
<tr>
<td>Collective goal orientation and a coordination of those goals within a firm</td>
<td>Clusters operate in a collective action.</td>
</tr>
<tr>
<td>Good channels of communications.</td>
<td>Improves communication</td>
</tr>
<tr>
<td>High levels of trust</td>
<td></td>
</tr>
<tr>
<td>Cooperation- although this infers some trust between parties.</td>
<td>Promotes competition and cooperation</td>
</tr>
<tr>
<td>Strong network ties</td>
<td>Ongoing relationships among cluster firms</td>
</tr>
</tbody>
</table>

Source: Developed from the research.
Porter however, furnishes little explanation of how this may occur or, how it will evolve over any given time period. Clusters, like social capital, do not evolve as overnight success stories. Trust, a willingness to cooperate, and a collectivist strategy to achieve shared strategic goals, take time to evolve. It may be that high levels of social capital developed within a firm may aid export readiness, and the formation of or, reinforcement of existing clusters. If there are low levels of trust, cooperation, communication there will be low levels of social capital and it would seem unlikely that clusters could be formed on this basis. Conversely, firms with high levels of internal social capital may facilitate a smoother transition to external social capital, and thereby support a firm’s endeavors to become export ready by clustering with like industries. Research issue three may now be articulated as:

2.13.3 Research Issue 3. How can firms with high levels of social capital facilitate smoother formation or reinforcement of industry clusters?

Table 2.9. Illustrates the three research issues for this thesis.

<table>
<thead>
<tr>
<th>Research Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>RI 1 How can Social Capital aid a firm’s Export Readiness?</td>
</tr>
<tr>
<td>RI 2 What role does the Australian perception of time play in social capital</td>
</tr>
<tr>
<td>development within the firm and in cluster development?</td>
</tr>
<tr>
<td>RI 3 How can firms with high levels of social capital facilitate smoother</td>
</tr>
<tr>
<td>formation or reinforcement of industry clusters?</td>
</tr>
</tbody>
</table>
2.14 Conclusion

Exporting is crucial to Australia’s economic health. Increased exports means business growth, and business growth means more jobs. Australian SMEs are already competing internationally with foreign owned companies competing in their domestic market. The division between domestic and international markets is becoming increasingly blurred. It is therefore critical for SMEs and governments alike not to ignore international realities if they intend to maintain market share and keep pace with international competitors.

It may be possible to conclude that state and federal governments have for decades directed taxpayer money into the wrong area of the internationalisation process. It could be that the real area of concern might be the period before a firm contemplates exporting. It may be that if firms are educated about the importance of high levels of social capital that this may facilitate government export readiness programs more effectively and economically and in the process, formulate more trusting, cooperative and sustainable export clusters. This leads to the research question for this thesis:

2.15 Thesis Question

*How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?*

Figure 2.2 illustrates the proposition on the findings of the literature review.
Figure 2.2 Social capital and export ready cluster model.

![Diagram of Social capital and export ready cluster model]

Source: Developed from the research.

Figure 2.2 suggests that social capital is important both within the firm to develop sustainable export readiness (internal) and for the formation of export ready clusters (external).

Internally, social capital may overcome some of the resource attributes SMEs lack by everyone in the firm working towards common objectives and working together for mutual benefit. This is underpinned by trust by the employees in management to deliver benefits back to them as they accrue. Importantly, it takes time to establish these trusting and cooperative relationships that are fundamental to social capital development and a state of export readiness.

Externally, it may be that an environment of trust and cooperation developed within the firm may be externalised to overcome Australian cultural values of individualism and to encourage participation in collaborative export cluster formation.

This chapter has reviewed the literature relevant to social capital and SME exporters and some of the benefits that are accrued by forming export clusters. First, literature on International trade and globalisation was examined followed by management strategies and exporting for small firms. Literature on the export readiness for SMEs was also outlined. Then, social capital within the small business context was discussed and the specific uses
and benefits of social capital highlighted. The chapter concluded by comparing the elements of social capital and Porter's cluster theory, which identified gaps in the literature, and which substantiates the research of this thesis. The final section in the chapter outlined the research questions that are addressed in the research. Chapter three examines the appropriate method for gathering information to examine the above research issues.
3.0 Methodology

3.1 Introduction

Chapter two identified the research issues of the thesis relating to the ways in which social capital may aid a firm’s export readiness and in turn, the formation of export ready clusters. This chapter addresses the methodology used for data collection to address those research issues.

This chapter examines the connections between the purpose of the research, the research issues, and the research methodology. Realism is the preferred paradigm for this research. This research uses the rigorously analytical method of case study inquiry (Yin, 1994; Perry and Coote, 1994; Perry, 1998). This approach is justified together with a discussion of the validity and reliability of the case study research method. The procedures used in the research design and in the development of the interview protocol are discussed. Preliminary case studies and techniques of data analysis are argued and justified. Limitations of case study research and how the limitations can be overcome are also addressed. Finally, the importance of ethical considerations in such research is discussed prior to the conclusion of the chapter.

3.2 Justification for the paradigm

The purpose of qualitative research varies according to the research paradigm, methods, and assumptions. Qualitative researchers attempt to describe and interpret some human phenomenon, often in the words of selected individuals (Tellis, 1997). The researcher tries to be clear about his or her biases, presuppositions, and interpretations so that others can decide what they think about it all (Heath, 1997).
All research is based on some underlying assumptions about what constitutes ‘valid’ research and which research methods are appropriate (Chenail, 1995). In order to conduct and/or evaluate qualitative research it is important to identify these assumptions.

Researchers operate within a scientific paradigm that is either explicit or implicit (Perry, 1998). A research paradigm can be defined as “a loose collection of logically held-together assumptions, concepts, and propositions that orientate thinking and research” (Bogdan and Biklan, 1982 p.30 cited in Riege and Nair, 1996 p.3). Or similarly, “a paradigm is an overall conceptual framework within which a researcher may work, that is, a paradigm can be regarded as the “basic belief system or worldview that guides the investigator” (Guba and Lincoln, 1994 p.105). Table 3.1 summarises the philosophical assumptions relating to ontology, epistemology and methodology for each of the four different paradigms of social science.
Table 3.1 Elements of alternative inquiry paradigms.

<table>
<thead>
<tr>
<th>Research Paradigm</th>
<th>Item</th>
<th>Positivism</th>
<th>Realism</th>
<th>Critical theory</th>
<th>Constructivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontology (nature of data)</td>
<td>Naïve realism: reality is real and apprehensible</td>
<td>Critical realism: reality is &quot;real&quot; but only imperfectly and probabilistically apprehensible and so triangulation from many sources is required to try to know it.</td>
<td>Historical realism: &quot;virtual&quot; reality shaped by social, ethnic, political, cultural, and gender values, crystallised over time.</td>
<td>Critical relativism: multiple local and specific &quot;constructed&quot; realities</td>
<td></td>
</tr>
<tr>
<td>Epistemology (Nature of researcher)</td>
<td>Objectivist: Observer, findings true</td>
<td>Modified objectivist: Observer with some level of participation, but objectivity is sought, findings probably true</td>
<td>Subjectivist: Transformative, intellectual, value mediated findings</td>
<td>Subjectivist: Passionate participant, created findings</td>
<td></td>
</tr>
<tr>
<td>Methodology</td>
<td>Experiments/ surveys</td>
<td>Case studies/ convergent interviewing</td>
<td>Dialogic/ Dialectical</td>
<td>Hermeneutical/ dialectical:</td>
<td></td>
</tr>
</tbody>
</table>


Guba and Lincoln, (1994, pp. 109-112) identify these four paradigms as:

- ontology is ‘reality’,
- epistemology is the relationship between that reality and the researcher, and
- methodology is the technique used by the researcher to discover that reality.

**Positivism.** Positivists believe that natural and social sciences are composed of a set of specific methods for trying to discover and measure independent facts about a single apprehendable reality which is assumed to exist, driven by natural laws and mechanisms (Riege and Nair, 1996).
The objective of this research inquiry often includes the measurement and analysis of causal relationships between variables that are consistent across time and context, the primary model of the research inquiry being theory-testing or deduction (Perry, Alizadeh and Riege, 1997). The researcher does not intervene in data collection and views the world through a ‘one way mirror’ (Guba and Lincoln 1994, p.110).

In this study, the researcher is required to participate in real-world life to some extent to better understand and express its emergent properties and features (Perry et al 1997). In addition, the survey technique used in the positivist paradigm does not allow for in-depth questioning and probing. A typical methodology used within the positivist paradigm is the use of surveys in order to capture reality, however this research paradigm is not appropriate for studying social capital and export ready clusters as it “ignores their (respondents) ability to reflect on problem situations, and act upon this” (Robson 1993, p.60). Further, in-depth questioning and probing are required in order to collect the necessary information for later analysis.

**Critical Theory.** Critical theory researchers assume that social reality is historically constituted and that it is produced and reproduced by people. Although people can consciously act to change their social and economic circumstances, critical researchers recognise that their ability to do so is constrained by various forms of social, cultural and political domination (Myers 1997). Critical theory researchers aim at critiquing and transforming social, political, cultural, economic, ethnic and gender values. Inquiries are often long-term ethnographic and historical studies or organisational processes and structures (Perry et al 1997). This critical theory paradigm is not appropriate for this research, as the aim is not to be a “transformative intellectual” who liberates people from these historical mental, emotional and social structures (Guba and Lincoln 1994). This research will not be long-term oriented or
grounded in historical studies, rather this research aims to understand the effects of social capital on firms forming export ready clusters. Although an important element of Australian business culture, time, is discussed and analysed, it is not however, to be undertaken as a longitudinal study.

**Constructivism.** The essence of constructivism is multiple apprehendable realities, which are socially and empirically based, intangible mental constructions of individual persons (Riege and Nair, 1996). In this paradigm, truth is a construction that refers to a particular belief system held in a particular context. Meaning has more value than measurement, for perception itself is the most important reality (Perry et al 1997). Researching this created knowledge depends on the interaction between interviewer and respondent, that is, the researcher has to be a “passionate participant” during his or her field work (Guba and Lincoln 1994). The constructivists view was found not to be suitable for this thesis even though some social phenomena is to be studied. The paradigm is inappropriate because the approach excludes concerns about describing real world phenomena including export awareness, economic and technological resources, management commitment and management motivation of the business. Moreover, although the researcher and respondents were interactively linked, the researcher’s belief system did not influence the research inquiry.

**Realism.** Realism seeks to understand the common reality of the phenomena in which many people operate independently. Constructivists and critical theorists consider there are many realities, while realists believe that there is a ‘real’ world to discover even if it is only imperfectly and probabilistically apprehensible (Guba and Lincoln, 1994; Merriam, 1988, Perry, 1998). Realism does not suffer from the limitations of relativism (Hunt, 1990) that constructivism and critical theory do, for realism is often characterised by some researcher objectivity (Perry, 1998).
3.3 Epistemology of this research

Realism is the preferred paradigm for this research as the identified research problem is deficient in theory and lacking in well-established constructs and principles (Perry 1998). It seems that little or no theory building has been carried out on how social capital affects a firm's export readiness and if social capital within the firm can be externalised to export clusters. This requires an understanding of the firm's organisational behavioural constructs that may in turn improve both the effectiveness of SME cluster formation and the internationalisation process of SMEs.

A researcher's task is to discover, identify and then describe and analyse the structures and generative mechanisms related to the research problem (Perry 1998). This research adopts this process of discovery whereby observations can allow theoretical generalisations to be developed as theory construction. Theory building is the goal of this research, rather than theory testing and theory verification.

Key variables will be identified from this research which can then be examined within a broader context and tested more rigorously in later research. The acceptance of subjective qualitative research methods could be justified where it is deemed necessary to generate theory, or to overcome problems of complexity when the research literature is lacking in depth, as in this research (Parkhe, 1993). Sekaran (1992) describes this paradigm as descriptive research and states that the goal of a descriptive study is to inform about relevant aspects of the phenomena of interest to the researcher from an individual, organisational, industry or other perspective. Descriptive studies also help the researcher to understand the characteristics of a group in a situation of interest (Yin 1994).
The realism approach, which encompasses the use of case study approach, is summarised below in Table 3.2.

**Table 3.2 The Realism approach for conducting research**

<table>
<thead>
<tr>
<th>Dimension/item</th>
<th>Realism approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research position (goal of investigation)</strong></td>
<td>Exploratory, descriptive, theory building, inductive analytical</td>
</tr>
<tr>
<td><strong>Direction of inquiry research</strong></td>
<td>Development of idiographic knowledge based social experiences such as human ideas, beliefs, perceptions, values, etc</td>
</tr>
<tr>
<td><strong>Ontology</strong></td>
<td>Critical Realism</td>
</tr>
<tr>
<td><strong>Nature of perspective</strong></td>
<td>Holistic, comprehensive, expansive</td>
</tr>
<tr>
<td><strong>Epistemology</strong></td>
<td>Findings are &quot;probably true&quot;</td>
</tr>
<tr>
<td><strong>Research strategies</strong></td>
<td>Case study</td>
</tr>
<tr>
<td><strong>Methodology</strong></td>
<td>Process orientated, discovery orientated</td>
</tr>
<tr>
<td><strong>Causality</strong></td>
<td>Causal tendencies/generative mechanisms</td>
</tr>
<tr>
<td><strong>Interview questions</strong></td>
<td>Open with probing</td>
</tr>
<tr>
<td><strong>Judgement of research quality</strong></td>
<td>Construct validity is important; external validity is critical</td>
</tr>
<tr>
<td><strong>Sample size</strong></td>
<td>Small</td>
</tr>
<tr>
<td><strong>Data collection</strong></td>
<td>Semi structured, unstructured (researcher as primary instrument).</td>
</tr>
<tr>
<td><strong>Interaction of interviewer and phenomenon</strong></td>
<td>Mutually interactive but controlled by triangulating data; an open window.</td>
</tr>
<tr>
<td><strong>Respondent's perspective</strong></td>
<td>Emphasis on the &quot;insider's&quot; perspective</td>
</tr>
<tr>
<td><strong>Information per respondent</strong></td>
<td>Extensive (broader question)</td>
</tr>
<tr>
<td><strong>Type of data collected</strong></td>
<td>Information rich, contextual, non-statistical, somewhat subjective reality</td>
</tr>
<tr>
<td><strong>Hardware, software</strong></td>
<td>Tape recorders, interview guides, transcripts, qualitative software programs, visual methods</td>
</tr>
<tr>
<td><strong>Type of data analysis</strong></td>
<td>Interpretive, value laden, theory laden, non-statistical</td>
</tr>
</tbody>
</table>

**Source:** Adapted for this research using the work of Riege (1996, p. 134), and Perry et al., (1997, p.8)

Realism is the appropriate scientific paradigm for case study research. The research problem is usually a “*how do*” problem rather than an “*how should*” problem. This “*how do*” rather than “*how should*” problem captures the positive versus normative dichotomy, for case study research is concerned with describing real world phenomena rather than developing normative decision models (Yin, 1994).
3.4 Justification for case study

The quintessential characteristic of case studies is that they strive towards a holistic understanding of cultural systems of action (Feagin, Orum and Sjoberg, 1990 in Tellis, 1997). Cultural systems of action refer to sets of interrelated activities engaged in by the actor in a social situation (Stake, 1995). Case study research methods are particularly well-suited to this research since the object of this discipline is the study of social capital in organisations, and “interest has shifted to organisational rather than technical issues” (Bonoma, 1985; Gilmour and Carson, 1996). The scope of a case study is defined by Yin, (1994, p.13), as follows:

“A case study is an empirical inquiry that:

- Investigates a contemporary phenomenon within its real-life context, especially when
- The boundaries between phenomenon and context are not clearly evident”.

Case study research methodology relates well to social capital research. Several authors have looked upon organisations as social constructions (Crawford, 2000; Durkheim, 1993; Neace, 1998), whose strategies and policies change as a result of processes of human reaction. They have also advocated qualitative research such as in-depth case studies to outline important dynamic dimensions of strategy development (Perry, 1998).

There are four major reasons for using qualitative methodology for this research (Perry et. al. 1997). Firstly, qualitative methods such as case studies address theory construction and theory building rather than theory testing and theory verification (Bonoma, 1985; Lincoln and Guba, 1985). In the early
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stages of theory development when the phenomenon is not known, quantitative research methods can lead to inconclusive findings (Butler, Rice & Wagstaff, 1963; Parkhe, 1993). Theory is built by making comparisons, looking for similarities and differences within the collected data, and for future questions to be examined (Neuman 1994). Further, qualitative or exploratory method makes the research effort more flexible and allows data and theory to interact (Neuman, 1994). In new areas of research such as social capital and export ready clusters a qualitative realist method such as the case study approach is a suitable method (Eisenhardt, 1989).

Secondly, case study research facilitates the need to delve deep to gain an understanding of the phenomenon (Perry, 1998). The primary objective of case study and related qualitative research is to understand the phenomena under research and interpret the respondents’ experiences and beliefs in their own terms (Gilmore and Carson, 1996). One of the case studies’ main objectives is to discover theories and practices, looking for “new relationships, concepts, and understanding, rather than verification or predetermined hypothesis’ to understand the meaning of those experiences and beliefs (Merriam 1998, p. 13) within their particular settings, that is, ‘situations in their uniqueness as part of a particular context and their interactions’ (Patton 1990, p. 1). Thus, previously unknown relationships... “can be expected to emerge from case studies leading to a rethinking of the phenomenon being studied” (Stake 1981, p. 47). Once an understanding has been established, then other more deductive approaches may be applied to test the research problem (Bonoma, 1985). Case studies are so important that “the individual case study... is the bedrock of scientific investigation” (Bromley, 1986, p. ix).

Thirdly, case study research methodology is the required classification into categories and the identification of inter-relationships between those categories, of this research. As theory-building in social capital and export...
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ready clusters becomes the researcher’s interest, so does the role of describing, classifying and comparing the complexity of several organisational operations and managerial experiences become applicable (Bonoma, 1985; Gilmore and Carson, 1996). The qualitative goal is often to isolate and define categories during the process of research, whereas the quantitative goal is to isolate and define categories as precisely as possible before the study is undertaken and then to determine the relationship between them (McCracken, 1988). For this reason, details uncovered in a case can address a research problem, delving into the complexities and processes of people and organisations, as to how social capital may aid a firms export readiness and help form export ready clusters will require (Perry, et al. 1997).

Finally, validation for case study research methodology relates to social capital. As stated earlier, organisations are often seen as social constructions whose strategies and policies change as a result of processes of human interaction. Qualitative research such as in-depth case studies highlights the important dynamic dimensions of social capital. Because little or no research has been undertaken on how social capital may aid firms become export ready and help the formation of export ready clusters, “theory creation should have priority over theory verification” (Borch and Arthur, 1995, p. 436; Papadopoulos, 1987).

3.5 Comparison of Case study methodology to other methodologies

A case study approach is only one of various ways of conducting social science research; others are surveys, experiments, an analysis of historical events or the use of archival information. The following section outlines why this research favours a case study approach and not one of the four other approaches.
Yin (1994) identifies three conditions that determine the appropriate strategy for a particular research problem.

1. the type of research problem and questions being posed,
2. the extent of control an investigator has over actual behavioral events, and
3. the degree of focus on contemporary as opposed to historical phenomena.

Table 3.3 illustrates the five approaches and the three conditions.

<table>
<thead>
<tr>
<th>Research strategy</th>
<th>Type of research problem</th>
<th>Requires control over behavioural events</th>
<th>Focuses on contemporary events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case studies</td>
<td>How (but rarely causal explanations), why</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Experiment</td>
<td>How, why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes/no</td>
</tr>
<tr>
<td>History</td>
<td>How, why</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>


Case studies, as illustrated above, address questions of ‘how’ or ‘why’. The research problem for this research is:

**How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?**

A research question that focuses on a ‘how’ question requires a more exploratory research approach, which is likely to lead to the use of case studies (Borch and Arthur, 1995 Merriam 1988; Yin 1994).
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Numerous academics (Yin, (1994); Bonoma, (1985); Robson, (1993); Merriman, (1988)) define case study research in a similar manner. Merriman, for example (pp.11-15) suggests four essential characteristics of case study research:

- **particularistic**: it is specific and focused on a situation or phenomenon. This research aims to provide an understanding of the importance of the elements of social capital such as trust, cooperation and working together and how these may contribute to exporting firms and ‘would be’ exporting firms forming or reinforcing export ready clusters. They may be then generalisable to all firms contemplating the internationalisation process.

- **descriptive**: it has richness and depth and is focused on contextual meaning. This research aims to rigorously explore and analyse social capital within organisations and assess the transferability of social capital to export ready clusters. In-depth questioning and further probing during interviewing should provide rich data that will help to describe the phenomena.

- **heuristic**: it illuminates and raises the possibility of new perceptions. Previous studies have not measured the impact of social capital on a firms export readiness or, whether this may transfer to aiding cluster formation. This research will therefore specifically seek information to determine without bias those factors that influence a firms export readiness and a firms propensity to form export ready clusters.

- **inductive**: hypotheses, relationships and understanding emerge from the data and immersion. The underlying goal of this research is to determine and describe the social capital variables that affect small firms export readiness and their preparedness to form export ready clusters. From this understanding, it is hoped that further hypotheses can be developed and explored for direction in later studies.

Results from case studies in social capital and export readiness are generalisable to theoretical propositions, and can form an integrated clustering of concepts, propositions and world-views that form theories in social science.
The use of case studies in empirical research in terms of the types of generalisations case studies can address include the development of concepts, the generation of theory, the drawing of specific implications, and the contribution of rich insights (Walsham, 1995). The current research will contribute to theory in three of these areas. Firstly, the generation of theory in the area of firms export readiness that can be further tested in later studies. Secondly, the contribution to theory on social capital and small business in general, and finally, the contribution of rich insights into the whether social capital can aid in the formation of export clusters.

To summarise, case study research fits within the realism paradigm and is essentially inductive, theory building research. It also acknowledges that “fact and theory (induction and deduction) are each necessary for the other to be of value” (Emory and Cooper, 1991, p 62).

3.6 Reliability and validity in research design

A discussion as to how the chosen research methodology can achieve validity and reliability forms an integral part of any rigorous research effort. Tests for judging the quality of empirical research apply to case research. Several authors have demonstrated that validity and reliability can be achieved in case study research (Eisenhardt, 1989; Lincoln and Guba, 1985; Parkhe, 1993; Patton, 1990 and Yin, 1994).

The strengths of case study research lie in its ability to represent reality following an in-depth self-validating process in which presuppositions are continually questioned (Galliers, 1992). There are four tests to be applied: construct validity, internal validity, external validity and reliability. Yin (1994) synthesises the above evaluative techniques to present a systematic framework for achieving quality case study research. The framework outlines
the criteria for judging the quality of case study research and is displayed in Table 3.4 below and will now be discussed.

**Table 3.4** Case study tactics for four design tests.

<table>
<thead>
<tr>
<th>Test</th>
<th>Case study tactic</th>
<th>Phase of research in which tactic occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct validity</td>
<td>use multiple sources of evidence, establish chain of evidence, have key informants review, draft case study report</td>
<td>Data collection, Data collection, Data collection, Composition</td>
</tr>
<tr>
<td>Internal validity</td>
<td>do pattern matching, do explanation building, do time series analysis</td>
<td>Data analysis, Data analysis, Data analysis</td>
</tr>
<tr>
<td>External validity</td>
<td>use replication logic in multiple case studies</td>
<td>Research design</td>
</tr>
<tr>
<td>Reliability</td>
<td>use case study protocol, develop case study database</td>
<td>Data collection, Data collection</td>
</tr>
</tbody>
</table>


**Construct validity** testifies ‘to how well the results obtained from the use of the measure fit the theories around which the test was designed’ (Sekaran 1992, in Riege, 1996). To ensure construct validity, the researcher must be sure that the construct or characteristic, is measured using the correct operational measures for the concepts under review (Yin, 1994). This research adopts several measures to satisfy this requirement. Firstly, an extensive review of the literature in Chapter 2 helped to identify the constructs. Secondly a case study protocol or interview guide was developed which provided a structured approach to exploring the research issues and a logical flow of questioning, and which identified the circumstances under which the data was to be collected. In addition, in the data collection phase, a chain of evidence was established through carefully collected evidence. The use of multiple cases helps to increase construct validity as several sources of evidence provides triangulation (Flick, 1992). By and large, triangulation serves as a process of using multiple perceptions to clarify meaning by identifying variances in interpreting the phenomenon under research (Flick, 1992, Zikmund, 1996).
**Internal validity.** Compared to quantitative research where internal validity is concerned with the establishment of cause-effect relationships, qualitative research intends to find ‘generative mechanisms’ or ‘causal powers’ where certain conditions might influence other elements in the research (Tsoukas, 1989, p.552; Emory and Cooper, 1991; Merriam, 1988). In case study research internal validity results from attempts to eliminate or minimise ambiguity and contradiction and establish strong connections in the collected data. Respondents’ perceptions and understandings, for example, can ‘be thoroughly explored’ as can the linkages between attitudes and beliefs of respondents (Sykes, 1990, p.293). Inferences made from the data collected must be soundly based with other explanations and possibilities having been considered before conclusions are drawn (Yin, 1994). In this research internal validity was achieved through data analysis techniques of pattern matching using matrices, and explanation building. Within case, cross-case analysis and cross cluster analysis also ensured that internal validity was achieved. Chapter 5 provides further detail of the processes used to ensure internal validity.

**External validity** is concerned with the generalisability of the cause and effect relationships found from experiments to outside persons, settings, and time beyond the immediate case studies included in the research effort (Emory and Cooper, 1991; Yin, 1994). Statistical generalisation is not the goal in case study research, but analytical generalisation of theories. External validity was achieved in this research through the application of a *analytical generalisation* using multiple case study approach which provided a replication logic and/or corroboration of findings. In contrast to statistical generalisation where a selected sample is used to generalise a larger population (Eisenhardt, 1989; Miles and Huberman, 1984; Yin 1994), the case study researcher is aiming at analytical generalisation by endeavouring to generalise a certain set of results to some broader theory (Yin 1994). In this research, analytic generalisation was covered in the comparison of previously developed theory (see Coleman...
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(1988); Fukuyama (1995); Gambetta (1988); Hirschmann (1984); Narayan and Pritchett (1996); Woolcock (1998); and Fafchamps and Minten (1999), on organisational social capital and the empirical results of the case studies (Chapter 5). Qualitative researchers have emphasised that the investigator does not necessarily influence the collected data when natural or social phenomena are observed and recorded as objectively as possible. This was so in this research as respondents spoke about their experiences in the past which the researcher could not influence (Guba and Lincoln, 1994, p. 107; Hirschman, 1986). This realism-orientated research approach achieved external validity through the replication logic in multiple case studies, rich description and analytical generalisation of real-life situations within the case studies.

**Reliability** is demonstrated if the processes of the research can be repeated by another researcher, to achieve the same results, free from random error of the scores (Goetz and LeCompte, 1984; Lincoln and Guba, 1985) or, to the extent to which a scale provides consistent results if repeated measurements are made (Yin, 1994, Zikmund, 1996). Case study tactics used to increase the reliability in this research were the use of the case study protocol outlined in appendices 2 and 3, and the development of a case study database. The creation of a database provided a way of synthesizing, organising, and documenting the mass of data collected making it easier for other investigators to review the evidence. Taping of the interviews allowed for the checking of the interview transcripts and the reliability of these was cross-checked by a research assistant. The coding of the transcripts was also cross-checked.

### 3.7 Criteria for case selection

Opinion varies regarding the number of cases that should be considered. Some recommend that such decisions should be left to the researcher
Phillip Waite

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(Romano, 1989), while others recommend that cases should be added until theoretical saturation is reached (Eisenhardt, 1989). Others recommend sampling selection to the “point of redundancy” (Lincoln and Guba, 1986 p.204). This however, ignores the real constraints of time and money considerations (Perry and Coote, 1994).

A researcher can use one case study if properly justified (Yin, 1994). In the case of this research several case studies will be used to allow cross-case analysis to be used for richer theory building (Perry and Coote 1994). “Multiple cases” should be regarded as “multiple experiments” and not “multiple respondents in a survey”, and so replication logic and not sampling logic should be used for multiple-case studies (Yin, 1994). Representativeness is not the criteria for case selection (Stake, 1994), rather the guarded choice of each case should be made such that it either:

- predicts similar results for predictable reasons (that is, literal replication); or

- produces contrary results for predictable reason (that is, theoretical replication) (Yin, 1994).

Other researchers (Eisenhardt, 1989, p.537), conclude “random selection of cases is neither necessary, nor even preferable”. In this study, firms were elicited from contacts with State Development. The criteria for selection included the following factors – firms were currently exporting or intending to export, and they were members of a food and beverage industry cluster.

It would seem that there is no unanimous agreement in the literature on the selection of the numbers of cases for optimal case study research. Suggestions that between four and fourteen cases provide a good cross-case foundation for generating insights to answer the research questions (Zikmund, 1996), is at odds with others such as Miles and Huberman, (1984), who
suggest that 15 cases should be used in order to avoid problems of complexity arising from ‘within-case’ sampling in which the amount of data obtained can make effective scanning and rationalisation of observed phenomena difficult. On the other hand, Perry (1998) counsels that the widest accepted range falls between two to four as the minimum, and ten, twelve or fifteen as the maximum. However Cavaye, (1996 p. 237) argues that the number of cases to be studied in multiple case design should not be pre-determined.

Eisenhardt (1989) suggests that cases should be added until “theoretical saturation” occurs and supports this by adding that the appropriate number of cases depends on how much is known about the phenomenon after studying a case, and how much new information is likely to emerge studying further cases.

Patton (1990) does not provide an exact number or range of cases that could serve as guidelines for researchers. Instead he suggests that “there are no rules” for sample size in qualitative research. Further, the sample size should be judged and negotiated in context: depending on the purpose of the research, the reason behind the inquiry, the use of the findings and the resources (including time) available (Patton, 1990 pp.183-186).

3.7.1 Replication logic of multiple case studies

Theoretical and literal replication ensures external validity and the number of cases should therefore depend on the information-richness. Literal replication is achieved when similar findings are derived from different cases under similar conditions. Theoretical replication is concerned with the adoption of multiple cases as a means of explaining differences in findings for predictable reasons. Multiple case analysis is also helpful for cross-case comparison further contributing to literal replication (Yin 1994). In this thesis, nine case studies across three exporting clusters will be used. This should provide the
opportunity to study not only different firms within specific clusters but also to
analyse differences in and across clusters as well.

3.8 Prior Theory

Prior knowledge of not only the theoretical field of research but also of the
industry assists in the selection of an appropriate sample; that is, to decide the
type of people to interview, whom to talk to (selection on interviewees), whom
to talk to first (timing of interview) and how many people to talk to (number of
interviewees) (Nair and Riege, 1995).

Prior theory does have some role in case study research. Firstly, although the
interviews begin with unstructured questions, some probe questions are also
included in the interview protocol to ensure interviewees’ perceptions about
concerns in the prior theory are raised, as noted below. Secondly, one or two
pilot studies are done before the major data collection stage. Thirdly, a stage
of convergent interview with practitioners can be incorporated into doctoral
and master’s research design, while the literature’s prior theory is being
reviewed (Nair and Riege, 1995). In brief, the prior theory is developed from
the literature and from pilot studies and/or convergent interviews, and can be
the first step in the theory-building process of case study research.

Prior theory can have a pivotal function in the design of the case study and the
data analysis. The prior theory when detailed and expanded will progressively
traverse the ‘questions, propositions units of analysis, logic connecting data to
propositions and criteria for interpreting the findings’, which constitute the
modules of the required research design (Yin, 1989, p. 36). This allows a
design that incorporates the theory pertinent to the topic under investigation
and provides some direction as to the type of data to be gathered as well as
the scheme for its analysis (Perry and Coote, 1994).
A summary of Emory and Cooper’s (1991, pp.62-630) arguments on the value of prior theory emphasises and highlights the pervasiveness and value of prior theory in research:

- As an orientation it focuses and refines the range of facts that one needs to investigate;
- It suggests which means of study is likely to generate the greatest meaning;
- It can help suggest a system of classifying data in the most meaningful manner;
- It can also assist in predicting other facts, which should be unearthed.

3.9 Case study procedures

Interview protocols

The interview protocol is the document that guides the case studies. In this study it was used to control the contextual environment of the case study in terms of detailing the procedures to be followed during data collection and the questions to be asked in each case interview.

Yin (1994) suggested that the researcher must possess, or acquire the following skills. The ability to ask good questions and to interpret the responses; be a good listener; be adaptive and flexible so as to react to various situations; have a firm grasp of issues being studied; and be unbiased by preconceived notions. The investigator must be able to function as a “senior” investigator (Feagin, Orum and Sjoberg, 1991). In this study the interview guide was assessed and tested by qualified academics along with industry experts in the field as final preparation for data collection.

The case study protocol refers to the procedures and general rules that have been followed in this research during data collection. This helped to ensure that the data collected from the case studies was both reliable and valid.
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following sections should be used in the protocol (Yin, 1994, P.64; Perry and Coote, 1994).

**Overview.** This includes project objectives and auspices, case study issues, and relevant readings, and is detailed in Chapters 1 and 2.

**Field procedures** included how each site were to be accessed, procedural reminders, credentials of the researcher, and general sources of information. Each case was initially contacted by letter, which included issues of confidentiality in order to encourage participation in the research and to protect case identities (appendix 2). A follow-up telephone call was then made to determine a date and time for each interview, as well as to determine the appropriate informant.

**Complete interview guide.** The case study questions and potential sources of answers were included in the two interview protocols (appendices 2 and 3). At the beginning of each interview a series of demographic questions related to firm and respondent characteristics were used to enable comparisons to be made of firms in the sample and put the respondents at ease.

The next section of the instrument moved to specific questions on the firms export readiness. A section followed this with specific questions addressing social capital within the firm. These questions were designed to elicit pertinent information, and were generated from prior theory (Chapter 2), from convergent interviews, or were used to clarify previous statements if the possibility of informant or interviewer misunderstanding may have occurred.

Section four addressed questions on perceptions of time and whether this may be a barrier to forming trusting relationships within and external to the firm. Section five was designed to obtain any perceived benefits derived from
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joining export ready clusters and if high internal social capital was instrumental in facilitating or reinforcing cluster formation.

Finally, further insights which the informants felt might be appropriate to the research problem and which, in their opinion, had not been addressed in their opinion were encouraged. Informants were also asked to recommend any further sources of information, which they considered, might be appropriate.

Questions included both open and closed questions. The open-ended questions enabled in-depth data collection, and included probe questions. They allowed the interviewer to ask broad questions, and then further probing to allow for in-depth discussion and ultimately rich and detailed data collection. Closed questions obtained information about factors identified prior to entering the site enabling data to be obtained about the organisation such as the number of employees and the years of operations. These techniques helped to ensure that replication was obtained throughout all interviews, improving both internal and external validity of the study.

Table 3.5 Research Issues and related interview questions

<table>
<thead>
<tr>
<th>Research Issues</th>
<th>Interview Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>RI 1 How can Social Capital aid a firm’s Export Readiness?</td>
<td>Questions 11-17</td>
</tr>
<tr>
<td>RI 2 What role does the Australian perception of time play in social capital development within the firm and in cluster development?</td>
<td>Questions 18-21</td>
</tr>
<tr>
<td>RI 3 How can firms with high levels of social capital facilitate smoother formation or reinforcement of industry clusters?</td>
<td>Questions 22-29</td>
</tr>
</tbody>
</table>

*Source:* developed for this research.
Guide for the case study report. This included the outline, format and other documentation. Each of the single cases was summarised as soon as possible after the interview. The case summaries include an outline of the responses, issues, and interviewer observations discovered in each interview. These outlines provided a preliminary chain of evidence that is detailed in Chapter 5 and included in appendices 4-12.

The questions were designed so that although the interview remained largely open-ended and assumed a conversational manner, the interviewer was seeking to gather new insights into the topic, and also to corroborate certain facts that had been previously established from the literature. Yin (1994), cautions that interviews are verbal reports only and as such are potentially subject to problems of bias, poor recall and inaccurate articulation and therefore cannot be considered without reference to other sources. To address these concerns, collecting information that could be triangulated and careful design of the instrument took place.

The researcher used semi-structured interview protocols addressing questions to core research issues and following a particular sequence and fixed wording. This type of interviewing provides greater depth and probing; provides information on non-verbal behaviour; enables spontaneity; provides greater sensitivity to misunderstanding by respondents; and is more appropriate for revealing information about feelings and emotions regarding different subjects (Neuman, 1997).

It was considered important that the instrument was designed so respondents would not feel intimidated in any way in the interview. This was achieved by carefully designing an introduction to the questions to ensure that informants were aware of the purpose of the interview and were comfortable with its agenda. Social capital is a relatively new concept and not one that has been
connected to export readiness before so this explanation became an important feature of the interview process and technique.

3.10 Pilot case studies

Pilot case studies have a significant role in assessing the usefulness, reliability and validity of interview questions and in allowing the researcher an opportunity to review data collection procedures before the final case study research is undertaken (Eisenhardt 1989; Mitchell 1993; Parkhe 1993; Yin 1994).

Pilot studies are not a pre-test or ‘full dress rehearsal’ of the interview protocol (Yin 1989, p.89) rather, they are an integral part of the playwrighting process and inductive insights gained from them are coupled with prior theory to formulate the interview protocol and design the data analysis chapter (Perry and Coote, 1994).

The pilot cases were selected on the basis of geographic proximity, accessibility, and on their status in the exporting community. To accommodate these criteria, the cases were confined to the South-East region of Queensland. The literature provides a variety of different elements of social capital implementation, and identifies of number of influencing factors. The pilot studies therefore assisted in refining a relevant set of questions.

Four preliminary case interviews (see Chapter 4) were used to assist in assessing the usefulness, reliability and validity of the interview questions, and to allow the researcher to review the process before embarking on the final data collection. Convergent interviewing was the technique utilised in this stage of data collection.
Convergent interviewing is a technique for collecting, analysing and interpreting qualitative information about people’s attitudes, beliefs, experiences, knowledge and opinions through the use of a number of interviews which converge on important research issues (Nair and Riege, 1995). Convergent interviewing is useful to develop and refine a research problem because of its exploratory nature as it is more rigorous than other qualitative methodologies (Dick, 1990). The attraction of convergent interviewing for this research is the rigorous processes it provides to narrow a thesis’ focus by talking with knowledgeable people (Dick, 1990). Convergent interviewing is used in this thesis for two reasons. Firstly, to conduct preliminary research to identify any missing elements of the theoretical model developed in Chapter two and; secondly, to determine the issues and constructs needed to be included in the case study interview protocol.

Dick (1990), recommends to start interviewing without any prior knowledge of the area of research however this thesis has developed some prior knowledge through a literature review albeit mostly in complementary fields of social capital rather than export readiness. Informants were invited to tell the story of their experiences in exporting to enable deduction on prior theory raised in the literature review (Perry, 1998). In addition, preliminary in-depth interviews captured new insights into constructs that are not present in current literature.

The data collected from these interviews was a representation of what is important to small exporting firms and the barriers to forming export ready clusters. These perceptions provided triangulation data about the real world outside the interviewee and the interviewer (Perry, 1998).

Results from the convergent interviews uncovered an important element of social capital not readily identified in the literature (see Chapter 4). Leadership within the firm is arguably a strong driver of social capital formulation and reinforcement. As stated in chapter two however, the area of
leadership has been well covered in the literature albeit not from a social capital perspective and will not be pursued in this thesis. Further scholarly research in this area may uncover new paradigms of organisational culture that may be of benefit to SMEs, particularly those who are resource poor.

Once the final version of the interview protocol was completed, data was collected using multiple cases. Interviewer transcripts were made during the interview, and all interviews taped and later transcribed.

3.11 Data Collection

Data collection involved interviewing participants to examine the existence of social capital within their firm. Perceptions of time and, questions examining if internal social capital could be externalised to aid export ready cluster formation were also examined. The time each interview took was between one and one and one half-hours. Throughout each interview, extensive hand written notes were taken and checked soon after the interview was completed. In addition, each interview was audio taped and later transcribed. The notes and transcriptions from the tapes were then cross-checked for accuracy. In addition, documentation relevant to the research issues was checked, particularly in relation to trust, cooperation, associability, perceptions of time and any perceived negatives or benefits that may hinder or, aid cluster formation.

3.12 Case study data analysis

The aim of this section is to illustrate how the analysis of the data was undertaken to enable judgements to be made as to the validity of the analysis. Data analysis consists of examining, categorising and tabulating the evidence to address the original research issues (Yin 1994). Strategies can include content analysis, pattern matching, explanation building, time-series analysis, and
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

program logic models (Yin, 1994). This thesis employs the first three i.e. content analysis, pattern matching and explanation building.

Initial steps in data analysis for each case study took the form of immediately checking interviewer notes, tapes, and the questionnaire. Unclear and misleading data was identified and corrected, and the informant revisited to clarify any missing or unclear detail. To develop a chain of evidence throughout the development of cases, each individual case was described and briefly analysed (approximately one page per case) to provide an overview (see appendices 4-12). Each case summary includes an overview about the company and a brief description of the observations of the interviewer on the location, surroundings and interaction of staff to help identify any conflicting data collected from the respondents.

Miles and Huberman (1994, p.12), contend that ‘qualitative analysis is a continuous iterative enterprise’ in which data reduction, data display and drawing conclusions are part of the analytical process, displayed in figure 3.1.

**Figure 3.1** Components of data analysis: interactive model

![Data Analysis Interactive Model](image)

*Source:* Miles and Huberman (1994, p. 12)

**Data Reduction**

Subsequent to cleaning and editing of data and summarising each case, data reduction and coding were the initial steps in analysing field data in order to reduce and organise the mass of data to a manageable level by meaningful and
structured amount. In order to reduce the data, Miles and Huberman (1994) and Neuman (1997) suggest the following steps:

- classifying/coding the provided information into different arrays to facilitate the search and retrieval of data and identify emerging themes and patterns;
- summarising and paraphrasing;
- subsuming specific instances into larger patterns; and
- quantifying instances into numbers and ranks.

Certain phenomena of the data were ranked, into tables and diagrams to enable the identification of emerging themes and a pattern showing the frequency of issues in interviews (Neuman 1997). That is, because they “substantially enhance the reader’s appreciation of the salience or significance of the perspectives or actions that provide the substance of the report” (Bryman and Burgess, 1994b, p. 224). In this research firms were ranked on the existence of social capital elements in firms. Firms were ranked after carefully checking respondent’s answers and identifying any conflicting statements. Additionally, further techniques used to increase the credibility of the research were triangulation of various collected data sources, peer examination, and debriefing colleagues within the university (Lincoln and Guba, 1985), as well as self monitoring by the researcher, clarifying the researchers assumptions and theoretical orientation (Merriam, 1988). Each element was ranked as High, Medium or Low.

**Data Displays**

Data was also summarised using data displays in order to combine data, compare and contrast data, and report findings visually. This facilitated a clear display of the data, and initial “eye-ballling” then provided a feel for the data. Means and variances were also calculated on the tabulations to provide some preliminary understanding of the results. Miles and Huberman (1994, p. 432-433), argue that:
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

A valid analysis is immensely aided by data displays that are focused enough to permit viewing of a full data set on one location and are systematically arranged to answer the research questions at hand and help to see patterns.

Open-ended questions were coded and tabulated in much the same format as the closed-questions. For the majority of these questions however, a matrix of categories was developed and evidence placed within each matrix (see Chapter 5). Again, “playing with the data” in this way helped to provide a sense of what was worth analysing (Yin, 1994), and gave this researcher a preliminary insight into the data.

Conclusions: drawing/verifying

The next step in data analysis is to draw meaning from displayed data. Drawing and verifying conclusions required data to be condensed, clustered, sorted, and linked over time. Regularities and patterns, drawing explanations, re-checking data, and reviewing findings amongst third persons formed part of this process (Yin, 1994). Content analysis was used to identify core themes within each interview and case, as it is a method of illustrating consistency and regularity. Miles and Huberman (1994), suggest the following steps are used in content analysis:

- Putting information into different arrays.
- Noting reflections or other remarks in the margins.
- Identifying similar phrases, relationships between variables, patterns themes, common sequences, and distinct differences between subgroups.
- Making a matrix of categories and placing the evidence within such categories.
- Creating data displays for examining the data.
- Tabulating the frequency of different events.
- Examining the complexity of such tabulations and their relationships by calculating second-order numbers such as means and variances.
- Putting information in chronological order or temporal scheme.

Cross-case analysis and cross cluster analysis (Chapter 5) was used to assist in data analysis by reviewing both qualitative and quantitative data. The final step was to build conceptual/theoretical coherence through comparisons with the literature (Chapter 6).

### 3.13 Limitations of case study

This section discusses five common criticisms of case study methodology, and how these are overcome in the current research. In addition, limitations specific to this study are also discussed.

Criticism of case-study research design is usually centered on validity and reliability in terms of the research design itself, data collection and data analysis. The flexibility and absence of rigid experimental control of qualitative methods have thrown into doubt their ability to produce reliable findings, adding that its essentially "soft" nature makes case-study work appear less authoritative (Sykes, 1990). Table 3.6 summarises some of the most common criticisms of case study research:
The first criticism relates to the potential for case study research to generate 'overly complex theories' as a result of the researcher not limiting the domain of the research sufficiently (Eisenhardt, 1989). To overcome this shortcoming prior theories were examined and specific research issues developed in Chapter two.

The second common criticism directed at case study research is concerned with the ability to achieve external validity. The tests commonly used to establish the quality of empirical social research are also relevant to case studies (Yin, 1994). Tactics used to overcome these criticisms suggested by Yin and covered in this research design include:

- Construct validity: multiple sources of evidence, establishing a chain of evidence, having key respondents review draft case study report (data collection and analysis). Safeguards adopted to ensure construct validity in this research included all of the above recommendations.
- External validity: using replication logic in multiple-case studies
Reliability: using case study protocol, and developing a case study database (data collection and analysis).

The third common criticism of case study research discusses limitations of the case study method in terms of being difficult to conduct due to logistic and operational problems (Eisenhardt, 1989; Parkhe, 1993). This was overcome through the development and implication of a case study protocol, containing procedures and general guidelines to conduct case study research (Yin, 1994). All interviews were pre-organised prior to starting the field trip and required confirmation of location only.

The fourth common criticism of case study research is that a single methodology seems insufficient for sound theory development. However, the same criticism could be directed at alternative research methods, as any research is unlikely to be able to satisfy the demands of construct validity, internal validity, external validity and reliability simultaneously (Parkhe, 1993). The purpose of this type of research is to develop theory on which later studies can be based – it does not attempt to provide conclusive theory (Eisenhardt, 1985).

The fifth common criticism is directed at the impact of the researcher’s bias resulting from the subjectivity of the researcher and the respondents on whom the researcher relies to get an understanding of the research problem (Hamel, 1993). This limitation was overcome through discussion with supervisors and other researchers on research design, data analysis and the findings to ensure consistencies of interpretation provided a more dependable understanding of the nature of the phenomena thus avoiding possible bias that could be introduced by the researcher’s interpretations (Hirschman, 1986).
3.13.1 Limitations specific to this study

There is the possibility that SME owner or managers are not aware of the real meaning and use of social capital in the business context. This was overcome by holding preliminary convergent interviews with government and industry experts where one of the goals was to clarify meaning and properly define the terminology of social capital. In addition, built into the interview protocol and used at the beginning of each interview was information for the respondent that clearly outlines the research being undertaken, and the issues to be discussed. In this way, the informant was left in no doubt about the research issues, understanding of the terminology, and his/her role.

3.14 Ethical considerations

Ethics approval for research involving humans was granted by the Human Research Ethics Committee at the University of the Sunshine Coast. This reinforced many of the variables that may impact on participants in this research. Those variables are considered below.

It is important that none of the respondents are harmed or suffer any adverse consequences from their involvement in the research activities (Emory and Cooper 1984; Patton, 1990). Emory and Cooper; (1984); Miles and Huberman, (1994); Neuman, (1994 pp.363-364) identify a number of key ethical considerations which should be considered including:

- protection and privacy,
- deception,
- anonymity and confidentiality and /or the involvement with deviants
The key informants and their organisation’s point of view were of paramount interest to the researcher and were the most likely to be affected by ethical dilemmas. For the protection of all concerned in the interview process, reasons for the research were explained in advance of the interview. Furthermore, permission was obtained prior to taping interviews. This was essential in order to allow participants to disclose information they might be reluctant to disclose in a less secure environment, and to perhaps lead to more significant insights into the research topic.

3.15 Conclusion

This chapter has demonstrated and justified a case study research methodology for studying social capital and its effects on the formation of export ready clusters. Comparisons of other research methods and the degree of rigor necessary to ensure external and internal validity and generalisability were illustrated. In addition, the actual research process was outlined to demonstrate processes and analytical activities used. Lastly, limitations of the case study research and ethical considerations were discussed and explained. Chapter four presents patterns of results and analysis of the four preliminary case study interviews in order to test the findings from them for their relevance to the research questions identified in Chapter 2.
4.0 Findings of preliminary research phase

Chapter 3 described the methodology used to collect the case study data. This chapter analyses the information gathered from preliminary interviews to identify patterns through cross case analysis of the collected data to ensure that factors not identified in the literature are addressed before developing the semi-structured interview guide.

The chapter begins with a brief description of the cases undertaken. Cross-case analysis is then undertaken and the original research model revisited. The chapter concludes with a summary of the major issues.

4.1 Details of Cases

Interview cases were selected in order to address issues that may have been overlooked in the literature review. In order to facilitate discussion and for ethical reasons, cases used in this research are referred to as cases 1, 2, 3 and 4. Brief descriptions of case participants are shown in table 4.1.

Table 4.1 Participant information.

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Industry</th>
<th>Years Trading or employed</th>
<th>Number of Employees</th>
<th>Position held</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government Trade</td>
<td>2</td>
<td>N/A</td>
<td>Director</td>
</tr>
<tr>
<td>2</td>
<td>Government Trade</td>
<td>9</td>
<td>N/A</td>
<td>Manager</td>
</tr>
<tr>
<td>3</td>
<td>Food and Beverage</td>
<td>18</td>
<td>400</td>
<td>Export Manager</td>
</tr>
<tr>
<td>4</td>
<td>Food and Beverage</td>
<td>15</td>
<td>50</td>
<td>General Manager</td>
</tr>
</tbody>
</table>

Table 4.1: Details of preliminary convergent interview cases

Interviews took place within one week in November/December 2000 in Brisbane and on the Sunshine Coast in Queensland. All interviews took approximately one hour and were taped, transcribed and verified by
respondents as an accurate record. In line with the usual requirements for a case study database, interview tapes, typed transcriptions, and the interview guide used during the interviews are available from the researcher (Yin 1992).

The four cases were chosen to ensure that experienced export practitioners from both government and private sector were interviewed. The first two interviews were government trade experts whilst the latter two were current export practitioners. This provided valuable data from both government and industry specific perspectives. The first two participants were encouraged to “tell their story” on exporting. This was done with the aim in mind to confirm earlier findings from the literature on the elements of export readiness (see appendix 1). The participants were then encouraged to discuss their views on clusters, particularly those factors that may inhibit or aid the formation of clusters.

The last two interviews began with a different format as information collected from initial interviews was used to narrow down the area of study to acquire convergence of the important issues of social capital and export ready clusters.

4.2 Findings from the interviews

The findings from the two government trade experts are first presented followed by the two industry experts.

4.2.1 Case 1 (Government trade expert).

Case 1 holds a senior position within a government international trade department. The interview starts with the question “what issues are important for SMEs prior to exporting”? The motivation behind this question was purely to put the respondent at ease and get the interview started.
4.2.2 Case 2 (Government trade expert)

Case 2 as with case 1, holds a senior position within a government international trade department. The respondent was informed that while exporting was an important part of the study, the questions would focus more on the internal dimensions of an exporting firm. The interview started with the same question as case 1. That is, “what issues are important for SMEs prior to exporting?”

Export Readiness

Both respondents raised a number of issues relating to a firm’s export readiness. These issues are now presented and categorised under the headings identified in Chapter two and presented as appendix one.

4.2.3 Export Awareness

Market Research.

“SMEs have to do offshore market analysis” (C1: 1)

Both respondents argued the importance of market research in order to determine the appropriate target market and whether the product will need to be modified or re-packaged. Some of the questions for SMEs are as follows:

- What market testing has been carried out?
- What shipping arrangements are required?
- Will the product meet the relevant standards (of the importing country)?

Staff.

“Firms need knowledgeable and skilled export staff”. (C1: 2)
Both agreed that the staff within SMEs should be skilled and knowledgeable in the exporting process. Additionally, staff contact with foreign buyers helps maintain focus of customer needs.

4.2.4 Motivations for going International

Overall business strategy

“They want to know that the product is being exported for the right reasons” (C1:2)

The respondents claimed that many businesses are too small to engage in direct exporting and to overcome this process at least in part, SMEs should at least have a policy of Best Practice in place prior to exporting.

4.2.5 Top Management Commitment

“Management team has to have the ability to excite passion into staff”

Management must have an understanding of how crucial exports markets are to the firm. Strong participatory management is needed to overcome hurdles in the internationalisation process. This ensures that staff is aware of the customer needs and wants and what is important to them. At the same time management must ensure that domestic market does not suffer.

4.2.6 Business Background

International demand

“Regrettably, a number of SMEs believe that exporting will save them from going out of business because of declining domestic markets” (C1:1)
The respondents claimed that a firm’s product should be competitive on a world basis. Signs that trigger domestic decline are further intensified in international markets.

Table 4.2 summarises the data collected on the factors that are important for SME export readiness from the interviews of the government trade experts. Column one outlines responses to the first research issue addressed in each interview. Columns two and three indicate responses to each of the questions by cases one and two.

**Table 4.2. Elements of Export Readiness**

<table>
<thead>
<tr>
<th>Research Issues</th>
<th>Case 1</th>
<th>Case 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Export Awareness</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Research</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Knowledgeable and skilled staff</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Where exporting fits in organisational structure</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Has an export plan been developed with input of all relevant staff?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Motivation for going International</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unique production process?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Is exporting seen as a plan to contribute to firms long-term expansion?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Is exporting a means of disposing excess product or to stabilise seasonal markets?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Top Management Commitment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has management any reservations about entering international markets?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Is management convinced that exporting is crucial to long-term firm survival?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Will formal marketing plans be developed?</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Does the firm have adequate knowledge of shipping its product overseas?</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Business Background</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does you product compare favorably with domestic competitors in features and benefits?</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

*Source:* Developed from this research.
The strongest points identified in both cases were:

- The need for total management commitment in resources to begin and sustain the export process,
- The need for this commitment to flow down to staff and,
- The need for staff consultation and involvement in not only the planning stages but right through to completion of the exporting process.

4.3 Social Capital in exporting firms

The second part of the interviews focused on the internal workings of SMEs to identify the elements of social capital that were important to an SMEs exporting process. Following that, a discussion on industry export clusters took place to ascertain what social capital elements were important in the respondent’s mind for successful export cluster formation and sustainability. The respondents’ observations are grouped below under the elements of social capital - cooperation, associability and trust - that were identified in Chapter 2. The results are illustrated for both, “in export firm” and “in export clusters”. Many of the comments could be grouped under more than element as discussed in Chapter 2. e.g. trust may lead to cooperation and cooperation may lead to working together for mutual gain. Where this is apparent a short note has been included.

4.3.1 Cooperation

“commitment has to flow down the line” (C2:7).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

“firms who have commitment throughout all levels of staff in the firm are more noticeable when it comes to export awards” (C1:3).

The respondent’s department has identified that when staff can see what the end product is being used for (CI 1:2) it leads to greater involvement and ownership of the exporting process. Additionally, these firms also have good communication channels in place resulting from staff commitment. Both respondents claim that it is the people who make or break the firm and there has to be an understanding that the long-term benefits derived from exporting will flow down to all those employed or involved in the firm.

**Staff Recognition.**

“It makes them recognise that (their input) is integral to the partnership” (C1 :3).

Respondent C1 gave an example of a seafood company whose whole staff is involved when overseas customers visit. All staff are present and cook BBQ’s for customers. The respondent claimed “it’s just a matter of getting the actual people producing the product involved in the development of the service exposed to the customer. By cooperating and working together the staff feel “integral to the partnership”. (Authors note: This may also be categorised under associability, however in this case it was implied that the staff involvement was after hours and they were under no obligation to cooperate with management).

**4.3.2 Associability**

“it is important that staff can identify and recognise how their (staff) roles impact on the performance of the whole operation” (C1:4).
“a complete change in their mindset towards how…they involve their staff in their planning and operations processes” (C12 :8).

The respondent claimed that in many firms the manager is the owner and is generally set in his or her ways and feels threatened by involving staff and other people. The respondents argue that the firm should operate as a high performing team. To aid this process, staff should be involved in the planning process with consultation and contributions from all levels of the firm. Critical to export success is that the firm’s vision and mission should be communicated to all staff, and that part of the vision is the staff (C2 :8).

4.3.3 Trust

“the management has to develop trust and credibility with their staff” (C2:8).

The respondent claims that if staff is to be involved in consultation and contribution to the planning process, there has to be trust. The respondent stated that “in some organisations the whole workforce is involved in focusing on the importance of exporting” (C1:2). Staff are privy to company information and trusted to keep that information confidential (Authors note: this may also be seen as an associability issue as well i.e. working together for a mutual outcome for all). Further, “if they have trust and credibility then the staff are going to respond – it won’t happen overnight, but it is never too late to start” (C12: 8).

4.3.4 Summary - Social Capital in exporting firms

The data collected from the first two cases (government experts) on firms’ social capital is summarised and illustrated in table 4.3 below. The first
column outlines the issues identified by both these cases which are then identifiable in columns 2 and 3.

**Table 4.3 Social Capital in exporting firms.**

<table>
<thead>
<tr>
<th></th>
<th>Case 1</th>
<th>Case 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total firm commitment to exporting</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Involvement and ownership of all staff in exporting process</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Staff integral to partnership</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Recognition of job roles</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Company information available to staff?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Long term benefits to staff?</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Staff consultation in planning and operations processes?</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Firms mission and vision communicated to staff?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Develop and train employees?</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Management credibility</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Staff rewards</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Leadership styles</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

**Source:** Developed from the research

The most important points identified by both participants included:

- The need for all staff to work with management in a cooperative manner,
- That exporting requires a partnership to long-term commitment,
- There must be free and open channels to organisational information,
- The firms mission and vision should be communicated to staff,
- Recognition of job roles and the importance of each role in the exporting process and,
- Staff should be nurtured, trained and developed.

**4.4 Social capital – In exporting clusters**

The respondents were asked to give their thoughts on what they saw as the major impediments to, and advantages of forming clusters.
4.4.1 Cooperation

Complementary versus like industry clusters

“there is some ‘division’ about the two approaches” (C1 :3).

“clusters can be good but they can also be a disaster (C2 :10).

On the issue of whether it is more likely that sustainable clusters could be formed with complementary industries rather than like industries the respondents suggested that a solution approach was required to identify the competitive issues. Respondent C1 claimed that working with competitors is only powerful when there is a vast opportunity to take advantage of (C1 :5).

Forming a cluster that is more supply chain driven (vertical) “you have more complementary businesses” (C1: 5). SMEs will start forming networks and exchanging skills and knowledge from each other but will go only so far unless there is an opportunity to pursue (horizontal). The respondent suggested that the most successful clusters are those formed around a particular opportunity. However for this work, clusters need to be goal focused and need to cooperate (C1 :3/4).

Respondent C2 identified several issues with forming horizontal type clusters including developing trust within the clusters, leadership, recognising the need for team building, working together and particularly sharing and developing the vertical and horizontal supply chains. (C12 :10).

4.4.2 Associability

“Small businesses…need to start working with their competitors to create better outcomes” (C1 :6).
“if firms get together as one they can all get a slice of the pie, if they don’t, they will get nothing” (C2: 10).

The respondents argued those firms all need to work together to reach overall goals of the cluster (like industry or complementary) (C1: 12). Further the group’s goals had to come ahead of the individual firms goals. Moreover, the group’s goals should be articulated upfront prior to cluster formation (C1: 5). SMEs working together towards common goals and pooling resources, the group as a whole would be then rewarded. (C2: 12). How successful this might be depends on whether the barriers such as trust and cooperation can be broken down.”

4.4.3 Trust

Barriers to cluster formation.

- “a lack of trust due to the competitive domestic market place” (C1 :4).

  “one of the biggest failures of clusters is that they can develop very good vertical supply chains but they can’t develop very good horizontal supply chains because they see themselves as competitors” (C12 :11).

The respondents stated that developing trust in clusters was the biggest hurdle to overcome for successful cluster development. Trust helps build cooperation and credibility (C2: 11). Members’ contributions are also important if trust was to be formed. Members’ contributions “gives members credibility among each other” (C2: 11).
Core competencies.

The respondents stated that whether in like or complementary industries a lack of trust might still be an issue. Core competencies need to be identified to assess potential cluster member contributions in a way that allayed fears of giving away any competitive advantage. (C2: 11).

Personal relationships

“Personal relationships are everything – that’s how you build trust” (C1:6).

The respondent claimed that “issues of trust are implicit in personal relationships’ and fundamental to relationship building (C1: 5).” The respondent gave an example of a group who regularly went to dinner together. This social process helped break down the barriers of distrust.

4.4.4 Time Orientation

The respondent suggested that the group mentioned above took “quite some time to form” and that it wasn’t until the CEOs “hopped aboard” that the cluster started to take shape (C1 :5) reinforcing Hofstede’s view in Chapter two.

4.4.5 Summary - Social Capital in export clusters

Data collected from the first two case studies (government experts) pertaining to Social Capital and export clusters is summarised in table 4.3 below. The first column outlines the issues identified by the both the cases identifiable in columns 2 and 3.
Phillip Waite

How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

**Table 4.4. Social Capital in export clusters.**

<table>
<thead>
<tr>
<th>Social Capital in export clusters</th>
<th>Case 1</th>
<th>Case 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation only if goal focused</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Competitive issues identified up front</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>More cooperation with complementary industries</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Smaller businesses need to adopt partnership approach</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Firms need to work together for mutual benefit</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>The need to break down barriers (Trust etc.)</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Personal relationships lead to trust</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>For cluster success there must be trust</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Team building among cluster members</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Leadership style</strong></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Success dependent on contributions of members</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Putting the groups goal in front of the individual</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>External facilitator guiding cluster process</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Identification of core competencies of each cluster member to ascertain complementary benefits.</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

**Source:** developed from the research

There were a number of issues that both participants identified as being important to cluster success or failure. They are summarised below as:

- Smaller businesses need to take a partnership approach to overcome limited resources (either financial, production capabilities or personnel),
- Firms need goal focused to work together for mutual benefit,
- Individual firms must put the groups goals first and the competitive issues have to be identified up front,
- Personal relationships help to build trust,
- Export cluster success is dependent on member contribution and trust and,
- There is more likely to be more cooperation with complementary industries rather than like industries.
Leadership is an important factor identified in case 2. It seems unlikely that high levels of social capital would exist in firms unless the leadership within the firm fostered it. Leadership styles is a very broad area and outside the scope of this study. It has been extensively covered in the literature albeit not from a Social Capital perspective. It could possibly be the focus of further studies in the future.

The data from the last two cases will now be presented. Case 3 and 4 are from industries that are both currently exporting. The first two cases were from a government perspective of what should be happening in the real world of exporting. The second two cases highlight what is actually happening in the real world of exporting.

4.5 Industry export practitioners

4.5.1 Case 3

Case 3 is a high quality manufacturer of biscuits located in Queensland. The firm employs 400 staff and has a long history in the domestic market. The interview was carried out with the export manager. The firm has been successfully exporting for a number of years albeit at only about 10% of total production.

4.5.2 Case 4

Case 4 is a honey manufacturer and tourism destination in Queensland. The firm employs approximately fifty people. The firm has an excellent reputation in the domestic market and has exported successfully for a number of years. Little was discussed about the firm being “export ready” rather the interview built on the findings of the preceding cases. The respondents were asked how
important it was to have interaction between staff and management to build up commitment and ownership of the exporting process.

4.5.3 Top Management Commitment

“you are making an investment” (C4 :20).

Total commitment from both management and staff was important to both respondents. Issues including upgrading of plant and equipment to meet the needs of the market potential future markets relied upon the support of senior management and the entire board (C4 :20). Long-term commitment was required and management had to commit to a plan and stick to that plan. The long-term issue seems to be contentious however. The respondent commented “if we invested $20,000 here over the last 12months and got nothing back for it we would pull the pin on it” (C4: 20) which begs the question – just how long is long-term?

“The only commitment is from the export department and one other person in sales” (C3: 13).

Respondent C4 on the other hand, argued that there was little in the way of commitment within her firm. She claimed that the culture of the firm did not embrace exporting, as it was “just too hard.” She claimed further that “most of the commitment came from “middle management” (C3: 17) who are as supportive as they can be. Further, while exporting contributed 10% of the firm’s sales the export department employed just five people out of over 200 in the firm. Domestic sales come before export sales due to “a lack of commitment in the production area” (C3: 14).

The respondent claimed that it was “absolutely vital” to have total staff commitment across all departments and levels of the firm (C3: 13). The
reputation of the firm “depended” on the quality of work produced in all departments, particularly for firms wishing to export.

4.5.4 Social Capital – in the firms.

Lack of cohesion.

“the only commitment was from the export department and one person from the sales department” (C3 :14).

Respondent C3 claimed that in her firm at least cohesion between departments was restricted to one other person outside of her department. She attributed this to the lack of an export culture mentioned above, primarily as most sales are made in the domestic market.

Staff Relationships

“built on mutual respect for each others talents” (C4 :20).

it is good to have a “mates relationship” in the workplace to get things done (C3 :16).

The respondents both agreed on the importance of firms encouraging close working relationships, almost friendship. Relationships fostered cooperation between departments and enable the whole organisation to have the same focus. In that case, the results can be pretty good (C4: 21). An interesting comment from the respondent was “You have no consistency in your external image unless you have those working relationships internally” (C4: 21). This comment may indicate what you exhibit on the inside may be what you exhibit on the outside which may support the proposition in Chapter two that it may be
high levels of social capital in the firm may be transferable when forming clusters.

**Conflict**

The respondent advised that from time to time there has been some conflict between departments “but thankfully we seem to have been able to overcome it over the last couple of years” (C4: 23).

**Staff Turnover**

The respondent conceded that there was a high turnover of staff in the firm that was due to “some leadership issues in production” (C4: 23).

**Staff Training**

“we don’t really have anything” (C4 :22).

“there is not any training” (C3 :15).

There is a lack of skills training in both firms. Firm C4 has an induction manual for factory and production line staff and nothing for management. Similarly, C3 claims that there is no formal training within the firm, although given a fall in production quality over the last few months she has requested training.

**Freedom of Information**

“Some of our department heads would not be aware of some of our goals” (C4 :22).
Respondent C4 claims the board and department heads are aware of our goals and strategies. The respondent conceded “but that is as far as it goes, even some of our department heads would not be aware of some of our goals”. That is the strategy of the board and they pay me so that’s what happens” (C4 :22).

**Staff Incentives**

“For some reason it has not been high on the priority list” (C4 :23)

“not very big on offering incentives” (C3 :16).

It would seem that both firms don’t place much importance on incenting staff. Firm C4 has incentive bonuses for sales staff only. They are currently looking at ways to put into place incentives for production staff. Firm C3 on the other hand claimed that staff incentives were no longer in operation as the company “changed the goal posts” for people who achieved their targets.

**Trust**

*There is very much an us and them*” (C4 :23).

The respondents commented that trust was an issue particularly between the executive and production areas. Trust between management and staff was perceived to be low.

**Decision making.**

“The marketing people make all the decisions” (C3 :15).
Both respondents suggested that management made most of the decisions with very little input of other staff. Firm C3 commented that the marketing department made the decisions regarding packaging etc.

Communication channels

“the CEO would not listen to me”

our board likes to restrict things to department heads”
(C4:22).

Respondent C3 claimed that it is absolutely vital that you have it good and open communication channels. However that is not necessarily the case in her firm. She claims that “staff on the factory floor are not made as aware as they should be.” She added that the line managers may know how important quality issues are in the export production process but “they don’t communicate it to the workers”. The respondent commented that she doesn’t go by the chain of command “otherwise it would take ages to get anything done” (C3: 15).

Respondent C4 on the other hand suggested that in his firm only some of the department heads were included in communication channels. He further suggested that all staff knew of the importance of “getting it right” when exporting.

4.5.5 Time and exporting

“It has taken her five years to get to 10% of export sales ” (C3 :17).

The respondent claimed that when she started at the company exporting contributed to just one half percent to the overall sales of the firm and it “has
been an up hill battle to get recognition that there is an export business” (C3: 17).

Table 4.5 below summarises the points on Social Capital within firms. The first column raises the issue while the second column denotes whether the issue is high or low Social Capital. This is identified to compare the cases. The second and third columns denote the cases. “H” denotes high Social Capital while “L” denotes low social capital.

**Table 4.5. Social Capital in firms.**

<table>
<thead>
<tr>
<th>Issues Raised of Social Capital in firms.</th>
<th>Case 3 High or low Social Capital (H/L)</th>
<th>Case 4 High or low Social Capital (H/L)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total firm commitment</td>
<td>L</td>
<td>L*</td>
</tr>
<tr>
<td>Involvement and ownership of all staff in exporting process</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Participatory decision making</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Communication Channels</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Staff Relationships</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Staff rewards</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Cooperation</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Recognition of staff</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Conflict</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Staff turnover</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>Staff training</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Freedom of information</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Trust</td>
<td>L</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed from the research
4.5.6 Summary of Social Capital in cases three and four

Case 3.

Case three claimed that for successful exporting there must be a total commitment from all staff. Further, staff must be aware of the importance of the process, in particular in the production areas, yet both of these factors are lacking within the firm. The decision making process is dominated by one department (marketing), and the communication channels between departments is very weak. For staff there is very little in the way of incentives and often the rules change if staff reach goals set. Despite, or in spite, of these issues the firm continues to grow its export division. Just as cooperation does not necessarily mean trust, according to this case, low social capital does not necessarily mean export failure. The object of this thesis however is to ascertain if high social capital can increase export readiness in resource poor SMEs.

Case Four

Case four presents some anomalies. The presentation of the facts, on the face of it, would suggest that the firm have reasonable levels of social capital. The interviewer when visiting the firm observed that in the management areas and sales areas all the staff mingled and mixed well. It seemed to be a very friendly atmosphere. There seems to be some underlying problems however. The respondent indicated that staff turnover and conflict was high, especially in the production area. He further admitted some leadership problems existed in this area and that cooperation between departments was not good. Further, company information was for a limited few and did not pervade throughout the firm. While the respondent claimed that because 70% of the business the firm did was attributed to exporting and everyone in the firm was aware of the importance of the “getting it right” there was little in the way of participative
decision making and little or no training available to staff. The respondent admitted that trust, in particular between the executive and the production areas is quite poor and that an “us and them” environment pervades. The issues raised in both cases reinforce the issues identified in the government expert cases. The results of the data collected on social capital and working with competitors in clusters is presented below.

4.6 Social Capital – in export clusters

Cooperation

“we would never cooperate with competitors to take advantage of a new market together” (C3: 19).

“often firms cooperated when they needed extra product” (C4: 25).

Firm C3 argued there was some symbiosis among competitors but adamant that her firm would not work with competitors (C3: 18). Vigorous domestic competition and strong business rivalry are seemingly the barriers that prevent any joint cooperation on exporting.

Firm C4 on the other hand suggests there is some limited cooperation with competitors. When firms are short of product other firms can be relied upon to help with the shortfall. Firm C4 meets regularly with other competitors from their domestic market but as yet has been unable to agree to any joint marketing or exporting (C4: 25).
Trust

“the level of trust is low because firms are constantly trying to do things better” (C4 :24)

Trust is an important issue for both respondents. Firm C4 admitted that even though firms were prepared to exchange product, core competencies were not exchanged. He put this down to the competitiveness of the domestic market. Firms were prepared to discuss product issues, quality, ways to improve the industry, domestic market protection and disease prevention but argued that the larger firms in the association closely guarded their core competencies (C4: 25).

Collaborative Advertising

At present there is no collaborative advertising in firm C4’s group. The respondent commented that “it is something that comes up every meeting – we should be working together to promote the industry and it is something that is deferred every meeting" (C4 :25).

Working together

“looking after one’s self interest rather than the groups was human nature” (C4 :27).

The respondent agreed with the first government expert interviewed. That is, for firms to cooperate and work together there had to be a “common enemy or a common cause.” The respondent commented that this was usually “built on fear” (C4: 27). The Australian market produces around 15% of the world honey market. Australia however produces the majority of the top end of the market. The respondent claimed that “for a long time we were as one” – we
are now “small fry” and market share is falling. He claimed that it was “the fear” of losing domestic market share that stops people from cooperating and sharing information. The focus is always on what are you going to lose rather than, what you are going to gain. (C4: 25/6).

**Time**

“If you provide a single unifying purpose you could almost bring everybody into a cooperative environment within a couple of weeks” (C4:28).

The respondent claimed that if firms had a common cause or enemy then cooperation could be built over the short-term. The respondent however argues once again that a single unifying purpose would be required for this trust to develop over the short-term.

Table 4.6 compares the issues that the respondents provided on discussions of working collectively with your competitors. The first column identifies the issues raised and the second and third columns denote the cases.

**Table 4.6 Social Capital and Export Clusters.**

<table>
<thead>
<tr>
<th>Social Capital and Export Clusters</th>
<th>Case 3</th>
<th>Case 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperation with competitors</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Lack of trust</td>
<td>X (inferred)</td>
<td>X</td>
</tr>
<tr>
<td>Competitive issues</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Collaborative Marketing</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Putting the groups goals in front of the individuals</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Cooperation only if goal focused'</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Relationships</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

**Source:** Developed from this research
4.6.1 Summary

The respondent from case three was emphatic that her firm would not cooperate with other firms within her industry under any circumstances. She asserted that the competitive issues could not be overcome for any reason.

The respondent from case four on the other hand presented a case for the opposite. Whilst competitive issues were a barrier, if a common enemy or cause could be found then trust and cooperation would follow. Members of the industry group’ to which the respondent belongs have known each other for some time and developed some sort of relationship, yet despite the industry being “small fry” in the international arena the members still closely guarded secrets and did not do any collaborative marketing. The respondent claimed that the fear of losing secrets stops the group from cooperating. The group was more focused on what it could lose rather what it could gain.

The data collected on the third research issue identified in Chapter two, Time orientation, is now presented below.

4.7 Time orientation

Issues that relate to time orientation are presented below in table 4.7. The data is illustrated on a case by case basis under each of the case headings.
Table 4.7 Time orientation.

<table>
<thead>
<tr>
<th>Case 1</th>
<th>Case 2</th>
<th>Case 3</th>
<th>Case 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>It took “<em>quite some time</em>” to get the group together despite the fact they knew each other socially.</td>
<td>It is essential to develop an <em>long term plan</em>. To gain the trust of Staff <em>won’t happen overnight</em>. <em>Time is a resource</em> and should be managed like a resource</td>
<td>It has <em>taken a long time</em> to get the (export) business where it is today (five years).</td>
<td>If we invested $20,000 here over the last 12 months and got nothing back for it we would pull the pin on it Management needs to <em>invest in a long-term plan</em>. Cooperation could be built up over the short term if there was a common enemy (one to two weeks). Our group have a <em>long-term relationship</em> although competitive in nature.</td>
</tr>
</tbody>
</table>

*Source:* Developed from the research.

4.7.1 Summary

Time orientation it seems means different things to different people. In terms of relationships, Case 1 said it took some time before the group got together even though the CEOs knew each other socially. Case 2 and 4 suggested that it was imperative to have a long-term plan and work to that plan but case 4 also suggested that if an investment was not paying off within twelve months they would “pull the pin on it”. For case 3, five years was a “long time” to get the business where it is today. Case 4 also suggested that cooperation could be built up in a matter of one or two weeks – but it seems that this can only occur out of fear (common enemy). Australian’s perceptions of what is long-term could therefore be important to the development of trusting, cooperative
relationships which, it would seem, are crucial to a firm’s export readiness and perhaps, a firm’s inclination to join export clusters.

4.8 Government experts versus export practitioners.

Clearly there are two sides to this analysis - “What should be and what is”. From a government viewpoint, many of the elements of export readiness and social capital are intermingled and interdependent on each other to ensure long-term success. The government experts who claimed that sustainable and successful exporting was underpinned by long-term export planning highlight this. Further, all within the firm should have ‘ownership’ of the plan in order to create an environment of cooperation leading to overall mutual benefit for both management and staff alike.

The export practitioners on the other hand, operated in an entirely different environment from the “what should be”. Case three highlighted that there was very little management commitment to exporting, little cooperation between departments, little in the way of participatory decision making and poor communication channels. Case four admitted that company plans and goals were limited to the executive and while he claimed that “everyone knows how important exporting is around here” he also admitted that there was distrust between departments, a high turnover of staff and very little in the way of staff incentives. While both cases are currently exporting the question still remains if they could be more successful with high levels of social capital. In terms of export clusters the government experts highlighted the lack of trust between firms as an impediment to cluster formation. This was reinforced in both cases and is a critical issue in this study.
4.9 Summary

When comparing the original model developed in Chapter 2 with the findings in each of the four case studies, the model remains largely in tact.

The result of findings in this convergent interview phase identified an additional factor, Leadership, which has been added to Chapter 2 as a factor that may aid or hinder social capital within firms. However, as discussed earlier this factor could be the focus for further studies on social capital.

This chapter has summarised details from the four convergent interviews providing a brief description of each interview relating to the research issues outlined in Chapter 2. Following this, cross-case analysis was presented, and the original research model was confirmed, apart from the leadership issue previously recorded in this thesis. Chapter 5 will discusses the analysis from the main case study interviews.
5.0 Findings from main research phase

Chapter 4 described and analysed data from the preliminary phase of this research. This chapter describes and analyses the information gathered from the nine interviews in the main phase of this research and identifies patterns in the collected data both for the individual firms and the clusters of which they are members.

Thesis Research Question:

*How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?*

The chapter begins with a brief description on the level of exporting carried out by each of the selected firms. This is followed by a discussion of the theoretical and literal replication, which underlies the researcher’s selection of cases. Data obtained from each case is then presented to identify the existence of social capital followed by a cross-case analysis of firms in each cluster and a cross cluster comparison. The chapter concludes with the major findings for each of the research questions.

5.1 Details of Case Participants

Section 3.5 illustrated how the cases used in this research were selected in order to achieve theoretical replication. Cases in this research were selected based on the size (SMEs), industry sector (all food and beverage), and their membership of a cluster. In line with the usual requirements for a case study database (Yin 1994), interview tapes, transcriptions, and the interview protocol have been kept and are available from the researcher.

Descriptive information about the nine cases is summarised in table 5.1. The respondents are from three food and beverage clusters in Southeast Queensland. The first two case analyses provide additional information to that of the others to
reinforce and reiterate information extracted from the literature review. The remainder of the cases are analysed and summarised in turn. After each cluster, a table of each of the constructs discussed is provided. In order to facilitate discussion and for ethical reasons, cases used in this research are referred to as case C1A, C1B, C1C (cluster one), C2D (cluster two) etc.

5.1.1 Export Readiness (extracted from questions 1-10 of the questionnaire).

Table 5.1 illustrates that all but one of the firm’s (C3I) researched currently, or has at one time or other exported. This however does not make them “export ready”. Many of these firms have reacted to increasing domestic competitiveness or answered an inquiry from a foreign market. Many of them would also not be in a position, or have the commitment; the staff or financial resources, to gear up production to meet large export orders. Additionally the motivation behind the exporting decision may be suspect. Some of the firms are looking at short-term strategies because of attractive exchange rates rather than forming a long-term strategy. The following gives a brief description of each of the firms exporting experiences.

Firm C1A exports around 98% of their product to Japan and have since the inception of the firm. They have very few domestic customers. While the firm has had excellent success in the Japanese market, they are also vulnerable should this market decline. The firm does however, intend to investigate other markets including China once resources become available.

Firm C1B has attained some measure of exporting success however the firm has a very small domestic market (5%) due to competitive pressures in the industry. Their motivation for exporting is thus driven by aggressive competitors rather than a well planned exporting strategy. The firm has a niche product (Australian
game meats) that is currently well accepted in some European countries and the owner has 35 years experience in the meat industry albeit not in the game meat industry, which the firm has been involved in for just four years. Legislation in Australia restricts domestic sales to Queensland, Victoria and New South Wales. Legislation on game meats is not as strict in some EU countries and turnover has increased from $A 2 million two years ago to an expected $A 6 million this year. Should legislation change however this would place the firm in an extremely precarious position.

Firm C1C has had excellent success in the domestic market. They currently export 20% of production. The firms main export focus has been on Germany, New Zealand and the United States. The firm has plans for further expansion into S E Asia and the Pacific Islands. This may be hampered however by the respondent’s lack of understanding of Asian cultures in particular, Japanese cultures. The respondent considered six months negotiations with prospective Japanese customers to be too long and has sent them an ultimatum to place an order or cease negotiation. The respondent claimed that if they had spent $15,000 to go and see them personally, the negotiations would have been concluded satisfactorily. The respondent argued that the firm is committed to further investment in exporting in order to increase exporting to around 80% of production however given that $15,000 was too large an expense to close the Japanese deal this may not necessarily be the case.

Firm C2D has operated domestically for fourteen years. Market share and profitability has grown steadily during that time. The firm believes it could be even more successful in the domestic market but has had some exporting experience in Asia and New Zealand although mostly reactively rather than proactively planning for it. This however may change in the future, as the firm desires to increase exporting considerably. There is a high level of commitment from the owner of the firm to do this although it seems that the current exchange rate between Australia and the United States is the prime motivating factor to do
so. The firm is currently in negotiations with the state government for a grant for new product development. While the exchange rate is important to the firm the firm has no intention of rushing the export planning procedure.

Firm C2E is a well-established firm having operated for the last 23 years. The domestic market is nearing saturation point where the firm performs strongly. The firm is currently exporting to countries in the EU and Asia. The firm has a large product line however the only products they export are herbs, which is protected by a patented process. Exporting currently contributes 10-15% of the firm’s sales. The firm is committed to growing this to around 90% of sales over the next few years.

Firm C2F has been operating for 10 years in the domestic market. While they have had some success exporting to Saipan, this was not as a result of good marketing but rather, a chance meeting with a client’s owner that precipitated the business. The firm is paid in US dollars which is very attractive to them. The firm however does not have any further plans for exporting. Huge growth potential in the domestic market is the first priority of management. The firm has recently increased their production potential in order to meet increased demand.

C3G has a nine-year history of operating in the domestic market. The firm currently exports a small percentage of overall production however there are plans to increase this to 50% within three years. Current exports are primarily as a result of excess production as the firm claims that the domestic market is too small for the number of competitors. The firm intends to deal directly with overseas customers in order to keep costs to a minimum and is aware that the firm will have to acquire a cultural knowledge of each market in order to be successful. The firm however will have to establish maximum order quantities, as it does not have the resources to fill larger orders. Competitors of the firm are currently exporting 65% of their production to overseas markets.
Firm C3H is an old, very well established and highly respected member of the industry. Acceptance of the firm’s product has taken a long time as it was thought the Queensland heat would prevent growing and manufacturing a quality product. In reality this was not the problem that many expected and the company has grown in stature both domestically and internationally. The firm has been exporting since 1995 and commits 10% of production annually to exporting. The firm has been planning to lift export capacity however new domestic opportunities may see a rethink in this area. The firm does have the capacity to acquire additional raw product from other growers in the region but does not have the necessary infrastructure to increase export sales. The firm anticipates that this may take another 5-7 years.

Firm C3I has been operating for just three years and is yet to operated profitably. The firm expects that it will take another 7 years to achieve the quality of product they are aiming for. The firm has three sites under production and is recognised as an up and comer in the industry. The firm has plans to export in the future but recognise the importance of establishing the domestic market first.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

### Table 5.1 Case summaries.

<table>
<thead>
<tr>
<th>Firm code</th>
<th>Type of firm</th>
<th>Years operating</th>
<th>Staff employed</th>
<th>Domestic market</th>
<th>Export success</th>
<th>Exporting to:</th>
<th>* Export commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1A</td>
<td>Food processor</td>
<td>9</td>
<td>75</td>
<td>Small domestic market</td>
<td>Excellent</td>
<td>Japan</td>
<td>Very high</td>
</tr>
<tr>
<td>C1B</td>
<td>Meat products</td>
<td>4</td>
<td>40</td>
<td>Small domestic market</td>
<td>Excellent</td>
<td>E.U.</td>
<td>Very high</td>
</tr>
<tr>
<td>C1C</td>
<td>Meat processor</td>
<td>14</td>
<td>50 inc. casuals</td>
<td>Excellent</td>
<td>Moderate</td>
<td>Germany, New Zealand and the United States</td>
<td>Very high</td>
</tr>
<tr>
<td>C2D</td>
<td>Food processor</td>
<td>14</td>
<td>12/40</td>
<td>Excellent</td>
<td>Moderate</td>
<td>Asia, New Zealand</td>
<td>Moderate</td>
</tr>
<tr>
<td>C2E</td>
<td>Food and beverage processor</td>
<td>23</td>
<td>100 inc. casuals</td>
<td>Excellent</td>
<td>Very good</td>
<td>EU, Asia</td>
<td>Very high</td>
</tr>
<tr>
<td>C2F</td>
<td>Beverage processor</td>
<td>8</td>
<td>24</td>
<td>Excellent</td>
<td>Moderate</td>
<td>Saipan</td>
<td>Moderate</td>
</tr>
<tr>
<td>C3G</td>
<td>Beverage processor</td>
<td>9</td>
<td>25 plus contracts</td>
<td>Excellent</td>
<td>Good</td>
<td>Not disclosed-sensitive information</td>
<td>Very high</td>
</tr>
<tr>
<td>C3H</td>
<td>Beverage processor</td>
<td>31</td>
<td>13</td>
<td>Excellent</td>
<td>Moderate</td>
<td>U.K. –</td>
<td>Moderate</td>
</tr>
<tr>
<td>C3I</td>
<td>Beverage processor</td>
<td>4</td>
<td>10/30 casuals</td>
<td>Moderate*</td>
<td>Nil</td>
<td>Nil</td>
<td>Very high**</td>
</tr>
</tbody>
</table>

* Level of export commitment measured in terms of levels of production currently being exported.

** Firm C3I relatively new entrant and is already established as one of the largest growers in the industry and very strongly committed to exporting as a growth strategy.

Source: Field data collected for this research.

### 5.1.2 Summary of the firms export readiness

Of the nine firms researched in this study all but one (C3I) currently export or have in the past. Table 5.2 however indicates that although most of the firms are currently exporting only two are “export ready”. This may be because
some firms are merely reacting to overseas inquiries or possibly supplying a once only order. It may also be for the wrong reason for example, the domestic market is getting tougher and prices for product seem attractive in the short term in foreign markets. This may put firms at risk if firms rely on this, as attractive exchange rates may not always be available. This may be doubly important if the firm sacrifices some of its domestic market to export markets, as the domestic market may not be easy to reclaim should exporting cease.

Table 5.2 Export Readiness Summary

<table>
<thead>
<tr>
<th>Export Ready Elements</th>
<th>C1 A</th>
<th>C1 B</th>
<th>C1 C</th>
<th>C2 D</th>
<th>C2 E</th>
<th>C2 F</th>
<th>C3 G</th>
<th>C3 H</th>
<th>C3 I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Commitment</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Management Motivation</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Business Background</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Export Awareness</td>
<td>Yes</td>
<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Export Ready?</td>
<td>Yes</td>
<td></td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed from the research

The next section investigates social capital factors to examine if social capital may aid firms become export ready.
5.2 Research Issue 1: How can Social Capital aid a firm’s Export Readiness?

The first research question addresses social capital factors that may help small business to sustain their export readiness (see chapter two). Each firm and cluster is analysed in turn.

In order to identify the existence of social capital in each firm, the analysis utilises Neuman’s (1997) suggestion. Answers from questions 11-21 of the research protocol are summarised and analysed and then ranked into tables and diagrams to enable the identification of emerging themes and patterns and to display the frequency of issues in interviews. This method in conjunction with peer examinations, and debriefing from colleagues within the university (Lincoln and Guba, 1985), as well as self monitoring by the researcher, clarified the researchers assumptions and theoretical orientation of the existence of social capital in each firm (Merriam, 1988). (see section 3.).

The firms are rated by each question and placed in tables 5.2 - 5.10. The ratings are divided into two per question. The first column deals with management alone and the second deals with both management and staff (entire firm). An example of how this may be assessed is illustrated from C1B on the subject of participatory decision making and trust. The respondent in this case claimed that “We discuss everything at management level – there are no secrets up here”. This would indicate a high likelihood of social capital within management. However, he further commented that “it’s a real us and them situation here, (there) is no trust whatsoever” which would indicate the likelihood of low social capital between management and staff.

An example of a Medium rating is taken from C1C on participatory decision making. The respondent claimed that the management practice was participatory decision making (high), but “not in the factory” (low). Later, he expanded this by stating that when new machinery is required the staff is consulted about “where it should be set up - because the staff are the ones who work on it so they should have some input on
it”. Whilst this may indicate that staff are only involved with decisions that concern them directly in the manufacturing process and could be rated low, the respondent also noted later in the interview that the General Manager was on the factory floor every day talking to staff. When this was taken into account the rating was then adjudged to be a medium likelihood of social capital between management and staff.

Each of the individual cases is summarised with an overview of the company and a brief description of the observations of the interviewer on the location, surroundings and interaction of staff to help identify any conflicting data collected from the respondents (included appendices 4-13).

5.2.1 Firm C1A

Indicators of High Social Capital (HSC)

• HSC. Working together.

The respondent commented that “we need to pull together as a team to achieve what you want to achieve.” He claimed “if you have internal division and not pulling together you have divided aims” (C1A: 29/30).

Benefits to the firm

This is an important issue for two reasons. Firstly, working together is fundamental to social capital in a firm and secondly, when evaluating export readiness within firms. Chapters 2 and 4 identified that not only must there be top management commitment to exporting goals but it must flow down through the organisation as well.

Conflicting statements
The respondent commented that his general view was that people could be trusted but “in this organisation there is a level of distrust that I am working on to overcome.” In this case, the “distrust” originates from distrust by management to unions particularly “at the middle production management levels”. Further, there is still “residual distrust of what you say is what you do” (C1A: 30).

- HSC. Participatory decision making and freedom of company information.

The respondent claimed that he had “brought about a more participatory style” along with a high level of organisation freedom of information to the firm and, “he values the inputs of the management team” who, he claims, “work together” (C1A: 30).

Benefits

Management that listens and demonstrates their openness to employee input fosters cooperation within the firm (Davis and Lander, 1999). Further, high levels of organisational information indicates that management trusts employees to use it to the company’s benefit (Barrett, 2000).

Conflicting statements

It would seem that the high levels of participatory decision making and organisational freedom of information are only at the managerial level. This may explain some of the residual distrust between management and production areas mentioned previously. The respondent claims that “management actions will break that down over time” (C1A: 30), which reinforces the view that trust is not spontaneous, it is accumulated over time (Ekici and Sohi, 2000).
• (HSC). Staff interaction on a social level.

The respondent commented that he was "a firm believer in not forcing ones social preferences on others" however the management team has a social golf team that "he is going to get involved in just to be with them" (C1A: 30).

Benefits

The respondent lives some 80 kilometres from the business so this would require a large commitment of his social time however, it is important that he "subordinates personal interests" to those with whom a person works and identifies (Early, 1989, pp. 567-568). Bringing different people or groups together in a single location creates natural opportunities for sharing information and building social capital (Baker, 2000). Building social relationships with his managers can lead to more trusting and cooperative business relationships that in turn, over time, provide a basis of reciprocal benefit for the firm (Cohen and Fields, 1999).

Conflicting statements

When asked if any of the factory employees were included in the golf team the respondent replied "no, I have asked management if there are any others in the organisation playing because it seems a little elitist" (C1A: 30). Additionally, there was also a separation of the car parking (manager’s car parks inside, staff outside) and a separation of the building in that management were on the top level and staff below. Whilst the respondent, was new to the organisation, and had no input into the design of the facilities it may illustrate to employees a separation of labour and a reinforcement of the elitist social arrangements of the managers. The respondent did comment however, that he "will be looking at ways to involve staff within the organisation to see if he
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

could contribute in this area” (C1A: 30).

- HSC. Staff turnover

Staff turnover is less than 5% annually in their full time workforce but “very high from the casual employees”.

Conflicting statement

Staff turnover amongst casual employees is “very high” (C1A: 30) which could be for a number of reasons. The firm is located near an extremely popular tourist destination and it may be that itinerant employees visiting the area fill casual positions within the firm. It may also be a feature of the industry. Seasonal production expectations could have an effect on the number of staff required at any given time.

- HSC. Staff rewards.

The respondent admitted, “the firm was working on a formal recognition and reward system” (C1A: 31). A new initiative of the respondent was that the production team now gets two hours off at the end of the week with full pay “as they meet productivity”. Additionally, they have an “employee of the month.” He has asked his operational staff to come up with a reward system in consultation with staff. He claims that it is about “asking questions and getting answers” and that it is a part of “building trust” (C1A: 31).

Benefits

Social capital is strong where people work together for a common goal and mutual outcomes. As productivity rises so should staff rewards. Just as objectives must be shared, rewards must be shared to promote cooperation and
synergy (Barrett, 2000).

- **HSC. Staff conflict.**

The firm has formal processes in place to resolve conflict should conflict not be able to be resolved informally.

**Summary**

The respondent has been at the firm for just six months and may be still in the planning stages of strategic change. Whilst he claims “if you have internal division and not pulling together you have divided aims” it is apparent that there is some division and employee dissatisfaction originating from union action. The respondent admitted elements of distrust “of what you say is what you do”. In terms of participatory decision making and freedom of organisational information it seems that this is confined to management. Factors that lead to low social capital in the firm have been identified thus:

- Working together among management but not flowing down
- General level of distrust
- Decision-making restricted to management only.
- Staff interaction limited to management only
- No formal staff recognition system although “they are working on it”.

Table 5.3 illustrates the likelihood of the existence of social capital in firm C1A. The first column identifies the issue whilst the second and third columns reflect the analysis of the respondents answers.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

Table 5.3 Social capital in C1A.  H = High, M = Medium, L= Low.

<table>
<thead>
<tr>
<th>Question</th>
<th>MGT</th>
<th>All staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 11. Working together</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Q 12. Participatory decision making</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Q 13. Freedom of organisational information</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Q 14. Trust</td>
<td>M</td>
<td>L</td>
</tr>
<tr>
<td>Q 15. Staff interaction on a social level</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Q 16. Staff turnover</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Q 17. Staff rewards</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Q 18. Staff conflict</td>
<td>L</td>
<td>M</td>
</tr>
</tbody>
</table>

Source: Developed from the research.

5.2.2 Firm C1B.

Firm C1B is run by an “old school” owner/manager that seemingly practices the dictum of, cooperation by coercion (Gambetta, 1988). A thorough analysis of the case reveals little existence of high social capital within the firm. Rather than analysing the case using the same formula as Case1A the analysis will take the opposite view and reveal low social capital elements within firm C1B and highlight how this could be detrimental to the firm. Elements of high social capital are then articulated and analysed.

Indicators of Low Social Capital (LSC)

- LSC. Working together.

The respondent argued that “teamwork was important” but around here we “direct from the top.” Further, there “are some very good and skilled people downstairs but they come and go. It is common in the meat industry” (C1B: 36).
• **Detriments to the firm.**

The successful interaction within and between bottom up and top down initiatives is the cumulative product of an on-going process that entails "getting the social relations right." (Woolcock, 1998, p. 186). There is **no team** at firm C1B. Everything is **"directed from the top"**, which in this case seems to stifle an individuals natural longing for recognition and belongingness (Durkheim, 1993).

• **LSC. Participatory decision making.**

The firm has formal meetings once a month from which 2 leading hands (of 40) are invited. 

**Detriments**

In this case it seems that decision making is entirely in the hands of management and that the two leading hands are merely to convey “decisions downstairs”. This becomes more apparent when discussing freedom of organisational information.

• **LSC. Freedom of organisational information.**

The respondent commented **“we discuss everything at management level and that there were no real secrets up here”** (C1B : 36). However, when discussing the factory he admitted that **‘we don’t like to give too much information downstairs –** certain information that is freely available up here if given to our competitors could really harm us - you never know when one of the employees is going to go to the opposition and pass on our secrets.”
Detriments

Restriction of information may lead to poor communication, high turnover of good staff, complaints and signs of poor relationships, minor disputes going unresolved and, closed and often hostile factions and fractions (Cox, 2000).

• LSC. Trust.

The respondent admitted that in firm C1B “there was no trust whatsoever”. And further “it’s a real; us and them situation here”. He went on to give an example of management behaviour when they learnt that the production manager was thinking of leaving. Senior management suspected that he may have been thinking of taking information with him. “The boss told him to (expletive) off, but he changed his mind and stayed” (C1B : 36). This incident resulted in limiting information on invoices so as not to give any information that staff could access and give away.

Detriments

Social capital is high where people trust each other, and where this trust is exercised by the mutual acceptance of obligations (Schuller and Field, 1998). The workplace environment of firm C1B seems to indicate that there is “no mutual acceptance of obligations,” that takes its roots from the us and them mentality of the management. Trust is the belief that the results of somebody’s intended action will be appropriate from our point of view (Misztal, 1996). From the production managers view it could be that he was indeed thinking of taking information to a competitor and thought better of it after being told to (expletive) off! On the other hand, it may be that it was the coercive power of management that forced him to stay. In either case, the value of the employee has been diminished both from his point of view and that of the manager.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- **LSC. Staff interaction on a social level.**

  The respondent commented “downstairs has a basketball team and one of the managers used to play with them but he has moved on now.” He added, “**we certainly don’t mix that much with the downstairs staff.**” He also mentioned that they used to have a canoe race team but not anymore. He concluded by adding “**there is certainly is a them and us type thing here**” (C1B: 37).

**Detriments**

The “us and them” environment of firm C1B may in some part be eroded if management interacted a little with factory staff. Interaction, is a precondition for the development and maintenance of dense social capital (Bourdieu, 1986). Relationships formed between management and staff at social functions may illustrate common interests within the competing groups that may lead to cooperation and an openness to new ideas from both sides of the **us and them** spectrum.

- **LSC. Staff turnover.**

  The respondent claimed that there was nil or very little turnover in management but downstairs turnover was “**very high**” He claimed that this was the “nature of the industry”.

**Detriments**

It may be that a combination of the elements of low social capital articulated above, that pervades in the firm, drives people away from the organisation. Strong social capital models of employment supports high-performance work and include investments in training, job security, and collaborative work and learning.
These practices are meant to build relational contracts both between employee and employer and among co-employees within an organisation (Rousseau, 1995).

**High Social Capital**

- **HSC. Staff Rewards.**

The respondent commented that the factory employees “*get bonuses*” and the bosses’ son was investigating a system of profit sharing. Enough to make them feel some “*permanency.*” Firm C1B have a system of keeping bonuses in a “kitty” against the days when there is no work and employees can draw against this “kitty”. However this is under review after an employee left recently owing the company $1,000. The respondent commented that the employee “was a trouble maker anyway” but it left a “dirty taste in your mouth”. The respondent then gave an example of a plant in New Zealand he had recently visited that impressed him as being the ideal factory worker model. He explained that “the New Zealand plant had no demarcation line. There is no difference in what position they (employees) hold. There, no one leaves until all the work is done. Everybody stays until the last people finish. Every day they have a few minutes together discussing motivation and once a month a full meeting with whiteboards discussing everything that everyone should know. They are proactive and looking for ways to fix things” (C1B: 37).

**Benefits**

Despite the manager had previously declaring “there is no trust what so ever” in the firm, the fact that an employee left the company owing $1,000 illustrates that at some stage some element of trust was imbedded within the firm. The respondents' description of the firm in New Zealand, on the face of it, describes a
firm with very high levels of social capital. Everyone is treated equally, staff work together for mutual outcomes (all finishing together), good lines of communication and company information exist, and importantly, there is active training and motivation processes.

**Conflicting statements**

After enunciating what seemed to be a perfect example of social capital at work the respondent went on to describe his own organisation. “Here the boners are the elite ones and it goes down from there. The boners might sharpen their knives after work but they would never help clean up. *There is no team spirit.*”

**LSC. Staff conflict.**

The respondent claimed that there were no formal systems in place – “*just a common sense approach from the two bosses*” (C1B: 36).

**Summary**

Firm C1B is a very hierarchical organisation that seemingly puts no value on staff apart from what labour the management can extract from them. It would seem that the firm is deficient in all areas pertaining to social capital. The case is summarised thus:

- The management work together but this does not flow down to staff on the factory floor
- Decision making is confined to management
- Company information is restricted to senior management
- High levels of distrust in factory staff and lower management
- Low levels of staff interaction on a social level
- No formal staff rewards system (although being investigated).
Phillip Waite  
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- No formal system to alleviate staff conflict.
- An environment of “us and them”

Table 5.4 The details the likelihood of the existence of social capital in firm C1B

Table 5.4 Social capital in firm C1B.  
H = High, M = Medium, L = Low.

<table>
<thead>
<tr>
<th></th>
<th>MGT</th>
<th>All staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 11. Working together</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Q 12. Participatory decision making</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Q 13. Freedom of organisational information</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Q 14. Trust</td>
<td>M</td>
<td>L</td>
</tr>
<tr>
<td>Q 15. Staff interaction on a social level</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Q 16. Staff turnover</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>Q 17. Staff rewards</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Q.18 Staff conflict</td>
<td>L</td>
<td>H</td>
</tr>
</tbody>
</table>

Source: Developed from the research

5.2.3 Firm C1C

Indicators of High Social Capital (HSC)

- HSC. Working together.

The respondent claimed, “we are constantly having meetings among management to work out responsibilities and who is going to do what and when” (C1C: 41).
• **HSC. Participatory decision making**

The respondent claimed that the decision making process was “good in management” but the factory employees were “not involved in the process”. He did add however, that recently when they purchased new machinery the staff was consulted about where it should go. He commented that “after all they are the one’s who are working on it so they should have some input on it” (C1C: 41).

• **HSC. Freedom of organisational information**

The respondent replied that company information was distributed “only among management” but the General Manager is on the factory floor every day and he talks to factory floor staff – “he seems to have his ear to the ground” (C1C: 41).

• **HSC. Trust.**

The respondent claimed “in general most people could be trusted” (C1C: 41).

**Conflicting statement**

The respondent commented that “we would not give any of our important secrets to anyone. That’s just business though.” This would indicate some level of distrust within the firm (C1C: 44).

• **HSC. Staff interaction on a social level.**

The respondent claimed that “we have tried at different times but nothing seems to work”. The firm does have a Christmas function for all staff. He added that every Friday the management cooked the staff a barbecue breakfast whether it was a good or bad week. Occasionally they will also go to the pub on
• **Conflicting statement**

He claimed that “work is work and play is play” and it is difficult because of different shifts, different people and different age groups. The staff, he claims, are now expecting BBQ’s every week and complain about the quality of the meat and the cooking. He asserts that “it would be better to do this every 2 or 3 months” rather than weekly. Management does not encourage “going to the pub on Friday because “if one of them gets hurt they will blame management” (C1C: 41).

• **HSC. Staff turnover**

The respondent commented that the turnover of management staff was very low. The permanent staff “tend to stay because there are not too many jobs available here. It’s a lifestyle thing. If you want to live on the coast and enjoy this environment you have to look after your job”. On the subject of casual employees he claimed that “casuals come and go – it’s part of the industry” (C1C: 41/42).

• **HSC. Staff rewards**

The respondent commented the firm pays just over the award. He added, “the staff are not too happy about that” but justified this by adding that the firm was an equal opportunity employer and that they have a “visually impaired employee who works in the factory and one of the administration staff had cerebral palsy. He claims that “it has been very good for them and it has been a lesson for us too” (C1C: 42).
HSC. Staff conflict

The respondent claimed that generally there is no conflict – “arbitration is between the person and the person in charge of that area.” The respondent claimed that there is a natural sorting of people within the firm whereby the good people don’t want the bad apples working with them. The “bad apples” usually leave on their own accord (C1C: 42).

Summary

Firm C1C is characterised by a strong management team that communicates and shares information readily among the management team. Whilst the interview observed that the firm was seemingly a happy and friendly environment for people to work in, there some underlying deficiencies in the firm if high levels of social capital are to be achieved. The deficiencies include;

- Access to company information (NB. It may be that the General Manager takes this role in his daily walk around the factory floor).
- The decision making process is limited to factory staff and to making decisions on placement of machinery only.
- Some level of distrust that staff “might give some secrets away.”
- Friday BBQ’s now seem a chore rather than a social interaction.
- Turnover of permanent staff reliant on the socio-economics of the region rather than the firm being a good place to work and,
- Staff unhappy at level of pay.

Table 5.5 illustrates the likelihood of the existence of social capital in firm C1C.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

**Table 5.5 Social capital in C1C. H = High, M = Medium, L= Low.**

<table>
<thead>
<tr>
<th>Question</th>
<th>MGT</th>
<th>All staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 11. Working together</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Q 12. Participatory decision making</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Q 13. Freedom of organisational information</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Q 14. Trust</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Q 15. Staff interaction on a social level</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Q 16. Staff turnover</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>Q 17. Staff rewards</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Q 18 Staff conflict</td>
<td>M</td>
<td>M</td>
</tr>
</tbody>
</table>

Source: Developed from the research

### 5.2.4 Cross case analysis of cluster one

The next section compares the three cases analysed in cluster one in order to tease out the **shared patterns** of each firm and search for the **emerging themes** across the cluster (Miles and Huberman, 1994, p. 430).

Table 5.6 illustrates that from a management perspective that all three firms work together well, have participatory decision making and a general freedom of organisational information. All three have medium to high levels of trust between managers.

Interestingly, firms with corresponding low or medium levels of management and staff working together, participatory decision making and freedom of organisational information also have corresponding levels of trust within the firm. For example, Firms C1A and C1B have a high-low relationship between management and staff when working together, participatory decision making and freedom of organisational information which seems to foster a low level of trust.
between management and staff. Firm C1C have a high-medium relationship over the three areas and corresponding levels of medium trust between management and staff.

Another identifiable pattern seems to be that firms that interact on a social level have corresponding levels of trust between management and staff. For example firm C1C have a medium interaction of staff (staff BBQ’s every Friday) have medium levels trust. Firms C1A (Management only golf days) and C1B (no interaction) have low levels of staff interaction and corresponding low levels of trust.

Similarly, this may also be illustrated with the first three constructs. Levels of staff interaction produce corresponding levels of the ability of the management and staff to work together, relate to the level of participatory decision making, and the general freedom of organisational information.

The amount of staff conflict and the processes to overcome tension and conflict in the workplace may also be proportional to the amount of trust in the firm. For example firm C1C has a medium level of staff conflict and a medium level of trust. Firm C1B has high staff conflict. There are no formal systems for conflict settlement in firm C1B, “just a common sense approach from the bosses.” The common sense approach articulated however, involved telling the aggrieved employee to “##### off!” This may in part reflect why the firm has low levels of trust in the firm.
Table 5.6 Cross case comparison. H = High, M = Medium, L = Low.

<table>
<thead>
<tr>
<th>Rating of Cluster Social Capital</th>
<th>Firm C1A</th>
<th>Firm C1B</th>
<th>Firm C1C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MGT</td>
<td>MGT &amp; Staff</td>
<td>MGT</td>
</tr>
<tr>
<td>Q. 11 Working together</td>
<td>H</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Q. 12 Participatory decision making</td>
<td>H</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Q. 13 Freedom of organisational information</td>
<td>H</td>
<td>L</td>
<td>H</td>
</tr>
<tr>
<td>Q. 14 Trust</td>
<td>M</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>Q. 15 Staff interaction on a social level</td>
<td>H</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Q. 16 Staff turnover</td>
<td>M</td>
<td>M</td>
<td>L</td>
</tr>
<tr>
<td>Q. 17 Staff rewards</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Q. 18 Staff conflict</td>
<td>L</td>
<td>M</td>
<td>L</td>
</tr>
</tbody>
</table>

Source: Developed from this research.

5.2.5 Summary cluster one

The respondent C1B commented that there is “an us and them situation” within his firm and this seems to characterise the rest of the firms within cluster one. Whilst management of all three firms seem to be working and cooperating well between each other there is a disparity when it comes to management and staff. Firm C1C has the highest level of trust in the cluster and that is only medium. It would seem that not being able to work together, not sharing in the decision-making processes and limited freedom of organisational information has bred an environment of distrust of management by employees of the management. Other issues including staff conflict whereby no formal resolution processes are in place, also seems to have eroded trust. Only firm C1C had any reasonable levels of staff interaction on a social level, which may be one reason they rate higher in all the constructs than firms C1A, and C1B. Overall, it would seem that the cluster does not exemplify the benefits that social capital may bring to firms.
5.3 Cluster two

The analysis now moves to cluster two and follows the same format for analysis as cluster one.

5.3.1 Firm C2D

Indicators of High Social Capital (HSC)

- HSC. Working together.

The respondent described the company as small and as a consequence “we all know what has to be done and we just do all the work together to get it done” (C2D: 47).

Conflicting statements

The respondent claimed that in the main the teams work well together however on occasions petty problems occur such as one team “leaving the factory not as clean as the other team would want”. He suggested that it could be some petty little thing but he would “have to sort out if it was petty or a real concern” (C2D: 47).

- HSC. Participatory decision making

The respondent claimed “we do discuss corporate things” e.g. production schedules etc. The respondent describes himself as a “Theory Y” (implied – modern) manager that instructs staff in the manner of “this is what I want you to do, this is when I want you to do it and this is how I want you to do it” (C2D: 47), and gets feedback from the staff concerned.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

Conflicting statement

The respondent commented that the owner was a “Theory X” (implied – old fashioned) manager and that because of the size of the firm “we do what the boss wants to do” (C2D :47).

- HSC. Freedom of organisational information.

The respondent claimed that staff “have access to the quality records and to all the information sheets regarding receipts etc., very few of them would have access to financial data however.” The respondent claimed that “we are sending out as good a quality as we can” (C2D :47) so staff receive specific information regarding all aspects of the export order. (Destination, packaging sheets, and any other information related to delivery and any other special considerations).

- HSC. Trust.

The respondent claimed there was no distrust in the firm. He commented “we have an honest set up here, we leave keys and our wallets in our cars”. Further, he also claimed that “I don’t want to be here at the start of the day and at the end of the day working in the business when I should be working on the business. You need to be able to trust the staff and let them do their job” (C2D: 48).

Conflicting statement

The respondent commented that the owner “liked to be here in the morning when the staff set up and likes to be there at the end of the day when the staff go home” (C2D: 47).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- **HSC. Staff interaction on a social level.**

  The respondent commented that “it would only be a couple of times a year.” The respondent claimed “that he would socialise with people from other organisations” more than his own. This is also applicable to the staff who he claimed mix socially with other firms and “tell us what might be happening in another company” (C2D :48).

- **Conflicting statements**

  The owner is not a beer drinker and “he doesn’t encourage that at work.” The respondent commented that the owner likes to keep “the social” separate from work and “we probably like to keep it that way” (management). He claims that staff “feel the same” (C2D: 48).

- **HSC. Staff turnover.**

  In terms of permanent staff “only one has left in the past four or five years.” Casual staff is “let go” after the season. Some are replaced during the season if they cannot meet the expectations of management or are “accident-prone” (C2D: 48).

- **HSC. Staff Rewards.**

  The manager claimed they (the employees) “do get bonuses if they do a good job” (C2D :48).

- **Conflicting statements**

  The manager suggested that “we might take them all out and shout them dinner”. These were the “couple of times a year” that the staff interacted with
management. He implied that there was no formal or structured rewards or recognition systems in place (C2D: 48).

- **HSC. Staff conflict.**

The respondent commented that “we don’t have a lot of conflict here.” Further, “the staff we have, have been here for quite a while and are very valuable to us because they know what is going on” (C2D: 48).

**Conflicting statements**

The respondent claimed that “occasionally we have a problem with a casual employee and a permanent employee – the value of the permanent employee is normally much greater- if they can’t resolve the issue the casual employee is generally assigned to different duties” (C2D: 48/49).

**Summary**

Firm C2D is a small operation that relies heavily on the people they employ. The employees work well together and enjoy their work and the environment they do it in, illustrated by the fact that only one staff member “has left in four or five years”. There are high levels of trust, and information readily available regarding quality assurance and export administration details. The firm seems to have reasonable levels of social capital, however some deficiencies are identifiable. These include:

- Whilst the respondent encouraged participation in the decision making process the owner was “theory X” and dictated his own decisions.
- Low levels of staff interaction on a social level.
- No formal recognition or rewards system.
While conflict is low in the firm, there is no formal arrangement to attend to staff conflict.

Table 5.7 illustrates the likelihood of the existence of social capital in firm C2D

<table>
<thead>
<tr>
<th>Table 5.7 Social capital in C2D H = High, M = Medium, L= Low.</th>
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</thead>
<tbody>
<tr>
<td><strong>Firm Social Capital - Firm C2D</strong></td>
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<tr>
<td><strong>Q 11. Working together</strong></td>
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<tr>
<td><strong>Q 12. Participatory decision making</strong></td>
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<td><strong>Q 13. Freedom of organisational information</strong></td>
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<td><strong>Q 17. Staff rewards</strong></td>
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<tr>
<td><strong>Q 18 Staff conflict</strong></td>
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</table>

5.3.2 Firm C2E

Indicators of High Social Capital (HSC)

- HSC. Working together

The firm experienced a huge downturn some years ago and was in peril of closing down. The respondent claims that at that time “we didn’t listen” (to parent company). Rather than close down, the whole organisation took on the challenge and informed the parent company that “we will do what it takes.” He claims that “we now have a reputation of having a team that does not know the meaning of the word ‘no’.” Further he commented that “we are all part of the one team – how can people on the floor be any different than management”? He pointed out that recently the union approached the firm, and the employees—not management “told them to get lost”. He claims that the success of the firm
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

...has a lot to do with the fact that people got on with their own job and “didn’t tell everyone how to do their job.” The respondent commented that many of the management team were “ex floor” which helped them relate to each other (C2E: 55).

- **HSC. Participatory decision making**

The respondent claimed that within management “we have regular meetings to discuss things”. In general if it concerns his area he will make the decisions and it is not often that he is overruled. He further commented that the firm has set up a whole new operation in the plant and “we could not have got there without all the staff’s commitment or ideas on how it should be set up. They use it everyday and they have different ideas of what to do” (C2E: 55).

**Conflicting statements**

The respondent commented “downstream, they don’t get much of a choice. We listen to their ideas but it is all up to economics, sometimes you can’t do things for economic reasons” and that “there is always an us and them in business. You can’t get away from that” (C2E: 55).

- **HSC. Freedom of organisational information**

The respondent commented information was available “in each area – we have our leading hands who are our unofficial officers they listen downstairs and pass it back”. Meetings also occurred between technical management, production and marketing which according to the respondent, “makes up the entire management structure. We then talk to the production teams and ask them how the hell we are going to do it” (C2E: 55).
HSC. Trust

The respondent commented that he had been with the firm for three years and initially the attitude of the factory was “you were not paid to think”. This attitude had caused a lot of trouble. He claimed that now the firm fosters an attitude of “you are damn well paid to think”. Employees are in control of their own process. He argued “you have to trust them (employees) because your product is in their hands and they are responsible for quality”. He further commented “I think we have a good level of trust here” (C2E: 56).

Conflicting statement

Whilst the employees all key in their own data “we do have audit systems in place” (C2E: 56).

HSC. Staff interaction on a social level

The respondent claimed that their social club had “died” last year and that they were in the process of trying to resurrect it. He did observe however, that “some of the guys go camping together” (C2E: 56).

Conflicting statements

The firm has a large core of people (about 30-40) who have been at the firm for a long time. The respondent claimed that when a large intake of new employees were employed with differing ideas as to how the social club should be ran it “put a strain on the social club committee” and “they pulled the pin” (C2E: 56).

HSC. Staff turnover

The respondent suggested that the turnover of staff was “low to medium”. He
claimed that only three production people had left during the last three years and only one manager has left (retrenched) (C2E: 56).

Conflicting statements

The respondent observed that the majority of production employees were casuals and “you always get a high turnover with casuals” (C2E: 56).

- HSC. Staff rewards

The respondent commented that “we pay award wages”. The firm does have recognition awards however, “the employee of the quarter”. The employee gets a certificate, a weekend away and a car parking space out the front of the building (with management). The firm also has a system in place whereby “anyone can recognise another worker for what they are doing. For example a factory worker may nominate a leading hand”. It seems to “foster cooperation within the teams” (C2E: 56).

Conflicting statements

The respondent argued “it is just a piece of paper (the recognition)”. All staff get together for the presentation and “sometimes it may cause some disappointment” (C2E: 56).

- HSC. Staff conflict

As part of quality management the firm does have formal systems in place for employees to access “if they don’t think they are getting any answers”. Further he observed that “we have a chain of command that people can bypass and go to the top”. The respondent commented that “we get the occasional grievance here, normally harassment between factory employees which we treat very
seriously” (C2E: 56/57). The firm has a system of contact officers who are trained for the grievance management role. Employees are informed that if they think they cannot trust an officer they may go to another contact officer for help.

**Summary**

An analysis of Firm C2E reveals that working together, at least at management level and with the permanent staff, has turned around a near fatal closure of the firm. There seem to be good channels of information, albeit through “unofficial officers”, and the staff are consulted on issues that would affect their productivity in the factory. Staff turnover is low among permanent and managerial staff indicating some enjoyment of the work and environment. It would seem that there are reasonable levels of trust within the firm. The firm has a quality management system that has formal conflict resolution systems in place. As with the proceeding firms however, there are several areas deficient in elements of social capital. These deficiencies include:

- Low levels of staff interaction on a social level.
- Rewards may be a little sanctimonious in that part of the reward system was to allow the employee to park in the managers’ carpark.
- Whilst there seems to be reasonable team spirit, the use of the words “downstream”, “unofficial officers”, “downstairs”, and “us and them” is unlikely to endear a great deal of cooperation and trust with factory employees.

Table 5.8 illustrates the likelihood of the existence of social capital in firm C2E.
Table 5.8 Social capital in C2E. H = High, M = Medium, L = Low.

<table>
<thead>
<tr>
<th>Question</th>
<th>MGT</th>
<th>All staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 11. Working together</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Q 12. Participatory decision making</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
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<td>H</td>
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<tr>
<td>Q 14. Trust</td>
<td>H</td>
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<tr>
<td>Q 15. Staff interaction on a social level</td>
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<td>M</td>
</tr>
<tr>
<td>Q 16. Staff turnover</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Q 17. Staff rewards</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Q 18. Staff conflict</td>
<td>L</td>
<td>L</td>
</tr>
</tbody>
</table>

Source: Developed from the research

5.3.3 Firm C2F

Indicators of High Social Capital (HSC).

- **HSC. Working together.**

The respondent claimed that “we have team meetings (marketing, delivery drivers and administration staff) and we talk about teams”. When the firm identifies problems, consultation among teams is the norm. The respondent claimed that “we used to give them the solution and there would be revolt – now it is a team effort to solve that problem”. Further he commented that “you have to have goals and expectations so everyone knows where they are going” (C2F: 62).

Conflicting statements

The firm recently employed a General Manager and according to the respondent his attitude is “achieve bottom line at all costs”, however the respondent also claimed that he “doesn’t agree with this big business approach” and “is trying to
find that middle road so that everyone from our customers to staff is happy”. He did however add, “a happy ship is not always a productive ship” (C2F: 62).

- **HSC. Participatory decision making**

The respondent claimed that this was most important. He argued for example, “the drivers are the eyes and ears of the firm” and it is the drivers that see the customers - they are an “open conduit” between marketing and the customer. Further, there are management meetings once a week and quality assurance where every department is represented every fortnight. The respondent commented that “if you are talking, that is 70% of the deal” (C2F: 62).

**Conflicting statements**

The respondent admitted that “sometimes you can get your head down and bum up too much, working on a solution…and forget to inform or ask for the help from the people that are involved … a lot of times you are just too busy to sit down with those people in consultation” (C2F: 62).

- **HSC. Freedom of organisational information.**

The respondent claimed that “there is no attempt to hide any information – everybody has access to it” (C2F: 63).

- **HSC. Trust.**

The respondent claimed that he has “100% trust in their honesty”. Whilst the firm has Quality Assurance systems in place the manager claimed that “anybody could fudge QA sheets” (C2F: 63).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- **HSC. Staff interaction on a social level**

The firm has a number of social days throughout the year ranging from cricket matches on the farm to BBQ’s and Christmas parties. The respondent claimed that at times “it could be difficult” coordinating the parties and sometimes they are “not well patronised” but further he commented that “we do try very much” (C2F: 63).

- **HSC. Staff turnover**

Staff turnover in both management and employees is very low. The respondent claimed that staff turnover occurred “maybe one every two years” (phone interview – question overlooked at original interview).

- **HSC. Staff rewards**

The respondent claimed that it was “very hard to give financial rewards”. The firm does have a number of recognition awards ranging from telling people “well done,” to employee of the month awards. The employee of the month “wins a dinner for two and a show”. Additionally if the firm makes target, “everybody’s name goes into a hat for a weekend at the Sheraton” (C2F: 63).

**Conflicting statements**

The respondent claimed that “I believe people should be here because they want to be here and want to do a good job” (perhaps as an excuse for having no financial reward systems in place) (C2F: 63).

- **HSC. Staff conflict**

The respondent admitted that at one time he had a confrontational attitude
explaining, “I used to be head on”. He claims that identifying the problem is the “hardest thing” and solving the problem is a “piece of cake” once this is achieved. He has instituted “job swapping” within the firm e.g. people from administration now swap with production to see “how they have to cope with the heat” (C2F: 64).

**Conflicting statements**

The respondent commented that “people (production team) see people sitting up here in front of a computer while they are sweating down on the floor – There is always an “us and them” but we are working hard to avoid this” (C2F: 62).

**Summary**

It is apparent from the observations of the interviewer during the visit to the firm that the respondent is very well liked and there is a friendly spirit and cooperation in the firm. The respondent is dedicated to the success of his firm and relies on his staff to help that process. Communication channels are good, organisational information is available to all and trust seems to be high. Deficiencies in social capital were identified as:

- Conflict between General Manager policies and that of the owner.
- Occasionally forgets to consult with staff if busy.
- Reward system may need to be formalised.
- No formal conflict resolution system in place.
- The respondent admitted that there was some “us and them” distinction between employees.
- Separation of office from manufacturing facilities. On the one hand it makes good sense to do this in regard to the slope of the property but it may also demonstrate to factory employees a separation of hierarchical levels within
Table 5.9 illustrates the likelihood of the existence of social capital in firm C2F.

**Table 5.9 Social capital in C2F. . H = High, M = Medium, L= Low.**

<table>
<thead>
<tr>
<th>Question</th>
<th>MGT</th>
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<td>H</td>
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<td>H</td>
<td>H</td>
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<tr>
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<td>H</td>
<td>H</td>
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<tr>
<td>Q 18 Staff conflict</td>
<td>L</td>
<td>L</td>
</tr>
</tbody>
</table>

**Source:** Developed from the research.

The next section compares the three cases analysed in cluster two.

**5.3.4 Cross case analysis of cluster two**

Table 5.10 illustrates almost the direct opposite of cluster one in relation to the existence of social capital. All three firms rate high to medium when examining how well management and staff work together, and the level of shared organisational information. Firms C2D and C2F both rated medium when involving staff in participatory decision making while firm C2E rated low. This may explain why they also rated slightly lower on trust than the other two. Firms C2D and C2F both were high in trust whilst C2E was medium.

All three firms have medium to high ratings in staff interaction on a social level, particularly firm C2F who has “3 or 4 days a year and a Christmas party.” Staff rewards in C2D and C2E were both high while firm C2E were medium.
The openness of firms in this cluster seems to have reaped benefits in terms the low rate of staff conflict and low staff turnover, which are low for all three firms.

**Table 5.10 Cross case comparison**

\[H = \text{High, } M = \text{Medium, } L = \text{Low.}\]

<table>
<thead>
<tr>
<th>Rating of Cluster Social Capital</th>
<th>Firm C2D</th>
<th>Firm C2E</th>
<th>Firm C2F</th>
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<tbody>
<tr>
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<td>Staff conflict</td>
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</table>

**5.3.5 Summary of cluster two**

It is apparent from the analysis that all three firms seem to be working and cooperating well between management and staff. Freedom of organisational information and a generally good level of participatory decision making may be one reason for this. Another reason may be that the firms in cluster two have a greater focus on rewarding their staff than the cluster one firms. This may also be the reason, along with higher levels of staff interaction on a social level, that in total has led to higher levels of trust within the firms and low levels of staff conflict and staff turn-over. Overall, unlike cluster one, the existence of social capital across all three firms is apparent and it would seem that the firms are benefiting from this.
The analysis now moves to cluster three and follows the same format for analysis as the previous clusters.

5.4 Cluster three

5.4.1 Firm C3G.

- **HSC. Working together.**

The respondent claims that the firm has a philosophy of working as teams and has adopted what he calls *“an American type approach”*. This includes teams, team leaders and deputy team leaders workings together to achieve certain objectives, and if the objectives are achieved, the whole team benefits. He claims *“as a team they look forward to getting bonuses by helping to increase productivity and lowering our costs”*. The respondent claims that this builds *“loyalty and commitment”* (C3G: 69).

- **HSC. Participatory decision making**

Every employee of the firm is free to express any suggestion or concern from their area. The respondent suggested that staff are told *“you don’t have to be worried by saying something that might upset us, if it is something we should know, then we want to know”* (C3G: 69).

- **HSC. Freedom of organisational information**

The respondent suggested that there was a high level of information availability and *“the staff are saying they never have seen so much information, memos and communication from the management”* (C3G: 69).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- **HSC. Trust**

  The respondent claimed that most people in the firm were happy with the approach of being valued and trusted as a team. He claims that except in certain exceptional circumstances “we tell them everything” – we don’t close doors so people can’t hear”. He further reiterated “**we think in terms of our people being valued and trusted**” (C3G:69/70).

**Conflicting statements**

If the firm suspects that one of the staff is about to leave the firm “**we don’t involve them much**”. The firm had such a case recently. The respondent claimed that “one of the reasons they were going to walk is the new employer would want to know that information. There was no loyalty there” (C3G: 69/70).

- **HSC. Staff interaction on a social level**

  The respondent indicated that he is not interested in socialising with his staff. He believes that “**friendship and camaraderie has its limits**”. He does however supply a bottle of wine at the end of a hard day to staff (C3G: 70/71).

- **HSC. Staff turnover**

  The firm has just been through a major reorganisation where some of the staff were terminated or replaced. The respondent expects however that when things settle down staff turnover will be “**fairly stable**” (C3G: 71).

- **HSC. Staff rewards**

  The firm has a system of cash incentives that are group focused. Additionally, “**we go around patting people on the back, telling them they have done a great job**” (C3G: 71).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- **HSC. Staff conflict**

The firm has formal systems in place to resolve tension and conflict. The respondent claims, “**what is out is confrontation, abuse, bullying and similar behaviour**” (C3G: 71).

**Summary**

It would seem that firm C3G rates well in social capital. Working together for mutual benefit is the norm, there is a high level of communication and participatory decision making along with freedom of information. Little in the analysis could be found to refute the above. Perhaps the only deficiency in social capital could be:

- **Separation of car parks.** Only the CEO’s car not parked in staff car park.

Table 5.11 illustrates the likelihood of the existence of social capital in firm C3G.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

### Table 5.11 Social capital in C3G. H = High, M = Medium, L= Low.

<table>
<thead>
<tr>
<th></th>
<th>MGT</th>
<th>All staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 11. Working together</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Q 12. Participatory decision making</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Q 13. Freedom of organisational information</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Q 14. Trust</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Q 15. Staff interaction on a social level</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>Q 16. Staff turnover</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Q 17. Staff rewards</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Q 18. Staff conflict</td>
<td>L</td>
<td>L</td>
</tr>
</tbody>
</table>

Source: Developed from the research

#### 5.4.2 Firm C3H

**Indicators of High Social Capital (HSC)**

- **HSC. Working together**

Half the staff at the firm are members of the family which the respondent claims makes them able to look at opportunities faster and make decisions faster. Whilst she claims that the family are all put into management slots she commented that *“we all do a little of everything around here”*. Further “whatever needs to be done, gets done – that’s the mentality around here”. Job sharing, she claims is “a good way to be because you then get to do lots of things…and learn and grow from that and enhance the business that way (C3H: 76).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- **HSC. Participatory decision making**

Almost all major decisions are made by members of the whole family. The respondent claimed that “there is always heated discussion because people have different opinions”, but they usually “get through that”. When probed about non family members she replied, “the winemaker is involved in decisions as is the vineyard manager – their decisions go hand in hand” (C3H: 76).

**Conflicting statements**

The respondent admitted that the ultimate decision is “always left up to Dad because it is his business”. She further claimed however, “we try to make decisions together as much as we can”. The respondent also claimed that family make up the “management team” which indicates that participatory decision making is at a high level within management but perhaps not at such a high level across the entire firm (C3H: 76).

- **HSC. Freedom of organisational information**

In terms of freedom of organisational freedom the respondent claimed, “there are no real secrets here. You can’t afford to, otherwise you would end up with big arguments and you can’t afford to run that way” (C3H: 76).

**Conflicting statements**

The respondent mentioned that “the boys in the shed don’t know what is going on in the vineyard –and quite often we are liaising”. In overall terms she suggests that this is overcome as “they often have a beer and talk about what has to happen tomorrow” (C3H: 76).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- **HSC. Trust.**

  The firm has a very trusting environment. This may be due to “family” connections, however the respondent commented that “*most of our staff have been working here for years and are very loyal*”. Further, “one of the vineyard boys has been with us for over twenty years, his experience is invaluable and we trust him implicitly, at times he runs the place” (C3H: 76/77).

  **Conflicting statements**

  The firm has had many offers from investors however the respondent claims that “*we are very protective of our business*”. We could have taken on partners but we decided to do it on our own – no partners and we are very happy with that decision” (C3H: 76/77).

- **HSC. Staff interaction on a social level.**

  The firm regularly has dinners for all staff “*and parties now and again*” (C3H: 77).

- **HSC. Staff turnover**

  The respondent suggested that there was very little staff turnover at the firm and in fact “*they seem to arrive and never leave*” (C3H: 77).

  **Conflicting statements**

  The respondent commented that “*the winery is different, people leave*”. However, in over twenty years the winery has employed just four winemakers, which according to the respondent is almost unprecedented as “they are very nomadic” (C3H: 77).
• **HSC. Staff rewards**

The firm pays over award wages. The respondent concedes that “our staff are a fairly skilled’ and that the employees are *“happy with the system”* (C3H: 77).

• **HSC. Staff conflict**

There is conflict among the family members from time to time. The respondent suggested that “that happens, but there is no real tension”. Occasionally the vineyard employees *“get a bit funny”*, but she suggested that separation of the employees for a while usually remedied the situation and “they get over it by themselves” (C3H: 77).

**Summary**

Firm C3H is a family owned and run company. There appears to be a high level of trust and cooperation between family members. An interesting point is that this cooperation and trust may take its roots from the cultural heritage of the family (Italian), and may be worth further study in the future. All members of the family share responsibilities and jobs and “do what has to be done”. They have long serving staff and little conflict suggesting that employees enjoy working in the firm. The firm appears to have a fairly active social interaction with employees, which may be the basis of the reason that their communication channels are so fluid. Some minor deficiencies to social capital were identified as:

• Minor communication problems between the vineyard and the “boys in the shed”.
• Perhaps some distrust to “outsiders”.
Table 5.12 illustrates the likelihood of the existence of social capital in firm C3H.

**Table 5.12** Social capital in C3H.  H = High, M = Medium, L= Low.

<table>
<thead>
<tr>
<th>Q</th>
<th>Social Capital</th>
<th>MGT</th>
<th>All staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Working together</td>
<td>H</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>12. Participatory decision making</td>
<td>H</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>13. Freedom of organisational information</td>
<td>H</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>14. Trust</td>
<td>H</td>
<td>H</td>
<td></td>
</tr>
<tr>
<td>15. Staff interaction on a social level</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>16. Staff turnover</td>
<td>L</td>
<td>L</td>
<td></td>
</tr>
<tr>
<td>17. Staff rewards</td>
<td>M</td>
<td>M</td>
<td></td>
</tr>
<tr>
<td>18. Staff conflict</td>
<td>L</td>
<td>L</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed from the research.

5.4.3 Firm C3I

Indicators of High Social Capital (HSC).

- **HSC. Working together**

The firm operates two vineyards and an olive grove. These are managed on site with overall control out of Brisbane. The respondent claims that working together “is very important” when you have this many sites (C3I: 83). The respondent visits the sites about every three weeks.

- **HSC. Participatory decision making**

The day to day decision making is left to the managers of the sites. The
respondent commented that “we try to employ people that know the job” (C3I :83).

**Conflicting statements**

The respondent claimed that while staff are left to make their own operational decisions, “if it starts to cost money then we get involved” (C3I: 83).

- **HSC. Freedom of organisational information.**

The respondent claimed all staff are “fully briefed and know what the objectives of the firm and the work area is” (C3I: 83).

- **HSC. Trust.**

The respondent claimed that “we are very careful about that”. All the managers were consulted over budgets and “asked what they considered to be reasonable” (C3I: 83).

**Conflicting statement**

The respondent commented that “we don’t expect to make money for twelve months but we expect performance”, suggesting that “economic” trust was the underlying issue.

- **HSC. Staff interaction on a social level.**

The respondent lives in Brisbane so little interaction is carried out apart from the occasional wine with the staff during visits (C3I: 83).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- **HSC. Staff turnover**

  Staff turnover is low. The respondent claimed that only one of the permanent staff had left during the time the business has operated and “he is now one of our consultants” (C3I: 83).

- **HSC. Staff rewards**

  The firm pays over award wages in the technical areas “to get the good staff” (C3I: 84).

**Conflicting statements**

The respondent claimed that “*rewards will come in the long-term*”.

- **HSC. Staff conflict**

  There are no formal conflict resolution systems in place at the firm however the respondent suggested that “*at some stage we will put something together*” (C3I: 84).

**Summary**

The firm is in its embryonic stages however according to State Development sources they are “up and comers” in the Queensland wine industry. There are some levels of trust that are due to the location of the sites for example, decision making is left to site managers until there is some financial downturn when senior management will step in. The firm has had only one person leave in their three year history and he was appointed as a consultant which suggests that staff rewards are adequate and that there is not a lot of conflict in the organisation. Because social capital takes time to evolve there are many
underlying deficiencies within the firm, many to do with the fact that the firm is managed from Brisbane. These include:

- Participatory decision making is dependent on the bottom line at each site which may or may not be determined by the site manager in place.
- Staff interaction is low, which may make it difficult to form good working relationships.
- Staff have to wait for “long term rewards” suggesting that senior management expect the staff to trust and cooperate with them until they eventuate.

Table 5.13 illustrates the likelihood of the existence of social capital in C3I

### Table 5.13 Social capital in C3I.  \( H = \text{High}, M = \text{Medium}, L = \text{Low} \)

<table>
<thead>
<tr>
<th>Q</th>
<th>Question</th>
<th>MGT</th>
<th>All staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Working together</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>12</td>
<td>Participatory decision making</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>13</td>
<td>Freedom of organisational information</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>14</td>
<td>Trust</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>15</td>
<td>Staff interaction on a social level</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>16</td>
<td>Staff turnover</td>
<td>L</td>
<td>L</td>
</tr>
<tr>
<td>17</td>
<td>Staff rewards</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>18</td>
<td>Staff conflict</td>
<td>L</td>
<td>L</td>
</tr>
</tbody>
</table>

Source: Developed from the research.

The next section compares the three cases analysed in cluster three.

### 5.4.4 Cross case analysis of cluster three

Table 5.14 illustrates similar patterns as cluster two. All three firms rate high to
medium when examining how well management and staff work together, and the level of organisational information. Firms C3H and C3I both rated medium when involving staff in participatory decision making while firm C3G rated high. This may explain why C3G also rated high on trust whereas the other two rated medium.

Firms C3G and C3I both rated low in staff interaction on a social level. As pointed out earlier, firm C3I is managed from Brisbane and the manager visits the sites every three weeks or so, making it difficult to socialise with staff. Distance aside, no mention of staff Christmas parties or anything of that nature was observed throughout the interview. C3G commented “I think friendship and camaraderie has its limits…I don’t try to socialise”. Firm C3H rated medium in staff interaction. The respondent suggested “they go out to dinner fairly regularly and have parties now and then” however, this is tempered by the fact that half of the staff are family and her further comment that “there is a bit of them and us with the boys in vineyard and the boys in the shed.”

Staff rewards in all three firms were medium to high as was staff turnover for firms C3H and C3I. However, firm C3G was the exception as the firm has undertaken a substantial “reorganisation” recently.

The openness of firms in this cluster as with cluster two, seems to have reaped benefits in terms the low rate of staff conflict and low staff turnover, which are low for all three firms. High to medium ratings in working together, participatory decision making and freedom of organisational information is once again proportionate to the level of trust in the three firms which perhaps, may be the catalyst for lower staff conflict and lower levels of staff turnover.
Table 5.14 Cross case analysis. H = High, M = Medium, L= Low.

<table>
<thead>
<tr>
<th>Rating of Cluster Social Capital</th>
<th>Firm C3G</th>
<th>Firm C3H</th>
<th>Firm C3I</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MGT</td>
<td>MGT &amp; Staff</td>
<td>MGT</td>
</tr>
<tr>
<td>Working together</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Participatory decision making</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Freedom of organisational information</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Trust</td>
<td>H</td>
<td>M</td>
<td>H</td>
</tr>
<tr>
<td>Staff interaction on a social level</td>
<td>L</td>
<td>L</td>
<td>M</td>
</tr>
<tr>
<td>Staff turnover</td>
<td>M</td>
<td>H</td>
<td>L</td>
</tr>
<tr>
<td>Staff rewards</td>
<td>H</td>
<td>H</td>
<td>M</td>
</tr>
<tr>
<td>Staff conflict</td>
<td>L</td>
<td>L</td>
<td>L</td>
</tr>
</tbody>
</table>

Source: Developed from the research

5.4.5 Cross cluster analysis summary of research issue one

Thus far the analysis has examined patterns in the data in search of an existence of social capital in *individual firms* followed by a *cross case* analysis in each of the clusters the firms were involved in. A *cross cluster* analysis is now undertaken to identify any emerging themes and trends across the clusters. A brief description and history of each cluster is provided first.

Cluster One

Cluster one is a joint initiative of State Development and the local city council in which it operates. The cluster has been in existence for some four years and is fully incorporated. The cluster has approximately 400 members of which just 100 are financial members. The cluster employs a part-time executive officer partly funded from membership fees and partly from state and local government. The state government has provided linkages in areas of education (QA, regulatory...
changes etc.), and some limited funding to individual firms in the cluster. The city council has provided subsidies for joint marketing (e.g. trade fairs and exhibitions) but as yet no collaborative exporting has been carried out or subsidies offered for such.

**Cluster two**

Cluster two was formed two years ago after initially being formed by a representative of a government funded regional enterprise. Large industry diversification and differing agendas led to cluster two leaving this group and setting up their own cluster. The group saw enormous benefits of forming a cluster within their industry and through a process of social meetings formed their cluster some two years ago. The cluster has now applied for incorporation and presently has approximately 30 members. The cluster has carried out a number of initiatives (QA, training etc.) at their own cost although they presently have a number of applications outstanding for subsidies in these areas. Since their breakaway from their previous cluster, the cluster has been industry driven by a core group of 7-8 cluster members. They are currently investigating regional branding and discussing a collaborative exporting strategy.

**Cluster three**

Cluster three formed in November 1999 as an wine industry association under the auspices of the Department of State Development. The industry in Queensland is very immature but growing. In 1996 the total production was just 500 tonnes but expected to be in excess of 2500 tonnes in 2001. The industry is characterised by a number of different regions, some of which are very new and not perceived by the older regions as traditional product growing areas. The more mature firms in the industry now have to face the impacts of globalisation and seek new and more innovative ways to market their product. While the state strategy is being led by industry, the industry has huge support from State
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland? Development and arguably, would not probably be in existence without their support. Competitive advantage within the industry is characterised by the firms’ creative and artistic product outputs that help firms to manufacture their own distinctive brand products. This very fact of individual distinctiveness may be one of the major underlying problems facing the industry, as joint exporting may require industry branding rather than individual branding. This may, in the view of the industry members, undermine any competitive advantage built up over a number of years.

5.4.6 Emerging themes and trends

The analysis now examines the aggregated data from previous analyses to identify any emerging themes or trends across the clusters. Table 5.15 illustrates a number of themes and trends as:

Table 5.15. Emerging themes.

<table>
<thead>
<tr>
<th></th>
<th>Cluster One</th>
<th>Cluster Two</th>
<th>Cluster Three</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social capital across clusters</strong></td>
<td>Firm C1A</td>
<td>Firm C1B</td>
<td>Firm C1C</td>
</tr>
<tr>
<td><strong>Working together</strong></td>
<td>No</td>
<td>No</td>
<td>At times</td>
</tr>
<tr>
<td><strong>Participatory decision making</strong></td>
<td>No</td>
<td>No</td>
<td>On matters of machine placement</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Freedom of information</strong></td>
<td>No</td>
<td>No</td>
<td>Some</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Trust</strong></td>
<td>No</td>
<td>No</td>
<td>M</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Staff interaction on a social level</strong></td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>M</td>
</tr>
<tr>
<td><strong>Staff turnover</strong></td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td><strong>Staff rewards</strong></td>
<td>M</td>
<td>M</td>
<td>Low</td>
</tr>
<tr>
<td><strong>Staff conflict</strong></td>
<td>M</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

Source: Developed from the research
Firms that work together involve staff in the decision making process and have a general freedom of organisational information (C2D, C2E, C2F, C3G, C3H and C3I).

Firms that do not work together have low participatory decision making processes, less freedom of organisational information and less trust (C1A, C1B and C1C).

Firms that work together have medium to high levels of trust (C2D, C2E, C2F, C3G, C3H and C3I). Just one firm from cluster one rated medium in trust (C1C) despite lesser levels of participatory decision making and freedom of organisational information. This could be because of the General Manager’s direct involvement in the factory each day.

Firms that work together have low staff conflict and a low turnover of staff (C2D, C2E, C2F, C3H and C3I).

Conversely, firms that do not work together have higher staff conflict, and higher staff turnover (C1A, C1B and C1C).

N.B. Firm C3G does not fit this mould. Whilst the firm has low staff conflict staff turnover is higher than the rest of cluster as the firm has recently restructured although the respondent from the firm expects that there will be little in the way of staff turnover in the future.

Firms that reward and recognise their staff have a proportional turnover of staff (C2D, C2E, C2F, C3G, C3H and C3I). The reverse could be said for firms C1A, C1B and C1C).

Higher staff conflict could lead to lesser trust (C1A, C1B, C1C).

It seems that firms that interact on a social level work together better (C2D, C2E, C2F, C3H). The exceptions are C3G where the respondent does not believe in socialising with staff but on the other hand is very open when it comes to organisational information and involving staff in the decision making processes, and firm C3I which manages the firm from Brisbane.

Conversely, firms that do not interact on a social basis (C1A and C1B), seemingly do not work well together.
Figure 5.1 summarises the outcomes of the analysis of the data on social capital in firms.

**Figure 5.1 Benefits of high social capital.**

Summary – Social capital of the firms in each cluster

From the analysis of the first research issue it seems clear that, overall, the firms in cluster one are low in social capital. There is a general level of distrust in firms C1A and C1B between management and staff that has made it difficult for them to work together. In the case of C1A, the respondent has only been in his current position for six months and plans to initiate changes to improve the levels of trust within the organisation. He plans to involve more employees rather than just management in staff social days which he described as “a little elitist” at the
present time. Additionally, staff disputes involving unions may have also impacted on the level of working together.

The lack of involvement by staff in the decision-making processes and freedom of company information seems to have also contributed to the general levels of distrust across all three members of the cluster. This may have also contributed to a higher turnover of staff across the cluster members.

Clusters two and three on the other hand, involve their staff in the decision-making processes and most have access to company information. It would seem that all firms of both clusters work well with their staff, which seemingly is reinforced by less staff conflict and a lower turnover of staff. The combination of each of these factors has led to a much higher level of trust in firms of the two clusters particularly when compared with the level of trust from cluster one. These factors may be important to resource poor SMEs.

Chapters two and four identified that most SME’s are resource poor whether in production capabilities, financial or personnel. Working well together in a trusting and cooperative manner can help overcome some of these difficulties. Synergy’s aside, less absenteeism, and lower staff turnover are clearly demonstrable savings for firms with high social capital.

The analysis now moves to the second research issue to examine how perceptions of time may influence a firm’s social capital and if these perceptions may have any influence on cluster development.
Chapter two identified that social capital takes time to develop and that in the early stages of a firm’s existence social capital may be low. For social capital to be high it must be supported by the business norms of the firm. Business norms such as trust and cooperation however take time to develop (Bourdieu, 1986; Granovetter, 1992). As indicated in Chapter two, working together for mutual benefit (in this case, sustainable export success) assumes that rewards for all will be returned at some undefined time in the future (Onyx and Bullen, 2000). Australian business perception of time is generally regarded as a commodity or resource to be spent or wasted. Moreover, relationships need to be nurtured and built upon with a long-term view rather than short-term profit maximisation (Harris and Dibben, 1999).

This section provides an examination on the perceptions of SMEs in two ways. Firstly to examine SME perceptions about how long an exporting strategy may take to implement and secondly, how time may influence social capital development both in the firm and in cluster development.

Table 5.16 illustrates the questions and answers of all nine respondents. The first question was put to them to confirm Harris and a Dibbens assertion that time was a commodity or resource. All nine respondents agreed that “time is money and should not be wasted”. This is an important issue because it “sets the scene” as to “what is worth spending time on” and “what is not”. Chapter two illustrated that when discussing a firms export readiness, social capital, and export ready clusters, there are a number of issues that are “time related”. The next section examines export readiness questions developed in chapter two and included as appendix one to illustrate how the respondents’
perceptions of time may reflect on a firm’s export readiness. Following that an analysis of social capital and time is undertaken. The last section of “Clusters and time” is included after the completion of the third research issue in order to provide continuity to the analysis.

Table 5.16 Perceptions of time.

<table>
<thead>
<tr>
<th></th>
<th>C1A</th>
<th>C1B</th>
<th>C1C</th>
<th>C2D</th>
<th>C2E</th>
<th>C2F</th>
<th>C3G</th>
<th>C3H</th>
<th>C3I</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time is money and should not be wasted</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Developed from the research.

5.5.1 Export Readiness and time

Chapter two examined a number of “export readiness” models (included as appendix one). Many of the issues identified in the export ready models rely on SMEs taking a long-term perspective when contemplating exporting. The following questions have been extracted from the export readiness questionnaire in appendix one in order to contrast respondents’ perceptions of time.

1. Is exporting seen as a plan to contribute to company’s general long-term expansion?
2. Is your firm convinced that exports are an important aspect for your future survival? Department of Trade and Industry – South Africa (1999).
3. Can the firm commit a substantial amount of time to developing an international market in the initial stages? AIG (1999).
4. Is the firm’s domestic operation sufficiently well established to continue to thrive while management time is dedicated to the export market? Department of Trade and Industry – South Africa (1999).
5. Is the firm willing to sacrifice profits for long-term sales during the start up period?

Table 5.17, summarises the respondents attitudes to time followed by a discussion and summary of the respondents attitudes and perceptions of time in the export process.

**Table 5.17** Time orientation

<table>
<thead>
<tr>
<th></th>
<th>Long-term (years unless stated)</th>
<th>Medium-term</th>
<th>Short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1A</td>
<td>5 plus</td>
<td>1-5</td>
<td>1 year or less</td>
</tr>
<tr>
<td>C1B</td>
<td>4 – 5</td>
<td>-</td>
<td>2-3 months</td>
</tr>
<tr>
<td>C1C</td>
<td>6 months to 3 years</td>
<td>-</td>
<td>Now</td>
</tr>
<tr>
<td>C2D</td>
<td>5</td>
<td>Up to one year</td>
<td></td>
</tr>
<tr>
<td>C2E</td>
<td>5-10 plus (Strategic) After two weeks.</td>
<td>Two weeks</td>
<td>*One day</td>
</tr>
<tr>
<td>C2F</td>
<td>5 years</td>
<td>One day</td>
<td>6 months (seasonal)</td>
</tr>
<tr>
<td>C3G</td>
<td>Next week</td>
<td>One day</td>
<td>Today</td>
</tr>
<tr>
<td>C3H</td>
<td>15-20</td>
<td>-</td>
<td>5 – 7 years</td>
</tr>
<tr>
<td>C3I</td>
<td>7-8</td>
<td>-</td>
<td>Today</td>
</tr>
</tbody>
</table>

**Source:** Developed from the research.

**Summary**

In general, it seems that when considering the above question, firms are cognisant that exporting is a long-term process that requires substantial investments of the firm’s resources including, the willingness to “invest” in time for overseas expansion. One exception was firm C1C who had been in unsuccessful negotiations with a Japanese client for six months and claimed:

_“they have a month to come back with the order”_ (C1C :42).
Firm C2E suggested that Australians should take a leaf out of the “Japanese book”.

“If you don’t have a long-term vision for the company you can not get anything committed for that period” (C2E:57).

Conversely, Firm C3G denotes long-term as “next week.” Further when the respondent was probed about how long they would cultivate export markets he claimed “very short – we don’t have the resources to spend.” (C3G: 72).

Firm C3H believes that long-term is 15-20 years. This opinion may reflect different cultural values attributed to time, although along with all other respondents she agreed that time is money and should not be wasted. Interestingly, she claimed that:

“They take a lot of time to get things right before making any decisions” (C3H: 78).

5.5.2 Social Capital and time

Although the previous section identified that most firms were willing to invest “time” when attempting to exploit foreign markets it seems that in the internal dimensions of their firm, they are not so willing to invest time in building a skilful and knowledgeable workforce or, nurturing relationships with new staff. This section examines question 21 of the research protocol to further investigate the issue of these time perceptions to identify how these perceptions may influence the constructs examined in research issue one.

Table 5.18 illustrates the willingness of firms to “invest” in new staff in terms of trial periods for new staff members.
“it takes a while to make these decisions (on who to employ). Usually when we make a decision they are the right ones. We don’t worry about probation” (C3H: 78)

It would seem that only three of the firms (C2F, C3H and C3I) are prepared to invest in nurturing and building skills of new staff. Firm C2D is changing their policy on staff. However, this it would seem to be an economic issue, rather than an issue of building long-term internal relationships with staff. The most radical views came from C1B and C3G who claimed:

“in the boning room they are always on trial.” (C1B: 38).

“in the sales office it is only one week – we know after three days if they are going to cut it” (C3G: 72).

It would be difficult to argue how firm C3G policy of one week or three days could be beneficial to the firm’s morale or to demonstrate the level of job security this approach gives the rest of the staff of the firm. Similarly, firm
C1Bs assertion that they were “always on trial” also limits job security and perhaps lead to the poor levels of trust already identified within the firm. Of the nine firms, six have trial periods for new staff and three (C2F, C3H and C3I) do not.

Firm C2D staff start as casuals and if they demonstrate a level of skills and abilities they may be offered full time employment. However, the respondent explained:

“over the last four years we have been changing staff from permanent casual to permanent. We figure they will have more security in their work and will be less likely to look elsewhere for jobs. It costs a lot of money to train staff and I would rather keep the staff I have got”

(C2D: 50).

### 5.5.3 Cross cluster analysis

It would seem that cluster one has one policy for staff and another for management. This discrimination between different levels of employees of the firm may be a contributing factor to the low level of trust in all firms of the cluster. It may also be the *nature of the industry* as all of these firms have a number of casual employees “that come and go” (Firm C1B). However this may be difficult to substantiate as both of the remaining clusters also, in part, rely on casual workers. They do not however, have a discriminative policy between management and staff. Both cluster one and cluster two are located in popular tourism areas. Cluster one more so than cluster two. This may explain cluster one’s discriminative policy when Firm C1C commented that

“there are not too many jobs available here –it’s a lifestyle thing” (C1C: 41).
It may be that cluster one attracts more itinerant workers than that of the other clusters, although firm C2C also commented that his firm was also in a "predominantly tourism area and work was hard to get". It may be that cluster one has more itinerant workers choose to from and that has led to the development of this policy across all cluster members. Both clusters two and three have no discernible policy on staff trial periods. However, they would seem to be in the process of either not having trial periods or shifting to a more permanent arrangement, as was the case with Firm C2D.

5.5.4 Summary

It would seem that the accepted trial period for new staff is three months, (C1A, C1C, C1E and C3G). When measured in the context of what firms perceived to be long, medium and short term views it can be clearly demonstrated that these firms have little or no intention of “investing” time into development of staff. It would seem that there might be a differentiation in time perceptions between long-term business exporting strategies and long-term staff development.

The issue of time and export cluster formation will be addressed after the third research issue is covered in order to fully utilise the findings of research issue three.

5.6 Research issue three

*How does social capital aid the formation of export ready clusters?*

Research issue three examines the benefits that firms perceive they acquire from cluster membership. Conversely, the negatives are also identified along with the firms’ propensity to share core competencies. Additionally, firms are
questioned about the sort of timeframe it will take to take before these benefits become available. From there, the analysis examines whether firms more likely to work with complementary versus like industries in clusters. An examination of the communication channels, joint marketing and exporting activities and issues of the dynamics of clusters will provide information on the levels of cooperation and coordination in the cluster. The final segment looks at any further comments or issues that the cluster members may feel is relevant to the study. The process is then replicated for cluster two and three to identify any common themes or trends in the clusters.
5.6.1 Cross case analysis - Cluster one

Table 5.19 summarises the cross case analysis of cluster one followed by a discussion of the issues.

Table 5.19 Cluster one cross case analysis

<table>
<thead>
<tr>
<th>Research Issue</th>
<th>Firm C1A</th>
<th>FirmC1B</th>
<th>Firm C1C</th>
<th>Most common</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 23 Negatives of clusters?</td>
<td>Getting agreement Opportunism Unequal contributions Distrust</td>
<td>Poor planning Getting agreement Distrust</td>
<td>Distrust Opportunism</td>
<td>Distrust (3) Opportunism (2) Getting agreement (2).</td>
</tr>
<tr>
<td>Q 24 Sensitivity to core competencies.</td>
<td>Very sensitive</td>
<td>Very sensitive</td>
<td>Very sensitive</td>
<td>All Very sensitive</td>
</tr>
<tr>
<td>Q 25 Timeframe for benefits.</td>
<td>6 months</td>
<td>No short-term expectations</td>
<td>No expectation</td>
<td></td>
</tr>
<tr>
<td>Q 26 Like or complementary industry</td>
<td>Complementary</td>
<td>Complementary</td>
<td>Complementary</td>
<td>Complementary (3)</td>
</tr>
<tr>
<td>Q 27 Communication channels</td>
<td>Meetings Email</td>
<td>Emails Newsletters from State Development</td>
<td>Email newsletters from DSD</td>
<td>Emails (3) Newsletters (2).</td>
</tr>
<tr>
<td>Q 28 Joint cluster marketing and exporting.</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Q 29 Uniting initiatives</td>
<td>Don’t know</td>
<td>Meeting once a month</td>
<td>Export pathways training</td>
<td></td>
</tr>
<tr>
<td>Q 30 Further comments</td>
<td>Some people are opportunistic We would only want to be in a cluster where the whole group benefits</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Source: Data collection.
Summary – Cluster one

Benefits

Overall the firms identified eight benefits of clusters however they were unable to unanimously agree on any one benefit. The most they could agree on was two, (relationships, C1A and C1B; Information ((market intelligence)), C1A and C1C), and shared experiences, C1B and C1C).

Relationships

Two firms (C1A and C1B) identified that *relationships* was of great benefit to their firms albeit from two different perspectives:

“*relationships are the eyes and ears to the world*” (C1A:32)

Whereas C1B saw relationships more in terms of:

“*social interaction when travelling*” (C1B:38).

Information – Market intelligence

Two firms (C1A and C1C) also commented that clusters were good market information gathering opportunities, although, once again from different perspectives. C1C commented:

“If we have a customer that is not performing and not paying we can ring up our opposition to inquire about their experiences with the customer” (C1C: 43).

C1A on the other hand, claims that the reason he is a member of the cluster is:
Shared experiences

Firms C1C and C1A also identified that “shared experiences” were of benefit. C1A claimed:

“no one company has all the expertise” (C1A: 32).

C1C claims that other firms could identify solutions to problems the firm is currently experiencing adding:

“what they did might be a way that could work for us” (C1C: 43)

Firm C1C however, also alluded to not telling the opposition too much about what the firm is doing. Firm C1A suggested that another benefit was firms in clusters had shared objectives and suggested that by working together the group would benefit as a whole commenting that:

“the whole thing is better than the sum of the parts” (C1A: 34).

He further claimed that this “adds value to the firm.” Two other points raised by the respondents C1B and C1C respectively were that clusters “give you respect in the industry” and clusters allowed you to “share parts” when manufacturing processes broke down.

Negatives

Distrust

All three firms agreed that distrust was a major obstacle to cluster success. Firms C1A and C1C both argued that opportunism and getting agreement were also negative elements of clusters. Firm C1A argued that:
“someone may join a cluster to gain competitive advantage to use against another member of the cluster” (C1A :32)

**Opportunism and getting agreement**

Understandably, where opportunism is rife, little trust is likely to develop. Firms C1A and C1C argued that there were difficulties “getting agreement” among cluster members and opportunism was prevalent in the cluster. Indeed, both firms could be accused of just that same thing. Firm C1C admitted that they joined the cluster to “suck information” (C1C :44) while C1A admitted that he was there to “find ways to commercialise research.”

**Sensitivity to core competencies**

All three firms were very sensitive to exposing their core competencies to other firms. Firm C1C reiterated:

“we don’t give information away, we suck information from the cluster” (C1:44).

Firm C1A admitted that if there were firms in different industries or firms in the same industries but addressing different markets then they may share some information but it “came down to whether you felt trust in the other member of the cluster” (C1A :32).

**Timeframe for Benefits**

Firm C1A argued that benefits depended on the objectives of the cluster however

“new relationships could be formed in six months” (C1A: 32).
Firms C1B and C1C had no expectations of benefits. Firm C1C suggested:

“we don’t put enough effort into the cluster at all’ (C1C :44)

This may further strengthen the argument of their opportunistic behaviour and indicate the level of commitment they have to the cluster.

Like or complementary industries

All the firms claim that they would prefer to work with complementary industries. Issues of distrust of competitors regarding information sharing seemingly the most obvious hurdle. C1B commented that “this industry is especially critical of its opposition and we would definitely not form a cluster with our opposition” (C1B :39) C1A suggested he would not “declare all our operating costs because I would not trust our competitor with what they would do with it” even if the aim of working with a competitor was to jointly exploit an overseas market (C1A :32/3).

Communication Channels

The communication channels of the cluster seem to be poor. Firm C1A however claimed that “members are always talking with each other.” All three respondents claimed that emails were the main source of information however it seems that this was one way communication, originating from the local Department of State Development (DSD) office. C1C claimed that they received emails from DSD once a week adding, “we just want to know what is going on in the industry”. C1B claimed that it “was not very good” adding that DSD has a “good communication chain in place” (C1B: 39).
Joint marketing and exporting

All three respondents admitted that there was no joint marketing or exporting initiatives in the cluster with firm C1A commenting that:

“we would be somewhat philanthropic but we would have to watch our resources” (C1A :32).

Further still, as the cluster is made up of mostly complementary industries:

“there is not much there for us because we are finding that many of our interests are consistent” (C1A :32).

Uniting initiatives

Firm C1A is unaware of any initiatives to unite the cluster. He claims that he is keen to bolster this sort of networking and cluster development “because they are 'casting about' looking for new markets and you have to be involved to build up knowledge”. C1B suggests the meetings once a month may unite the cluster while C1C suggests the export pathways program from DSD help unite the cluster.

Further comments

Firm C1A suggested that

“some people go into clusters opportunistically and we may be a bit like that” (C1A :34).

C1A further added that his firm would only go into complementary industry clusters where all in the group could share and gain benefits.
Cluster one seems to have no common objectives, as just one firm mentioned common objectives as important (C1A). The cluster members have very little social contact, and little direction as to where and what they hope to get out of the cluster. Perhaps more important, individually, all the firms rated low in social capital. It would seem in this cluster at least, if social capital is low on the inside (the internal state of the firm), then it is low on the outside (clusters). Further discussions and findings on this concept will be presented in chapter six.
5.6.2 Cross case analysis - Cluster two

Table 5.20 summarises the issues relating to research issue three.

Table 5.20 Cluster two cross case analysis

<table>
<thead>
<tr>
<th>Research Issue three.</th>
<th>C2D</th>
<th>C2E</th>
<th>C2F</th>
<th>Most common.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 23 Negatives of clusters?</td>
<td>Poor organisation Lack of courtesy</td>
<td>Time investment</td>
<td>Govt. egos Gov. expectations Time investment Opportunism</td>
<td>Time investment (2).</td>
</tr>
<tr>
<td>Q 24 Sensitivity to core competencies.</td>
<td>Somewhat sensitive</td>
<td>sensitive</td>
<td>Somewhat sensitive</td>
<td></td>
</tr>
<tr>
<td>Q 25 Timeframe for benefits.</td>
<td>10 years</td>
<td>3-5 years</td>
<td>No time expectations</td>
<td></td>
</tr>
<tr>
<td>Q 26 Like or complementary industries</td>
<td>Either</td>
<td>Complementary – but already working with like.</td>
<td>Either if relationships have been built and they are ethical</td>
<td></td>
</tr>
<tr>
<td>Q 27 Communication channels</td>
<td>Phone Email Newsletters Travel to meetings together</td>
<td>Phone Email Newsletters Socialising</td>
<td>Socialising Meetings Phone Email</td>
<td>Socialising (2) Email (3) Newsletters (2) Phone (3)</td>
</tr>
<tr>
<td>Q 28 Joint cluster marketing and exporting.</td>
<td>Planning for future regional branding</td>
<td>Planning for future regional branding</td>
<td>Planning for future regional branding</td>
<td>Planning for future regional branding (3)</td>
</tr>
<tr>
<td>Q 29 Uniting initiatives</td>
<td>Food safety and quality assurance programs</td>
<td>Future joint marketing Food and health regulations. Mentoring</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q 30 Further comments.</td>
<td>Clusters are a long term process Relationship s take time to form</td>
<td>Little or no training provided Build relationships first It takes time to know people Distrust of Govt. cluster formations</td>
<td>Govt. assistance</td>
<td></td>
</tr>
</tbody>
</table>

Source: data collection
From the interviewer observations, all firms in this cluster were extremely enthusiastic about the benefits of clusters. The firms unanimously identified the most of the benefits of clusters (networking, sharing information, common objectives, parts sharing, and social relationships). Each will now be discussed briefly.

**Networking**

All three firms were enthusiastic about the networking opportunities in clusters and the ancillary benefits, including sharing information, parts and product sharing and working together for better outcomes, that good networking led to. Firm C2D suggested networking meant that he:

> “profited by other members’ experiences” (C2D:51).

C2E claims that networking has made them

> “a close knit unit” (C2E:58),

C2F suggested that networking

> “has given the cluster “a united voice” (C2F:65).

which has led to a common focus and common objectives in the cluster.

**Sharing information**

According to C2D, sharing information identifies

> “common issues or problems and how to overcome problems” (C2D:51).
C2E argued that sharing information “builds clusters” while C2F commented that sharing information allows:

“phenomenal knowledge from others that has helped my business grow” (C2F: 65).

Common objectives

Firm C2E claims that having common objectives has

“built the sharing of information” (C2E: 59).

Firm C2F on the other hand argues that it has

“helped build relationships within the cluster” (C2F: 65).

All three firms regularly swap parts should their manufacturing processes fail. A number of other benefits were also identified including: Firm C2D and C2E claim that by their cluster membership they can “overcome supply problems”. Both firms will supply product to each other should one run short.

All three firms place great importance on the social relationships of the cluster. C2D commented that: “we needed cluster members to know each other better”, while C2E argued that:

“a cluster is a relationship and we socialise a lot” (C2E: 58).

All firms in the cluster argue that to build a strong cluster you first need to build social relationships, which then builds trust and then move towards developing cooperation between the cluster members. C2F reinforces this sentiment by
arguing that the cluster was “set up over a cup of coffee and that it took two years of beer and pizza nights” to form these social relationships.

**Mutual benefit**

Another benefit identified by C2E and C2F was working together for mutual benefit. C2E claimed that it was:

> “in his benefit to see the food industry grow” (C2E :58)

while C2F argued that “talking together as a united voice really does turn heads” (C2F :65).

**Negatives**

Two of the firms (C2E and C2F) argued that the investment of time was a negative in developing clusters. C2E commented that

> “in new relationships there is always an investment in time” (C2E:60).

while C2F argued “it takes time to know someone and you are more likely to trust someone you know” (C2F :67).

Very little else was identified by the firms as being negative. Firm C2D has some minor complaints about lack of courtesy by some cluster members, whereby they didn’t supply apologies for not attending meetings, and a minor complaint about the organisation of those meetings. Firm C2F however was particularly hostile to government bodies who he claims are “basically well meaning but barking up the wrong tree”. He further states that government officials’ “egos” are a barrier to cluster formation. Interestingly, not one of the
three firms discussed distrust as an negative issue of clusters indicating that there is likely high levels of trust within their own cluster.

**Sensitivity to core competencies**

This trust issue articulated above may also indicate why two out of the three were willing to work with competitors (C2D and C2F) and share core competencies if there was mutual benefit for all. Respondent C2E claimed that he would not however as illustrated in previous section, C2E is already working with competitors in this cluster. C2D was adamant and commented:

> “if there was a benefit for us it would be just good commercial sense” (C2D :53).

Firm C2F, stated that if he had a “secret process he would keep it secret but he would let them know he could not share it with them”. But further, contradictorily:

> “he would be happy to tell them (the cluster) anything” (C2F :67).

**Timeframe for benefits**

All the firms seem to be taking a long-term perspective in terms of when they expect to reap rewards from the cluster activities. Firm C2D suggested it will be at least ten years. However, he suggested that already they were getting “intangible benefits” in the form of relationships. C2E calculates at least 3-5 years” adding that he “really enjoys the social side” (C2E :58) that in the long-run may be of great benefit to his firm. Firm C2F has no actual time expectations adding that “the cluster was already two years old and they were about to incorporate, which had been an investment of thousands of dollars in our time”.
Like or complementary industry

Firms C2D and C2F indicated that they would be happy to form clusters in either like or complementary industries. Firm C2E favored a complementary industry cluster, although as mentioned above he, is already in a cluster with direct competitors. He commented that he would not like to be in a cluster with all of his competitors as it:

“would take more time to establish trust – trust is not something that suddenly appears. It has to be earned” (C2E: 60).

Communication Channels

It would seem the communication process in cluster two is very good and much of the communication was done on a social level.

“information flows fairly freely”. (C2D: 52).

The cluster has its own newsletter, members travel together when going to meetings and they are constantly in touch via email and telephone.

Joint marketing and exporting

All three respondents commented on the cluster’s planning for future “regional branding”.

Uniting initiatives

There were a number of issues that were united the cluster. Firm C2D believed that a number of quality assurance programs kept everyone united, while C2E suggested the future regional branding issue was helping. Firm
C2F suggested it was the upcoming changes in the food and health regulations, along with firm mentoring, which was beneficial to cluster unification.

Further comments

Cluster two puts great store on personal relationships between the members and they argue that clusters should be industry driven. They argue that often government motivations for cluster development are more politically driven rather than focusing on the issues, which are important to the individual member. The implications that this may have for government will be discussed in chapter six.

Finally, all three firms rated well when examining social capital within their firms, which may indicate why their levels of trust and cooperation within their firms have transferred to cluster development. This will also be discussed further in chapter six.
5.6.3 Cross case analysis - Cluster three.

Table 5.21 summarises the analysis of cluster three and is discussed further below.

### Table 5.21 Cluster three cross case analysis

<table>
<thead>
<tr>
<th>Research Issue three.</th>
<th>C3G</th>
<th>C3H</th>
<th>C3I</th>
<th>Most common.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 22 Benefits of clusters?</td>
<td>Combine strengths Pool resources</td>
<td>United voice Shared information Mutual Benefits Common Objectives</td>
<td>United voice Shared information Networking</td>
<td>United voice (2) Shared information (2)</td>
</tr>
<tr>
<td>Q 23 Negatives of clusters?</td>
<td>Duplication of resources Distrust Lose focus Different agendas Disorganised Time investment Opportunism</td>
<td>Different agendas Non cooperation Opportunism Distrust Time investment</td>
<td>Opportunism Non cooperation Time investment Different Agendas</td>
<td>Different agendas (3) Distrust (2) Non cooperation (2) Opportunism (3) Time investment (3)</td>
</tr>
<tr>
<td>Q 24 Sensitivity to core competencies.</td>
<td>Sensitive</td>
<td>Somewhat sensitive</td>
<td>Somewhat sensitive</td>
<td>Somewhat sensitive (2)</td>
</tr>
<tr>
<td>Q 25 Timeframe for benefits.</td>
<td>Long term (one week)</td>
<td>Long term</td>
<td>3 years</td>
<td></td>
</tr>
<tr>
<td>Q 26 Like or complementary industries</td>
<td>Complementary</td>
<td>Either</td>
<td>Either</td>
<td>Either (2)</td>
</tr>
<tr>
<td>Q 27 Communication channels</td>
<td>Meetings</td>
<td>Newsletters</td>
<td>Structured Meetings</td>
<td></td>
</tr>
<tr>
<td>Q 28 Joint cluster marketing and exporting</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Q 29 Uniting initiatives</td>
<td>Nil</td>
<td>Nil</td>
<td>Competing in overseas markets</td>
<td>Nil (2)</td>
</tr>
<tr>
<td>Q 30 Further comments</td>
<td>Immature industry Gov. support Too many groups</td>
<td>Distrust between wine regions Gov. support</td>
<td>Distrust Opportunists</td>
<td></td>
</tr>
</tbody>
</table>

Source: data collection.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

The immaturity of the industry in Queensland may be a contributing reason as to why this cluster is not as successful as some of the members would like. Hesitancy to share information across regions, particularly from the older regions, has led to some distrust and lack of cohesion and cooperation. All three of the firms were enthusiastic in describing the benefits of clusters, however all three also described opportunism and different agendas by some cluster members as being a problem to them. Two of the firms would definitely work with competitors for mutual benefit, whilst the third (C3G) “has been there and done that” and claims that he would not. Yet, social capital has been identified to exist in this firm. It could be that past experiences or the fact that the new CEO has been with the firm for just a short while, may explain his reticence to work with other industry members. Additionally, the CEO comes from a multinational background and is an accountant by profession and is very cost focused. A number of times the respondent mentioned the cost of, and lack of resources, and perhaps it may be that he sees cluster formation and the investment that it takes is too much of a strain on the firm.

All three firms take a long-term view of when benefits will accrue to the cluster, yet this will depend on their view of what constitutes long-term and respondents’ perception on time. A number of times it has been articulated that C3G regards long-term as next week. This may have some bearing on how quickly he expects to get any benefits out of cluster membership and, how long he may stay involved in clusters if benefits don’t accrue within his defined long-term period of one-week.

Communication channels between members seem to be low as are initiatives within the industry to unite the cluster. However, as previously mentioned the cluster does have strong support from the Department of State Development. Interestingly, the two firms most enthusiastic about the cluster are the oldest (C3H) and the newest (C3I) in the industry. Both see cluster formation as the
way of the future and both are committed to cluster success. The issues found in the analysis will now be discussed briefly.

Benefits

The respondents identified a number of recurring benefits previously put forward by the other clusters including:

United voice

Firms C3H and C3I both agreed that a united voice was a major benefit. C3H claimed that it was important that:

“not everybody is screaming at the same time and not being heard” (C3H :78).

C3I claimed “without an association you will have people going in 40 or 50 different directions” (C3I :85).

Shared information

Both firms also identified shared information as another benefit. C3H commented that:

“we are beginning to share ideas. It took us a long time but it is starting to work again” (C3I :85).

Other benefits

Other benefits identified by individual firms included: We can “combine strengths and pool resources” (C3G), There are “mutual benefits” and
“common objectives” (C3H) who claimed that “we should take the industry line and not the personal line…whatever is best for the industry” (C3H: 78).

Negatives

When discussing the negatives of clusters all three firms identified three issues. **Opportunism, different agendas, and investment of time.** Each will be discussed below.

**Opportunism**

“people who take” are the biggest negative of the cluster” (C3I:85).

Opportunism was unanimously identified as a major hurdle in this cluster development. The respondents argued that many potential cluster members use clusters to further personal objectives rather than those of the group. This point was reinforced by C3H who claimed

“people are definitely in them for what they can get out of them” (C3H :79).

C3I agreed and suggested that opportunist eventually do not get cooperation from the other cluster members (C3I :85).

**Time investment**

Time is a negative that impacts on firm’s resources of this group. Seemingly it is the time that people have to be away from their businesses for cluster meetings that impacts most.
"we don’t have a lot of time, when I get the minutes of the meetings, I think what came out of that...it’s a waste of time for organisations like us, we have to keep our costs down" (C3G:74).

C3H looked at time from a different perspective. Rather than time being a valuable resource and impacting on their firm’s resources she claimed that the firm has been in the industry for 25 years and:

"people have never been able to get it together" (C3H:79),

suggesting that, even with time, some clusters are always going to have trouble agreeing on some subjects.

Different agendas

All three firms suggested that this was a major obstacle to overcome. C3G commented that:

"too many people are going in different directions" (C3G:45).

C3I suggested that the core cluster members usually work in the same direction, however, disharmony sometimes prevails because:

"people have their own views on the way things should be done and it is usually the outsiders who make the most noise" (C3I:85).

Trust

Trust was an issue for two firms (C3G and C3I). C3G claims that he has tried to work with his competitors before but often people join clusters for their own objectives. Opportunism in the cluster
“makes you less trusting of people” (C3G:74).

adding that “after 30 years my father is jack of it and won’t attend meetings…he can’t handle all the crap that goes on” (C3H:79).

Core competencies

On the issue of sharing core competencies when collaborating with competitors firm C3G suggested:

“I believe we should be working together to make a bigger pie so even if we get a smaller chunk of that pie, it is bigger” (C3G: 73).

He added however, that he does not believe the industry in Queensland is mature enough to focus on collaborative exporting and that “we are a long way off organising the industry and cooperating”.

C3H believes that on a regional level giving away core competencies is not a real issue. She claimed that:

“we feel safe with each other” (C3H :79).

However, between regions is another story. She claims “our region has been guarded for so long…the other regions are so open…they are willing to share what they know…this area won’t…this bothers me a lot” (C3H :79).

C3I on the other hand, claims “we don’t have any secrets…we might do things differently…we invite people to our business” (C3I :86).
Timeframe for benefits

All three firms are taking a long-term view of cluster success. Firm C3G argued that the industry was very immature and it would take a long time for cooperation to develop although, as articulated earlier, C3G’s perception of long-term may be as little as one week. C3H concurs but suggests that

“people have to accept different ways of thinking” (C3H: 78).

Firm C3I commented that it had taken almost three years to get to the stage where the cluster was about to bring some positive results.

Like or complementary industry

The issue of working with competitors drew a negative response from just one firm. Firm C3G favours complementary industry clusters as past experiences when working with competitors didn’t work claiming:

“they want a heavy bias in their favour” (C3G:72).

C3H and C3I however, suggested that either would be beneficial. C3H claimed

“(their) agenda has always to assist people to build an industry…whatever we can do to help other people then it is better for all of us” (C3H:80).

C3I suggested that it would depend on who the other cluster members are and whether he had some form of relationship with them or could develop a relationship. Relationships in the present cluster were good and he was happy to work with direct competitors in the cluster.
Communication Channels

Communication channels seem to be fragmented within this cluster. C3G and C3I suggested meetings was their only communication channel while C3H suggested that inter-regional communication

“was not very good” (C3H: 80).

However, the other regions send newsletters keeping them informed. On the other hand, communication in the local region was good.

Joint marketing and exporting

At present there is no joint marketing in the cluster although C3H suggests:

“it's our biggest letdown at the moment” (C3H: 81).

Firm C3H can see the benefits of joint marketing but suggested that a joint marketing effort is unlikely to happen because of the guardedness of some of the cluster members. C3I claimed “we would cooperate” in joint marketing and exporting.

Uniting initiatives

All three commented that there were no initiatives at the moment but C3H believes that everyone should join the state association and C3I

“would like to cooperate with others to go overseas...compete as a group and not as an individual” (C3I: 87).
C3G argues that the state government can do lot to help the unification of the industry.

Further comments

C3I ended the interview by reiterating that “some people will always not want to be involved...some people always go back to being themselves...looking after number one” (C3I: 87). C3H admitted that government help was needed to bring people together while C3G argued that the industry was too immature, there was too many industry groups and the industry needed government support.

The next section compares the characteristics of the three clusters to determine why some clusters are successful while others are not.

5.7 Cross Cluster Analysis - Makers, Shakers and Takers

Analysis of the firms within the three different clusters has identified that there may be three distinguishable characteristics of firms within clusters. The first could be described as makers whereby all firms are committed to making the cluster a success. In this study cluster two has been identified as being makers. Cluster one, on the other hand would, in all likelihood, would fall into the takers category. That is, primarily the members of the cluster are there to take information rather than contribute to cluster success. If the first cluster were takers and the second makers, then cluster three sits somewhere between the two and could be classified as shakers that is, some of the members in the cluster may be makers and some, takers. The discussion that follows describes the three categories and how each firm may reside in them.
The *maker* could be characterised by a firm which sees building relationships as a precursor to successful cluster formation. The *maker* believes that good personal relationships will lead to shared common objectives which in turn, produces trust and cooperation between individuals of the cluster and ultimately leads to working together for mutual gain. The results of this study seem to indicate that cluster two is comprised of *makers*. *Makers* are intensely positive about clusters, see little in the way of negatives, are generally willing to share at least some of their core competencies, and will collaborate with either complementary or like firms. *Makers* take a long-term view of the benefits which may accrue from cluster development, have open and frequently used communication channels and are focused on improving all businesses within the cluster. *Makers* work jointly together developing marketing and exporting initiatives and offer some sort of mentoring to other less developed firms within the cluster. *Makers* create industry driven clusters and may resent government interference in the formation of clusters. *Makers* however, do want government assistance in the form of advice in terms of the latest industry standards, access to training subsidies and financial assistance with setting up the cluster. Figure 5.2 illustrates how *makers* build successful clusters.

**Figure 5.2 Makers**

![Diagram of Makers](image)

*Source: Developed for this research from chapters 2, 3 and 4.*
5.7.2 Takers – cluster one

_Takers_ are at the opposite end of the spectrum to makers. In this study, cluster one seems to comprise of _takers_. _Takers_ are in clusters to “suck information” out of it. This attitude should not be condemned in isolation however, as all firms, whatever their motivation for entering clusters, are there to glean some information that may afford them better business performance. _Takers_ however, are opportunists. _Takers_ are non-contributors. Relationship building is not a priority for _takers_ unless it is for their own advantage. _Takers_ on the one hand will extol the benefits of clusters but at the same time will complain that opportunism and distrust is rife in clusters. _Takers_ may have no expectations of benefit accrual from clusters apart from whatever they can gain opportunistically. _Takers_ are inherently distrusting and would be very unlikely to work with competitors even if mutual gain was possible. Communication channels between _takers_ are low and communication sparse. _Takers_ receive information from other members but do not reciprocate except for perhaps low level exchange of information. _Takers_ will be reluctant to jointly formulate marketing or export strategies, as they may have to reveal what they may consider as their competitive advantage. _Takers_ are not “social animals”. _Takers_ may consider that the _time investment_ for developing relationships is too great. Rather, _takers_ could be likened to hungry vultures circling above cluster relationships diving down to gorge themselves on snippets of information revealed in the relationship and giving nothing back but _bare bones_. _Takers_ are not interested in cluster common objectives. Figure 5.3 indicates how _Takers_ are in clusters for their own objectives, contribute little, and in the process, undermine any strengths or positives that the cluster may have previously gained.
Figure 5.3 Takers

Source: Developed for this research from chapters 2, 3 and 4.

5.7.3 Shakers: cluster three

*Shakers* are a blend of the two. *Shakers* are as passionate as *makers* in arguing the benefits of cluster formation however, either through bad past experiences or inherent distrusting attitudes of some of the members, cannot bring themselves to fully commit to cluster success. *Shakers* could be frustrated *makers* in that they have long contributed to cluster success only to see opportunists reap rewards and benefits without contributing something back to the cluster.

*Shaker* clusters are characterised by difficulties in getting agreement, differing agendas, opportunism and distrust yet, perhaps at the core of the membership, there is a group who are dedicated to cluster success. *Shaker* clusters could also be more reliant on government assistance than *makers*. Government guidance is more likely to be required to overcome disharmony issues between the *makers* and *takers* in the cluster.

Common objectives are difficult to articulate in *shaker* clusters leading to difficulty in forming close cooperative relationships that may bring about mutual benefits for all cluster members. Communications channels, joint
cluster marketing and exporting initiatives are also low in *shaker* clusters even though many of the cluster members can identify benefits from each. Figure 5.4 illustrates this process.

**Figure 5.4 Shakers**

![Shakers Diagram]

*Source: Developed for this research from chapters 2, 3, 4 and 5.*

The analysis of research issue three indicates that firms seemingly have little or no existence of social capital (cluster one) display opportunist tendencies (*takers*) when entering export clusters. This opportunism, seems to indicate that firms will not form trusting relationships with other cluster members, and that in turn inhibits the formation of common cluster objectives that in turn, leads to non-cooperation and a general level of non-performance in the cluster.

Firms in cluster two on the other hand, displayed the existence of high levels of social capital. The basis of their success in clusters has been built on social relationships built over time that has led to trust between members and aided the crystallisation of common cluster objectives. Furthermore, these trusting relationships have bought about cooperation between members that has simplified the process of working together for mutual benefit. Cluster two it would seem, supports the premise that if individual firms are high in social capital it may be externalised to aid the formation of or reinforcement of export
clusters. This may be true of cluster two, however, cluster three firms also demonstrated the existence of social capital in their firms yet, it seems that this has not been externalised as with cluster two.

Cluster three was identified earlier as a *shaker*. That is, while members agree that export clusters are beneficial for firm growth, the existence of *takers* in the cluster has diminished the benefits available to members and in turn, repressed their enthusiasm or diminished their commitment for cluster success. It may also be related to the immaturity of the industry in Queensland. As previously articulated, shakers are perhaps frustrated makers and perhaps given time they may develop into *maker* clusters. The analysis now reverts back to the second research issue to examine the second half of the research question to consider what role *time* plays in developing export clusters.

### 5.8 Research issue two – part two - Time and cluster formation

Five of the firms interviewed mentioned that time investment in cluster formation was a negative issue whether it was a strain on the firms resources (C3G) or, a *fait accompli* that clusters take time to form (C2E, C2F, C3H and C3I). These reasons articulated by the firms may also help identify why some firms can be categorised as makers and some as shakers.

Firm C3G argued previously *time investment* for small firms impacted on a firm’s human resources claiming that “we don’t have a lot of time, when I get the minutes of the meetings, I think ‘what came out of that’...it’s a waste of time for organisations like us, we have to keep our costs down”. Firm C3G previously denoted long-term as “next week” and in table 5.22 indicates that benefits will not accrue in the short-term rather, in the long-term or in his case, next week. Firm C3H on the other hand previously articulated that “they had
been trying for twenty five years to get this together”, and C3I believes that it will take at least three years for any benefits to accrue. This perception of long-term may be critical to the amount of sustained investment firm C3G is willing to invest in sustainable cluster formation and why some clusters may not attain successful outcomes despite the existence of social capital in all of the firms.

None of the firms in Cluster one mentioned time as a negative issue. It may be however that, in this case, that time is of no consequence as there has been no investment or contributions to the cluster from taker members of cluster one.

Cluster two firms C2E and C2F agreed that the time investment was a negative issue but in this case, as with C2D, they take a long-term view of when benefits may accrue to the cluster. While C2F had no time expectations of benefits accruing, unlike the opportunist firms from cluster one, firm C2F has invested heavily in both time and money in the knowledge that this will be returned in the long-term.

Table 5.22 summarises the firms’ perceptions of time and clusters.

Table 5.22 Clusters and time.

<table>
<thead>
<tr>
<th>Cluster one</th>
<th>Investment in time-negative</th>
<th>Timeframe for benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1A</td>
<td>N/A</td>
<td>6 months</td>
</tr>
<tr>
<td>C1B</td>
<td>N/A</td>
<td>No short-term expectations</td>
</tr>
<tr>
<td>C1C</td>
<td>N/A</td>
<td>No expectations</td>
</tr>
<tr>
<td><strong>Cluster two</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C2D</td>
<td>N/A</td>
<td>10 years</td>
</tr>
<tr>
<td>C2E</td>
<td>Yes</td>
<td>3-5 years</td>
</tr>
<tr>
<td>C2F</td>
<td>Yes</td>
<td>No expectations</td>
</tr>
<tr>
<td><strong>Cluster three</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C3G</td>
<td>Yes</td>
<td>Long-term</td>
</tr>
<tr>
<td>C3H</td>
<td>Yes</td>
<td>Long-term</td>
</tr>
<tr>
<td>C3I</td>
<td>Yes</td>
<td>3 years</td>
</tr>
</tbody>
</table>

*Source:* Developed from the research
Clearly, time investment, is an issue for *maker* and *shaker* clusters. While *makers* forgo time away from their business they also are willing to invest this time in developing relationships, illustrated in the analysis as a precursor for the development of common objectives and a cooperative attitude by members for mutual long-term benefits.

*Shakers* on the other hand, whilst they all agree that benefits will only accrue in the long-term, may have different perceptions of what is long-term particularly, when the time investment may be a strain on the firm’s resources.

With *takers* it would seem time investment is not an issue. As mentioned, takers have no real expectations of benefits. They are opportunists and non-contributors *preying* on other cluster members for free information that they could best put to their own advantage within their firm.

### 5.9 Conclusion

This chapter has presented the data and defined patterns in respect of results for the three research issues developed in chapter two and reinforced in chapter four. The chapter also provided content analysis of individual firms, cross case analysis and cross cluster analysis of qualitative data collected through in depth interviews in order to identify patterns and themes for each of the research issues.

From the analysis it became evident that the existence of social capital in firms may help firms become export ready by contributing to a firm’s overall cohesiveness between all members of the staff and management.
The analysis also indicated that Australians’ perceptions of time may hinder the export readiness process within firms by “derailing” the social capital of the firm. Moreover, it may be that if firms practice social capital, then this may aid the formation of export clusters by facilitating relationships that build trust and cooperation, a necessary prerequisite in cluster formation.

The analysis has indicated that there may be three types of clusters – makers, shakers and takers, all of which seem to have differing levels of social capital which it seems may be the definitive factor for cluster success.

Chapter six presents the findings and conclusions of this analysis, the implications that this may have for industry and the implications for cluster practitioners and government departments. Additionally, the limitations of the research are discussed along with suggestions for further research.
6.0 Conclusions

6.1 Re-orientation

Chapter one introduced the topic of social capital and suggested that social capital may aid SME export readiness, and that in turn may facilitate easier and more sustainable export cluster development. The export performance of SMEs is very important to Australia’s economic well being as SMEs number almost one million and employ in excess of 3.5 million people. Despite vast amounts of taxpayer-funded subsidies and government export development plans, exporting still remains the focus of government strategy. With Australia’s share of world trade at less than two percent (ACCI, 1999) it would seem that this focus is not producing the desired results. Clearly, a new way of exporting should be investigated to further increase this share of the international trade environment.

For the purpose of this thesis, chapter two defined SMEs as having at least five but less than two hundred employees (ABS, 1997). The chapter also argued that if firms were unable to internationalise, SMEs would in fact, experience market decline and falling profits in their domestic market due to the globalisation of world trade (ABL, 1999). The chapter identified that an international strategy is different from domestic strategy because operating internationally presented many more challenges and complex decision-making processes (Segal-Horn and Faulkner, 1999).

Exporting and SMEs were examined in detail and the discussion indicated that exporting provided benefits not only to SMEs but to national economies as well in terms of increased employment and foreign exchange reserves that ultimately lead to higher standards of living (Czinkota, Rivoli and Ronkainen, 1992). However, smaller firms are normally at a resource disadvantage compared to larger firms (Calof, 1994), and are reluctant to export due to these limited resources (Peng and Illnitch, 1994). Additionally other barriers
including, host country language, culture, political and legal systems, high transportation costs, lack of overseas contacts, product adaptation, insufficient management commitment and lack of international marketing knowledge prevents firms from becoming export ready (Moini, 1997; Cavusgil, 1984; Yaprak, 1985; Hester, 1985; Instate, 2000; Ball and McCulloch, 1993). The research identified that an abundance of academic literature has been written on the elements of export readiness however little could be found on the concept of export readiness as a whole (Jain and Kapoor, 1996; Calof 1994, Rueber and Fischer, 1997; Stump, Athaide and Axinn, 1998; Moini, 1997; Hester and Holden, 1986, Cavusgil, 1976, 1984; Bonaccorsi, 1992; Calof 1994; and Porter, 1990). Further, export readiness was defined as:

An operational state in which a firm has the capability and resources to commit to a long term exporting strategy to exploit foreign markets (Waite and Trotman, 2000).

Several national and international guidelines on SME export readiness that measured SMEs export readiness were examined and grouped under four principal areas: background of the firm, export awareness, motivation for going international and management commitment (Austrade on line 1999; Austrade Handbook; Australian Industry Group, 1999; Foreign Agricultural Service (FAS), U.S. Department of Agriculture, 1999; Department of Trade and Industry-South Africa, 1999; Export Source Canada, 1999; Trade New Zealand- Exporters guide- 1999; Trade Point – USA., 1999; International Business Academy (IBA), 1999; Muhlbacher, H. Dahringer, L. and Leihs, H.1999). Figure 6.1 models this process.
The thesis then investigated ways firms could overcome the barriers identified previously and examined whether social capital in firms could help overcome these barriers. The thesis also considered industry clusters as a possible solution. Clusters were defined as:

Geographic concentrations of interconnected companies and institutions in a particular field (Porter, 1990).

Many terms were identified to describe geographic agglomerations of firms in an industry or related industries. The descriptions are sometimes used interchangeably, creating confusion and a need for more precise definitions.

Source: Developed from the research.

It was argued that vertically formed clusters (alliances between parties at different levels e.g. producers and processors/manufacturers) increased a region’s economic performance. However, the fundamental and underlying problems most SMEs face in the internationalisation process i.e. the lack of resources and production capabilities to consistently supply export orders, still existed in a vertically formed cluster. It was argued that horizontal led export cluster formation on the other hand, can overcome these problems while at the same time foster vertical cluster integration e.g. processors and other suppliers. The DPI (2000), suggested that like industry clusters (horizontal) ensure:

- greater critical mass;
- continuity and consistency of supply;
- quality and traceability;
- efficient response to consumer requirements.

Inherent in these horizontal like-industry clusters however is the distrust between members (Pyke, 2000; Lyon and Atherton, 2000). **Social capital** was suggested as the *panacea* to overcome these inherent cultural traits. Social capital was defined as:

\[
\text{A firm’s shared cooperative norms underpinned by trust that encourages a collective goal orientation (associability) for mutual}
\]

\[
\text{benefits.}
\]
benefit for all stakeholders of the firm (Leana and Van Buren, 1999).

Whilst social capital is covered in the literature, (Fukuyama, 1995; Jacobs, 1965; Putnam, 1993; Nahapiet and Ghoshal, 1998; Erbin, Franzkowiak and Wenzel, 1999; Durkheim, 1993; Neace, 1998; Coleman 1988; Putnam 1993 and 1995; Leonardi and Nanetti, 1993; Greif 1993, 1994; Platteau, 1994; Gambetta, 1988; Fafchamps, 1999; Montgomery, 1991; Cornell and Welch, 1996; Lorenz, 1998; Barr, 1997; and Cox, 2000), little could be found to explain how social capital could aid an SME’s export readiness and, whether this process could be externalised to export cluster formation.

In the review of the literature it was also suggested that the Australian perception of time may influence cluster formation as trust, an important element of social capital, took time to build (Coleman 1988; Nahapiet and Ghoshal 1998; Burt, 1992). However, the Australian attitude to time is measured in money and therefore should not be wasted (Harris and Dibney, 1999), Social capital was underpinned by time (Bourdieu, 1986; Granovetter, 1992). Moreover, social capital could not be produced either in firms or export clusters overnight, rather a long-term strategy was required (Putnam, 1993; Ring and Van de Ven 1992). Figure 6.2 illustrates the propositions of the chapter.
In order to collect empirical data, a research protocol was developed in chapter 3. Using this as a guide, four preliminary case studies were conducted. Data gathered from these interviews was analysed and the research model was confirmed in chapter 4. Following this, the main phase of data collection was undertaken; data gathered from these interviews and cross-case analysis was presented in chapter 5.

The final chapter begins with conclusions about each of the research issues and then relates these to the research problem and explains the implications of the entire research effort. Subsequently the implications for policy and practice are then discussed. Finally, the limitations of the current research are outlined and suggestions for further research are suggested.
6.2 Summary of the study

The purpose of this research was to address the research problem outlined in chapter one.

*How does a firm’s Social Capital contribute to export ready clusters situated in Southeast Queensland?*

In order to address the research problem, three issues were developed to provide a more detailed understanding of the social capital issues and export ready cluster factors, which would be addressed in this study.

6.3 Conclusions about research issues

Data was collected from nine cases in order to address the research questions. Specific findings were detailed in chapters 4 (preliminary phase) and 5 (main phase). In this section conclusions are drawn and findings are related to previous literature. Each of the three research questions will be addressed in turn.

6.4 Research Issue 1. *How can Social Capital aid a firm’s Export Readiness?*

The first research question was concerned with determining which social capital factors were in existence in each of the case study firms and how they influenced a firm’s export readiness.

The literature relevant to this topic revealed that whilst there was an abundance of scholarly input regarding SMEs and the internationalisation process, there was little research carried out specifically in regard to export
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

readiness. The literature revealed some of the elements of export readiness including:

- Management commitment (Cavusgil and Kirpalani, 1993; Johanson and Vahlne, 1977; Dalli, 1995 and Cunningham and Spigel, 1971),

- Export awareness (Alexandrides, 1971; Pavord and Bogart, 1975; Barker and Kaynak, 1992),

- Business background of the firm (Eshghgi, 1992; Yaprak, 1985) and


The literature however, tended to discuss the elements in isolation rather than as a total construct (see Table 2.2).

Several state, national and international trade department guidelines were also identified in chapter two (table 2.5). An examination of the guidelines revealed that many lacked a comprehensive model or even normative guidelines for would be exporters to follow. All the guidelines posed a series of questions to determine the likely success of firms exporting. The questions were tabulated and arranged into the different elements identified in the literature and articulated above; that is, business background, export awareness, motivation and management commitment (see appendix one).

Chapter 5 identified that all the firms in the study are either exporting or have in the past. The exception was firm C3I. The analysis also found that only two of the five were actually export ready. Chapter 5 also identified that not all firms in the study exhibited the existence of social capital within the firms, yet some of the firms still exported albeit with varying degrees of success. Social
capital therefore is not an absolute prerequisite for firms to successfully export however, to sustain exporting in the long run smaller resource poor firms may have to get the “inside” right first before getting the “outside right”, that is, tackling international markets (see figure 5.1). It appears that social capital may aid this process.

The literature (chapter 2) and the preliminary studies (chapter 4) revealed that not only was management commitment crucial to exporting success, employees of the firm also played a major role if the firm was to export successfully. It is the “people factor” which ultimately determines the quality of a firm’s performance (Baker, 1996). Motivated and customer conscious employees contribute greatly to the firm’s service quality and are an important factor that firms should not overlook. Issues such as product quality, product delivery and customer service rely heavily on the attitudes of staff in the day to day performance of their job activities. To ensure that staff has the right attitude the firm has to identify and satisfy employees needs, wants and aspirations. Although not specific to exporting, the literature on social capital identified a number of elements that can aid firms to get the “inside right” first. The next section identifies these elements.

**Social capital and SMEs.**

The literature revealed that the workplace serves as a community in which individuals can satisfy their natural longing for recognition and belongingness (Durkheim, 1993). Social capital strengthens the ability of people to work together for common purposes, and is a harmonious commingly of trust, with viable channels of communication and cooperative norms (Neace, 1999). In this study, questions relating to working together, participatory decision making, perceptions of trust, freedom of company information, staff interaction on a social level, staff turnover, staff rewards, and staff conflict were used to
identify the elements of social capital; that is, associability, trust and cooperative norms.

The overall outcomes from this research in relation to each of these categories are summarised in table 6.1 and the research findings now discussed.

**Table 6.1: Summary of social capital elements**

<table>
<thead>
<tr>
<th>Category of Factors</th>
<th>Important in the literature?</th>
<th>Important in this Research?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associability</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Trust</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cooperative norms</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**Source:** Developed for this research (based on chapters 2, 4 and 5).

Previous literature has identified many studies that have collected empirical data about social capital including: Coleman, (1988); Putnam, (1993, 1995); Grief, (1993); Neace, (1998); Nahapiet and Ghoshal, (1998). Erbin, Franzkowiak and Wenzel, (1999); World Bank, (1999); Paxton, (1999); Leana and Van Buren, (1999); Cohen and Fields, (1999) and Cox, (2000). As identified in chapter two however, the elements of social capital, associability, trust and cooperative norms cannot exist in isolation if there is to be high levels of social capital within the firm. Associability, trust and cooperative norms rely on and, are dependent on each other. Associability, for example, relies on some degree of cooperation between stakeholders. It also requires a ‘we can do’ attitude rather than ‘I can’. Underpinning these elements is the trust between the stakeholders. By cooperating and putting their trust in other stakeholders for mutual gain rather than simply individual gain, the individual trusts that rewards gained by group cooperation will be passed back to the individual (see 2.12). The results of this research reinforce these statements and will now be discussed.
The literature revealed many benefits of social capital for firms including the ability to:

- Screen labour and credit markets (Montgomery, 1991; Cornell and Welch, 1996; Lorenze, 1998);
- Reduce search costs for market opportunities (Kranton, 1996);
- Improve the diffusion of information on innovations (Barr, 1997);
- Reduce risks (Fafchamps, 1999);
- Enhance employee skills (Leana and Van Buren, 1999);
- Build networks (Burt, 1992).

The analysis of the first research issue (chapter 5) indicated that the firms from cluster one exhibited little in the existence of social capital whilst firms from cluster two and three had demonstrable levels of social capital. The results of the research indicated that:

- Firms that do not work together have low participatory decision making processes, less freedom of organisational information and less trust, whilst firms that do work together involve staff in the decision making process, have a general freedom of organisational information and higher levels of trust.

- Firms that reward and recognise their staff have lower staff conflict and a lower turnover of staff. Conversely, firms that do not reward and recognise their staff have higher staff conflict, and higher levels of staff turnover.

- Firms with higher levels of staff conflict have lower levels of trust while firms with high levels of trust have lower levels of staff conflict.
• Firms that interact on a social level may work together better; conversely, firms that do not interact on a social basis seemingly do not work well together.

Conclusions about research issue 1: How can Social Capital aid a firm’s Export Readiness?

International trade is one of the largest and fastest growing aspects of the world economy (Terpstra and Sarathy, 1997). Business is increasingly thinking globally to exploit the unprecedented changes that are taking place (Belisle, 1999). Firms that are unable to expand internationally are likely to experience declining market share and falling profits (Australian Business on Line, 1999).

Many SMEs are reluctant to export due to limited resources (Peng and Ilinitch, 1994). When a firm decides to expand outside its domestic market, it faces a transformation in the complexity of business decision-making (Segal-Horn and Faulkner, 1999). Normally, smaller firms are at a resource disadvantage when compared to larger firms (Calof, 1994), and the principal decision making function normally rests with the owners/managers (ABS, 1990) who are expected to solve their own problems without the luxury of recommendations or assistance from specialists (Abbott and Meredith, 1984). Participatory decision making and a general freedom of company information can help build trust between participants in SMEs that facilitates cooperation and ease the burden for owner/managers. Whilst Neace, (1999) and Paxton, (1999), both argued that sufficient levels of social capital are essential for a firm’s social and economic development, this research has found that firms may still export successfully without the existence high levels of social capital. Social capital however, does enable participants within firms to act together more efficiently to pursue shared objectives (Putnam, 1995), which can often lower the
transaction costs of resource poor SMEs. Figure 6.3 illustrates the revised SME export ready process developed from this study. It argues that although firms may export without the existence of social capital high levels of social capital may help to overcome the lack of resources often faced by SMEs. Social capital enables a common focus, builds trust and cooperation, and provides synergy across all departments within the firm.

Whilst little study has been carried out on how social capital may aid a firm’s export readiness, an abundance of previous scholarly empirical evidence supports these conclusions.

Coleman’s 1988 data from a random sample of 4,000 public school students found that information flows throughout the social structure provides a basis for action. Further, his 1990 thesis concluded that social capital is productive making possible the achievement of certain ends that would not be attainable in its absence.

Fukuyama (1995), argued that the concept of trust as a measure of social capital can be accumulated through the norms and reciprocity of successful cooperation. Gambetta (1988) claimed that even if cooperative behavior benefits every individual involved, cooperation might still encounter obstacles. People still need to know about each other’s motives and to trust each other, or at least the effectiveness of their motives. Hirschmann (1984), concluded that people working together typically became more caring and less private.

Narayan and Pritchett’s (1996) empirical research found that an increase in social capital may lead to better outcomes via a facilitation of greater cooperation and that social capital qualifies as capital because it raises income. Stephen Knack and Philip Keefer based on data from the World Values Surveys on a sample of 29 market economies found that trust and cooperation strengthen economic performance. Fafchamps and Minten in
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

their 1999 study of agricultural traders in Madagascar found that traders who do not develop appropriate social capital do not grow. Woolcock (1998) suggested that social capital is a crucial, but enigmatic, component of the development equation, precisely because it can enhance, maintain, or destroy physical or human capital.
Figure 6.3 Social capital – the missing link for SME export readiness.

Source: Developed from the research.
6.5 Research Issue 2. What role does the Australian perception of time play in social capital development within the firm and in cluster development?

The second research issue was split into two sections. The first section was concerned with assessing the respondents’ perception of what the term “long term” may mean and the investment SMEs put into social capital development within their firms. Staff relationships within the firm are an important ingredient in establishing high levels of social capital (Sternad, 2000; Cox, 2000; Pyke, 2000; Cohn, 2000). The second section was concerned with the likely timeframe Australian SMEs perceived to be realistic before accruing benefits from cluster membership. The findings are broken up into two different areas. SMEs’ perceptions of what the construct “long-term” means to SMEs and the time investment for high levels of social capital are discussed in this section while time and clusters are looked at after the findings on cluster development.

Part one – within firm.

Table 6.2: Summary and comparison of importance of perception of time.

<table>
<thead>
<tr>
<th>Category of Factors</th>
<th>Important in the Literature</th>
<th>Important in this Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Developed for this research (based on chapters 2, 4 and 5).

Export Readiness and time

The literature revealed that taking a long-term view was an important aspect of export readiness. A selection of the areas important to the study on a firm’s export readiness is shown below in Table 6.3. The government agencies listed illustrate that long-term strategies are important to the exporting process, whilst the academic literature examines the internationalisation process of SMEs. Whilst time is not discussed in the academic literature, the time to progress through these stages is implied.
Table 6.3 Academic studies on elements of export readiness.

<table>
<thead>
<tr>
<th>Factors of time</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term planning for expansion</td>
<td>Dept of Trade and Industry – South Africa, 1999</td>
</tr>
<tr>
<td>Long-term commitment to development of international markets</td>
<td>AIG, 1999;</td>
</tr>
<tr>
<td>Exporting as an important aspect for future survival</td>
<td>Dept of Trade and Industry – South Africa, 1999</td>
</tr>
<tr>
<td>Management time</td>
<td>Dept of Trade and Industry – South Africa, 1999</td>
</tr>
<tr>
<td>Subordinate short-term profits for long-term expansion</td>
<td>DSD, 1999</td>
</tr>
<tr>
<td>Firms internationalisation process</td>
<td>McFarlin and Sweeney, 1988</td>
</tr>
<tr>
<td></td>
<td>Naidu and Prasad, 1994</td>
</tr>
<tr>
<td></td>
<td>Bonaccorsi, 1992</td>
</tr>
<tr>
<td></td>
<td>Bilkey and Tesar, 1977</td>
</tr>
<tr>
<td></td>
<td>Wiedersheim-Paul, Olson and Welch 1978, Cavusgil, 1982</td>
</tr>
<tr>
<td></td>
<td>Rao and Naidu, 1992</td>
</tr>
<tr>
<td></td>
<td>Johnson and Valhi, 1997</td>
</tr>
</tbody>
</table>

Source: Developed from chapters 2, 4 and 5

The findings of the research support the literature. Most of the respondents took the view that long-term was at least five years. Most of the respondents also realised that exporting was a long-term proposition that would require a substantial investment of time to develop. There were two exceptions. One firm suggested that six months was long-term in terms of negotiation whilst the other suggested that the lack of resources hampered their international expansion. The dilemma of the latter may be able to answered in the following section

Social capital and time

The literature contributed little in the area of timeframes for the development of social capital. Bourdieu, (1986) and Granovetter, (1992) suggested that social capital represents a form of amassed history, that is, it reflects investments of social relations and social organisation over time. Nahapiet and Ghoshal, (1998), argued that time is important as all forms of social capital rely on stability and continuity of the social structure. Granovetter,
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

(1985); Putnam, (1993); Ring and Van de Ven (1992) suggested it takes time to build trust therefore relationship stability and durability are key network features associated with high levels of trust and norms of cooperation. However, Australian business perceptions of time may inhibit the development of social capital within firms. Harris and Dibben (1999), found that Australians normally perceive time as a commodity to be spent or wasted, and generally short-term financial outcomes are sought from relationships. Thus, the research was important to ascertain whether Australian SMEs attitudes to time would inhibit the development of, or encourage the development of social capital.

Findings from this current research confirm that time had an important influence on the development of social capital. Research question one identified how the development of social capital may benefit firms. The previous section on time and export readiness found that firms were willing to invest in time for overall international expansion, however, it seems that SMEs are reluctant to invest time on the internal dimensions (export readiness) of their firms to build relationships, and develop skilful and knowledgeable staff. Moreover, cluster one had discriminative policies between management and staff. The accepted trial period for new staff (non-management) was three months whilst cluster one firms had no trial period for management. In terms of overall perceptions of what is long, medium, and short-term, the majority of firms indicated that short-term was from “today to one year”. This would clearly indicate that the development of new staff at least, was a short-term investment and thus, a hindrance to the development of social capital. However, of the nine firms studied just three were illustrated as having low levels of social capital, whilst six had visible levels of social capital, despite their policy on staff trial periods. What was indicated in cluster one was an “us and them” attitude between management and staff that would further inhibit the development of social capital. A critical element of social capital development is that everyone in the firm works together in the same direction.
with a common goal or outcome (see Neace, 1998; Putnam, 1993, 1995; World Bank, 1999; Paxton, 1999; Coleman, 1988; Grief, 1993; Cox, 2000; Leana and Van Buren, 1999; Cohen and Fields, 1999). Export readiness also relies on this (see chapter 2 and 4). Clearly, resource poor SMEs in today’s globalised environment need to dispense with the hierarchical methods that worked in the past and combine both top-down and bottom-up approaches to overcome lower resources (Sternad, 2000).

**Conclusion – Social capital, export readiness and time**

The literature on both social capital and a firm’s export readiness are underpinned by a time element. Both take time to develop. Social capital however, if developed in a firm may aid firms in their internationalisation process. Social capital may help overcome the lack of resources that inflict many SMEs by having all parties within a firm work together (associability) for a common purpose and objective. It would seem that SMEs may need to change their attitude regarding staff development and invest some of their valuable time resources on developing relationships in the firm thus creating synergy which in turn may be of real benefit to them in the internationalisation process.

**6.6 Research issue 3. How can firms with high levels of social capital facilitate smoother formation or reinforcement of export clusters?**

The third research issue was concerned with assessing whether social capital within firms can be externalised to help aid cluster formation.

The literature provides little evidence on this subject. Much has been written recently by both practitioners and academics on the viability and usefulness of industry clusters, however little has been written on the ways in which social
capital may aid the formation of export clusters (see for example, Porter, 1990; 2000; Enright, 1992, 1993; Ffowcs-Williams 2000; Brusco 1992). Export clusters were identified in chapter two as being firms from the same industry collaborating to achieve economies of scale and being able to meet the expectations of continuity and consistency of supply. This chapter also identified some of the major problems for SMEs such as trust between competitors, which deterred cluster formation.

Almost all modern commentators argue that trust is an element of cluster formation and critical to cluster success, (see Porter, 1990; 2000; Enright, 1992, 1993; Ffowcs-Williams 2000; Brusco 1992; Piore and Sabel 1984; Becattini 1987, 1989; Goodman and Bamford 1990; Pyke 1992; Sforzi 1992, Staber, 1996; Pyke, 2000; DPI, 2000). The literature concluded that trust leads to cooperation (see Fukuyama, 1995; Gambetta, 1988; Putnam, 1993, 1995; Ring and Van de Ven, 1994 and Porter, 2000), and the development of collective strategies (see Kramer, Brewer and Hanna. 1996). Social capital is the “glue” that binds all these elements together however, the literature does not communicate how this may evolve. This research fills that gap and contributes to the body of knowledge in this area.

The research found that social capital within firms is likely to be externalised to aid the development of export clusters. In particular, firms with high social capital are more likely to:

- **See more benefits** to cluster formation than firms with low social capital;
- **See less negatives** to cluster formation than firms with low social capital;
- **Build social relationships first**;
- **Have higher levels of trust**;
- **Are not likely to be opportunists**;
- **Take a long-term view of successful cluster development** and successful outcomes for the cluster;
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

- Were more likely to have a common agenda and common goal;
- Were less sensitive about sharing core competencies;
- Were less sensitive about joining like industry clusters;
- Have high communication channels, and
- Work together to develop joint marketing and exporting initiatives (see chapter 4 and 5).

The study of the three clusters also concluded that industry clusters may be identified into three main categories: - *Makers, Shakers and Takers.*

**Makers**

*Makers* are firms high in social capital. *Makers* would generally build social relationships with other potential cluster members as a pre-cursor to cluster membership. Personal relationships are important to *makers* because it builds trust and ultimately leads to common objectives. Common objectives lead to cooperation and associability among members that given time, will lead to mutual benefits to all parties. Figure 6.4 depicts this process.

**Figure 6.4 Maker clusters**

```
Makers → Build social relationships → Develop common objectives → Cooperate and work together → Mutual benefits

Build trust
```

*Source:* Developed for this research in chapters 2, 4 and 5.
**Takers**

*Takers* were identified as being at the opposite end of the spectrum to makers. That is, takers join clusters for self gain and contribute little if anything to cluster success. *Takers* will not waste time and effort in building relationships. They would be unlikely to cooperate in joint marketing or other activities as they are generally opportunists and distrusting in disclosing core competencies of their firm, even if it meant mutual gain. *Takers* are happy to receive information but unlikely to share any of consequences. Personal rather than common objectives drive Taker clusters. An environment of non-cooperation and self gain would seem to be the norm in taker clusters.

**Figure 6.5** Taker clusters.

**Shakers**

*Shakers* are a blend of *Makers* and *Takers*. Some *shakers* in clusters are potential makers but are frustrated by some of the takers or opportunists in the cluster. Difficulty in getting agreement, differing agendas, opportunism and distrust pervade, yet central to that is a core of dedicated cluster members who may become frustrated that their efforts are not coming to fruition. Communication channels, joint marketing and exporting initiatives are low in *shaker* clusters. Figure 6.6 depicts this process.
**Figure 6.6 Shaker clusters.**

Source: Developed for this research in chapters 2, 4 and 5.

**Conclusion about research issue 3**

Social capital aids the formation of, and may sustain export clusters. Successful clusters rely on people working cooperatively together for mutual gain in a harmonious and trusting environment. All of these elements underpin the values of social capital. Potential cluster members with firms high in social capital take the time to get to know and develop relationships within clusters, and that leads to the externalisation of their firm’s social capital. On the other hand, potential cluster members with firms low in social capital are more likely to be opportunistic, non-cooperative and distrusting of other potential members, which ultimately will lead to a general level of non-performance in the cluster. The research also indicated that a combination of potential cluster members with both high and low social capital may lead to frustration from high social capital members and a general level of cluster under-performance.

The second half of research issue two can now be examined to ascertain the role of time in export cluster development.
6.7 Research Issue two (cont) – Time and cluster formation

The research indicates that time may be an important issue to SMEs when contemplating cluster memberships. The literature identified that Australian perceptions of time were that time is money and should not be wasted and those generally short-term financial solutions are the basis for relationships between firms (Harris and Dibney, 1999). SMEs which are resource poor, particularly in the areas of trained personnel and financial resources, may not have the time to properly foster the relationships required that facilitate smoother linkages, cultivate open communication channels, and build trust (Porter, 2000). This has been particularly evident in the research identified in the shaker and taker clusters. Makers on the other hand, whilst they may still be resource poor, are willing to invest time in developing relationships that, as the research has indicated, is a necessary precursor to building the trust that facilitates cooperation, shared objectives, and working together for mutual outcomes.

The issue of time is even more important therefore when building export (horizontal) clusters. Porter’s work generally concentrates on complementary industry cluster formation (vertical or supply chain) where trust may not be as important as in the formation of like industry clusters. The issue of sharing core competencies is seemingly the root of distrust among firms. According to this research, it is unlikely that the cluster process can be effectively completed between six to nine months (Industry Cluster Development, 2000), but rather as the OECD articulated, it takes “a commitment of 3 or four years”. (OECD, 2000). These findings agree with Ffowcs-Williams, who argued that the required change of behaviour patterns will not occur overnight (Ffowcs-Williams, 2000).
6.8 Conclusions about the research problem. How does a firm’s social capital contribute to export ready clusters in Southeast Queensland?

The nine cases studied in this research provided a wealth of insights into how social capital within firms aids export readiness and how it may be externalised by firms to aid the formation of export ready clusters. This information enabled the three research issues to be addressed. The conclusion and implications drawn from these will be brought together to answer the research problem as a whole.

6.8.1 Key findings.

6.8.1.1 Model of Social Capital and Export Readiness for SMEs

Although the applicability of previous literature has been at least partially confirmed in this study, many new insights into the effectiveness of the initial research model detailed in section 2.9 have emanated from this research. In-depth analysis from the nine case studies has provided deeper understandings of the issues for export ready SMEs and the internationalisation process.

The research has illustrated that though many SMEs are resource poor they very often may not take advantage of the resources already on hand in the firm. It would seem that an environment of “them and us” between management and staff still pervades many SMEs. Whilst the research has indicated that firms can still export within this environment the question of staff commitment to export quality and service may eventually become an issue if the firm is to sustain its export readiness. Social capital can overcome these eventualities by getting the internal structure of the firm right first.
Open communication channels within the firm can relay the importance that quality and service play in exporting. Freedom of organisational information will reinforce these aspects. The expectation of some future reward for all participants at all levels contributes to people working better together that, in turn, builds trust and cooperation between the parties and leads to the sharing of common objectives. People working together in a trustful and cooperative manner limits staff conflict and staff turnover thus building and retaining valuable export knowledge and skills in the firm. All of these aspects reinforce the firm’s export readiness by ensuring that management and owners of SMEs focus their valuable time proactively planning and leading the firm rather than reacting to internal conflict within the firm. A good starting point for firms may be to:

- Develop ongoing strategies and actions that maintain effective working relationships between all stakeholders and at all levels of responsibility,
- Develop strategies to establish and maintain trust and support of employees, co-workers and managers in the firm,
- Develop an understanding of the firm’s culture as it relates to group dynamics, including perceptions and differences in individuals, management and employee behaviours, roles and role expectations of employees, and effective communication channels.

Often work relationships, and communicating are taken for granted and are not subjected to close scrutiny. When positive contributions and achievements are recognised staff feel valued for their efforts, which in turn enhances a firm’s efficiency and improves operational outcomes.

Time however, is the underlying element that produces social capital. The inherent culture of individualist business cultures such as those within Australia need time to bring about the changes necessary to build high levels of social capital. In particular, it would seem that owners of SMEs may need an attitudinal change regarding new employees and the length of time new
employees should be given to prove their worth within a firm. A new staff member has little chance to learn and build his or her body of skills within the organisation when given just three months probation. Arguably, staff would be more concerned with survival, rather than trying to contribute to the effective running of an organisation.

6.8.1.2 Externalising a firm’s social capital

Important to this research is that seemingly high levels of social capital within firms may be externalised to aid export cluster formation. Equally important, low levels of social capital may hinder the formation of export clusters. It would seem that those managers and owners of firms with high levels of social capital take a more long-term perspective when developing relationships with other firms, that over time leads to trust and the building of common objectives. This, it seems, works as a catalyst for cooperation and working together for mutual benefit. High levels of social capital help to overcome many of the issues such as distrust, opportunism, and the sharing of core competencies, that impede like industry export cluster formation, and help to facilitate more joint export and marketing ventures between firms.

The final model of social capital and its usefulness for sustaining export readiness for Australian SMEs and forming export clusters is depicted in figure 6.7. This model includes some minor changes made to the initial conceptual model based on the literature (figure 2.5) as a result of findings from the preliminary and main phases of the study (chapters 4 and 5).

It argues that social capital in the form of trust, cooperative norms and the willingness of all to work together, developed over time leads to improved communication channels and a freedom of organisational information. This in turn builds trust and enables cooperation between all stakeholders and therefore helps to develop a common focus or common objective. The by-
product of this is less staff conflict and staff turnover, which also reinforces a willingness to work together for mutual rewards. These elements, once present in the firm, will then maintain a sustainable state of export readiness in the firm, overcoming many of the resource poor issues identified in the research. High social capital in firms will also contribute to export cluster formation as potential members of the cluster have the propensity to develop trusting relationships that lead to cooperation and working for mutual benefit.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

Figure 6.7: Final research model of Social capital and export clusters.

Source: Modified from figure 2.5 to include research findings from chapters 4 and 5.
6.9 Contribution to industry cluster literature:

Valuable insights have been provided by the findings of this research on the attitudes and perceptions of exporting SMEs. In particular, insights have been provided on the attitudes of SMEs when contemplating joining or forming export clusters. The research proposed that potential cluster members may be characterised as either Makers, Shakers or Takers. The research has concluded that firms characterised as Makers are more likely to form successful and sustainable export clusters as they seemingly have the ability to externalise their high levels of internal social capital. Shakers on the other hand, may have a core of Maker type firms who are frustrated by Takers within the cluster. Importantly for successful cluster development, takers need to be identified for two reasons. Firstly, it is possible that with the appropriate training and education that perhaps Takers can learn more effective skills and start to contribute to cluster formation rather than opportunistically exploit the contributions of other members. Secondly, if the first option fails, it may be that Takers should be expelled from export clusters as their lack of contributions and opportunism may undermine the efforts and frustrate other members of the cluster.

Whilst the second option could be deemed as somewhat callous, the eventual success of clusters is determined by the principles that Makers bring to their cluster formation. That is, trust, cooperation, shared objectives and working together for mutual benefit etc. If Takers are unable or unwilling, to bring about change, valuable time and resources may be wasted along with possible cluster under achievement of failure.
6.10 Implications for policy and practice

From the findings of this research, a modified model of the effect of social capital in the success export cluster development was developed (shown in figure 6.8). Some guidelines and implications for potential exporters, cluster practitioners, and official bodies can be drawn from this.

6.10.1 Potential exporters

Many growing businesses need to export in order to expand output, increase productivity and spread risk. Through exporting they are exposed to tougher competition and more demanding customers, which in turn improves their competitiveness. An issue for potential exporters emanating from this study is the importance of the export readiness process. While previous literature had identified many of the areas that SMEs have difficulties with, both internally and external to the firm, this research identified four elements that SMEs need to take into account before contemplating international expansion. Management commitment, management motivation, business background, and export awareness were all identified as important elements of firms export readiness. The research found however, that social capital was the fifth element of export readiness and a necessary ingredient in addition to the other four elements. The research found that if SMEs were to overcome their general lack of resources SMEs had to “get the inside right first”. High levels of social capital aid this process by having all parties in the “same boat” aiming at the same objectives with the same strategies in mind in search of mutually beneficial and sustainable exporting outcomes. Managers and owners of SMEs who work smarter rather than harder and implement a policy of social capital within their firms can overcome their lack of resources and at the same time, enhance employee/employer work experiences.
Cluster practitioners may gain valuable information from this study that may aid the formation of successful exporting clusters. The success of a cluster is not related to the number of firms, which can be induced to form a cluster rather, it is related to the qualities that these firms bring with them. This study indicates that firms with high levels of social capital are more likely to be successful in the development of clusters. Just as importantly, cluster development takes time to realise successful outcomes.

The development of trusting relationships between cluster members cannot be taken for granted as something that will happen overnight. Changing attitudes will take time. The relationships between cluster members underpin the development of shared objectives and cooperation between members that lead to mutual outcomes. The research has found that it would be very unlikely that sustainable export cluster success could take less than one year. Whilst the OECD suggest that it may take as long as three years before measurable success was attained, high levels of social capital may reduce this time period.

6.10.3 Implications for government

Applying this refined cluster methodology to small firms may assist in overcoming many of the resource constraints faced by SMEs. It may also help them to extend their competitive advantage further than they would be able to through the conventional (supply-side) business support measures primarily, as it helps to build capacity within SMEs.

The development of trusting, cooperative relationships between businesses has long been recognised as an essential element of collaborative export partnerships. International expansion through significant business
relationships however, requires agreement and cooperation over complex issues. The ingredients for a successful export cluster include small firms with shared goals, strong leadership, planning, peer support, commitment, flexibility, communication, information sharing, trust and the ability to work together for mutual benefit. Long-term economic success may depend to a significant degree on a growing network of export clusters.

The research indicates that small exporting firms are comfortable joining clusters that do not contain direct competitors, that is, clusters of complementary industries. While it can be demonstrated that certain benefits accrue to members, such as supply chain efficiencies, value adding, and building valuable relationships among members, may aid firm productivity, in the long run this will not overly aid economic expansion. There will still be the underlying problems with financial, human and production resources that are vital when competing in large-scale international markets. Like industry clusters working collaboratively on the other hand, have considerable influence and power to overcome constraints to economic expansion.

The research found that little is done to ensure success of the cluster prior to the formation of the cluster. That is, not enough time and preparation have gone into who should be in clusters and what attributes they can bring to the cluster. The inclusion of opportunists, power play brokers, and non-contributors underpin the lack of trust and cooperation in clusters that ultimately brings about the demise of the cluster or, results in under performance.

The potential of an export cluster is determined by the quality of the relationships and shared norms that influence the ties amongst the firms. These shared norms develop over a period of time and are the glue that binds clusters and helps endure bad times. Social capital can aid this process.
Social capital is very important because it impacts on the coordination and cooperation of cluster activity. High Social Capital leads to:

- Collective goal orientation and a coordination of those goals within a cluster,
- Good channels of communications,
- High levels of trust,
- Cooperation,
- Strong relationship ties.

Developing sustainable export clusters will require a dynamic interaction of business, government agencies, social capital, and cluster practitioners. In today's international competitive environment it is no longer good enough to simply identify a number of firms within an industry to take advantage of a foreign market opportunity. Rather than continue to do what has been done in the past, perhaps it is time to be more selective about who should or should not be in the cluster. Being reasonably assured that potential cluster members will have the qualities necessary to work with, and cooperate with other members, without an environment of opportunism, is likely to lead to more sustainable and profitable export clusters. Trust is necessary for people to work together on common projects, even if only to the extent that all parties believe they will be compensated in full, and on time. But trust is also a by-product of successful collective action. Collaborative SMEs that successfully complete a project are likely to exhibit higher trust, which makes further and more complex collaborative efforts possible. Social capital and trust among export cluster members is therefore a vital underpinning resource necessary for creating export clusters.

Government also has a role in encouraging SMEs to collaborate more effectively. Clusters cannot be created by public policy. They must be business driven. Government can however, help create the conditions that encourage their formation and growth. Success will require teamwork with
SMEs where new ideas flow upwards and sideways and where goals are shared rather than imposed. Government should act as a catalyst to encourage SMEs to collaborate to compete. The entrepreneurship and innovation of SMEs are central to the creative process in the economy for promoting growth, increasing productivity, and creating jobs.

Key features of top performing businesses are the effectiveness and quality of their management and their commitment, which inspires their workforce. A culture of flexibility, underpinned by principles of fairness and trust, creates the right conditions for a creative workforce and for business success. Minimum decent standards, consulting and informing the workforce, and a real commitment to staff training can bring about benefits for everyone, including reduced absenteeism and staff turnover and greater job satisfaction leading to increased productivity.

In the increasing global economy, SMEs cannot compete in the traditional way. Capital is mobile, technology can migrate quickly and goods can be made in low cost countries and shipped to developed markets. Australian business must compete by exploiting capabilities, which its competitors cannot easily match or imitate. These distinctive capabilities are not necessarily the abundance of Australia’s raw materials, land, or even access to cheap labour. Rather, they are the existing knowledge, skills and creativity, among our SMEs along with their willingness to share these with other SMEs, which will help drive high productivity exporting processes. Social capital is the vehicle that can drive these processes.
6.11 Limitations

Any study has limitations that may be addressed in further research. In this study, limitations and constraints relate to the research method, the industry under scrutiny, the size of the firms studied, the number of firms in the study, and the geographic coverage of the study. Additionally, issues such as leadership and how each of the social capital elements interact may limit the outcomes of the study. Each of these constraints will now be addressed.

- Firstly, this study is limited in that the methodology used in this research was a case study methodology therefore impacting on generalisability. The case study approach looks for analytical rather than statistical generalisations and so is not suited to theory testing.

- Secondly, the study was restricted to only one industry sector (food and beverage), thus limiting the external validity of this research.

- Thirdly, the research was confined to a single geographic location, (the Southeast region of Queensland) which again impacts on the external validity of this research.

- Fourthly, in this study, data triangulation of information obtained from multiple sources, including a review of relevant literature, government sources and informants from small to medium sized firms, addressed the internal and external validity issues of qualitative analysis. However, increasing the number of firms involved in this study may uncover if there are other factors that influence a firm’s social capital.

- Fifthly, leadership styles may be an important issue in social capital development within a firm. Additionally, leadership may also be important element of cluster development and further academic studies in this area.
may provide fruitful information on organisational culture not yet expressed in the literature.

- Sixthly, as described in the thesis, the elements of social capital interact (e.g. trust, cooperation and working together for mutual outcomes). Further quantitative research and analysis on the relationship of these elements may provide useful information to managers of small firms.

- Finally, this research was confined to only SMEs as defined in section 2.2 limiting the study in terms of generalisability to larger organisations.

6.12 Suggestions for further research

Suggestions for further research address the limitations of this study and flow from findings of the research. To overcome problems of generalisability, a methodology such as a survey or experiment is required. Future research could study the usefulness of social capital within firms when internationalising and, whether social capital is a determinant in developing successful long-term industry clusters, whether exporting or not, by adopting a quantitative method such as using a mail survey to small business owners.

In this current research, the study was restricted to one industry sector. Therefore further research for comparison across a number of industry sectors could provide valuable insights and enhance external validity.

Further research could also involve a broader geographic coverage encompassing SMEs from all Australian states or comparisons made between SMEs in other states or regions within these states. However, given that social capital is a relatively new concept particularly in the internationalisation process and social capital, as with the formation of industry clusters, takes
time to evolve, it may be that some longitudinal studies of the phenomena should be carried out.

A study on opportunism in export industry clusters and the impact of this on the success of industry clusters in general, could provide valuable understanding to international business practitioners on the success or failure of the internationalisation process of SMEs. This is particularly relevant for SMEs as they may be more reliant on the expertise provided by international business practitioners than larger firms.

Finally, by extending the research to larger firms as well as SMEs, a comparison of social capital issues may provide a more generalisable model of export cluster formation.
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Appendix one: Export readiness guideline questions

**Business background.**

1. How long the firm has been in business?
3. Does your firm have solid marketing knowledge and experience gained by selling in a number of Australian states? Austrade Handbook (1999).
5. Has the firm experienced growth over last three years
6. Managerial focus- does the firm focus on maximising profit, or sales growth?
7. Have your executives have an established track record in meeting deadlines? Trade and Development Board NZ (1999).
8. Does the firm have a source of patient capital, i.e. financing that does not require short term returns? Export Source Canada (1999).
9. Does the firm have a policy of maintaining and building business relationships or networking? Australian Industry Group (1999).

**Export Awareness.**

11. Is the firm is currently exporting
12. Are you aware of another Australian firm exporting to the country of interest the firm may gather information from? AIG (1999).
13. Have the firm determined the reasons for exporting and evaluated them objectively?
14. Does the firm have a special relationship with an international buyer? Department of Industry-South Africa (1999).
15. Does the firm have any current knowledge of international competitors, their products and prices? Department of Industry-South Africa (1999).

16. Does the firm have information on the size of the world market for your product? Department of Industry-South Africa (1999).

17. Can the firm point to reputable domestic customers who will vouch for the quality of their product or service?

18. Does the firm have any contacts in the export community? Department of Industry-Canada (1999)

19. The firm has, or is, preparing an international marketing plan with defined goals and strategies? Federal Agricultural Service (1999).

20. Was the export-marketing plan developed with the input of all relevant staff members? Department of Industry-Canada (1999).


22. Does management and staff have knowledge of foreign culture and cross-cultural fluency?

23. Does the firm have export experience among staff

24. Does the firm know where to get people with the right export skills? Department of Industry-Canada (1999).

25. Have the firm’s management or staff participated in or visited international trade fairs? AIG (1999).

26. Does the export executive have full support of management. New Zealand Trade and development Board (1999).

27. Are there adequate resources for foreign market development?


30. Is the firm able to wait for payment? Department of Industry-Canada (1999).
Motivation for going International.

31. Could the firm promptly fill any new export orders from present inventory or other sources? IBA (1999).
32. Is exporting a means of disposing of excess production or utilising excess production capacity?
33. Is the firm exporting by filling unsolicited orders only?
34. Is exporting seen solely as benefit to stabilise seasonal market fluctuations?
35. Does the firm have a unique production process? Export Source-Canada (1999)
36. Is exporting seen as a plan to contribute to company’s general long-term expansion?
37. Is exporting seen as a plan to enhance firm’s competitiveness by acquiring new markets?
38. Is exporting seen as a plan to extend product life cycle of existing products?
39. Is exporting seen as a plan to supplement domestic sales with occasional export sales?
40. Is exporting seen as a plan to reduce risks by selling to diverse markets?
41. Is exporting seen as a plan to exploit the firm’s unique technology and know-how?
42. Is exporting seen as a plan to improve overall return on investment?

Top Management Commitment.

43. Has management any reservations about entering international markets?
44. Is your firm convinced that exports are an important aspect for your future survival? Department of Trade and Industry – South Africa (1999).
45. Can the firm commit a substantial amount of time to developing an international market in the initial stages? AIG (1999).

46. Is the firm’s domestic operation sufficiently well established to continue to thrive while management time is dedicated to the export market? Department of Trade and Industry – South Africa (1999).

47. Can the firm offer better delivery than competitors? AIG (1999).

48. Is the firm committed to providing the same or better, levels of service given to domestic customers, and is there a competitive advantage in after sales servicing? AIG (1999).

49. Will exporting will be limited to indirect exporting?

50. Does your firm have the capacity to increase production once export markets are developed (Austrade 1) and have plans to handle longer term increased production levels? Trade Point-USA (1999).

51. Does the firm have sources of competitive advantage? Trade point USA (1999).

52. Have adequate funds been set aside to develop foreign markets?

53. Is the firm willing to sacrifice profits for long-term sales during the start up period?


55. Will formal marketing plans be developed for foreign markets?

56. Will the product be unique, differentiated, or exclusive to the firm?

57. Does company R & D levels exceed industry average?

58. Is the product price competitive in the domestic market?

59. Does the firm have adequate knowledge of export payment mechanisms? Federal Agricultural Service (1999).

60. Does the firm have adequate knowledge in shipping its product overseas, such as identifying and selecting international freight forwarders, temperature management and freight costing?

61. Have you worked out the ex factory or FOB product cost and targets pricing for export sales? Austrade on line (1999).
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

62. Does the product have sufficient advantages over competing products?


64. Does the product require special storage, licenses, and have a tolerance to harsh and widely varying environmental conditions?

65. Does the firm have, or have access to, the technical expertise required to ensure that your product is suited to international markets in terms of design, quality and function? (IBA 1999).

Some of the elements of the models are similar in context but worded differently. The author has used his discretion to determine which questions are similar to the other models to eliminate repetition. An analysis of each of the guidelines that the questions above have been derived from is offered below.

**Implications drawn from Top Management Commitment issues.**

Management’s total commitment that exporting is an important aspect of the firms’ future survival should not be at the expense of the firms domestic market. SMEs should be willing to supplant short-term profits developed in domestic markets to the long-term benefits of exporting. The firm should be committed to providing the same, or better levels of service given to domestic customers, endeavor to exceed industry R&D levels and have the capacity to increase production levels once export markets are developed.

**Implications drawn from Business Background issues.**

The firm should generally have a record of domestic success and profitability. This may ensure that the firm has sources of patient capital to invest in the exporting process. Additionally, experience gained through domestic market success aids the export process subject to external environmental variables.
Implications drawn from Motivation to go International issues.

It is important that the firm should have some unique process that differentiates the product or firm. Exporting is seen as a long-term process to contribute to expansion, rather than a means of disposing of excess production or solely filling unsolicited orders.

Implications drawn from Export Awareness issues.

A firm should determine the reasons for exporting and evaluate them objectively to identify how the export operation will fit into the present organisational structure.

Analysis of Export Readiness Guidelines.

Muhlbacher et.al.

As one might expect from academic literature this guideline is the most comprehensive. The guideline poses some forty-five questions most of which are broken down into another four or five sub questions. Perhaps the biggest differences with this guideline over the others is that it endeavors to determine the exporting objectives and strategies for exporting. Only one other model asks how the product is to be exported either direct or indirect or, by unsolicited orders. This would seem a fundamental flaw, as it is unlikely that exporting in the long run could be successful if firms weren’t aware of how it was going to export its product.

Austrade on Line

If Muhlbacher et.al was the most comprehensive, then this is the least. The guideline poses just eight questions and is weighted to profitable companies that have Australian wide distribution systems and a production capacity that,
given the ambiguity of the question, is unlimited. The questionnaire implies that unless your firm is large and profitable that there is little chance that your firm will be export ready. As with a number of government agencies the questionnaire leads to fee-paying services offered by Austrade. This may explain in part why the guideline is so vague and imprecise.

_Austrade Handbook_

This booklet comprises twenty-six pages of export guidelines. Whilst more detail is available than Austrade on line, very little of the booklet is taken up with actual export readiness. Rather, the booklet attempts to cover the whole process of exporting and includes export potential and coverage of incoterm and export documentation. The same conclusions for the guidelines effectiveness can be drawn from the Austrade on line model.

_Australian Industry Group_

This guideline represents the best Australian example found in the research. It is an extensive twelve page document that addresses most questions needed to ascertain export readiness. As with most of the guidelines the underlying weakness in the model is that it too does not take into account how the firm will export their product. However, the guideline does address a number of important issues that most others do not. These include whether the firm has a policy of relationship building and whether the firm has technical experience to ensure product suitability in international markets in terms of design, quality and function.

_FAS Online_

This is America’s answer to Austrade on line. The guideline consists of nine questions that the authors argue highlights characteristics common to
successful exporters. The questions are quite detailed and like Austrade leads the prospective exporter to other areas of the site where further information can be accessed. Overall however the questionnaire only superficially investigates export readiness.

**Department of Trade and Industry - South Africa**

This is an excellent guideline that is very comprehensive and direct in its application. The export readiness questionnaire identifies a number of areas not covered by many of the existing models. These include relationships with international buyers, knowledge of international competitors, products and prices. Unlike the Austrade example, the South Africans give a detailed step by step guide of the exporting process. There are no fee paying mechanisms in place on their site probably as a result of years of trade embargoes during the apartheid era and a recognition that trade needs to be encouraged by government rather than as a revenue raising venture.

**Export Source – Canada**

This framework has seven different elements and is the most comprehensive of all the guidelines. The elements covered are management commitment, the domestic track record, market planning, the finance equation, product and service, gearing up production, and management knowledge of export marketing. All of these elements are then broken down to at least five other sub elements. All of the questions are pertinent and direct to the subject at hand. An important element determines whether the firms marketing plan was developed with the input of all relevant staff and if provisions have been made in the plan for contingencies and feedback.
New Zealand Trade and Development Board

This guideline is very similar to the Austrade on line guidelines. The guideline poses a series of ten questions broken down into at least two sub elements per question. The New Zealand guideline however places more emphasis on management experience, commitment and staff export knowledge than the Austrade framework. Like the Austrade guideline it is designed as a quick assessment that leads exporters to fee paying services offered by the department. The framework is weighted at more successful firms marketing their product in five or more cities.

Trade Point – USA

This framework represents a comprehensive analysis of what is required to enter export markets. It is a lengthy document that covers almost all of the elements SMEs need to consider when exporting for the first time. The framework is a good blend of theory and the practical that includes a good coverage of export documentation and methods of delivery for the product.

International Business Academy

The IBA present a good framework although it is lacking in some export strategy theory on export entry methods. It does however provide good practical information and is comprehensive in its delivery. The framework argues that prospective exporters rarely start with all the attributes that assure export success. Rather, with reasonable effort and guidance, a company can begin to fill the gaps and reach a point where exporting becomes viable.
A number of other models including Trade Compass (http://www.tradecompas.com 1999), Tradeport (http://www.tradeport.org 1999), and MSU-CIBER (http://www.miep.org. 1999). All three are American guidelines, and in the main duplicate other models selected in above. One notable exception that Tradeport illustrates is the importance of establishing relationships and networking which in part, leads to social capital in firms.
Appendix 2: Interview Protocol

Faculty of Business – International Business
University of the Sunshine Coast
Queensland

Social Capital and Export Readiness Research Project

INTERVIEW GUIDE

Introduction

Thank you for taking the time to participate in this research. This University research project investigates: How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland? It will benefit both small to medium enterprises and government sectors throughout Australia. Findings from this research will be disseminated to participants, state and federal trade departments and other relevant bodies.

Social capital
To help clarify the term social capital I refer to it as: Social capital is a firm’s shared cooperative norms underpinned by trust that encourages a collective goal orientation (associability) for mutual benefit for all stakeholders of the firm (Leana and Van Buren, 1999).

Export Readiness.
Export Readiness is defined as: An organisational state in which a firm has the capability and resources to commit to a long term exporting strategy to exploit foreign markets.

Clusters.
Clusters are defined as: Clusters are geographic concentrations of interconnected companies and institutions in a particular field (Porter, 1998).

Ethical Concerns
All data collected in this interview is confidential and anonymous. In answering any of the questions please do not refer to other employees/persons by their name or position title or other identifying description which could reveal the identities of those persons. For the safety benefits of your firm and yourself, I will disguise your firm’s and your name, along with any other identifying details, in the final research report in order to achieve anonymity.

Could I please tape record this interview as it will assist me with my data analysis? (Questions 1, 3 and 4 will be asked prior to turning on tape). If yes, please feel free to push the ‘pause’ button of the tape recorder at any time during the interview. No one but me will hear or have access to this tape recording. It will be kept in secure storage in a safe location.

Do you have any further questions regarding the objective or procedure of the interview?
Do you agree with our continuing with the interview?
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

Please note that you can terminate the interview at any time that you wish.

<table>
<thead>
<tr>
<th>Participant Details</th>
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<td>4. Title</td>
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<td>5. Years operating?</td>
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<td>6. How many staff does your company currently employ?</td>
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<td>7. Does your firm have a track record of success in the domestic market?</td>
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<td>8. Has the firm a successful exporting background?</td>
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<td>9. How does exporting fit in the overall strategic direction of the firm?</td>
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<td>10. What level of the firms’ resources is available to commit to exporting success?</td>
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<td>Research Issue 1</td>
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<td>How can Social Capital aid a firm’s Export Readiness?</td>
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<td>11. How does with the adage “by working together we can achieve more” sit with your firm?</td>
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<td>To what extent is participatory decision making encouraged in the firm?</td>
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<td>Is there a general freedom of organisational information?</td>
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<td>14</td>
<td>To what extent, would you say that most people could be trusted, or that you can't be too careful in dealing with people?</td>
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<td>15</td>
<td>How do you interact with your staff on a social level?</td>
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<td>What sort of turnover of staff do you experience?</td>
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<td>17</td>
<td>On what basis do you reward your staff?</td>
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<td>18</td>
<td>How do you resolve tension and conflict in the workplace?</td>
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<td>19</td>
<td>Would you agree that in general “time is money and should not be wasted?”</td>
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<td>20</td>
<td>In your view what measurement of time is long-term and short-term?</td>
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<td>21</td>
<td>Do you have a trial period for new staff?</td>
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Research Issue 2.
What role does the Australian perception of time play in social capital development within the firm and in cluster development?

19 Would you agree that in general “time is money and should not be wasted?”

20 In your view what measurement of time is long-term and short-term?

21 Do you have a trial period for new staff?

Research Issue 3.
How can firms with high levels of social capital smoother formation or
reinforcement of export ready clusters?

22 What do you see as being important about being in a cluster?

23 What are the “negative” aspects of being in a cluster?

24 How sensitive are you about giving away core competencies?

25 How long before you expect to gain some benefit from joining a cluster?

26 Who are you more likely to be more trusting of in a cluster – like or complementary firms?

27 How does communication take place in the cluster?

28 To what extent are current marketing and export efforts for this cluster adequate?

29 Are there any ongoing initiatives to unite the cluster?

30 Is there anything else you would like to comment on regarding this research?
Appendix 3

School of International Business

01/01/01

Telep (07) 54301255

Research Project Information Sheet

“Social Capital and Export Ready Clusters”

Researcher: Phillip Waite
School of International Business
Faculty of Business
Phone 54301255, Mob. 0407 730581 E-mail pwaite1@usc.edu.au

Chief Investigator: Gregory Trotman
Lecturer
School of International Business
Faculty of Business
Phone 5430 1244 E-mail gtrotman@usc.edu.au

Phillip is currently completing a Masters degree as well as teaching International Business subjects at USC. This research project is part of his degree requirements. Phillip has worked as a consultant on the Sunshine Coast and designed and taught exporting courses for small business owners as part of the State Governments Export Pathways program.

Phillip’s supervisors are Mr. Gregory Trotman (Lecturer in International Business), Dr. Debra Harker, (Senior Lecturer, University of the Sunshine Coast) and Dr. Michael Harker, (Head of Programme, School of Marketing and Strategic Management, University of the Sunshine Coast).

Mr. Gregory Trotman (Lecturer in International Business). Greg Trotman has had many years’ experience in the education and private sector. He worked for several years with IBM in both Australia and Japan. Greg has a BEcon and an advanced MBA from University of Queensland. Greg is currently involved with a number of Sunshine Coast business groups including The Sunshine Coast Food and Beverage Group and the Caloundra City Council. He specialises in cross-cultural communications.
Phillip Waite

How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

Before becoming an academic, Debra Harker worked as a Marketing Consultant with KPMG Peat Marwick Management Consultants in England and AGB McNair in Australia. Debra achieved a BA (Hons) S.Bank, London, PhD (Griffith). Her Doctoral from Griffith University was concerned with the evaluation of advertising self-regulation in Australia. She is a Senior Lecturer in Marketing at the University of the Sunshine Coast.

Michael Harker is Associate Professor in Marketing and International Business at the University of the Sunshine Coast. He has a BSc (Hons) in Economics from Southampton University and MA in Marketing from Lancaster University, in England. His PhD in Strategic Management is from Griffith University. Michael has considerable Australian and international marketing and management experience, including his position as Marketing Director for Lloyds, an Engineering Service and Testing organisation based in Europe, and Development Director for Mastergear Inc, where he was responsible for the key markets of North America, Europe and SE Asia.

The Research Project

The overall aim of the project is to develop a model of social capital and export readiness for SMEs to evaluate the prospect of whether firms with high social capital are more likely to externalise their social capital to form long and lasting cluster formations.

The implications and conclusions drawn from this thesis could be of use to SMEs and government policy makers alike in order to aid development of long-term sustainable export ready cluster programs for non-exporting SMEs.

A case study of nine SMEs within three business clusters will be conducted. A structured taped interview of thirty questions will be carried out in a private area where conversations may not be overheard at the premises of each SME and should take in the vicinity of one hour to complete. A copy of the questionnaire is attached.

The researcher will stress to interviewees, that participation is completely voluntary and anonymous, and further, that they can stop their participation at any time. The interview will remain completely anonymous in that no names or mailing addresses will be collected.

Any information provided by participants during the research will be used only for the purposes of the research project except for the summarised information gathered from your business which will be returned to you for your own use. Information will NOT be given to any other source. No access to any of the data collected from any SME will be published or given to any other third party, including and in particular, any competing business.
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

The final research project will be published as a Masters thesis in 2001, which will publicly available from the university library. Data from all SMEs involved in this study will be combined, so that there is no identification of individual data to individual firms.

The survey will abide by the University of the Sunshine Coast Good Research Practice Code of Conduct for Research (2000). Further, the researcher will abide by any requirements that the management of any SME may have for the conduct of the survey, which do not impinge on the ethics or aims of the research project.

Participation in this project is voluntary and your choice not to participate will involve no penalty or loss of benefits to which the participant might otherwise be entitled. It is recognized that the “SME name” may withdraw their participation at any time without penalty or the need to provide an explanation.

If you have any complaints about the way this research project is being conducted, you can either raise them with the Chief Investigator (Please find contact details on the previous page) or, if you prefer an independent person, please contact the Chairperson of the Human Research Ethics Committee at the University of the Sunshine Coast:

Professor Robert Elliot
Chairperson of the Human Research Ethics Committee.
University of the Sunshine Coast
Phone: 5430 1247 Fax (07) 5430 2880
E-mail: ELLIOT@usc.edu.au

If you would like to participate in the interviews for the research project, please complete and return the attached form to:
Mr. P.J. Waite
2/68 Kings Street
Buderim Qld. 4556.
An early response would be appreciated as it is planned to commence the study shortly.

Thank you so much for your interest and assistance so far. If you wish to continue with this project, I look forward to working with you. Please don’t hesitate to contact me, or my supervisor, Mr. Greg Trotman, for any further information.

Yours sincerely

Phillip Waite
Consent to Participate in Research

“Social Capital and Export Ready Clusters”

The research aims to discover how social capital aids export readiness and facilitates firms forming or reinforcing export clusters. It is hoped that this will allow SME management to determine areas, which could be improved to aid this process.

I understand that:

- I do not have to participate in this research study if I do not wish to; and
- I can withdraw from the study at any time, without giving any reasons for withdrawing; and
- I will not be treated less favourably or lose any benefit or suffer any penalty if I withdraw from the study, and
- Any information provided by participants during the research will be used only for the purposes of the research project, except that the summarised information gathered from my business will be returned to me to use for my own use. This information will NOT be given to any other source. No access to any of the data collected from me will be published or given to any other third party, including and in particular, any competing business.
- The final research project will be published as a Masters thesis in 2001. Data from all firms involved in this study will be combined, so that there is no identification of individual data to individual firms.
- My participation is completely voluntary and my identity will be anonymous, and I can stop my participation at any time.
- Any information I give during the research will be recorded in a way to ensure that my identity is anonymous.

**I understand the contents of the Research Project Information Sheet for this research study/project and this Consent to Participate in Research form.** I agree to participate in the “Social Capital and Export Ready Clusters” research project and give my consent freely. **I understand that the study/project will be carried out as described on the Research Project**
Information Sheet, a copy of which I have kept. I realise that whether or not I decide to participate is my decision and will not result in any adverse affect. I also realise that I can withdraw from the study/project at any time and that I do not have to give any reasons for withdrawing. Any questions I had about this research project and my participation in it have been answered to my satisfaction.

Signatures:

__________________________________________  __________________
Name          Date

__________________________________________  __________________
Investigator/Researcher/s      Date

Appendix 4

FIRM C1A

FIRM C1A was established in 1992 to fill the need for an Australian company to become active in the bulk ingredient/custom blending business exclusively for export markets. They currently employ 75 staff on a full time basis.

The firm’s current production capacity is approximately 36,000 metric tons per annum. The firm’s domestic market is small supplying only a few local customers. The firm has enjoyed excellent returns from exporting and the current customer base includes many of the major food processing companies in Japan, the U.S.A. and South East Asia. The firm has a high commitment to exporting and is unlikely to expand its domestic market in the short term.
Interviewer observations.

Firm C1A premises is located close to one of SE Queensland’s most popular tourist destinations. There are no car parks for staff who park outside the premises. Management park in front of building. There is one primary building. The two-storey administrative area houses administration and management. The factory is located below and adjacent to the administration area. All visitors to the site have to be signed in and out of the premises. The respondent is the managing director who has been in the position for just six months. He is dressed in a smart casual fashion. The administration and sales staff are dressed in smart casual company uniforms. The informant is addressed by administration staff by his Christian name and appears to be on cordial terms with them.
Appendix 5

FIRM C1B

Firm C1B was formed in 1981 for the export of Australian game meats to European Markets. The main destination at that time was Germany. The company has continued to trade in game meats and at times has also supplied sheep, beef and goat meats, in small amounts to service requirements of individual customers. The company is a registered meat exporter, Aus-Meat accredited and holds E.U. sheep meat quota for the supply of sheep meat to E.U. countries. The firm operates under a Hazard Analysis Critical Control Points. based QA program and will seek ISO 9002 accreditation this year. The company has a small niche domestic market and has a high commitment to grow their already high exporting success. The company is family owned and employs 45 staff.

Interviewer observations.

Firm C1B premises is located close to one of SE Queenslands most popular tourist destinations. There are guest car parks to the establishment along with those for management. There is a separation of car-parks for management and staff. The latter parking cars on street whilst management park in front of building. There is one primary building. The two-storey administrative area houses administration and management. The factory is located below and adjacent to the administration area. The respondent is a senior member of management and is dressed in company uniform. The administration and sales staff is dressed in smart casual attire. The informant is addressed by administration staff by his Christian name and appears to be on cordial terms with them.
Appendix 6

FIRM C1C.

FIRM C1C has a twenty-year tradition as a specialist meat processor and smallgoods manufacturer. In recent years FIRM C1C has diversified into large scale processing of dairy products, supplying a large number of major clients with a variety of shredded and sliced cheeses primarily to individual specifications.

The firm has acquired Meat Safety Quality Assurance and Hazard Analysis Critical Control Points in all facets and manufacturing and processing to exacting A.Q.I.S. standards. The firm has recently developed a strategic alliance with a specialist meat packing and wholesales company with a strong export background. This alliance has enabled the firm to purchase top quality raw products through an establish meat processing company. The firm is currently marketing an extensive range of products in South East Asia, Japan and the Pacific Islands. The respondent claimed that the firm had a very high commitment to exporting. To this stage the firm has had only moderate success with eighty percent of product sold domestically and exporting making up the balance. The firm currently employs 50 permanent and casual staff.

Interviewer observations.

Firm C1C premises is located close to one of SE Queenslands most popular tourist destinations. There are no car parks for staff who park outside the premises. Management park in front of building. There is one primary building. The front area houses administration and management. The factory is located behind the administration area. The respondent is a senior member of management and is dressed in a smart casual fashion. The administration staff is dressed in smart casual attire. Administration staff addresses the informant by his Christian name and firm has a friendly atmosphere about it. The respondent provided a tour of the facilities where the staff were friendly and helpful.
Appendix 7

FIRM C2D

Firm C2D commenced business in October 1977 processing passionfruit pulp. Since this time it has expanded into the business of tropical and temperate products. This includes such products as frozen fruits, fruit purees, fruit pulps, jams, syrups, and spreads.

Distribution of FIRM C2D’s products is predominantly in the Southeast Queensland region. Customers vary from small end users such as muffin shops and bakeries to the larger customers such as wholesalers and trade users.

FIRM C2D is situated on a 100-acre property on the hinterland of South East Queensland. FIRM C2D is a family owned business employing up to 40 people consisting of twelve full-time employees, the remaining employed on a casual basis depending on the season and demand. They currently export to the Pacific Islands and New Zealand. Whilst the firm has had only moderate export success the firm recently received two state government grants and intend to increase their export business quite considerably.

Interviewer observations.

Firm C2D premises are set in a relaxed farm like environment. There are no formal bitumenised car parks and cars are parked haphazardly. Many of the cars are unlocked and the windows down. The property consists of two primary buildings. One is the office whilst the other is the manufacturing factory. The structure could easily be mistaken for a dairy farm rather than food a processing plant. The respondent is a senior member of management and is casually dressed in jeans and company polo shirt. The informant is addressed by staff by his Christian name and appears to be on friendly terms with them.
FIRM C2E

FIRM C2E is a subsidiary of a large food and beverage organisation. The parent company originated in South Australia to support troops in World War II with locally produced fruit beverages.

The firm was restructured in 1961 and the company established offices around the country. FIRM C2E is situated in the southeast Queensland hinterland and employs 100 people.

The firm has an extensive product range that covers the full beverage spectrum and some food products that include herb and spice blends. The firm currently exports to a number of different export markets and is committed to growing exporting to 90% of their business. The firm has been at its present location for over twenty years.

Interviewers observations.

Staff car parks are situated inside the property under shady trees. Management and guest car parks are situated at the front of the building along with a car park for the “employee of the quarter”. There are two major buildings. The two-storey administrative area houses administration and management. The factory is located below and adjacent to the administration area. All guests to the site have to be signed in and out of the premises. The respondent is a senior management executive and is dressed in overall and boots as were the factory employees. The administration and sales staff is dressed in smart casual attire. The informant is addressed by administration staff by his Christian name and appears to be on good terms with them.
FIRM C2F

FIRM C2F is a small, family company dedicated solely to bottling the pure spring water that originates in the Southeast Queensland hinterland.

The family has owned the property containing the springs for several generations, which previously operated as a cattle property. During this time, the springs were little more than a convenient source of water for the stock.

The present owner recognised the market potential of the spring water and developed the company eight years ago to tap into the burgeoning spring water market. Initial operations were basic and restricted to supplying the immediate local area with 19 litre bottles, primarily for placement into offices. The company continued to grow in pace with the bottled water industry and was able to expand and automate its production to incorporate small bottles, standard 500ml and 1.5 litre sizes, into the industry.

FIRM C2F today has sales exceeding $1million. The company operates a fleet of trucks to distribute the 19 litre bottles throughout its primary market.

The firm is keen to expand the size of the small bottle market share, which is currently restricted by the present distribution arrangement. The firm has an export contract to Saipan, which has been successful to date however there are no plans to expand elsewhere. The firm employs 24 full time staff.

Interviewer observations.

Firm C2F premises are set in a farm environment. The owner lives on the property. There are formal bitumenised car parks for administration and
marketing staff along with those of management. The factory employees appear to park their vehicles in different areas behind the manufacturing plant. The administration and manufacturing areas are made up of one large building. Due to the slope of the property, the manufacturing area is set below the administration area, which allows management to oversee the production line from above. My informant is the owner and is casually dressed in shorts and company shirt, as are the employees on the production line. The administration and marketing staff is dressed in smart company uniforms. The informant is addressed by staff by his Christian name and appears to be on friendly terms with them. There are no time-clocks for employees to clock on or off.
FIRM C3G

FIRM C3G was established in 1992 and officially opened its doors to the public in 1995. The firm is one of Queensland’s fastest growing and most renowned wineries. Since its beginning the annual crush has doubled every year and this year a total of 200 tonnes of grapes were crushed, which is possibly the largest in Queensland. They currently employ 25 staff plus contractors.

A new vineyard site was recently acquired in Queensland’s most renowned wine growing region, located about three hundred kilometres south west of the current facility. This facility, will become the hub of the company’s grape crushing and processing activities, and has been fully operational for vintage since 2000.

Although the firm is regarded as a young winery, it has already won an impressive array of international medals and national awards for many of its superb wines. To date, 38 medals have been won at national and international wine shows. The winery’s reputation is growing rapidly, not only among Queensland's top hotels and restaurants, but also within the retail industry. The winery also exports a selection of wines to Southeast Asia and the pacific region.

Interviewer observations.

Firm C3G premises are located approximately two kilometres from a popular tourist destination. There are guest car parks at the establishment along with those for staff. There is no separation of car parks except for the CEO who has separate parking facilities next to the administration building. There are three primary buildings. The administrative area houses administration and management including the CEO. The packing shed is a stand-alone steel fabricated area next to the sales area. Whilst the sales area is decorated appropriately the packing area is typically functional and cluttered with packing
How does a firm’s social capital contribute to export ready clusters situated in Southeast Queensland?

The administration area where the interview was held is approximately 50 metres from the packing and sales areas. It is constructed in a Tuscan style and features waterfall to the entrance. It appears to be newer than the rest of the facilities. The respondent is the CEO and is formally dressed. The CEO has been with the firm for approximately six months and comes from a major multinational company. The administration and sales staff is dressed in smart company uniforms. The informant is addressed by staff by his Christian name and appears to be on cordial terms with them.
FIRM C3H

FIRM C3H is a family owned and operated company and was established in 1970 by an Italian immigrant. FIRM C3H is one of Queensland's oldest and most respected vineyard and winery. They currently employ 13 staff, almost half of which are family related in some way.

The firm has won an impressive array of international medals and national awards for many of its wines. The winery's reputation is growing rapidly, not only among Queensland's top hotels and restaurants, but also within the retail industry. The winery exports a selection of wines to United Kingdom and is only moderately interested in expanding exporting.

Interviewer observations.

There are guest car parks at the entrance to the facility. There is no separation of staff car-parks as all park behind the main building except for immediate family who park at the residence adjacent to the sales and packing area. There are several buildings on the property. The administrative area houses administration and management including the respondent. The packing shed adjoins the sales area along with the coffee and meals areas. Whilst the sales area is decorated appropriately the packing area is typically functional and cluttered with packing materials. Several of the staff were observed making themselves and other staff cappuccino's for morning tea in coffee shop area demonstrating a relaxed and informal environment. The respondent is a senior member of the management team and dresses in smart casual attire. The respondent was addressed by her Christian name by other members of the staff.
Appendix 12

FIRM C3I

FIRM C3I vineyards were established during 1997 and 1998. The estates are the largest vineyard development in Queensland. The vineyards cover over 170 hectares in the South Burnett region, which research has indicated is one of the best areas for growing premium grapes in Queensland.

The company is poised to take their place as one of this country’s leading producers of fine wine. They are committed to using only the best grapes and employing state-of-the-art technology and production techniques. Their aim is to deliver what people want in premium wine. The firm currently employs ten full time staff and thirty casual staff. Whilst sales are still in the growth stage it is the intention of the owners to export once production levels grow.

Interviewer observations.

This firm was recommended as being an up and comer within the wine industry. The interview for this case was held at the home of the respondent. The respondent is a senior executive with the firm and operates from his home address. The informant frequently travels to the vineyards to confer with local managers there. Observations of working conditions etc. could therefore not be observed.