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Barriers to Internationalisation: A Study of Entrepreneurial New Ventures in New Zealand*

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Abstract. This paper presents the findings of a study of the perceptions of the barriers to internationalisation by 561 New Zealand Entrepreneurial New Ventures (ENVs). Significant differences in the perception of the barriers are identified according to the level of international activity of New Zealand ENVs. Exporters and likely exporters consider the main barriers to internationalisation to be finance and cost-related factors. A lack of New Zealand government incentives are also seen to be major barriers for these two groups with likely exporters also perceiving their lack of international experience to be a hindrance. By comparison non-exporters perceive firm size to be the biggest barrier to internationalisation followed by a lack of market knowledge and experience. Industry was found to have no influence on the perception of barriers to internationalisation, however, firm size does have an impact.

Keywords: internationalisation, entrepreneurial firms, barriers to export

Background

International entrepreneurship is emerging as an important area of research within International Business (e.g., Rhee, 2002; Lu and Beamish, 2001) with a number of academics calling for greater integration of the literature on entrepreneurship and internationalisation (Madsen and Servais, 1997). There is broad agreement that the traditional models of internationalisation applied to SMEs may not apply to ENVs, as Rhee (2002:51) points out: 'the generalisation about the internationalisation patterns derived from the literature on SMEs may be inappropriate when applied to new ventures.' This position is support by Fillis (2001) who also argues that the market-entrepreneurship interface could provide a new paradigm in which to understand small firm internationalisation.

In addition, there is increasing awareness of 'born global' firms (e.g., Anderson and Wicker, 2003; Knight and Cavusgil, 1996), international new ventures (e.g., Oviatt and

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McDougall, 1994) and 'born-again global' (Bell et al., 2003), which suggests that it is no longer considered unusual that firms internationalise when they are young or when they have been operating in the domestic market for a long time (Bell et al., 2003; Rhee, 2002). Internationalising, under these conditions, can be considered entrepreneurial in that the firm is proactively and aggressively engaging in processes that emphasize opportunity creation and/or discovery, evaluation, and exploitation (McDougall et al., 2003; Shane and Venkataraman, 2000). Although studies have been undertaken focusing on both barriers to internationalisation amongst SMEs and more recently on the role of 'born globals', 'born-again globals' or 'international new ventures', there is still a need for further research to develop our understanding of how these firms operate. Understanding how managers of ENVs perceive the barriers to internationalisation is particularly important as 'managerial attitudes and preferences are at the core of a venture's internationalisation activities' (Zahra et al., 2000:945). Manolova et al. (2002) conclude that internationalisation is not so much a function of demographics as a function of perception. Andersson (2000:69) provides further support for this when he observes that 'the entrepreneur's impression of the macro-environment is more important than the facts when it comes to choosing international strategies.' It can be argued, therefore, that an entrepreneur's perceptions of the barriers to internationalisation will influence his or her decision not only to decide to enter international markets, but also, which markets s/he chooses to enter and the level of international involvement s/he will choose to make. The aims of this study, therefore, are specifically (i) to establish the level of involvement of New Zealand entrepreneurial ventures in international markets, and (ii) to compare the perception of the barriers to internationalisation of those ventures which have internationalised, with those (a) that plan to internationalise and (b) those that are unlikely to internationalise.

ENVs are an important source of future business growth, especially for countries such as New Zealand. The small size of the economy also means that for significant growth to occur firms need to operate successfully in international markets. It is therefore important to understand how the owners and managers of these ENVs perceive both the barriers to entry to overseas markets and the potential opportunities international operations present. New Zealand is a particularly interesting country to study because of the predominance of small firms in its economy. New Zealand is also a country well known for its entrepreneurial activity (Frederick and Carswell, 2001), possibly because of its more remote geographic location. Lessons learned from New Zealand firms can, therefore, be applied to ENVs globally.

Definitions of entrepreneurs and ENVs are well known for their inconsistencies. Hisrich and Peter (1998), for example, note that an entrepreneur is someone who takes risks and starts something new. In the same vein, the Global Entrepreneurship Monitor considers an entrepreneur to be synonymous with a start-up (Frederick and Carswell, 2001). Against this backdrop, this study will focus on ENVs that have started up in the last eight years. As already mentioned, we are interested in three categories of ENVs: exporters, likely exporters and non-exporters. For all intents and purposes, we argue that exporting ENVs are similar to international new ventures (INVs).

Barriers to internationalisation

There have been a number of studies that have focused on the barriers to internationalisation by exporters and/or non-exporters in general (e.g., Campbell, 1996; Leonidou, 1995; Katsikeas and Morgan, 1994; Morgan, 1997). The barriers to internationalisation can be categorised into five broad areas: financial, managerial, market-based (including both the domestic and international markets), industry specific and firm specific. It is widely acknowledged that barriers to internationalisation can exist at any stage in the internationalisation process (e.g., Morgan, 1997). Furthermore, the perception of the barriers can vary in intensity depending on the degree of internationalisation of the individual firm (e.g., Burton and Schlegelmiclch, 1987; Cavusgil, 1984; Kedia and Chhokar, 1986; Katsikeas and Morgan, 1994). This study, therefore, is similar in its conceptual nature to earlier studies of the perceptions of export barriers in general (e.g., Katsikeas and Morgan, 1994; Morgan and Katsikeas, 1997, 1998).

Much less attention has, however, been paid to the perception of barriers to internationalisation by smaller, more entrepreneurial firms. Given that ENVs are likely to take greater risks in building their businesses it might be expected that entrepreneurs, compared to managers of established firms, view the traditional barriers to internationalisation differently. Given the importance of ENVs to a country's economy this is a notable gap in the literature. Table 1 summarises the key barriers facing such small, entrepreneurial firms that have or plan to internationalise.

Methodology

The first stage of the study will establish the level of involvement of ENVs in international markets. The second phase will compare the perceptions of market entry barriers and the attitudes of those entrepreneurial ventures that have internationalised with those that have not. The firms which have not yet internationalised will be split into two groups—those which plan to internationalise within the next two years and those which are unlikely to internationalise (cf. Katsikeas and Morgan, 1994; Morgan and Katsikeas, 1997, 1998). This will provide a complete picture, especially for policy makers, of the perception of barriers to internationalisation and the perceived international opportunities available to ENVs.

The study was undertaken by means of a mail survey of New Zealand ENVs operating in the manufacturing sector. Entrepreneurial ventures have been defined as independently owned businesses that have been operating for less than eight years and which have fewer than 100 employees. Based on a review of the relevant literature the questionnaire addresses the following issues: (a) perception of barriers to internationalisation, (b) level of international involvement (e.g., nature of involvement, countries served, % of overseas sales), (c) firm characteristics (e.g., size, age, industry sector, international experience), (d) respondent characteristics (e.g., position, background).

The Universal Business Directories (UBD) database was used to generate the sample of New Zealand entrepreneurial ventures. A total of 5,000 questionnaires were sent

Table 1. Summary of barriers to internationalisation.

Financial barriers
- financial barriers in general (e.g., Burpitt and Rondinelli, 2000; Campbell, 1996; Ward, 1993)
- resource availability (e.g., Ali and Camp, 1993; Karagozoglu and Lindell, 1998)
- cost of operating overseas (e.g., Rhee, 2002)
- limited access to capital and credit (e.g., Ward, 1993)

Managerial barriers
- managerial attitudes (e.g., Andersson, 2000; Burpitt and Rondinelli, 2000; Manolova et al., 2002; Zahra et al., 2000)
- lack of international experience and skills (e.g., Chandler and Janson, 1992; Karagozoglu and Lindell, 1998; Manolova et al., 2002; Rhee, 2002)
- commitment (e.g., Lamb and Liesch, 2002)
- partnership difficulties (e.g., Karagozoglu and Lindell, 1998)

Market-based barriers
- liability of foreigness (e.g., Chen and Martin, 2001; Lu and Beamish, 2001; Rhee, 2002)
- environmental perception (e.g., Andersson, 2000; Manolova et al., 2002)
- government regulations including tariff and non-tariff barriers (e.g., Campbell, 1996; Karagozoglu and Lindell, 1998; McDougall, 1989)
- economic conditions (e.g., Burpitt and Rondinelli, 2000)
- lack of market knowledge (e.g., Karagozoglu and Lindell, 1998; Lamb and Liesch, 2002)
- cultural differences/psychic distance (e.g., Bell, 1995; Karagozoglu and Lindell, 1998)
- access to distribution (Karagozoglu and Lindell, 1998)
- strong domestic market position (e.g., Autio et al., 2000)

Industry specific barriers
- competition (e.g., Karagozoglu and Lindell,1998)
- technology (e.g., Chetty and Hamilton, 1996; Fontes and Coombs, 1997; Karagozoglu and Lindell,1998)

Firm specific Barriers
- liability of newness (e.g., Lu and Beamish, 2001; Rhee, 2002)
- limited resources (e.g., Fillis, 2001)
- size (Ali and Camp, 1993; Calof, 1993; Campbell, 1996; Chetty and Hamilton, 1996)

NB: This is not a comprehensive list of the barriers to internationalisation, but focuses on the more recent empirical studies involving smaller or more entrepreneurial firms.

out to named individuals—either the owner of the firm or the Managing Director. The questionnaires were sent out in May 2003 and surveys returned in June and July 2003 were used in subsequent analysis.

A total of 223 questionnaires were returned to sender, as the firm was no longer at that address. A further 204 firms declined to participate in the study citing lack of interest, no time, firm sold. Some potential respondents expressed the view that their firm was not suitable to participate in the survey—follow-ups indicated that most of these firms had not internationalised and had no plans to do so. They, therefore, did not see any benefit in participating in the research. Completed responses were received from 561 firms, however, four of these contained a high level of non-response to individual questions and were discarded resulting in 557 usable questionnaire. This represents an overall response rate of 16%, which although quite low, is acceptable in a country with

Table 2. Respondent profile.

No. employees	% of respondents	Industry	% of respondents
Less than 5	47.8	Manufacturing (metals)	8.6
6–10	21.5	Manufacturing (other)	30.3
11–20	14.5	Food production	12.8
21–50	8.7	Textiles and clothing	9.7
Over 50	7.5	Chemicals	5.3
		Wood and paper products	4.8
		Services	14.3
		Retail and wholesale	11.4
		Other	2.8

a predominance of small and very small firms. With a limited number of firms, New Zealand managers are also increasingly being swamped with mail surveys resulting in lower response rates than in other larger countries.

As Table 2 shows over 60% of the participating firms employ less than ten people with only 48% having fewer than five employees. A broad spread of industries is represented with a strong bias towards manufacturing firms. The number of service firms is low, because the study aimed to concentrate on product-based firms. The majority of firms in this study are NZ owned (95%), with only 11.8% having an external equity partner. This suggests that New Zealand ENVs are virtually all self-funded perhaps because of the limited capital base within the country. Founders of firms completed 64.7% of the questionnaires with the rest being completed by other senior managers.

Level of involvement by New Zealand ENVs in overseas markets

The first aim of this study was to establish the level of involvement of New Zealand entrepreneurial ventures in international markets. Of the 557 participating firms 285, or just over half, had internationalised, and 272 had not. Of those that had not expanded into overseas markets only 65 firms had plans to do so in the next two to three years. Although the numbers of firms planning to internationalise is relatively small, it is still possible to assess whether the perception of the barriers to internationalisation differ across the three groups of ENVs. Of the firms that had internationalised, 39.1% served one or two overseas markets, with only 26.4% serving more than five markets. While these results suggest fairly low levels of internationalisation by New Zealand ENVs, they are consistent with results reported in other studies (e.g., McNaughton, 2003; Reid, 1984). The relative newness and smallness of the firms is likely to be playing a role.

A further indication of the relatively low levels of internationalisation by New Zealand ENVs is the observation that 42.7% of the participating firms generated less than 5% of their turnover from international markets. There is also some evidence that serving overseas markets may not be entirely profitable yet as 50.5% of the firms generate less than 5% of their profits from overseas markets. Also, there was a tendency for firms to adopt a reactive approach to internationalisation with 57.7% of the internationalised firms being approached by an overseas customer rather than developing a deliberate strategy for international expansion. A further 5.3% followed an existing New Zealand customer overseas and 2.5% responded to orders generated as a result of their web site. By contrast only 34.5% of exporting ENVs achieved their first overseas sale as a result of a planned strategy for international expansion. This lack of a planned approach to international business may be in keeping with the observation of other researchers that entrepreneurs identify, pursue and exploit business opportunities as they arise (e.g., Glancey, 1998; Jones, 1999; Littunen, 2000; Spence, 2003; Thompson, 1999).

A significant difference was observed between exporters, non-exporters and likely exporters with regard not only to their assessment of their international business experience but also to their business experience in general and their level of technical expertise. Using a five-point scale, all groups rated their technical expertise (mean 3.56) as being at a higher level than their overall business (mean 3.46) and international business (mean 2.28) experience. In all three instances, exporters and likely exporters also rated their experience and expertise as being higher than non-exporters. A marked difference was also observed in the importance attached to international markets by the three groups of firms. Using a five-point scale, exporters (mean 3.60) rated the importance of international markets to the long-term success of their firm significantly more highly than either non-exporters (mean 1.58) or likely exporters (mean 3.23). This shows that non-exporters are not really interested in international expansion.

International operations

The most popular market served by New Zealand ENVs is Australia with 65.1% of exporters targeting this country. Given Australia's close geographic and psychic distance to New Zealand this is not too surprising. The next markets most likely to be served by ENVs are the Pacific Islands (32.4%), the USA (32.4%) and the UK (26.0%). These results are consistent with the markets targeted by the population of New Zealand exporters (Shaw and Hassan, 2002; Statistics New Zealand, 2003). The main focus on markets either physically close to, or culturally similar to, New Zealand (e.g., Chetty and Hamilton, 1996) suggest that entrepreneurs are focusing on less risky markets rather than pursuing markets which are distinctly different to New Zealand such as the Asian markets. Entrepreneurs are traditionally seen as being risk-takers; perhaps in the case of New Zealand ENVs the risk-taking is more on the product/technical side than on the market side.

Most New Zealand ENVs (58.4%) have chosen to operate overseas by means of direct exports. A third use agents, and 29.5% use overseas distribution agreements. This use of distribution agreements is higher than that observed in other studies of New Zealand exporters (Shaw and Hassan, 2002) and may be a reflection of lower levels of international experience of New Zealand ENVs than New Zealand firms in general. A further 13.2% used joint ventures and international strategic alliances, but only 7.8% opted for overseas sales operations. Given that these are all relatively young firms, it is unrealistic to expect too many of them to have the necessary resources to operate facilities in foreign markets. However, there is a stronger preference by ENVs, compared with other New Zealand firms, for arrangements that involve another party. It is likely that by using agents and other partners overseas the founder is left free to focus on the more technical aspects of the firm.

Perceptions of barriers to internationalisation

As Table 3 shows the managers of New Zealand ENVs, whether they export or not, perceive the main five barriers to internationalisation as being limited financial resources, the high costs of selling abroad, limited access to capital, limited knowledge of overseas market opportunities and the lack of New Zealand government assistance/incentives to export. These are all barriers that have been identified by other researchers (e.g., Buckley, 1989; Burpitt and Rondinelli, 2000; Coviello and McAuley, 1999; Knight et al., 2003; Ward, 1993). The barriers that are of greatest concern are those relating to limited financial resources and limited access to capital. For ENVs in New Zealand this is clearly a big issue as younger firms are unlikely to have the same access to capital funds as more established firms (Kirpalani et al., 1987). This barrier could be preventing some ENVs from internationalising as much as they might wish. The observation that only 11.8% of New Zealand ENVs have external equity partners may be a reflection of this difficulty to attract capital investment in small firms. For small firms, this problem of access to capital and resources has been observed by a number of other researchers (e.g., Ali and Camp, 1993; Buckley, 1989; Coviello and McAuley, 1999; Fillis, 2001; Karagozoglu and Lindell, 1998; Kirpalani et al., 1987).

Non-exporters, likely exporters and exporters demonstrate some similarity in their perceptions of the barriers to internationalisation with five of the same barriers appearing in the top ten list of barriers across the three groups. A further three barriers appear amongst the top ten for likely exporters and exporters (see Table 4). When exporters, non-exporters and likely exporters are compared, however, a number of significant differences emerge. Out of the 46 barriers assessed, 43 show significant differences across the three groups. These differences between the three groups support the findings of earlier studies that exporters and non-exporters perceive the barriers to internationalisation to be different (e.g., Burton and Schlegelmilch, 1987; Cavusgil, 1984; Kedia and Chhokar, 1986). In all cases, exporters perceived the barriers to internationalisation to be less important than with the non-exporters or the likely exporters.

The main barrier for non-exporters appears to be firm size—the respondents perceive that their firm is too small to internationalise. Given that there is a predominance of small firms within the New Zealand economy this finding may, on the face of it, seem justified. However, research into the internationalisation of New Zealand service providers has shown that small firms are just as capable of being successful in international markets as large firms such that size may be an excuse for not internationalising

Table 3. Perception of barriers to internationalisation by New Zealand ENVs.

	All firms		Non-exporters		Likely exporters		Exporters		Sig level
Barrier	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Level
1. Limited financial resources	3.87	1.1	3.91	1.1	4.11	0.9	3.79	1.1	NS
2. High costs of selling abroad	3.67	1.0	3.81	1.1	3.79	0.8	3.55	1.0	.017
3. Limited access to capital	3.63	1.1	3.71	1.1	3.84	1.0	3.53	1.1	NS
4. Limited knowledge of o/s market opportunities	3.61	1.1	3.94	1.1	3.71	1.0	3.37	1.1	.000
5. Lack of NZ government assistance/incentives	3.58	1.1	3.71	1.1	3.79	0.9	3.45	1.2	.022
6. Firm not known o/s	3.55	1.2	3.88	1.2	3.68	1.3	3.30	1.2	.000
7. No time to explore opportunities in o/s markets	3.53	1.2	3.88	1.2	3.74	1.0	3.25	1.2	.000
8. Transportation costs	3.50	1.1	3.78	1.0	3.52	1.0	3.30	1.1	.000
8. Limited o/s experience	3.50	1.2	3.92	1.2	4.00	0.9	3.11	1.2	.000
10. Cost of compliance with o/s regulations	3.46	1.1	3.73	1.2	3.59	1.0	3.25	1.0	.000
11. Lack of access to o/s distribution channels	3.43	1.1	3.60	1.1	3.73	1.0	3.26	1.1	.000
12. Lack of knowledge of international market opportunities	3.38	1.2	3.89	1.1	3.62	1.1	2.99	1.2	.000
13. Fluctuating exchange rates	3.37	1.1	3.38	1.1	3.52	1.0	3.34	1.1	NS
13. Finding a suitable agent	3.37	1.2	3.55	1.2	3.62	1.1	3.20	1.2	.002
15. Lack of experience selling abroad	3.36	1.2	3.86	1.2	3.81	1.0	2.94	1.1	.000
16. Uncertainties in o/s markets	3.32	1.0	3.64	1.0	3.44	0.9	3.08	0.9	.000
17. Concern over getting paid by o/s customers	3.29	1.2	3.57	1.2	3.56	1.1	3.05	1.1	.000
18. Different business practices in o/s markets	3.28	0.9	3.59	0.9	3.34	0.9	3.05	0.9	.000
19. NZ geographic location	3.27	1.2	3.50	1.2	3.48	1.1	3.07	1.1	.000
19. Lack of foreign government support/incentives	3.27	1.2	3.42	1.1	3.46	1.1	3.13	1.2	.012
21. Firm too small to operate in o/s markets	3.26	1.4	4.08	1.2	3.41	1.3	2.68	1.2	.000
22. Restrictions imposed by foreign rules/regulations	3.25	1.1	3.56	1.0	3.33	0.9	3.03	1.1	.000
23. Lack of access to potential foreign partners	3.24	1.2	3.61	1.1	3.48	1.2	2.94	1.1	.000
23. Tariff barriers	3.24	1.1	3.54	1.1	3.40	1.1	3.00	1.1	.000
25. Different customer habits/attitudes in o/s countries	3.21	1.0	3.49	1.0	3.30	1.0	3.00	1.0	.000
26. Length of time to get product to market	3.12	1.1	3.41	1.1	3.29	1.0	2.90	1.1	.000
26. Lack of understand how to access o/s markets	3.12	1.2	3.68	1.1	3.43	1.1	2.94	1.1	.000

(*Continued on next page*.)

Table 3. (Continued).

Barrier	All firms Mean	All firms SD	Non-exporters Mean	Non-exporters SD	Likely exporters Mean	Likely exporters SD	Exporters Mean	Exporters SD	Sig level Level
26. Obtaining export finance	3.12	1.2	3.50	1.2	3.40	1.0	2.80	1.1	.000
29. Ability to compete in foreign markets	3.09	1.1	3.44	1.1	3.24	1.0	2.83	0.9	.000
30. Product not having a competitive advantage o/s	3.02	1.2	3.47	1.2	3.21	1.0	2.68	1.1	.000
31. Language barriers	3.01	1.2	3.31	1.2	3.15	1.2	2.78	1.1	.000
32. Political instability	2.99	1.1	3.32	1.1	2.92	1.2	2.79	1.0	.000
33. Interest rate volatility	2.95	1.1	3.50	1.2	3.40	1.0	2.80	1.1	.000
34. Inadequate/inexperienced staff/management	2.94	1.2	3.34	1.1	3.26	1.0	2.61	1.1	.000
35. Import regulations	2.91	1.1	3.26	1.1	3.14	0.9	2.62	1.0	.000
36. Overseas markets too competitive	2.90	1.0	3.25	1.1	2.94	0.8	2.67	0.9	.000
37. Meeting o/s regulations in our industry	2.86	1.1	3.21	1.0	2.90	1.0	2.62	1.0	.000
38. Cultural differences	2.85	1.1	3.14	1.0	2.76	1.2	2.68	1.0	.000
39. Export paperwork	2.83	1.1	3.18	1.1	3.05	1.1	2.56	1.0	.000
39. Non-tariff barriers	2.83	1.0	3.02	0.9	2.77	1.0	2.71	1.0	.004
41. O/s customers are too demanding	2.59	0.9	2.86	0.9	2.65	0.9	2.40	0.8	.000
42. Loss of goods in transit	2.56	1.1	3.00	1.2	2.76	1.0	2.23	1.0	.000
43. Not interested or willing to expand o/s	2.54	1.2	3.21	1.2	2.36	1.1	2.13	1.0	.000
44. Communicating with o/s customers	2.53	1.1	2.89	1.1	2.68	1.0	2.27	0.9	.000
45. Availability of suitable transport facilities	2.50	1.1	2.83	1.1	2.70	1.0	2.23	1.0	.000
46. Product not suitable for o/s markets	2.42	1.2	2.81	1.3	2.54	1.2	2.14	1.1	.000

Measured on a five point scale 1 = no barrier at all; 5 = a major barrier.

rather than a reason (Shaw and Hassan, 2002). Calof (1994) has also concluded that size is not a barrier to internationalisation. Lack of market knowledge and experience are then perceived to be greater barriers than resources. These are barriers identified by other researchers (e.g., Karagozoglu and Lindell, 1998; Lamb and Liesch, 1998; Manolova et al., 2002; Rhee, 2002).

By comparison likely exporters and exporters perceive limited financial resources to be the biggest barrier to internationalisation. Likely exporters have some concerns about their lack of experience as well as the lack of New Zealand government incentives for exports. The difference in perception of the barriers to internationalisation by

Table 4. Top ten export barriers by exporter, non-exporter and likely exporter.

Non-exporters	Likely exporters	Exporters
1. Firm size	1. Limited financial resources	1. Limited financial resources
2. Limited o/s market knowledge	2. Limited o/s experience	2. High cost of selling o/s
3. Limited o/s experience	3. Limited access to capital	3. Limited access to capital
4. Limited financial resources	4. Lack of o/s selling experience	4. Lack of NZ government incentives
5. Lack of knowledge of international opportunities	5. Lack of NZ government incentives	5. Limited o/s market knowledge
6. Firm unknown o/s	5. High cost of selling o/s	6. Fluctuating exchange values
6. No time to explore o/s opportunities	7. No time to explore o/s opportunities	7. Transportation costs
8. Lack of o/s experience	8. Lack of access to o/s distribution	7. Firm unknown o/s
9. High cost of selling o/s	9. Limited o/s market knowledge	9. Lack of access to o/s distribution
10. Transportation costs	10. Firm unknown o/s	10. Cost of compliance with o/s regulations
		10. No time to explore o/s opportunities

likely exporters compared to non-exporters suggests that those who say they plan to expand overseas in the next two to three years are genuine potential exporters. They appear to have made some efforts to explore international opportunities. For example, the observation that likely exporters (and indeed exporters) perceive the lack of New Zealand government incentives to be a barrier to internationalisation shows that they are aware of the fact that a user pays system operate in New Zealand for access to export information. The non-exporters do not perceive this as a major barrier because they have little or no interest in international expansion. Having already internationalised the exporter group already has international experience so does not see a lack of overseas experience as being a major barrier. The barriers perceived as the biggest areas for concern by exporters pertain predominantly to cost and financial matters. These are barriers observed by other researchers as being of particular concern to smaller firms (e.g., Ali and Camp, 1993; Buckley, 1989; Coviello and McAuley, 1999; Karagozoglu and Lindell, 1998; Ward, 1993). Other issues identified in earlier studies as barriers to internationalisation such as cultural differences (e.g., Bell, 1995; Karagozoglu and Lindell, 1998), tariff and non-tariff barriers (Campbell, 1996; Coviello and McAuley, 1999; Karagozoglu and Lindell, 1998) did not appear to be such major barriers for New Zealand ENVs.

Factor analysis of the barriers to internationalisation

A factor analysis was undertaken in order to assess how the barriers to internationalisation are related to each other. All 46 barriers were fed into a factor analysis and nine factors emerged. One factor was removed from subsequent analysis because the reliability of the scale was below acceptable levels (Kim and Mueller, 1978). An eight-factor solution was, therefore, extracted accounting for 63.1% of the variance (the solution is given as an Appendix). All eight factors showed a high degree of reliability with Cronbach's alphas above 0.7 (see Appendix). To investigate the factor solution further, multiple item scales have been created to represent each factor by using the dominant variables of that factor:

Factor 1: Lack of overseas market knowledge and experience
Factor 2: Overseas markets are different
Factor 3: Regulatory barriers
Factor 4: Financial barriers
Factor 5: Transport and paperwork barriers
Factor 6: Product-related barriers
Factor 7: No government incentives
Factor 8: NZ's physical location

These scales were used in subsequent analysis to determine whether issues such as industry and firm size have any influence on managers' perceptions of the barriers to internationalisation.

Influence of industry and firm size founder

No significant differences were found in the perception of the barriers to internationalisation across industries, which suggest that the opportunities and challenges faced by New Zealand ENVs are not industry specific. Firm size, however, did have a significant impact on the perceptions of the barriers to internationalisation across four of the eight factors (see Table 5). The lack of market knowledge factor was perceived

Table 5. Perception of barriers to internationalisation by firm size.

	All firms		1–5		6–10		11–20		21–50		50 plus		
Barrier factor	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Sig. level
No government incentives	3.41	1.1	3.55	1.0	3.38	0.9	3.20	1.1	3.14	1.2	3.42	1.0	.045
Financial barriers	3.52	1.0	3.67	1.0	3.55	1.0	3.43	1.0	3.07	0.8	3.33	0.9	.002
Overseas markets are different	3.05	0.9	3.15	0.9	3.05	0.9	2.97	0.8	2.71	0.8	3.10	0.8	.038
Lack of o/s market knowledge and experience	3.33	0.9	3.55	1.0	3.36	0.8	3.20	0.8	2.91	1.0	2.71	0.8	.000

to be a much greater barrier for smaller firms especially those with less than five employees (cf. Karagozoglu and Lindell, 1998; Lamb and Liesch, 2002). This suggests that bigger firms have more experience of international markets and therefore perceive fewer barriers in this area. The other three factors show some interesting results as the smallest firms share some similarities with the largest firms. The lack of government incentives to internationalise is perceived as a greater barrier by both small and larger firms (cf. Burpitt and Rondinelli, 2000; Knight et al., 2003) . In the case of the smallest firms, they may perceive a lack of incentives to start exporting, whereas the largest firms may perceive that, once they have already started operating overseas, there are no incentives available to expand into new overseas markets. Not surprisingly, financial barriers are perceived as being greatest for the smallest firms (cf. Ali and Camp, 1993; Karagozoglu and Lindell, 1998). It is interesting to note, however, that firms with over 50 employees perceive financial barriers as being greater than for firms with between 21 and 50 employees—this may again be a function of the larger firms trying to expand into additional, new markets and lacking the necessary capital and resources to do so. With regard to the perception of barriers relating to market differences, whilst no differences were found between exporter, non-exporters and likely exporter, firm size did real a significant difference (cf. Bell, 1995; Karagozoglu and Lindell, 1998). Again some similarity is found between the smallest and largest firms. This may again be a reflection of the larger firms expanding into new, less familiar countries, such as Asian markets, whereas the smallest firms are just starting export activities.

It was interesting to see whether there was a difference according to whether the founder of the firm had completed the questionnaire compared to another senior manager. Two significant differences emerged with financial barriers perceived as being a greater barrier by founders (mean 3.64) compared with other respondents (mean 3.33). This suggests that when the money invested in the firm and its future growth belongs to the individual owner then their perceptions of the difficulties centre more on financial issues than other potential barriers. Founders (mean 3.42), however, did also perceive the lack of market knowledge and experience to be a greater barrier than other respondents (mean 3.21). This is possibly because the founders come from a predominantly technical background and consider their technical experience to be much greater than their international business or even overall business experience.

Conclusions and further research

A number of significant differences in perceptions of barriers to internationalisation were observed across non-exporters, likely exporters and exporters. The major barriers faced by New Zealand ENVs are finance and cost-related followed by limited market knowledge and, in the case of exporters and likely exporters, a lack of New Zealand government incentives to export. By comparison, company size was perceived to be the biggest barrier for non-exporters. Although some of the barriers to internationalisation identified in this study are similar to those identified in other research into small firms, this is one of the early studies within the field of international entrepreneurship, which compares the differences in perception of barriers to internationalisation between exporters, non-exporters and likely exporters. This study has, at this stage, focused on perceptions of barriers.

For managers, this research confirmed a commonly held view: expansion is seldom ad infinitum. In fact, any expansion, not just international expansion, requires resources and knowledge. Spence (2003) did show the importance of an international network in reducing the effect of a lack of resources. Spence found that firms with well-developed networks are less likely to be constrained by a lack of resources. Therefore, we recommend managers look to strengthen existing networks rather than being daunted by the inevitable prospect of limited resources and knowledge.

New Zealand is well known for its free market, user pays style of government (for an excellent review of New Zealand government policy see Bell et al., 2003 or Knight et al., 2003). In spite of our findings that a lack of financial resource impedes internationalisation, it is unlikely that any New Zealand government will return to an era of providing export subsidies. That said there is some financial assistance available to firms that not only export but also create jobs while internationalising (see: New Zealand Trade and Enterprise www.nzte.govt.nz). However, anecdotal evidence collected within New Zealand suggests that managers of small and often new firms lack the time and expertise to apply to this agency for funds. This finding is consistent with that of Jones (1999). Similarly, the New Zealand Trade and Enterprise agency provides information-gathering services for exporters in an effort to provide market knowledge. Knight et al. (2003) reported, in a study of the New Zealand seafood industry, that while exporters held a positive disposition toward these services the exporters needed to take control of the information gathering process themselves. Gathering information by immersing oneself in the respective export markets (e.g., at trade fairs or on trade visits) is seen as one method to encourage exporters to take responsibility for gaining market knowledge. Lastly, Bell et al. (2003) supported the use of networks, such as clusters and industry action groups by the New Zealand government as a way of facilitating internationalisation. We concur with this recommendation as a way of overcoming barriers to resources and market knowledge (Jones, 1999).

Much can be done to further enhance our understanding of the internationalisation of entrepreneurial ventures. For example, further research is recommended to, for example, integrate the entrepreneurial orientation of a firm and barriers to internationalisation or compare the influence of general attitudes towards international expansion with perceptions of the barriers to internationalisation.

Appendix: Factor analysis of perception of barriers to internationalisation

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
Lack of knowledge of international market opportunities	.825	.150	.095	.087	.114	.155	.056	.081
Lack of experience selling abroad	.797	.148	.094	.101	.084	.145	.125	.074
Lack of understanding of how to access foreign markets	.777	.174	.150	.083	.258	.152	.063	.095
Limited overseas experience	.727	.149	.157	.136	.100	.019	.032	.280
No time to explore opportunities overseas	.719	.129	.063	.144	.072	.047	.056	.014
Lack of access to potential foreign partners	.712	.132	.167	.079	.086	.165	.200	.052
Firm too small to operate overseas	.665	.089	.070	.241	.162	.276	−.015	.082
Lack of access to overseas distribution channels	.591	.126	.227	.037	−.002	.098	.448	.086
Limited knowledge of overseas market opportunities	.589	.419	.175	.036	−.082	.053	.063	−.058
Firm not known overseas	.585	.131	.151	.041	−.112	.065	.176	.370
Finding a suitable agent	.557	.132	.122	−.004	.051	.049	.387	.017
Inadequate/inexperienced management/staff	.511	.216	.135	.304	.279	.204	−.010	.092
Cultural differences	.181	.850	.154	.083	.087	.089	.094	.107
Language barriers	.292	.774	.136	.119	.126	.035	.018	.101
Different business practices in overseas markets	.318	.671	.274	−.041	.049	.050	.112	.011
Political instability	.098	.667	.251	.152	.108	.196	.054	.079
Different customer habits in overseas countries	.207	.590	.303	−.082	.089	.071	.210	−.008
Restrictions imposed by foreign rules/regulations	.102	.218	.764	.003	.190	.067	.115	.038
Cost of compliance with overseas regulations	.181	.208	.728	.179	.017	.109	.062	.102
Tariff barriers	.102	.172	.713	.145	.054	.223	.130	.148
Uncertainties in overseas markets	.245	.402	.559	.019	.160	.121	.161	−.014
Concern over getting paid by overseas customers	.316	.204	.539	.129	.076	−.009	.031	.061
Interest rate volatility	.125	.276	.531	.335	.232	.132	.015	.186
Limited access to capital	.230	.065	.145	.829	−.001	−.005	.155	−.007
Limited financial resources	.259	.054	.079	.822	−.023	−.023	.196	.000
Obtaining export finance	.284	.120	.403	.583	.190	.046	.170	.050
Availability of suitable transport facilities	.130	.181	.062	−.052	.682	.327	.068	.125
Export paperwork	.210	.216	.344	.141	.581	−.053	.224	.159

(*Continued on next page.*)

(Continued).

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Factor 8
Import regulations	.169	.279	.414	.082	.503	−.029	.273	.195
Product not suitable for overseas markets	.224	.168	.121	−.048	.125	.776	.039	−.064
Product has no competitive advantage in overseas markets	.271	.065	.192	.034	−.088	.716	.068	.192
Not interested or willing to expand	.388	.185	.060	.147	.329	.557	−.135	−.039
Lack of foreign market government support/ incentives	.109	.283	.144	.227	.135	.020	.722	.051
Lack of NZ government assistance/incentives	.231	.121	.144	.300	.136	.020	.719	.076
NZ's geographic location	.150	.159	.052	−.052	.097	.062	.064	.818
Length of time to get product to overseas market	232	.131	−.027	−.027	.221	.048	.060	.723
Eigenvalue	16.388	3.243	2.266	1.769	1.530	1.449	1.222	1.161
% variance explained	35.6	7.1	4.9	3.8	3.3	3.2	2.7	2.5
Cronbach's alpha	0.9323	0.8666	0.8661	0.8496	0.7398	0.7279	0.7869	0.7621

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