Building business co-operation in New Zealand

Lessons from the Nordic countries

by Martin Perry

New Zealand is a small developed country. Should business managers view this as an advantage or a disadvantage?

Looked at from the size of the local market, smallness might be thought to stymie business growth. The flow of corporate offices to Australia and recently Singapore suggests further challenges to expansion in a small developed country.

On the other hand, many of the most successful economies are small countries. The small countries of the Nordic region – Denmark, Finland, Iceland, Norway and Sweden – especially seem to demonstrate that advantages exist in operating in a small country.

What has made small beautiful for business in these countries?

The answer from some Nordic researchers is surprisingly simple (Maskell et al., 1998). Business managers are more likely to be personally known to each other and to share the same values in a small country than in a large country. At the same time, each individual business is likely to account for a comparatively high share of its industry.

The result claimed is an unusual willingness to support co-operation within industries. Trust should be relatively easy to establish with people you already know and having a high stake in an industry is thought to make individual managers interested in its collective well-being. Nordic researchers have called this capacity for co-operation "shared trust" and argue that it lies behind the sustained success of many Nordic industries.

Do business managers in New Zealand believe shared trust exists? Is there something different about the way business operates in New Zealand that may be reducing the willingness to co-operate and support industry groups?

These questions seem worth asking given the greater success of the Nordic economies. At least in respect of the importance of primary industry, there are similarities with New Zealand as well as size which suggest that business in New Zealand has the opportunity to learn from Nordic methods.

To identify the relevance of Nordic experience, it is first helpful to look at the common challenges faced by small economies and how these affect business activity.

Exposure to the world economy makes small economies vulnerable to market instability

SMALL COUNTRIES

Small developed economies are those OECD members with populations of less than 25 million. This brings together a variety of countries in terms of size, geographical location, culture and business specialisation, but a common experience when the trading comparison with a large country is considered.

The smaller the country, the greater is its dependency on others for goods and services and for markets.

Thinking of the extremes, this relationship is bound to exist. A country that encompasses the globe would be self-sufficient, whereas a small state is likely to have resource dependencies on others.

The increasing worldwide standardisation of products has tended to accentuate these imperatives by opening domestic markets to international competition and increasing the minimum scale of efficient production. As well, since large countries can sustain retaliatory action against small-country market protection longer and more effectively than could a small against a large country of similar income level, political realism promotes openness in a small economy.

Openness has meant that the exposure of small countries (the share of output "exposed" to international competition measured as all exports plus the import penetration of domestic sales) is almost three times greater than that of large countries (**Table 1**). Exposure to the world economy makes small economies vulnerable to market instability.

There have been predictions of a "squeeze" on the viability of small developed economies (Walsh, 1988). On the one hand, large economies are increasing their monopolisation of new technology. On the other hand, the growing cost competitiveness of Asian and other newly developed economies is potentially squeezing small countries out of their existing markets.

Measured by GDP per capita, most small developed countries appear to have escaped the "squeeze". Indeed the Nordic small countries have achieved income levels above all others (**Table 2**).

New Zealand is a laggard in the GDP table. New Zealanders are apt to explain the economic slippage partly as a consequence of unique development challenges facing a remote primary sector economy.

In fact, being a resource-based economy operating in international markets with open borders is typical of many small developed economies. In this regard, understanding the sources of Nordic business success potentially provides development guidance for New Zealand.

Two issues are highlighted here which, as well as openness to international trade, have been

TABLE 1

Trade exposure by country size (1996)

Country group[1]	Exposure[2]
Small countries:	
Nordic	72.06
Non-Nordic	79.29
New Zealand[3]	61.53
All small countries	77.58
Medium-sized countries	54.53
Large countries	26.04

NOTES

[1]Large countries = United States and Japan; Medium-sized countries = Germany, UK, Italy, France, Spain; Small countries = Canada, Australia, Netherlands, Belgium, Portugal, Greece, Austria, New Zealand + Nordic countries (Sweden, Denmark, Finland, Norway, Iceland).

[2]Exposure = [(export/production) + (1 – export/production x imports/production – exports + imports)] x 100.

[3]1995

SOURCE: calculated from OECD STAN Database (1998) claimed as central to Nordic achievements: industry specialisation and business co-operation (Maskell et al., 1998).

INDUSTRY SPECIALISATION

Small countries specialise in low-technology industries. The reliance on low-tech industries is revealed when technology intensiveness is measured according to the ratio of R&D expenditure to output.

In terms of export dependency, small countries are almost three times more dependent on low-tech industries than large countries (**Table 3**). A low participation in high technology is equally evident when measured as a proportion of national output.

The Nordic mobile telecommunications industry is a well-known exception to the general rule that small economies are low-tech economies. Communications equipment comprised 79 per cent of Finnish high-tech exports in 1996 and was the major contributor to the doubling of the high-tech share of exports since 1990 (OECD, 1999).

Even with the tremendous success of its leading mobile phone companies, only in the mid-1990s did Nordic high-technology exports match the share achieved by medium-sized countries.

Most small economies still lag behind larger economies and for all small economies

TABLE 2

Small-country performance (1960-1997)

	GDP per capita		
	Growth 1960 -1997 (%)	1997 US$	Value added per employee 1996 US$
Small countries:			
Nordic	151	29,447	62,709
Non-Nordic	155	18,610	55,033
New Zealand	60	13,974	42,861[1]
All small countries	153	19,828	56,815
Medium-sized countries	153	20,169	58,346
Large countries	159	25,379	72,424

NOTES
[1]1995

TABLE 3

Technology intensiveness of exports by country size (1996)

Country group	Technology intensity of exports (%)[1]: High	Medium-high	Medium-low	Low
Small countries:				
Nordic	15.1	36.1	11.6	37.2
Non-Nordic	11.6	40.2	13.6	34.6
New Zealand	3.3	13.4	9.0	74.3
All small countries	12.5	39.2	13.1	35.2
Medium-sized countries	14.0	49.8	13.0	23.2
Large countries	25.4	51.8	9.8	13.0

NOTES
[1]Following OECD definitions, high-technology industries are identified by R&D expenditure of six per cent or more of total production costs; medium-high technology three to six per cent; medium-low technology one to two per cent and low-technology less than one per cent. Industries classified as high-technology include aerospace, computers and office machinery, electronics, communications and pharmaceuticals. Low-technology industries include petroleum refining, ferrous metals, paper and printing, textiles and clothing, wood and furniture, food, tobacco and beverages.

SOURCE: calculated from OECD STAN Database (1998)

It is relatively easy for large countries to acquire the results of small countries' research

the gap with large countries has grown since the late 1970s.

Moreover, the mobile phone industry has unusual characteristics that set it apart from other high-tech industries, arguably leaving intact the general proposition about small economies. Among these special characteristics are: (i) the continuity between modern digital technology and older electro-mechanical technology, whereas a strong break between old and new technologies is more typical of other electronics industries; (ii) ability to survive on the basis of standard components sourced from off-the-shelf suppliers; (iii) the need to diversify usage in a small economy being a stimulus to design innovation ahead of producers in a large economy; (iv) Nordic countries being favoured by the initial technological limitations of mobile telephones which most suited low-density dispersed populations; and (v) the influence gained over the design of industry standards through the early participation in mobile communication systems.

Thus, in contrast to its success in telecommunications equipment, Nokia's earlier high-tech aspirations in computer manufacture had not been successful.

New Zealand's participation in high tech is low even among small countries. An influential lobby advocates a shift to a R&D-intensive economy as a route to prosperity. But a quick summary of the barriers facing small countries suggests that any such ambition should be modest.

- Small countries have more limited resources for R&D than large countries, but the variety of possible disciplines, projects and industrial sectors is not necessarily smaller. The resources allocated to R&D by major corporations exceed the collective expenditure of small countries. New Zealand, for example, has an annual expenditure on R&D of around $900 million (OECD, 1999), which is around 11 per cent of the annual R&D expenditure of IBM (Cookson, 1998).
- The development of new technology typically involves discontinuous breakthroughs that establish new standards and which devalue previous investment. A small economy has modest capacity to absorb such shocks. At the same time, it is relatively easy for large countries to acquire the results of small countries' research.
- Many of the benefits from technology investment are captured in activities outside the original sector of application. Obtaining a return on investment is harder in a small country than a large one where there is more chance that the "spill over" will be retained within the domestic economy. For a small country, to invest a lot in R&D has been likened to fertilising a field on a windy day: the neighbours benefit most.
- Large countries set research fashions and trends which small countries follow – even, it seems, where the research topics are not necessarily relevant to their needs. Researchers in a small country are often keener to publish theoretical papers abroad than apply their knowledge at home.
- Innovation is an interactive and iterative process relying on linkages to suppliers and users of the technology under development. The most advanced technology users tend to be found in large countries which reinforces their advantage, whereas businesses in small countries tend to have less capacity to make use of leading-edge technology.

Faced with such challenges, the specialisation of small developed countries has been in industries with comparatively stable demands and low price elasticity. In most cases this has included a strong reliance on resource-processing industries, as reflected in the importance of metal and ore, paper and pulp and fish in the Nordic economies.

The Danish specialisation, for example, includes a long-standing bias towards meat, fish, dairy products, beer and related machine tool industries. Recently, Denmark has gained ground in activities further removed from natural resource processing, but involving high-value specialisations within traditional industries such as consumer goods (Lego), clothing, furniture and machinery. The nation's few high-tech firms – in electronics, medical appliances and pharmaceuticals – often have origins in the agro-industrial sector.

The message for New Zealand is that investment in basic R&D and "sunrise" industries is much less important than support for technology transfer and incremental innovation in established industries.

SHARED TRUST

Nordic economic success has been based on more than a judicious selection of industries. Being a small economy, it is argued, brings advantages in the relative ease of establishing trust between organisations.

Just as in a village compared with a city, it may be difficult to act opportunistically without being firmly sanctioned, so in a small economy compared with a large the pressure to "play by the rules" increases (Maskell, 1998). Small economies should sustain this "shared trust" more easily than medium-size and large economies because:

- The small number of players in the business community means that each participant has a high stake in their industry and an interest in its collective prosperity.
- Cheating or opportunism is hard to hide among a small group. Transparency, plus the ability to sustain collective sanctions against mavericks, should reduce the likelihood of underhand or disruptive behaviour and lessen resistance to trustful co-operation.
- Personal familiarity across businesses should be high as a consequence of family ties, shared education and training institutions, and mutual participation in local, regional or national joint activity. Mutually understood beliefs, values and culture should facilitate the exchange of codified and tacit knowledge.
- While small economies may exist within large territories, the likelihood of geographical proximity among large parts of an industry is high-facilitating face-to-face interaction. To the same degree, mobility between workplaces is less likely to remove people from the network. Rather it becomes another strength to the system as contacts between businesses multiply.

The business networks literature supports the Nordic small-country thesis.

The willingness to be co-operative should increase where the perceived risks of others cheating are low. In turn, co-operation can assist business growth by: (i) increasing the willingness to share information; (ii) encouraging resource sharing and specialisation between businesses; (iii) reducing the investment required to establish the reliability of others and in designing legal safeguards (Perry, 1999).

As well, where the barriers to entering relationships are low, the dangers of becoming locked in to one set of partners are reduced. With shared trust, there is comparatively little sunk cost to protect and less risk of alienating former partners.

The willingness to be co-operative should increase where the perceived risks of others cheating are low

The risk of becoming an outcast reduces the incidence of unfair and disruptive competition

Nordic researchers are at pains to suggest that the result is not necessarily a lot of formal alliances between companies or any loss of business rivalry. The primary impacts are seen in the way that the risk of becoming an outcast reduces the incidence of unfair and disruptive competition and in the sharing of information within industries.

Even so, the significance of shared trust can be overstated. It would be decisive if business in other economies was inclined to take advantage of other's trust and this imposed insuperable barriers to co-operation, but this is probably not so among western developed countries.

On the other hand, the industrial specialisations of Nordic economies may have contributed to the influence of shared trust. Medium and low-technology industry increases the scope for stable relations between individual businesses and the promotion of collective learning.

The same benefits would be hard to capture in industries affected by sudden shifts in technology and demand, but they can be captured in the "quiet and less glorious road of low-tech learning" (Maskell, 1998).

Support for shared trust has been seen in statistical evidence showing the importance of supplier-buyer interaction in the competitiveness of the small European states (Fagerberg, 1995). Direct evidence is presented in case studies of industries important to Nordic economies, including the Danish wooden furniture industry.

In the 1990s, around 20 per cent of the European Union's furniture exports came from Denmark (Maskell et al., 1998). The industry is built upon small firms (average employment per firm has stayed below 40 since the 1970s) and is not distinguished from international competitors by its technology (most is now imported) or proprietary designs (upmarket unique design accounts for only around 10 per cent of the Danish industry).

Rather the industry's strength is attributed to subcontracting networks and associated investment co-operation that has encouraged business specialisation and a high level of automation.

In Finland, the dominance of the timber sector by the pulp and paper industry has restricted the establishment of the wooden furniture industry as part of a general bias against small-firm industries. The Finnish economy is built around big organisations in the forest, chemical and now telecommunications sectors.

Here, as in Sweden where big firms also dominate, shared trust is manifested through "development pairs". These might comprise a formal joint venture or simply a close working relationship between two organisations.

The extent of personal ties and common backgrounds among members of the paired organisations distinguishes such alliances from those found in large countries. This eases formation, raises the effectiveness of co-operation and combines expertise that would be less likely to come together in a large economy.

Development pairs between public and private organisations have been a particular feature of the development of the Nordic telecommunications and power engineering industries. Differences in competence and work regimes that might otherwise frustrate effective co-operation between public and private sector bodies have been overcome because:

> the small-country malfeasance-controlling environment is usually in itself sufficient to ensure an absence of the obvious problems inherent in such relocations (for example, bribes and other forms of corruption) (Maskell et al., 1998, pg 171).

SHARED TRUST IN NEW ZEALAND

The discussion of shared trust fits with the corporatist strategies and organised interest groups that have characterised the Nordic economies. The suggestion that shared trust automatically arises in a small country is questionable in the case of New Zealand.

Preconditions for shared trust are present in terms of population size, a comparatively homogenous culture, a small business community with a high level of interlocking directorships and a high density of industry and locality-based business associations.

On the other hand, some indicators suggest that formal and informal forms of business co-operation are low (Perry, 1999).

Unlike the Nordic economies, New Zealand has no tradition of active participation in industry associations. "Peak" associations such as the Employers' Federation and Manufacturers' Federation have operated without delegated authority from their memberships. A recent study suggests that buyer-supplier co-operation is growing, "consistent with progress away from what used to be thought of as the traditional New Zealand introverted business culture" (Knuckey et al., 1999).

Attempts by Trade New Zealand to promote co-operation in the form of small-firm alliances have had little lasting impact. Trade New Zealand has had some success in promoting industry-based export groups, although it has proved hard for many of the former "joint action groups" to survive the loss of its funding support.

Overall, it appears that shared trust is either not present or not bringing the impact that Nordic research claims it ought. A check on this verdict, made through a survey of facilitators, co-ordinators and participants in business co-operation, tends to confirm that shared trust is not part of the New Zealand business system.

The survey sought informed opinions by eliciting responses from people with direct experience of business co-operation, either as a promoter, co-ordinator or participant. The promoters and co-ordinators (56 in total) were either an official from Trade New Zealand (10), a manager of an industry training organisation (28) or a co-ordinator of an industry association (18).

The business managers were participants in an industry or locality-based group[1]. A total of 127 business managers were contacted of which 46.5 per cent returned a completed response.

The survey included assessments of four indicators of shared trust: (i) the extent to which business managers share similar backgrounds and values; (ii) the significance of shared backgrounds and values for facilitating co-operation; (iii) the perceived disadvantage of being an outsider or maverick; and (iv) the existence of co-operative opportunities.

[1]Responses were collected through a postal survey (85 responses) and in the context of personal interviews (30 responses) that enabled the perceptions to be explained and verified with specific experiences. The business managers were selected from both lapsed and continuing co-operative initiatives involving one of the following activities: manufacturing of wood products, plastics, personal care products; house design and construction; construction-linked engineering services; earthquake engineering technology and risk management services. Selection was guided by the public availability of a membership list as well as the diversity of industry characteristics with the purpose of providing a comparison with the responses obtained from co-ordinators.

Attempts to promote co-operation in the form of small-firm alliances have had little lasting impact

TABLE 4

Assessment of shared trust in New Zealand

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Unsure
There is a high degree of personal familiarity, common background and shared culture among business owners and managers in New Zealand.					
Business managers[1]	33.9	49.1	8.5	3.4	5.1
Co-ordinators[2]	28.6	48.2	8.9	8.9	5.3
The personal familiarity, common background and shared culture among business owners and managers mean that where opportunities exist, business co-operation is relatively easy to establish.					
Business managers	20.3	52.6	22.0	1.7	3.4
Co-ordinators	14.3	44.6	26.8	8.9	5.3
Trust among business owners and managers is high, irrespective of how long they have worked with each other.					
Business managers	–	35.6	47.4	13.6	3.4
Co-ordinators	5.3	12.5	53.6	17.8	10.7
Businesses that break trust with other businesses would find it hard to survive.					
Business managers	49.1	27.2	22.0	–	1.7
Co-ordinators	33.9	33.9	25.0	3.6	3.6
Insiders do not exploit co-operation for individual gain, to the disadvantage of other members, because it would result in their exclusion from the group.					
Business managers	13.6	52.5	18.6	3.4	11.8
Co-ordinators	7.1	46.4	23.2	1.8	21.4
Outsider firms seeking to undermine or free-ride on the investment of others are a significant problem.					
Business managers	15.2	40.7	18.6	10.2	15.2
Co-ordinators	10.7	33.9	30.4	3.6	21.4
Business performance in relation to such issues as sales volume, penetrating new markets, production efficiency and innovation is improved when participating in a co-operative relationship with other firms.					
Business managers	50.8	44.1	–	1.7	3.4
Co-ordinators	48.2	48.2	–	–	3.6
There are not sufficient co-operative opportunities in a small economy such as New Zealand for it to be an important part of the business scene.					
Business managers	5.1	33.9	30.5	30.5	–
Co-ordinators	10.7	8.9	19.6	57.1	3.6
There is too little business co-operation in New Zealand.					
Business managers	33.9	40.7	20.3	–	5.1
Co-ordinators	30.4	53.6	10.7	3.6	1.8
Changes in personnel or ownership of member organisations frequently disrupt business relations.					
Business managers	13.6	64.4	11.8	5.1	5.1
Co-ordinators	19.6	53.6	17.8	3.6	5.3
For the big players, mutual development opportunities with smaller firms are generally not part of their agenda.					
Business managers	33.9	35.6	20.3	6.8	3.4
Co-ordinators	17.8	32.1	39.3	7.1	3.6
Foreign-owned businesses are less inclined to support co-operation than New Zealand organisations.					
Business managers	11.8	35.6	23.7	10.2	18.6
Co-ordinators	10.7	33.9	17.8	12.5	25.0

[1]percentage of respondents, n = 59
[2]percentage of respondents, n = 56

EXISTENCE AND SIGNIFICANCE OF SHARED CULTURE

New Zealand and Nordic economies share a lack of significant regional differentiation in, for example, religion, ethnic affiliations and social status generating a comparatively uniform business environment.

Respondents agree that a "personal familiarity, common background and shared culture" exists among business managers (**Table 4**). Most respondents believe that this shared culture makes business co-operation relatively easy to establish, where opportunities exist, although business managers were notably less persuaded of this than co-ordinators.

On the other hand, around two-thirds of respondents do not believe that trust between business managers exists irrespective of the extent of their work experience with each other. The perceived need to develop trust through working experience contrasts with the Nordic expectation that the "default relationship" between businesses tends to be one of trust.

PENALTIES FOR OUTSIDERS

The ability to sanction mavericks is expected to sustain shared trust in a small economy. The survey responses suggest that such enforcement ability is only partially effective. More than three-quarters of business managers and more than two-thirds of co-ordinators believe that "businesses that break trust ... would find it hard to survive" (**Table 4**).

Less support is shown for the proposition that "insiders" are concerned about being excluded from "the group" to the extent that it restrains them from using insider knowledge to the disadvantage of other members. With respect to insider behaviour, the majority "somewhat agree" rather than "strongly agree" with the proposition that the risk of expulsion from "the group" acts to prevent disruption by mavericks.

A particularly large share of business respondents indicate that while they believe that trust breaking would make business survival hard, they are less certain that exclusion is a threat sufficient to moderate behaviour.

Both business managers and co-ordinators indicate that outsiders pose a significant problem to co-operation, either by seeking to undermine initiatives that they are not a party to or by free-riding on other's investment.

OPPORTUNITY FOR CO-OPERATION

The majority of respondents agree that business performance is enhanced through co-operation with other businesses and that there is scope for more co-operation between businesses. Compared with the Nordic interpretation that smallness assists co-operation, 40 per cent of business managers believed that it had the opposite effect by reducing the opportunity for co-operation.

More widely perceived barriers to co-operation than the size of the economy were:

- Around three-quarters of business managers and co-ordinators agree that changes in personnel and company ownership frequently disrupt business relations.
- More than two-thirds of business managers agree that large companies were disinterested in mutual development opportunities with small firms. Co-ordinators are less persuaded that large firms are dismissive of co-operation with small firms, but the majority concur with the opinions of managers.

Both business managers and co-ordinators indicate that outsiders pose a significant problem to co-operation

Weak enforcement means that breaking trust may go unpunished and reduce the willingness to co-operate

- A majority of business managers and co-ordinators agree that foreign companies are less inclined to co-operate than local businesses, although the barriers here seem to be marginally less than those created by large-firm attitudes.

In summary, the survey suggests that personal familiarity and shared culture are judged to exist and that this makes co-operation relatively easy. Even so, the business culture is judged by most to have been unco-operative.

Unlike the claim in Nordic economies, trust between business partners is seen to depend on the trust within individual business relations rather than being the result of societal cohesion. The absence of collective solidarity against mavericks appears to further limit the significance of shared trust.

Weak enforcement means that breaking trust may go unpunished and reduce the willingness to co-operate. As well, the survey indicates that the turnover of personnel and industry ownership characteristics can affect the ability to benefit from shared trust.

IMPLICATIONS

The two sources of small-country distinctiveness are linked since innovation in medium- to low-tech industries relies to a great degree on tight interaction with other firms, who may be suppliers, customers or joint venture partners. Such interaction has been shown to be most effective where firms share the same values, background and understanding (Fagerberg, 1995).

This claim has been disputed in the case of the New Zealand dairy industry (Spring 1992) and more generally in respect of resource-processing economies, for dismissing the viability of off-shore production and value adding (Cartwright, 1993; Yetton et al., 1993). On the other hand, without a substantial domestic processing industry, economic diversification has been slower in the case of New Zealand than among Nordic economies.

The survey evidence alone does not confirm the absence of shared trust, especially as no comparative data are available from the Nordic economies to demonstrate that real differences exist with the New Zealand business environment.

On the other hand, the findings are consistent with other documented experiences in New Zealand. For example, an evaluation of Trade New Zealand's support to "joint action groups" revealed cases where key industry participants actively sought to disrupt group initiatives (Perry, 1995).

The Danish "hard networks" programme seems not to have worked in New Zealand. In the horticultural sector, grower-processor relations in Hawkes Bay have been characterised as unco-operative and a challenge to quality management and regional development (Perry et al., 1997).

Generally, Nordic economies have been more successful than New Zealand in developing value-added processing within their primary-sector industries, which can be explained partly by the comparative absence of co-operation across industries (see Marceau, 1992, and Perry, 1999).

Differences in business behaviour are consistent with the larger contrast in the political economy of the Nordic and New Zealand economies. That contrast centres on the incorporation of interest groups into decision making, welfare policy and trade openness (Castles, 1988; Mabbett, 1995).

Broadly, while the Nordic economies have emphasised the sharing of political control between government and interests groups, strong welfare systems and open borders, New Zealand has had strong governments and weak interest groups, less comprehensive welfare systems and, at least until recently, trade protection.

The source of this difference is partly in New Zealand's modern development as a settler society in which all sections of the community looked to the state for security and the development of necessary public services.

In the Nordic region, both employers and labour groups in the export sector had reasons to favour self-regulation and co-operation between themselves rather than allowing the state to manage economic relationships.

In this context, Mabbett (1995) highlights the influence of the industrial conciliation and arbitration (IC&A) system on business behaviour in New Zealand. Originally introduced in 1894 and substantially intact up to 1987, the IC&A system effectively took away the need for strong, participative employer associations.

Although long abandoned, this inherited institutional culture provides one possible explanation for the continuing weakness and fragmentation of industry groups. In turn, commitment to an industry is a starting point for business co-operation. Where the fate of a business is locked into a particular sector, other things being equal, the incentive to co-operate with other industry participants should increase.

The post-1984 dismantling of trade protection has brought New Zealand closer to the small-industry country norm. Differences remain with respect to the conditions that can encourage business co-operation. The opportunity for a small-business community to build competitiveness, from the advantages of its comparative cultural homogeneity and density of personal contact networks, appears to be unrealised in the case of New Zealand.

CONCLUSION

The willingness to interact and share learning has been important to Nordic business success. It is not an original message that business in New Zealand should give more consideration to co-operation than it has. The Porter Project report (Crocombe et al., 1991) and Trade New Zealand have both echoed this recommendation.

The Nordic-New Zealand comparison adds to the case for co-operation by (i) identifying the origins of structural differences in business organisation that help to explain the relative absence of co-operation in New Zealand; (ii) emphasising the impediments to high-tech industries and stressing the need to focus on development within medium and low-tech sectors; and (iii) providing evidence of the significance of co-operation in sustaining international competitiveness.

Some evidence from the recent Ministry of Commerce best practice survey (Knuckey et al., 1999) suggests that attitudes may be changing, but that has not been confirmed from the assessment of shared trust. The need to encourage business co-operation would appear to remain.

Effective industry associations provide one starting point for strengthening shared trust. Industry associations can promote co-operation by providing opportunities for formal and informal interaction, including participation in collective industry projects, as well as by raising the costs to being an "outsider" where membership of the association confers significant benefits.

The source of this difference is partly in New Zealand's modern development as a settler society

It is accepted that New Zealand's industry associations have been weak and fragmented and concerned more with managing existing situations than with promoting business development. This is partly understandable as obtaining membership is harder for industry associations than generally it is for labour organisations.

Individual business organisations have less need to rely on a collective organisation to gain access to key decision makers than do employees. Active industry associations can be found, but mainly where they have the benefit of compulsory levies (for example, the Wine Institute of New Zealand), a corporate membership (the Business Roundtable) or Trade Development Board support (such as the Pine Manufacturing Association, the Organic Producers Export Network and the Marine Export Group).

As with these examples, either compulsion or strong incentives are needed to encourage participation, especially where the target is to build encompassing associations that have significant resource and some capacity to manage collective strategies.

The incentive to join industry groups can be assisted by government. Financial support may enhance the services provided by associations. As well, competitions, awards and challenges can recognise the achievements of existing associations so as to raise their status and to encourage membership and replication in other industries.

Whatever the methods to be employed, Nordic experience points to the urgency of strengthening the capacity for collective action and shared learning within the New Zealand business community.

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