

A U S T R A L I A N
C E N T R E F O R
I N T E R N A T I O N A L
B U S I N E S S

SURVEY OF INTERNATIONAL BUSINESS OPINION

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EXECUTIVE SUMMARY

Quarterly Survey

The Australian Survey of International Business in cooperation with *The Australian Newspaper* conducts the only quarterly survey of international business opinion.

The survey is completed by over 200 CEOs of the most important domestic and foreign –owned international firms in Australia.

The State of the International and Australian Economy

CEOs were asked to provide their assessment of the state of the international and Australian economy for the next six months, including growth prospects, competition and the openness of the international economy.

Investments, Exports and Investment Intentions

The Survey provides information on actual investment and exports over the past six months and forecast investments and exports for the next six months. The Survey also provides data on investment intentions.

Nine Regions

Detailed responses for nine regions are available for investments and exports, including SE Asia, North America and the European Union.

Benchmarking Against Competitors

The data in this Report on investment and export intentions allows your firm to assess your investment and export strategy against your competitors market-by-market.

Major Findings

- CEOs predicted slower growth in the international, Asian and Australian economies.
- Investment and export intentions depended on the regions, ownership, size and Asian-experience of the firms.
- Bullish investment forecasts were driven by North America and the European Union.
- Asia remains a depressed investment location.
- CEOs of Australian firms are more optimistic about investment and exports in Asia than CEOs of foreign-owned firms.
- CEOs were more optimistic about investment opportunities at home than overseas.
- Australian-owned and non-manufacturing firms had significantly higher investment intentions than foreign-owned and non-manufacturing companies.

Centre's Mission Statement

The Australian Centre for International Business is a collaborative venture between the University of Melbourne and the University of New South Wales. Drawing on the strengths of two of Australia's leading universities, the Centre creates a leading international business research group in Australia.

The mission of the Centre is to conduct leading edge research in international business, educate future international business leaders and consult with business and government.

INTERNATIONAL BUSINESS SURVEY

INTRODUCTION

Quarterly Surveys of CEOs Investment and Exports Forecasts

The Australian Centre for International Business conducts the only quarterly survey of international business opinion. Over 200 CEOs or chairs of Australia's largest domestic and foreign-owned firms participate. The survey is confidential; participants are not revealed.

Actual and forecast investments, exports and investment opportunities are surveyed for the previous and for the next six months.

Benchmarking and Strategic Planning: ACIB's In-depth Analysis

The survey allows your firm:

1. to benchmark your perceptions of the state of the international, Asian and Australian economies against other Australian-owned and foreign MNEs; and
2. to assess your actual past investments and exports and forecast investments and exports in 10 regions against those of other Australian-owned and foreign MNEs.

The ACIB provides an in-depth analysis of the investment and export data. The analysis covers 9 regional markets (including Australia, South-east Asia, North Asia, European Union and North America) for domestic and foreign owned firms; firms with and without Asian operations; large and small firms; and firms in different industry classifications (manufacturing and non-manufacturing).

The Australian Newspaper and the Business Council of Australia

The Australian exclusively reports the Survey in its business pages. The Survey was endorsed by Mr Stan Wallis, President of the Business Council of Australia.

THE INDEXES

Indexes are presented for:

1. actual investments, exports and investment opportunities for the preceding six months; and
2. forecasts of investments, exports and investment intentions for the next six months.

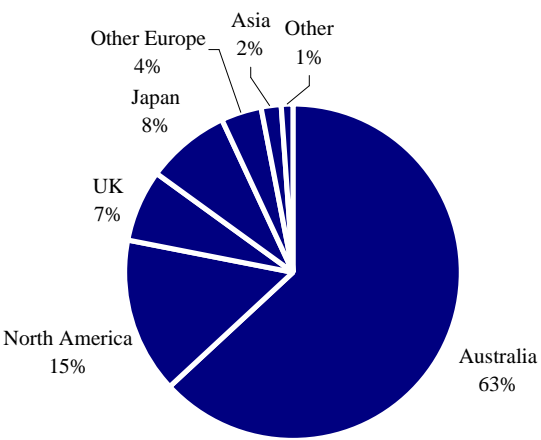
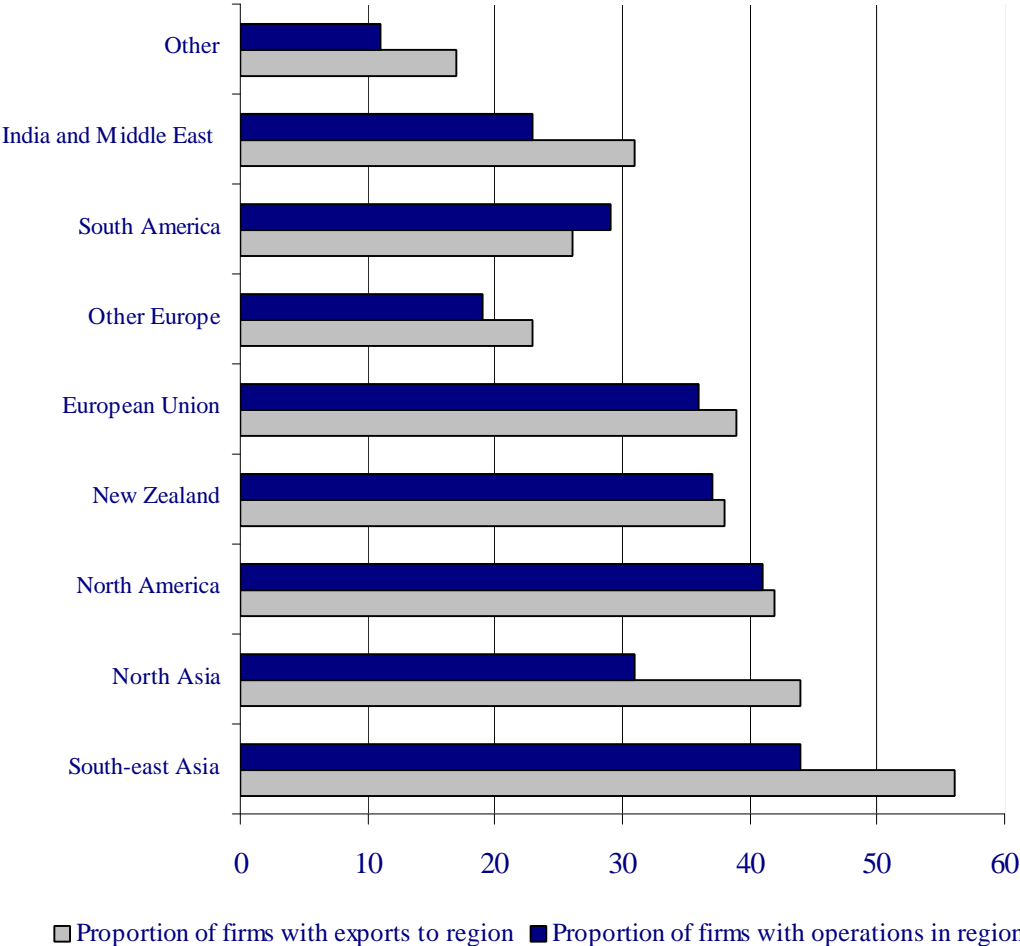
Each index ranges between -100 and +100. When the investment index is -100, every respondent forecast a fall in investment over the next six months. When the investment index is +100, every CEO forecast a rise in investments during the next six months. A zero (0) index implies that all respondents forecast that all future investments were the same, or that respondents predicting a rise in investments were exactly offset by respondents predicting a fall in investments.

THE DATA

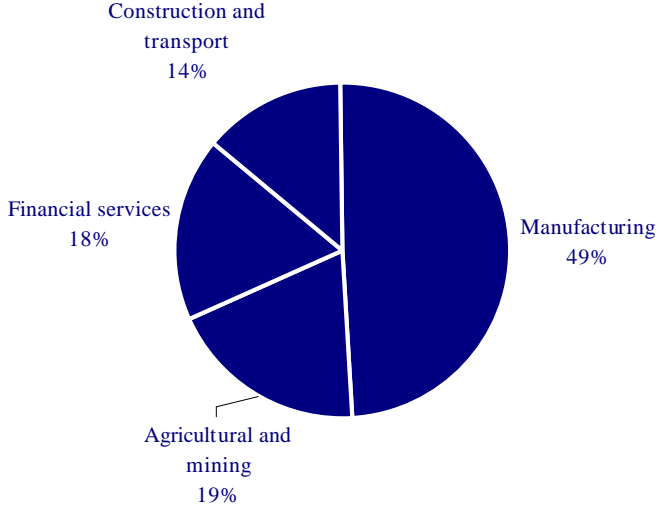
Figure 1 displays the profile of the responding companies.

'The Survey reveals a complex pattern of investment and export intentions, which varies by region, size, ownership, industry type and experience of the firms involved.'

Figure 1: Profile of Survey Respondents



NATIONALITY OF PARTICIPANT FIRMS



ACTIVITY OF PARTICIPANT FIRMS

STATE OF GLOBAL AND ASIAN ECONOMIES

Introduction

A bleak picture of growth of the international economy and growth of the Asian economies emerged. Eighty three percent (83%) of CEOs predicted weaker growth in the Asian and international economy, and 46% predicted a less open international economy. Over 80% of CEOs predicted more intense international competition.

Performance of Overseas Operations

Forty-eight (48%) percent of CEOs predicted an improvement, and only 25% a deterioration, in the performance of their overseas operations. The cost cutting and market development decisions made over the past six months promise to bear fruit in the coming months.

Intense Competition

Seventy-nine (79%) of CEOs predicted stronger international competition over the next six months.

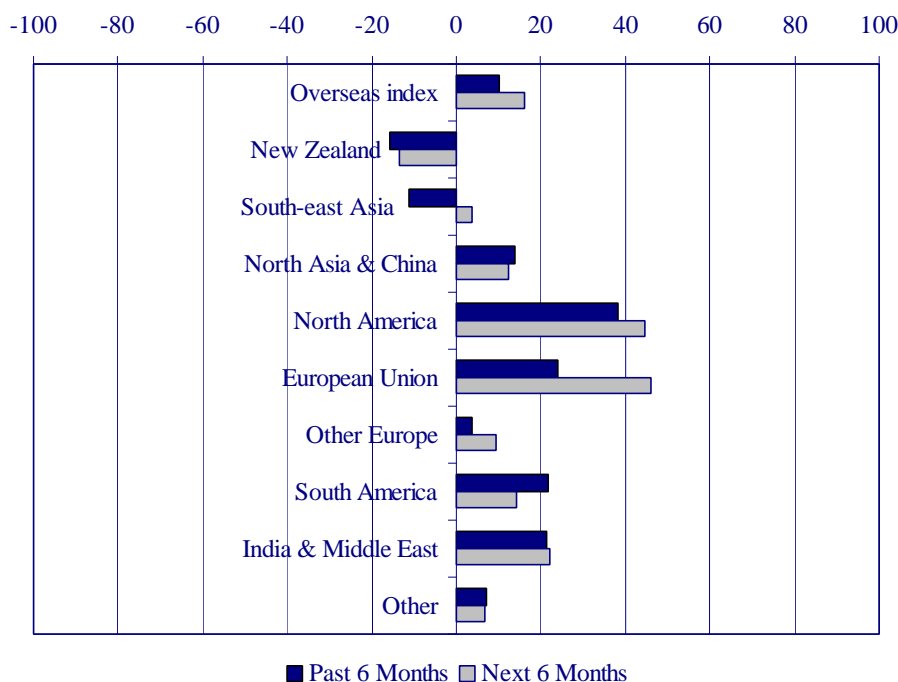
'The bottom of the regional economic crisis has not yet been reached.'

Overseas Investment Intentions

The overseas investment index rose from 10 to 16, with 31% of CEOs forecasting increased overseas investments in Figure 2. The index was driven by bullish forecasts of investment in North America (47) and the European Union (46).

South-east Asia (4) and New Zealand (-14) remained depressed locations for investments. There was strong forecast investments in India (22), South America (14) and North Asia (12).

Figure 2: Overseas Investment Index



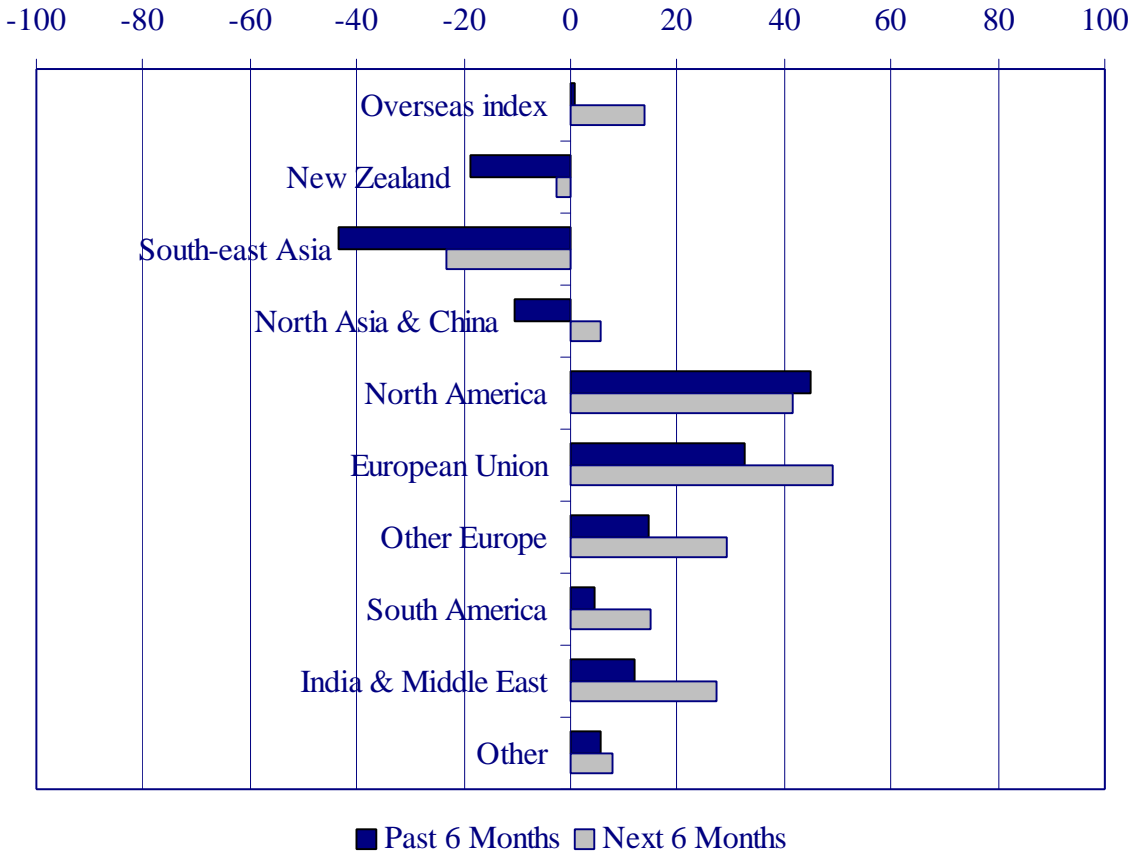
'CEOs bullishness on export growth is remarkable in the face of slowing growth in the international and Asian economies.'

Exports

Compared with the previous six months, CEOs were more bullish about exports. The CEOs export index was 14, with 35% of firms increasing exports and 21% reducing exports. (See Figure 3) North America (45) and the

European Union (49) offset the depressed exports in South-east Asia (-23) and New Zealand (-19). North Asia significantly improved over the past six months as an investment location, jumping from -11 to 6, but remains a depressed market.

Figure 3: Exports



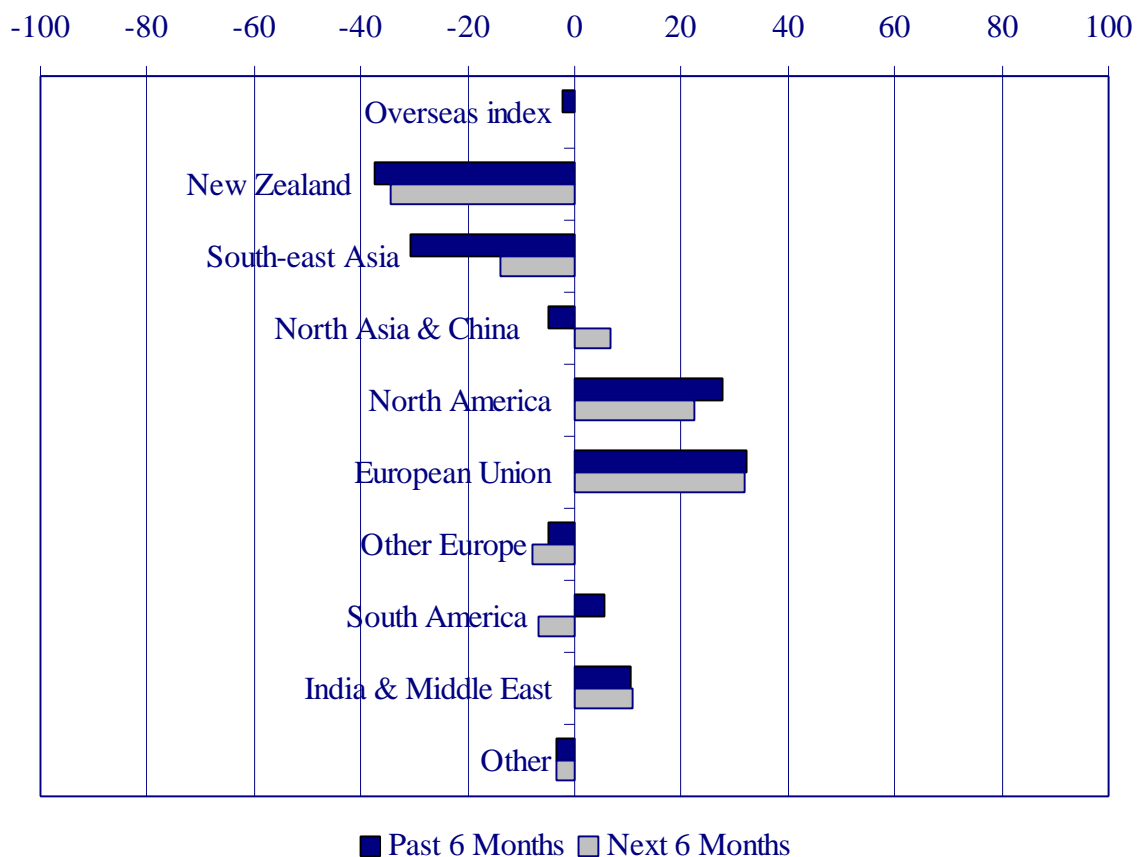
International Business Survey

New Investment Opportunities

CEOs overall assessment of new investment opportunities remained stable at 0. The new investment index is significantly lower than the forecasts of planned investments (16) or exports (14). North America and the European Union

provided the bright investment opportunities. South-east Asia and North Asia offered few new investment opportunities, which suggests the view that Asia offers investment opportunities is not shared by CEOs of firms in Australia.

Figure 4: Overseas Investment Intention



Size, Asian Experience and Industrial Classifications

There were significant differences in planned investments, exports and investment opportunities for large versus small firms;

manufacturing versus non-manufacturing firms and firms with and firms without Asian operations. These are analysed in-depth in the full Report.

'The bright spots in overseas investment opportunities were North America and the European Union. The view that the Asian crisis presents investment opportunities is not shared by CEOs.'

AUSTRALIAN CEOs AND THE STATE OF THE GLOBAL AND ASIAN ECONOMIES

State of the International Economy

CEOs of Australian firms were more positive about the growth of the Asian economies (74% weaker versus 84%) and the openness of the international economy (41% weaker versus 50%) than the CEOs of foreign-owned firms.

However, CEOs of Australian firms shared the same pessimism about the growth of the international economy, with over 80% predicting slower growth over the next six months.

Performance of Overseas Operations

CEOs of Australian firms were more up-beat over the performance of their overseas operations, with 60% predicting stronger performance compared to 38% of CEOs from foreign-owned firms.

Overseas Investment Index

Australian CEOs were more bullish about overseas investments than their foreign counterparts in the face of a weakening international economy.

Australian CEOs aggregate investment index jumped from 13 to 21 during the past six months,

outpacing that for CEOs of foreign firms, which rose from 7 to 12. These divergent investment forecasts by Australian CEOs were due in part to different investment outlooks for South-east Asia, with Australian-owned firms weathering the Asian economic crisis better than foreign-owned MNEs.

Australian CEOs were significantly more confident about the performance of investments in South-east Asia (21) over the next six months compared with the depressed forecasts of foreign firms (-11). Moreover, CEOs of Australian firms

significantly upgraded their planned investment activity in South-east Asia, from 0 in the previous six months to 21 in the next six months. There was no significant change in the south-east Asia investment index for foreign CEOs, which remained negative.

Exports

The CEOs of Australian firms were more optimistic about export growth than foreign firms. Australian CEOs export index of 24, was significantly higher than the export index of 6 for CEOs of non-Australian firms.

Equally important was the improvement in the export outlook. Both Australian and foreign CEOs significantly upgraded their planned exports, with Australian CEOs export index doubling from 11 in the previous 6 months to 24 for the next six months. CEOs of Australian firms were also more bullish compared to foreign firms about exports to

South-east Asia (0 versus -31) and North Asia (21 versus -7). However, South-east Asia remains a 'black spot' for Australian exporters.

'Australian CEOs were more bullish about overseas investments than their foreign counterparts in the face of a weakening international economy.'

Australian CEOs also had significantly higher export indexes for the European Union (57) and South America (35) than their counterparts in foreign firms.

Investment Opportunities

For the next six months, Australian CEOs have an investment opportunity index of 5, significant above -4 for CEOs of foreign firms.

Australian CEOs were more enthusiastic about investment opportunities in south-east Asia and the European Union than CEOs at foreign firms.

STATE OF THE AUSTRALIAN ECONOMY

Introduction

CEOs predicted a weakening of growth in the Australian economy, with 66% of firms predicting slower growth over the next six months.

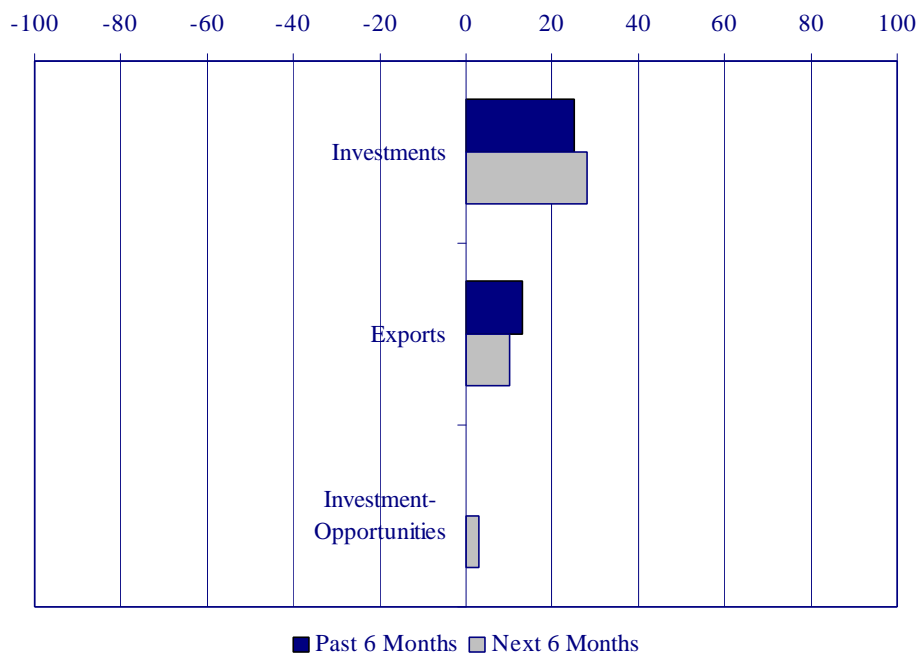
Investment Index

The investment index for Australia was 28, significantly higher than 16 for overseas investments. CEOs of Australian firms (35) planned to invest more over the next six months than CEOs of foreign-owned firms (22). Manufacturing firms (14) had a significantly lower investment index than non-manufacturing firms (43).

New Investment Opportunities

The new investment opportunity index for Australia was 0. This disguises considerable variation between firms, with 25% of the firms predicting a strengthening, 25% a weakening and the remaining 50% no change in investment opportunities. There was a wide divergence in the views of firms about investment opportunities in Australia, reflecting the uncertain state of the Australian, Asian and international economies.

Figure 5: Australian Business Trends



‘Australian CEOs were more bullish about overseas investments than their foreign counterparts in the face of a weakening international economy.’

CONCLUSION

The Survey of International Business is the first survey of CEOs of Australian and foreign international firms in Australia.

CEOs predicted weaker growth in the international, Asian and Australian economies over the next six months. Firms in Australia expect to face stiffer competition, both internationally and at home.

In spite of a gloomier growth outlook, CEOs predicted an improvement in the performance both in their overseas and domestic operations. This improvement is consistent with a rise over the past six months in the overseas investment index from 10 to 16, with 31% of CEOs forecasting increased overseas investments.

The most important finding of the Survey was that investment and export intentions depended on regions, ownership, size, industry classification and operating experience in Asia.

A bullish investment forecast was driven by higher forecast investments in North America and the European Union, which outweighed the depressed investment forecasts in Asia. CEOs of Australian firms were more optimistic about investing overseas than their counterparts in foreign-owned firms, and large firms and firms with

operating experience in Asia were particularly cautious about the Asian region.

South-east Asia and North Asia continue to offer few export opportunities for firms in Australia. The buoyancy of the export index, with 35% of CEOs increasing exports, rests on exports to North America and the European Union. CEOs of Australian firms were more bullish about exports than CEOs of foreign firms, and large and Asian experienced firms had a significantly lower export index than small firms and firms without Asian operations.

CEOs predicted a weakening of growth in the Australian economy, with 66% of firms predicting slower growth over the next six months. The investment index for Australia was 28, significantly higher than 16 for overseas investments. Australian-owned firms were much more likely to increase investments in Australia than foreign-owned firms, and non-manufacturing firms had a significantly higher investment index than manufacturing firms. CEOs had a widely divergent views about new investment opportunities in Australia, reflecting the uncertain state of the Australian, Asian and international economy.

‘The most important finding of the Survey was that investment and export intentions depended on regions, ownership, size, industry classification and operating experience in Asia.’

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DISCUSSION PAPERS & BUSINESS / CONSULTING REPORTS

Discussion Papers

1. *The Multinational Enterprise: New research Agendas in International Business*, Stephen Nicholas and Elizabeth Maitland, September 1998.
2. *Do Japanese Buyers Learn? A Longitudinal Study of Japanese MNEs' Subcontracting with Australian Suppliers*, Stephen Nicholas and William Purcell, October 1998.
3. *Industry Consolidation and Global Competition: Multiple Market Competition in the Tire Industry*, Kiyohiko Ito and Elizabeth Rose, October 1998.
4. *Foreign Investment Motivations and Location Patterns: Korean Electronics Companies and the European Union*, Sidney J. Gray and Sunghoon Hong, November 1998.
5. *The Transfer of Human Resource and Management Practice by Japanese Multinationals to Australia: Does Industry, Size and Experience Matter?*, William Purcell, Stephen Nicholas, David Merrett and Greg Whitwell, December 1998.
6. *Genealogical Transformation of Resources: A Study of Japanese Service Firms*, Elizabeth Rose and Kiyohiko Ito, January 1999.

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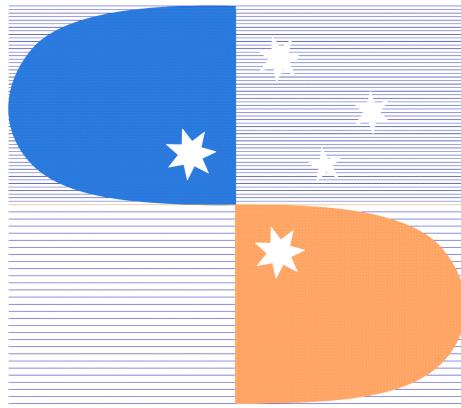
1. *Improving Subcontractor Relations: Lessons from Japanese Manufacturing MNEs and their Australian Suppliers*, Stephen Nicholas and William Purcell, October 1998.
2. *Investing Overseas: Factors in the Overseas Investment Decision by Australian-Based Firms*

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1. *Report on Australian Investment Overseas and Investment in Australia*, Stephen Nicholas, Sidney J. Gray, and William Purcell, October 1998.

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1. *International Business Survey*, November 1998
2. *International Business Survey*, June 1999



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