

Location strategy for competitiveness of Special Economic Zones in India – A Generic framework

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Abstract

Competitiveness has emerged as an important discipline in the area of strategy and research efforts have brought many interesting perspective and frameworks at the country, industry and firm level. Seeing competitiveness from competence point of view, role of factors, internal to the firms such as firm's strategy, structures, competencies and capabilities and other tangible resources lead to competitive success of a firm. This is recognized as Resource Based View towards competitiveness. Location decision of a firm has been subject for empirical researches and literature suggests that location can be a contributing factor to the competitiveness of a firm. The impact of location on the firm performance has been the subject for research and special economic zones, as a specialised location, have provided ease to use business location along with advance infrastructure and other facilities to enhance competitiveness at the country level. Special Economic Zones (SEZ) have emerged as a popular strategy adopted by various countries, particularly the developing countries, to increase their trade competitiveness. Zones have gained currency in these dynamic times to experiment with the market economy and to impart outward looking orientation to the economy. The ever increasing competition has also put firms on a look out to find new methods and strategies to remain competitive and to survive in these turbulent periods of time.

This study proposes a generic theoretical framework which identifies various variables subsequently leading to superior firm performance. Further related intermediate variables are identified to develop hypothesis for assessing the impact of location strategy on the competitiveness of the firm, established in an SEZ. The further scope of the paper lies in empirically testing the proposed framework by using structural equation modeling in a specific industry or a sector.

Key words- Competitiveness, Location strategy, Special economic zones, Structural equation modeling

Introduction

Competitiveness and superior firm performance

Competitiveness has emerged as one of the most researched areas in strategic management. Various research efforts have brought many interesting perspectives and frameworks at the country, industry and firm level. Michael Porter provides valuable insights into factors shaping competitiveness of industries and nations (1980, 1985, and 1990). Another recognized theory on Resource Based View establishes the role of factors, internal to the firms such as firm's strategy; structures, competencies, capabilities and other tangible & intangible resources lead to competitive success of a firm. (Barlett & Ghosal, 1989; Doz & Prahalad, 1987; Hamel & Prahalad, 1989, 1990). This popular resource based view of competitiveness has been

widely supported by many researchers. (Prahalad & Hamel, 1990; Grant, 1991; Barney, 2001, 1991; Peteraf, 1993; Ulrich, 1993).

Firm actions, characteristics and strategies are considered important for the profitability and have shown high variance in business unit performance (McGahan, 1999; Rumelt, 1991). All theories regarding competitiveness of a firm has talked about superior firm performance as the effect of being competitive in an industry. Competitiveness has emerged as a useful indicator of long term socio-economic health of a country (Momaya, 2000). Some of the noted frameworks/models of competitiveness are EVA (Economic value added), Value Pyramid, Total shareholders return, Value curve, EFQM(European foundation of quality management), CMM & P-CMM, APP(Asset-process-performance), IVM (Integrated value management), BSC (Balance scorecard), VC (Value curve). In spite of availability of wide variety of frameworks and models of competitiveness, their usage are low in industry practices that may be partially attributed to silo mentality of functional domain of marketing, finance, production and human resource and not seeing competitiveness as an integrating linkage between functional area and strategic management process.

SEZ as a strategy for competitiveness

Competitiveness of a nation, especially export competitiveness can be achieved through its trade, (Nihon, 2005), infrastructure development and by providing special economic privileges i.e. lower taxes and rebate to a liberalised economy. The respective government adopted development strategy by emphasising either on outward or inward orientation of the trade policy, especially on exports (Agarwal, 2004). Country-wide development of infrastructure is expensive and implementation of structural reforms requires time due to various socio-economic and political realities. Export processing zones (EPZs) therefore are considered as a strategic tool for promotion of exports (Mondal, 2001). In order to promote export competitiveness, economic zones have emerged as a trade policy with special emphasis on outward orientation.

Areas with special economic privilege i.e. lower taxes and rebates have been common since 16th century but it did not impact the world trade. 1960 onwards, impact of these specific areas became prominent in the world trade and gained special terminology (Guangwen, 2003). Economic zones emerged as a powerful tool for integration with world economy; some of the successful examples are Chinese Special Economic Zones and Mexican Maquildoras. This can be seen with the rise in numbers of economic zones worldwide and also rise in number of countries adopting this trade policy to impart competitiveness and outward orientation to their trade.

(Insert Table 1: Estimates of EPZs)

There are about 102 countries with export zones and 126 countries which do not have them (WEPZA, 2007) and they can be compared on economic parameters like export growth rate, market share etc.

- 87% of the world population and 70% of total area is covered with economic zones in 102 countries. China, USA and Mexico have 52% of all the zones counted. 49% of the population is in the Low GNP/Capita category and another 18% is in the Lower Middle category, thus 2/3rd of the population belongs to the less/least developed countries with zones. Another 11% in these low categories belong to 126 countries without zones, making a total in the less/least developed area of 78% of world population.

- In the 102 countries with zones, the highest growth was recorded by the Lower Middle income category (72%). In the 126 countries without zones, lowest growth was recorded also by the Lower Middle income category (1%).
- In the 102 countries with zones, the second highest growth was recorded by the Upper Middle income category (62%). In the Upper Middle income category without zones, there was only a 33% growth.
- Countries with zones, gained market share to 75% while those without zones fell to 25%. (Bolin, 2007)

These figures conclude that countries are adopting economic zones as a competitive strategy for growth, development and to achieve trade competitiveness globally.

Empirical research regarding setting up of special economic zones has been attempted to find out various factors which make a zone successful as compared to other established zones in the region. Several economic zones, established in different geographical location of world, have not brought about the anticipated success. This supports the fact that these economic zones differed in the investment climate, infrastructure and other factors available to them. Many authors have studied a number of factors, important for successful SEZ. These factors are summarised as follows

(Insert Table 2: Success factors for SEZ)

India as a developing nation has strategically identified economic zones for export promotion and trade development. Ministry of commerce, Government of India, defines, “Special Economic Zone (SEZ) as specifically delineated duty free enclave and shall be deemed to be foreign territory for the purpose of trade operations and duties and tariffs”. The common goals and the characteristic shown by the export zones have been highlighted by Agarwal (2004), Madani (1999), Kundra (2000), and Kumar (1989). Zones share few common features worldwide; (a) Unlimited, duty-free imports of raw, intermediate inputs and capital goods necessary for the production of exports; (b) Less governmental red-tape, flexibility with labor laws for the firms in the zone than in the domestic market; (c) Generous and long-term tax holidays and concessions to the firms; (d) Above average (compared to the rest of the host country) communications services and infrastructure; and (e) Zone firms can be domestic, international or joint venture. The role of FDI is also prominent in EPZ activities.

Indian government idea to foster SEZ relies on two pronged strategy:

1. Reduction in restrictions- Duty free imports, liberalised foreign exchanges, and flexible labour laws etc.
2. Provision of incentives- Better infrastructure, and generous long term income tax concessions (IDFC, 2001)

Although India was one of the first Asian countries to recognize the potential of EPZ model in promoting exports. It established Asia’s first EPZ at Kandla, in the state of Gujrat in 1965, but it couldn’t produce remarkable success in terms of contribution towards exports because of inward looking orientation and regulatory mindset in its initial years. Out of all the SEZs, established in India, the most successful SEZs are Mumbai, Noida and Chennai which are prominent cities in India. This also suggests the locational advantage of existing industrial and infrastructure base for export competitiveness of SEZ. Right now India has 19 functioning SEZs contributing 5% to the national exports and more than 400 SEZ’s have been principally approved by government of India at various location. (Ministry of commerce, 2007)

Modeling location, intermediate variables and superior firm performance

Location of a Firm

The emergence of SEZ as policy enclave for promotion of exports has again highlighted the importance of location and its impact on firm competitiveness. SEZ as specialized locations, have provided efficiency in business transaction through advance infrastructure and other facilities to enhance trade competitiveness of the country. The early theories of industrial location concentrated on analyzing simple frameworks, where the location and spatial diversification were simply determined by an adjustment between location and weight distance characteristics of inputs and outputs (Weber, 1929). However global competition has made location decisions of firms an important strategic decision depending on several factors. Various recent empirical research and literature suggests that location can be a contributing factor to the competitiveness of a firm (Karakaya & Canel, 1998). Empirical studies suggests that SEZ which are located in already developed area, where there are higher chances of pursuing agglomeration, are found to be more successful as compared to those which are located in semi or undeveloped areas (IDFC, 2001). It seems that agglomeration and linkage effect of the SEZ are more difficult to exploit if SEZ are established in an area with poor or no industrial base.

This raises few significant research questions regarding the location of a SEZ Viz.

- Does location imparts competitiveness to the firm in SEZ?
- What instrument the competitiveness of a firm in an SEZ?
- Does location of a firm in an SEZ lead to superior firm performance

The central question that needs to be answered is ‘How location of a firm especially in a SEZ affects the competitiveness of the firm?’ Keeping this central question in mind a framework with several propositions has been proposed on the basis of exploratory study.

Empirical studies on the location of a firm have brought out list of factors which can be summarised and inferred upon. Various literature references suggest that proximity to supplier/resources, availability of infrastructure, tax-concession, govt. and institutional support and quality and availability of men, machine, money, and material are the important factors affecting the location of a firm.

(Insert Table 3: Factors affecting location of a firm)

Identifying Intermediate variables/functions between location of a firm that leads to superior firm performance

From the literature, the central question related to location strategy of the firm was investigated by modeling the interrelationship between firm location and variables/functions which leads to superior firm performance (F7). Five sets of broad explanatory functions (factors) were integrated that explain firm competitiveness/superior firm performance in a SEZ:

- F2-Investment in competitive resources and capabilities- Resources are central to the firm competitiveness (Resource based view of strategic management)
- F3-Linkages- Positive agglomeration effect and creation of linkages between SEZ firms and domestic firms.
- F4-Entrepreneurial ability- The ability of entrepreneur to run a business efficiently and effectively.
- F5-Government and Institutional support- Support and encouragement by Government to firms, in terms of infrastructure and export market assistance, can lead to enhancement of competitiveness of a firm.

- F6-Factors of production- Business need constant supply of quality men, machine, money and material for smooth running.

These intermediate variables/functions (F2 to F6), so derived can be depicted in the table below:

(Insert Table 4- Studies depicting intermediate variables /functions and inference)

These intermediate functions/variables have been found to be linked with other sub-variables. Investment in competitive resources and capabilities is linked with quality practices, cost effective manufacturing capabilities, management capacity, branding, higher capacity and utilisation and strategic planning, Linkages are associated with other firms in SEZ, outside DTA (duty tariff area) firms and foreign firms, Government & institutional support with infrastructure(roads, electricity, telecom,internet and ports), entrepreneurial ability with vision, calculated risk, innovational & ability to organise and factors of production are linked with economical labour, skilled manpower, technology management, access to cheap cost of capital and procurement of goods.

These sub-variables have been considered important by different researchers and the following table clearly highlights the same.

(Insert Table 5- Literature review of relationship among sub variables and intermediate variables/functions.)

This brings about the location of a firm (F1) and other intermediate functions/variables (F2 to F6) which consist of sub-variables. All the relationships so inferred through literature review is summarised in figure 1:

(Insert Figure 1- Location of a firm (F1) and Intermediate functions (F2 to F6) with sub variables/functions)

Superior Firm performance

The control over variety of potentially confounding macroeconomic and sector specific factors could be achieved by looking at performance of many firms within the sector (e.g. Textile industry), operating across SEZs in India. Firm performance is taken as a tool to measure the competitiveness of a firm. A firm is said to be competitive when it shows superior financial performance, although only financial parameters can not be the sole indicator of a firm (Drucker, 1973). The most important obligation of an export firm, situated in an SEZ, is net exports i.e. exports minus imports which has been laid down as a requisite for setting up in an SEZ. Others important parameters used by different researchers are productivity and cumulative annual growth rate which can measure a firm competitiveness. (Table 6- Superior firm performance). These three measurements have been taken to understand the superior firm performance in an SEZ. Productivity has been considered surrogate of competitiveness and can simply be defined as total turnover divided by numbers of headcount and cumulative annual growth rate justifies the extent of growth off the organisation over a period of years.

(Insert Table 6- Superior firm performance)

Proposed generic framework; a sequential approach

There can be two possible approach of studying the impact of location on superior performance one direct and another indirect. Location competitiveness of a firm in SEZ cannot be directly measured so it is done through intermediate variables and its effect on firm performance. This study suggests that a logical sequence may exist among the Location of a firm, five intermediate variables/functions (Investment in competitive resources and capabilities, linkages, entrepreneurial ability, Govt. & institutional support and factors of production) and superior firm

performance. Location of a firm in SEZ is identified as a dependent variable and superior firm performance as independent variable. The other five intermediate variables will be mediating variables for the study. Hence the association between location of firm, intermediate variable/functions and superior firm performance may be indirect. This also acknowledges the potential indirect influence of location of a firm on superior firm performance.

(Insert Figure 2: Relationship flow chart)

Prepositions

The relationship flow chart (Figure2) which depicts the independent, dependent and the mediating variables clearly delineate the factors involved in the association between location of firm and superior firm performance through five mediating variables. The suggested hypothetical relationship diagram has been constructed on the basis of following assumption.

1. Factors responsible for location strategy have been empirically identified for the firms outside the SEZ and it can be assumed that the same factors will be responsible for the location of a firm inside the SEZ.
2. Location leads to intermediate variables and provides superior firm performance.

On the basis of these assumptions, following prepositions are developed

H1a	Being located in SEZ positively relates to firm/s investment in competitive resources and capabilities
H1b	Being located in SEZ positively relates to linkages with DTA units. (Duty tariff area)
H1c	Being located in SEZ positively relates to entrepreneur ability.
H1d	Being located in SEZ positively relates to government and Institutional support.
H1e	Being located in SEZ positively relates to attracting factors of production.
H2a	Investment in competitive resources and capabilities positively relates to superior firm performance
H2b	Linkages with other units positively relates to superior firm performance.
H2c	Entrepreneur ability positively relates to superior firm performance.
H2d	Government and Institutional support positively relates to superior firm performance.
H2e	Attracting factors of production positively relates to superior firm performance.

Proposed Sequential framework; The proposed sequential framework connects the latent functions (location of a firm), intermediate functions and independent function (superior firm performance), with prepositions. It is shown diagrammatically in figure 3.

(Insert Figure 3: Proposed Sequential framework)

The proposed sequential framework has established a series of dependent relationship to examine the effect of selected variables on others. It contains theories having multiple equations involving dependent relationship. The proposed framework comprises latent function (location of a firm-F1), intermediate functions (Investment in competitive resources and capabilities, linkages, entrepreneurial ability, Govt. & institutional support and factors of production-F2 to F6) and dependent function (superior firm performance-F7), which suggests that F1 leads to F2 to F6 and subsequently they lead to F7, thus Intermediate functions (F2 to F6) are both dependent as well as independent variables. Structural equation Modeling (SEM) is the only multivariate technique which enables us to assess both measurement properties and test the key theoretical relationship. It is a powerful multivariate technique for specifying, estimating and

testing hypothesised interrelationship among a set of substantively meaningful variables. It helps to identify direct and indirect effects in a complex system of variables, and allows including the mediating variables in the analysis easily (Swamidass and Newell, 1987). SEM provides a method of dealing with multiple relationships simultaneously and comprehensively for determining the goodness of fit measure of the sequential model (Bentler, 1990; Hair et al, 2007).

The proposed sequential framework confirms all three characteristics of structural equation model and demands its application. These characteristics are:

1. Estimation of multiple and interrelated dependence relationships.(Figure 3)
2. Ability to represent unobserved concepts (location of a firm) in these relationship and corrects for measurement error in the estimation process.
3. Defining a model to explain the entire set of relationship (Figure 3).

Further scope of the research

Given the numbers of SEZs operating in India and hundreds will be operational in coming years (Ministry of Commerce, India, 2007); a study on the competitiveness of SEZ seems to be desirable. However the basic limitation is that the proposed generic framework has not been tested empirically and it needs to be further researched and validated. Other limitation of the research is generalization of the empirical studies carried out on firm competitiveness but not operating from an enclave called SEZs since there were few empirical studies available on Economic zones from strategic management dimensions.

The hypothesized framework may be applied on any manufacturing industry operating within SEZs and the framework can be tested on different industries operating within SEZ. While competitiveness of the SEZ have been identified in the study, it may be possible to refine the framework and use it to further study the firms operating in different geographical locations which do not fall under SEZ.

Table and figures

Table 1: Estimates of EPZs

Year	1975	1986	1995	1997	2003
No. of countries having zones	25	47	73	93	116
No. of zones	79	176	500	845	More than 3000

Source- WEPZA, 2004

Table 2: Success factors for SEZ

Factors	Studies	Country context	Inference(s)
Location	<ul style="list-style-type: none"> • CII report(2008), • IDFC(2001), • Smart& Hsu(2004), • Wei Gi(1999) • OTA(2003) • Madani(1998) • Ryan et al(1993) • Madani(1999) • Cling & Letilly (2001) 	<ul style="list-style-type: none"> • India • India • India • China • China • Phillipines • Costa Rica • Zaire • Dakar 	Geographical location is the most important factor behind SEZ success.
Agglomeration in form of linkages with domestic economy	<ul style="list-style-type: none"> • Jenkins, Esquivel & Felipe(1998) • Wijewardane (1993) • Jayanthakumaran (2003) • Sklair(1985) 	<ul style="list-style-type: none"> • Asia& C. America • Sri Lanka • S.Korea & Indonesia • S.Korea & Sri lanka 	Linkages with domestic economy have been found to be one of the success factors of SEZ.
Government & Institutional support	<ul style="list-style-type: none"> • Mody & Srinivasan (1996), • Kumar (2003), • Mitra et. al 1998) • Madani • Wei Gi (1999) 	<ul style="list-style-type: none"> • S. Asia • India • India • S.Asia • China 	Economic infrastructure and favourable govt. policy are critical for SEZ success.
Factors of production	<ul style="list-style-type: none"> • Knoth(2000) • Agarwal (2004) • Landingin & Wandley (2005) 	<ul style="list-style-type: none"> • China • India, Sri lanka & Bangladesh • Brunei, Indonesia, Malaysia, Phillipines 	Availability of labour, machine, money and material is required for SEZ success.

Table 3: Factors affecting location of a firm

Studies	Factors affecting location of firm (F1)	Inference
Schemenner (1979), Galbraith (1985, 1990); Galbraith and De Noble (1988), Schemenner (1982)	<ul style="list-style-type: none"> • Other competitive industries in the area • Proximity to supplier/resources 	It encompasses availability and proximity to other industries and supplier/resources in the region which leads to forming of business transaction as decider of location of a firm.
Galbraith and De Noble (1988); Hekman (1992), Schemenner (1979), Blair and Premus (1987), De Noble and Galbraith (1992), Stonebraker and Leong (1994), Blair and Premus (1987), Fulton (1971), De Noble and Galbraith (1992), Schemenner et al. (1987)	<ul style="list-style-type: none"> • Area's business climate, • Attitude of local and state govt. • State and local govt. incentives • Transportation costs and facilities • Proximity to highways • Availability of utilities and services • Tax structure and rates • Local and physical infrastructure. 	Availability of infrastructure, incentives in the form of tax rates and attitude of local govt. can be grouped in govt. and institutional support being provided to the firm which wants to locate in the region.
Fulton (1971), De Noble and Galbraith (1992), Galbraith and De Noble (1988), Hekman (1992), Schemenner (1979), Stonebraker (1994), Galbraith and De Noble (1988), Hack (1984), Schemenner (1982), Schemenner et al. (1987), Stonebraker and Leong (1994), Blair and Premus (1987), Fulton (1971), Galbraith (1985, 1990), Schemenner (1982), Karakaya and Stahl (1989)	<ul style="list-style-type: none"> • Labor productivity and attitude toward productivity, • Cost of labor • Availability of labor • Availability of skilled labor • Availability of unskilled labor • Availability and transfer of qualified technical and managerial personnel, • Land availability for building and expansion, • Cost of land • Cost of construction • Financing opportunities • Banking services • Access to raw materials 	Availability and quality of men, machine, money, material including land are traditionally considered to be factors of production in economic literature.

Table 4- Studies depicting intermediate variables /functions and inference

Author/References	Intermediate functions/Variables	Inference
Wernerfelt (1984), Greene et al. (1997b), Mahoney and Pandian (1992), Peteraf (1993), Collins and Montgomery (1995), Lubit (2001), Miller and Whitney (1999), Powell(1992a),Rumelt (1984), Barney (1991), Aaker, D. (1989), Grant (1991), Teece, Pisano, and Shuen, (1997)	F2. Investment in competitive resources and capabilities	Resources are central to org. competitiveness affirmed by Resource based view of strategic management. Type, magnitude and nature of firm's resources and capabilities are determinants of profitability.
Grubel (1982), Amin and Thrift (1992), Arthur (1986), Burt (1997), Davis and Weinstein (1996), Hanson (1996), Rauch (1993), Krugman. (1991a), Canina, Enz, and Harrison (2005)	F3. Linkages	Concept of positive agglomeration and linkages with domestic economy. Linkages with other firms lead to creation of agglomeration which benefits the firms.
Covin and Slevin (1991), Ireland, Hitt, Camp, and Sexton (2001),Penrose (1959), Vasant Desai (2006), Coase (1937), Niman (1991)	F4. Entrepreneurial ability	Unleashing entrepreneurial talent of the firm leads to successful tapping of the opportunities outside.
Piore and Sabel (1984), Porter(1998), Schmitz (1995)	F5. Govt.& Institutional support	Govt. support and promotion comes in macro environment perspective and it creates atmosphere to make the firm competitive.
Madani (1999),kusago and Tzannatos (1998), Amirahmadi and Weiping (1995), MacCarthy and . Atthirawong (2003), Karakaya and Canel (1998)	F6. Factors of production	Location of firm depends upon the factors of production available.

Table 5- Literature review of relationship among sub variables and intermediate variables/functions

Name of variables	Literature study	Relationship
F2. Investment in competitive resources and capabilities		
1.Quality practices	Mpofu (1998), Chaston and Mangles (1997, Hwang and Chung-Li Chou (2004), Mohanty (1998), Hopp and Spearman (2000), Ohno (1988), Womack, Jones, and Roos(1990),	Quality practices are investment in competitive resources and capabilities which bring competitiveness to

	Krajewski and Ritzman (1996), Khalil (2000)	the firm, by enhancing reliability, in the eye of customers through superior firm performance
2. Cost effective manufacturing capabilities	Nobel (1995), Skinner (1969), Tunalv (1992), Wathen (1995), Boyer, Leong, Ward, & Krajewski (1997)	Cost effective manufacturing capabilities are central investment for manufacturing firm which leads to firm competitiveness
3. Management capacity	Priyanto (2006), Verma (2002)	Management capacity as an investment in resources and capabilities makes progress towards competitiveness of a firm.
4. Branding	Porter(1980)	Branding as differentiation is investment in intangible resources and capability and is considered one of the generic business strategies which make the firm competitive.
5. Production capacity & utilisation	Hayes and Wheelwright (1984), Hill(1984), Krajewski and Ritzman (1996), Bhavani (2006)	The production capacity and utilisation is an investment in competitive resources that provide competitiveness to the firm by superior performance.
6. Strategic planning	Lussier & Corman (1995), Bracker, Keats and Pearson (1998), Robinson and Pearce (1983), Larsen, Tonge, and Mito (1998)	Importance of doing strategic planning especially in small firms brings supportive results.
F3. Linkages		
1. Linkages with other DTA firms	Berliant, Peng, and Wang (2002), Davis and Weinstein (1998, 1999), Ellison and Glaeser (1999), Hanson (2001), Henderson (2003), Kim (1995), Agarwal (2004), Marshall(1890), Dyer and Nobeoka (2000), Kale, Singh, and Perlmutter (2000).	Firms benefit from local production externalities, which exist when a firm's production possibilities depend on the actions of other firms located in the same region.
2. Higher interaction with other firms (same location)	Ahuja (2000), Kogut (2000), Ahlstrom-Soderling (2003), Mesquita and Brush(2005), Thompson (1967)	Higher interaction with other firms located in the same place leads to advantages to the firms.
3. Linkages with foreign firms	Gulati and Singh. (1998), Alvare and Barney (2001), Chell and Baines (2000), Freel (2000)	Creating network with foreign firms leads to augmentation in the capability of the firms in facing competition.

F4. Entrepreneurial ability		
1.Vision	Murphy, Trailer, & Hill (1996), Vasant Desai (2006)	Vision is one of the abilities of the entrepreneur to steer the firm ahead in the competitions
2.Calculated risk	Herri(2003), Vasant Desai (2006) Ronstadt –Entrepreneurship, (2006)	Taking calculated risk is found as one of the main determinants of small firm competitiveness.
3. Innovation	Drucker (1973), Miller& Friesen (1982), Hine& Ryan (1999), Audresch (1995), Vasant Desai (2006)	Innovation is the hallmark of the entrepreneurs.
4.Ability to organise	Lumpkin & Dess (1996), Dionco-Adetayo (2004), Herron & Robinson (1993), Vasant Desai (2006)	Ability of an entrepreneur to organise things is one of the tasks to bring efficiency.
F5. Govt.& Institutional support		
1.Roads	GCR(Global competitiveness report) 2003-4, GCR 2005-6, GCR 2006-7, WCY(World competitiveness yearbook)2007,	It, a part of macro environment, is considered basic infrastructure of a country.
2.Electricity	GCR(2003-4, 2004-5, 2005-6, 2006-7), WCY2007	It, a part of macro environment, is considered basic infrastructure of a country.
3.Telecom	GCR(2003-4, 2004-5, 2005-6, 2006-7), WCY2007	It, a part of macro environment, is considered basic infrastructure of a country.
4.Internet	GCR(2003-4, 2004-5, 2005-6, 2006-7), WCY,2007	It, a part of macro environment, is considered basic infrastructure of a country.
5.Port	GCR(2003-4, 2004-5, 2005-6, 2006-7)	It, a part of macro environment, is considered basic infrastructure of a country.
6.Export market assistance	Wilkinson (2006)	Export market assistance increases the exports.
7.Trade promotion	Bhavani.(2006)	
8.Less bureaucracy	Madani (1999), Exim policy (2002-07), SEZ act, Ministry of commerce, India	Providing hassle free environment to run business is one of the objectives of SEZ exim policy.
F6. Factors of production		
1.Economical labour	Byoungho (2004), kusago and Tzannatos (1998)	The cost of labour is one of the constituents of business location decision
2.Skilled manpower	Gereffi (1999),	
3.Technology	Malecki and Tootle (1996), Roy and Sikdar	Superior technology

management	(2003), Balasubramanian (2005), Momaya and Ajitabh (2005), Bennet and Vaidya(2005), Khalil.(2000), Khalil and Ezzat (2005)	management leads to wealth creation and imparts competitiveness to the organisation.
4.Access to cheap cost of capital	Kundra (2000), Madani (1999), Gunagwen (2001), Ministry of Commerce(India)	One of the fundamental aims of govt. is to make available the cheap and easy access of capital to the organisation in order to make their growth possible.
5. Procurement of goods	Agarwal. (2004), Ahren and Meyer-Baudeck (1995), Ministry of Commerce(India)	Ability to procure goods from outside is one of the principal benefits of creating export zones.

Table 6- Superior firm performance

F7. Superior firm performance		
1.NFE(Net foreign exchange)	Requisite for setting up unit in SEZ by ministry of commerce	Total earning of a firm by deducting imports from exports. Stipulated by Government of India in SEZ act, 2005.
2.Productivity	McKee & Robinson (1989), Francis (1989), Baumolm & McLennan (1985)	Considered surrogate measure of competitiveness
3. CAGR(Cumulative annual growth rate)	Momaya & Ajitabh (2005)	Cumulative annual growth rate is considered to be one of factors of superior firm performance.

Figure 1- Location of a firm (F1) and Intermediate functions (F2 to F6) with sub variables/functions

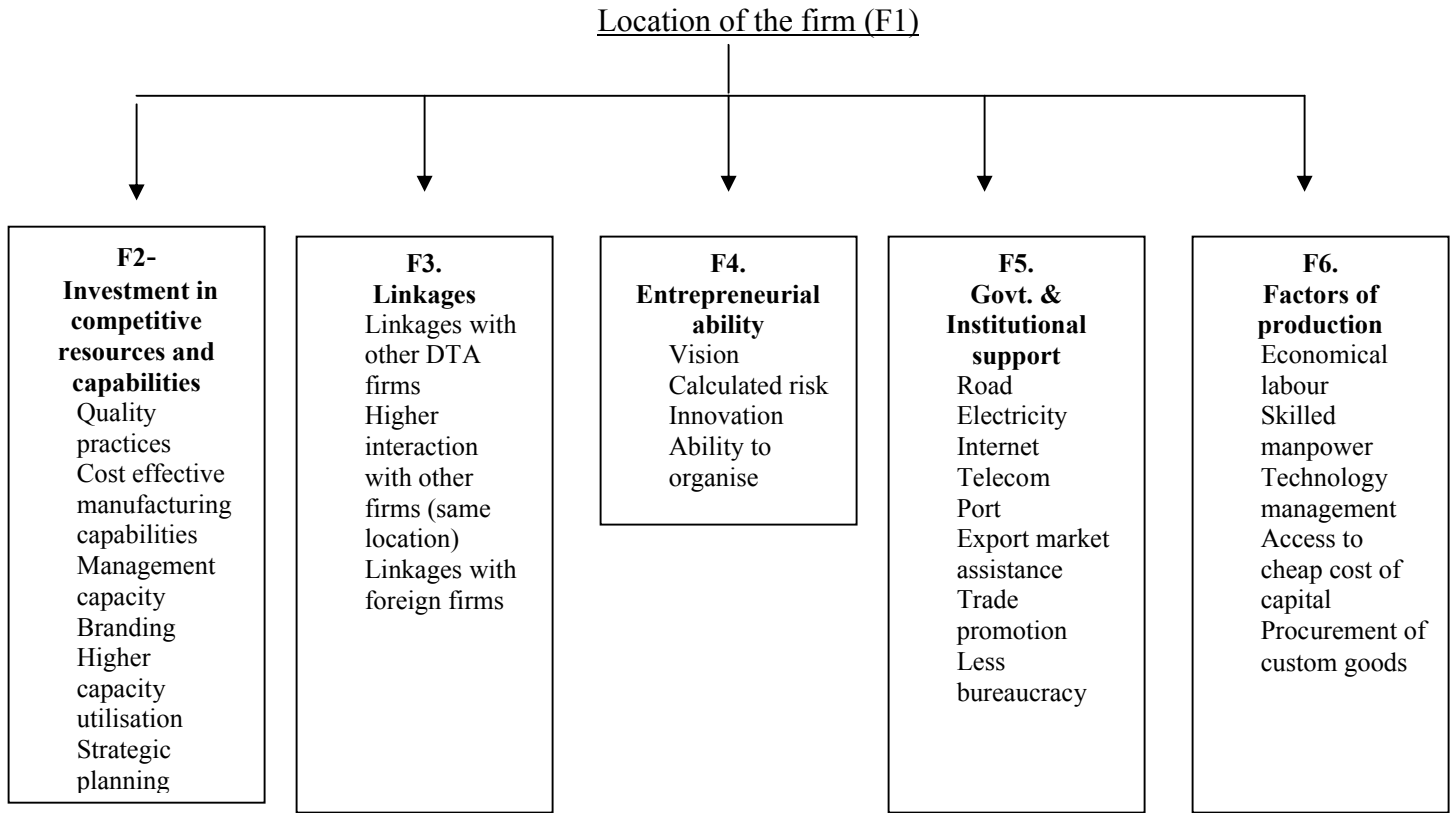


Figure 2: Relationship flow chart

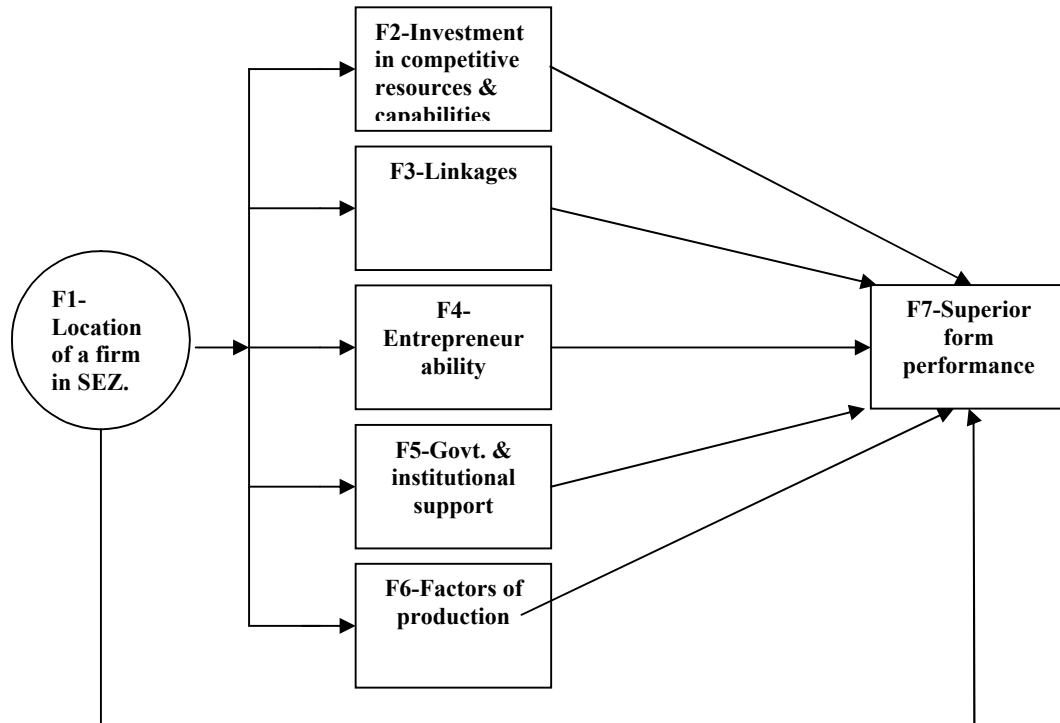
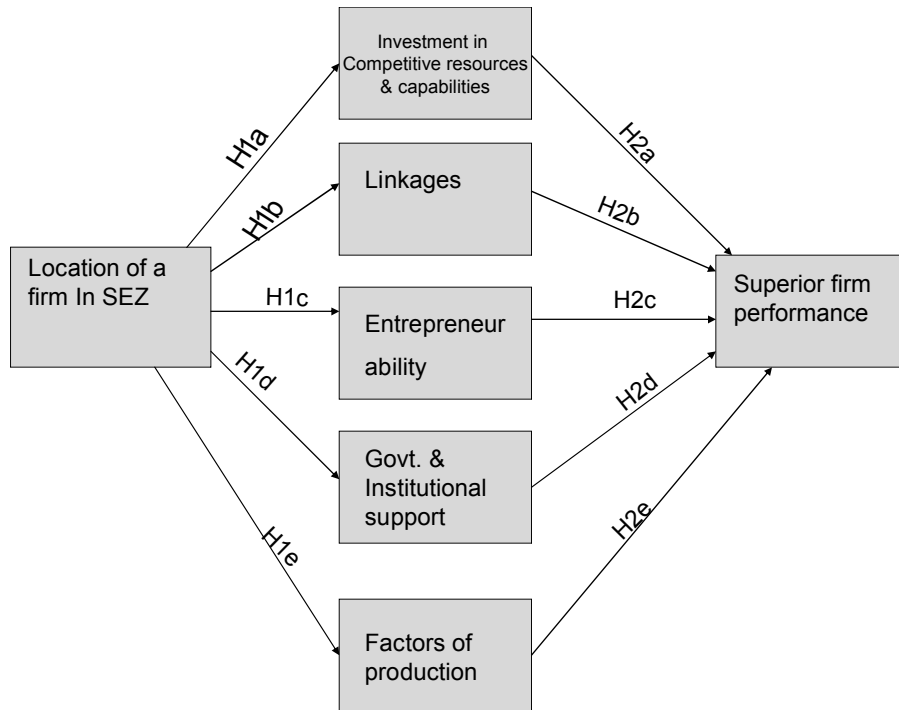


Figure 3: Proposed Sequential framework



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