

**How Kiwi culture influences productivity,  
innovation, customers, motivation, profit &  
just about everything else you can think of ...**



**Unravelling  
New Zealand's  
INNOVATION  
puzzle**

*Presentation to University of Otago  
Science, Technology and Entrepreneurship Programme  
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by*



**Forté  
MANAGEMENT**

business & economic  
development advisors

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Tony is *Forté Management's* principal consultant. The firm provides consulting services to help businesses and sectors prosper by achieving balanced, optimised and fully integrated:

- customer & stakeholder relations,
- continuous renewal, development & innovation,
- financial management, and
- business 'processes'

Tony's consulting work is founded on his academic qualifications made sense of by 30 years of practical experience in management, business, innovation, consulting & economic development. He is one of a small handful of accredited economic development professionals. At the regional and national level *Forté Management* offers professional economic development advice, policy development & review and planning/implementation.

Tony's MBA Dissertation was entitled "*The Influence of National Culture on New Zealand's Innovation Outcomes*". The research explains why New Zealand firms can appear to be so innovative yet enjoy only mediocre productivity and profitability. He has developed a high level of expertise in understanding how Kiwi firms and sectors work, and where their strengths and weakness lay and the strategies needed to "Play to our strengths".

Tony particularly advocates strategies that leverage Kiwi strengths in the early stage of the innovation process and compensate for the institutional and "mindset" barriers to the capture of firm wealth and national prosperity. Foremost amongst these is *Forté Management's* unique workshop and consulting programme entitled *Exploiting know-how, trade secrets, and other valuable assets by managing intellectual assets*.

The programme helps firms and sectors identify their intellectual assets, analyse their importance to the firm, their resilience in the face of compromise or loss, development

potential, protection options, develop an intellectual assets strategy and where appropriate link them into commercialisation pathways.

Intellectual assets are all the knowledge, production and quality systems, designs etc, whether registered or not, that are used to transform physical and financial assets (capital) into business success.

As well as his MBA Tony has science qualifications, the post-graduate Diploma in Health Administration, NZDMA Certificate in Direct Marketing, and is an Accredited Economic Development Professional.

Tony has recently authored the NZTE publication “Playing to Our Strengths: Creating value for Kiwi firms. A report on how Kiwi culture can translate into creating successful and internationally competitive business models.”

## Forté Management’s innovation & culture workshop programme



## Slide 1 *The plan of attack*

1. Reframe what Kiwis *know & believe* about innovation
2. Examine how being Kiwi influences innovation
3. Introduce some strategies to capitalise on the way we think about innovation

## Slide 2 *Foundations*

This workshop is a synthesis of research and reports from:

- MED & NZTE
- NZ Institute & GIAB
- Otago, Massey, Lincoln & Waikato Universities
- Mind, Brain, Behaviour Initiative – Harvard University
- Significant body of academic literature\*
- *Forté* research into Kiwi culture, innovation & business

... made sense of by 30 years of practical experience in management, business, innovation, consulting & economic development.

## Slide 3 *Take away message*

**“By understanding ourselves better we can adapt and adopt management practices that will leverage our strengths in invention and compensate for our weaknesses in converting that into value.”**



## Slide 5

### *In the business context – “What is the purpose of innovation?”*

Invention is not an end in its own right – it is a means to an end. The purpose of innovation in a business is to drive its productivity, profit and continuous renewal. From the perspective of the nation it is to create prosperity. The purpose of innovation is therefore to drive the creation and harvest of value. New Zealand has an issue of first failing to maximise the creation of value from its investments and work, and second, failing to optimise the harvest of what value it does create. It is wrong to assume that the value created and harvested is a simple function of supply and demand.

## Slide 6 to 8

### *The great Kiwi PRODUCTIVITY puzzle*

Because the #1 driver of productivity is innovation, and our policy settings and institutional arrangements are “near textbook” (OECD & McCann), we should have high productivity, profitability, & prosperity.

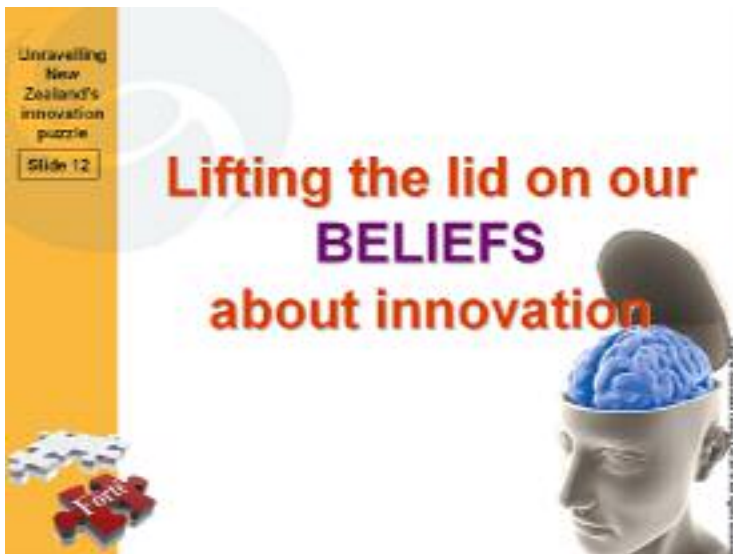
That we don’t is a perplexing and possibly paralysing puzzle.

- We respond by trying to drive even higher creativity.
- We work longer and longer hours.
- We focus too much attention on product and process innovation ...
- and far too little on customer and channel innovation.
- Far too much attention on “squeezing out cost” ...
- and far too little on creating and harvesting maximum value.

## Slide 10/11

### *We have a CONVERSION issue*

We fail to convert our legendary “innovativeness” into productivity, profit and prosperity! ie, creating & harvesting and harvesting maximum “VALUE”!



New Zealand's innovation indicators paint a picture of sound early stage innovation with poor conversion to the activities associated with wealth creation and harvest.

## Slide 14 Quick reality check

New Zealand ranks # 2 for early stage entrepreneurial activity but only 26th out of 36 for high growth businesses. GEM study (2005)

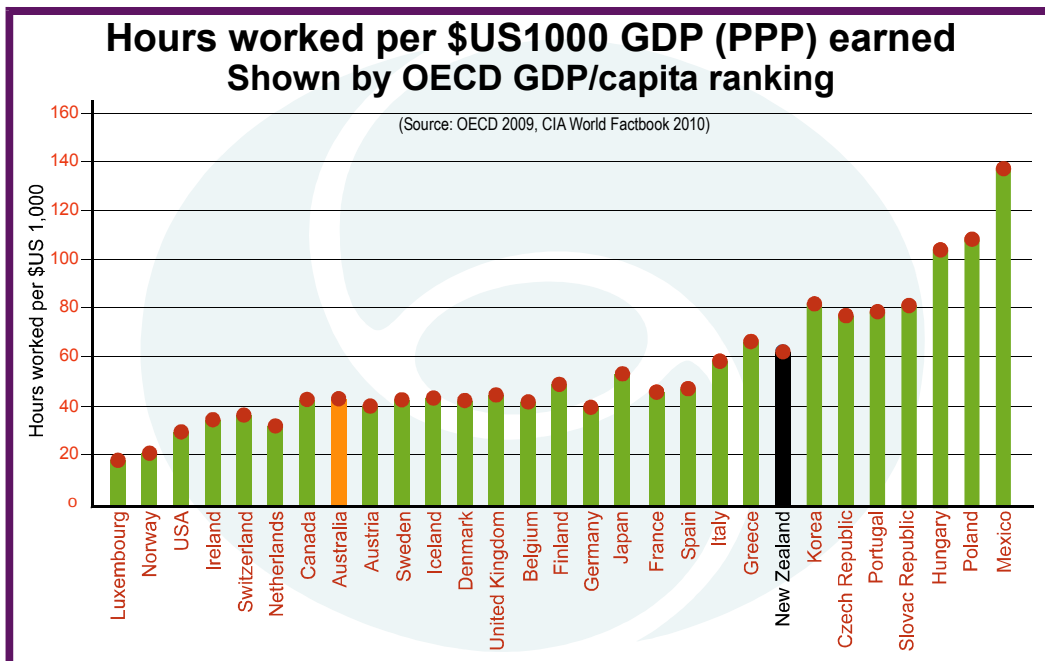
For export of medium high/high technology manufactures we rank 19th out of 19. OECD STI Scoreboard (2003)

**Slide 15**

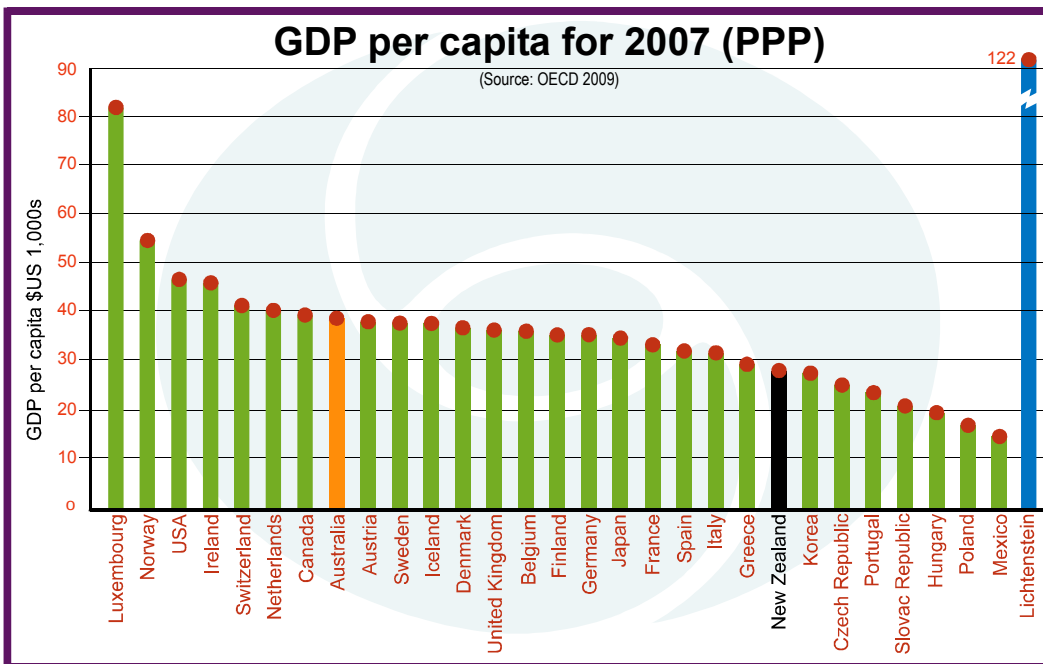
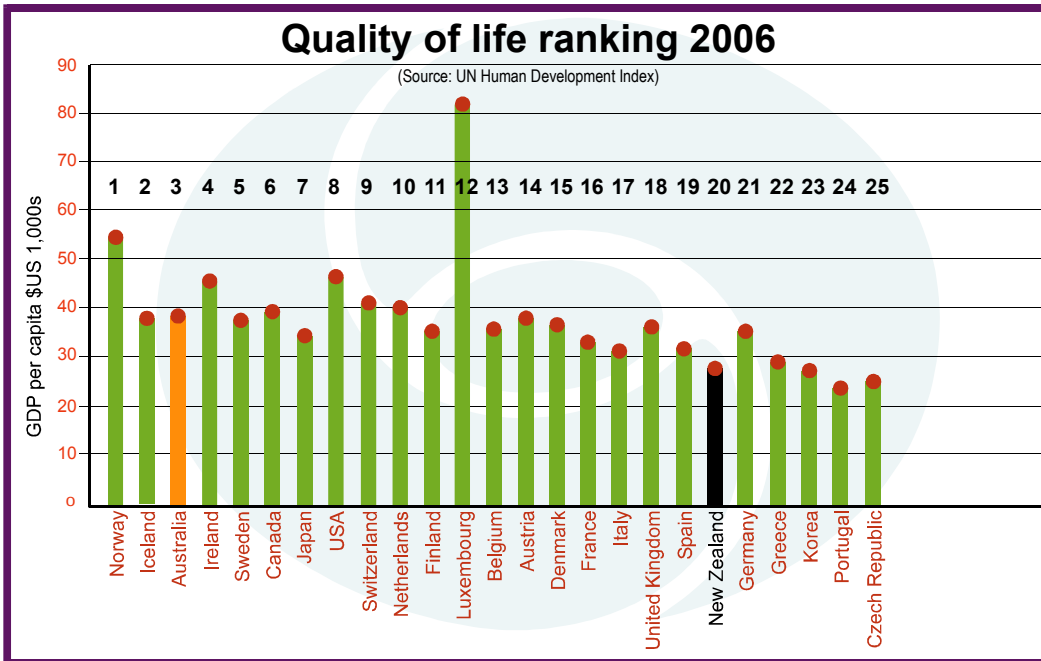
**We cling to INNOVATION myths**

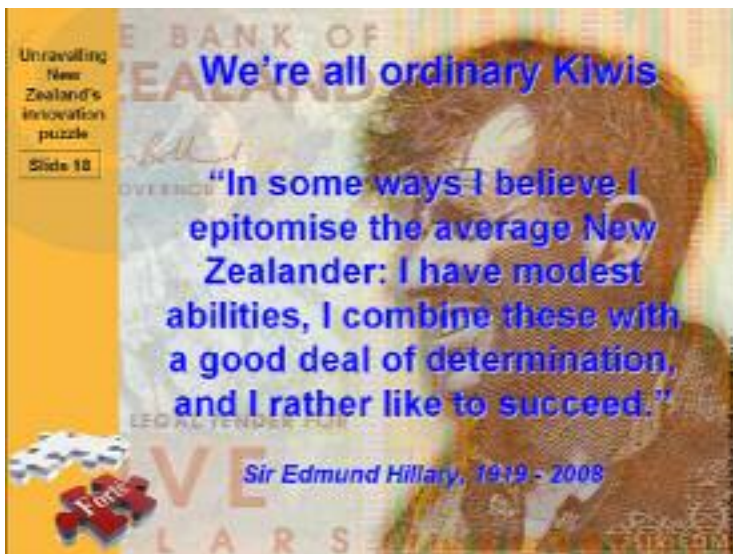


We substitute an easy and adequate quality of life for our standard of living without considering the impact on our ability to afford health, education, welfare etc – now and especially in the future. These are the very things that we value about the Kiwi way of life but as the charts below show, they are becoming less accessible and more difficult to appreciate.









One of our most dangerous myths is that we are all just ordinary Kiwis and that there is nothing particularly special about those who excel. Nothing could be further from the truth. Those that excel as entrepreneurs for instance have the ability to LEAP beyond barriers that constrain the majority of us. The same applies to sport. Hillary for instance could hardly have been less "average" despite conforming to the requirement to appear "average".



The #8 gauge wire approach was never really about innovation. It was really about resourcefulness and practicality – the ability to create useful things out of makeshift resources. It provided the ability to replicate things that were common place "back home" but were too far away and too expensive to acquire in the usual manner.



Few if any of the myths that we use to justify our mediocre economic performance stand up to any sort of rigorous scrutiny – certainly none of those in Slide 20.

Slide 21

*We confuse invention, creativity, discovery and the  
INNOVATION PROCESS*

Slide  
22/23

*The innovation process*

- The innovation process is made up of two important stages – initiation & implementation.
- Different resources, thinking, behaviour & even people are required to optimise the stages.
- Being good at one doesn't imply being good at the other.
- Inventing things does not automatically turn into value & creating value does not mean it will be harvested.



Kiwis natural comfort zone lays to the left of this diagram, that is we are more comfortable with the cognition and behaviour associated with the early initiation part of the process rather than the later implementation stage. That tends to result in repeated return to the workshop or lab or “the pathology of serial initiation”.

Slide  
25/26

*Innovation is a systems based process*

Innovation is a function of the interplay between many factors within a complex system. But first & foremost – it is a psychological & social process. It involves individuals & groups of people - and how those individuals and groups think and behave varies from nation to nation according to their national culture.



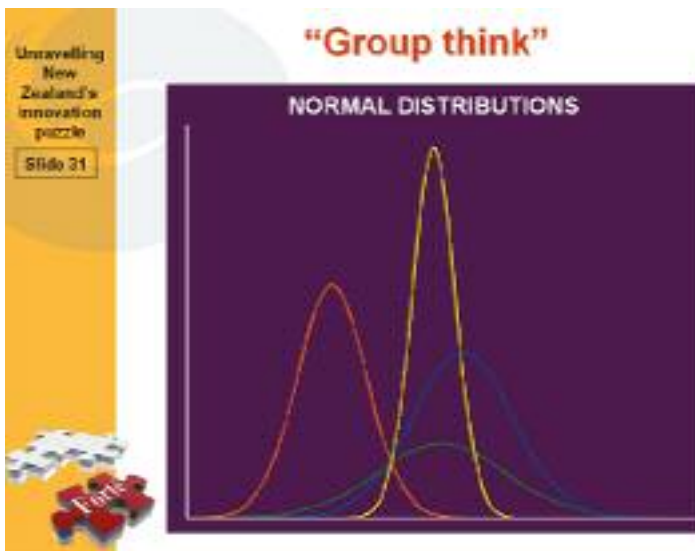
Where we are from gives us a distinctive blend of strengths & weaknesses, tendencies & predispositions, preferences & motivations, instinctive reactions & biases.

**Slide 29** *National Culture*

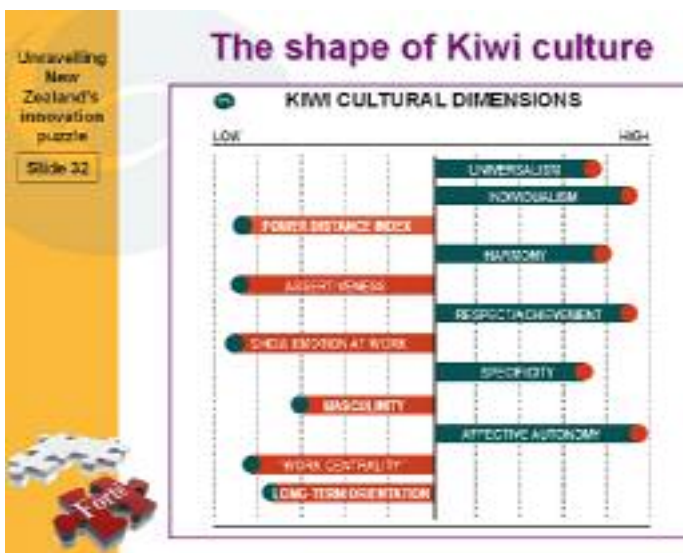
Culture is a socially learned set of mental models & “rules of thumb” that groups of people use to interpret & respond to the world around them, to solve their collective problems & reconcile their dilemmas. Culture is an important part of “nurture” in the “nature and nurture” equation. Unique individual experiences make us distinct. Culture gives us shared models. It represents our “Software of the mind” (Hofstede).

**Slide 30** *We can measure national culture*

Nations can be defined and compared by their “cultural dimensions”. Culture varies in important and powerful ways from one culture to another. Kiwi culture is very unusual.



It is vital to recognize that we are discussing population means, not individuals. No individual will exactly fit the national profile but that does not diminish the importance of the information to follow. It is based on four peer reviewed international studies that although using different methodologies and samples came to remarkably common conclusions about Kiwi culture.



Kiwi culture is unusual if not unique in that for the dimensions of importance to innovation, the majority lay towards the poles of the ranges and all in the direction that favours initiation over implementation. Masculinity (the degree to which male and female roles vary within a culture) is interesting in that it is the only dimension that showed significant differences between the early study (Hofstede) that reported New Zealand as mid range, and the later study of

House et al that reported New Zealand as having high femininity (that is little difference between gender roles). It is unclear whether this is a sampling or methodological difference or an example of a rapid change over the forty years between the oldest and most recent studies.

**Slide 30**

**Why culture is so important for New Zealand's innovation performance.**

There is a statistically significant correlation between national culture & the two stages of the innovation process.



Kiwi culture strongly favours the initiation stage of the innovation process over implementation. It is not that Kiwis are incapable of the cognition and behaviour associated with implementation, they are just less motivated by and experience less sense of adventure/excitement/satisfaction from this stage of the process.



National culture moderates “entrepreneurial orientation”, influences the interpretation and response to environmental signals, and impacts the design, management, interpretation and response to organisational factors.

**Slide 36-39**

These slides provide some New Zealand case studies.



By recognising the role of culture in innovation and management, and especially the differences between Kiwi culture and other cultures, significant competitive advantage can be gained. It is not that all other cultures want to do business differently to us, some prefer our approach. The secret is in being able to recognise the difference and to respond accordingly.

**Slide  
41/42**

***Playing to our strengths***

We can safely assume that Kiwi culture and our environment, policy settings etc facilitate a high level of problem solving, creativity, invention and discovery. Management practises therefore have to be aimed at reducing the barriers and facilitating behaviours that convert that creativity, inventiveness and discovery into wealth creation and harvesting.

**Slide 43**

***Stop “thinking for our customers”***

We believe that everyone is like us, value the same things, take the same things for granted. That make it very difficult for us to understand the subtleties of the value proposition that they seek and that we may be able to offer. Thinking for our customers affects:

- How we do business – transaction approach
- How we relate/communicate/interpret/negotiate
- Recognising IP & IA opportunities
- Tailoring products/services
- Preference for substance over form

**Slide  
44/45**

## ***Negate the Tall Poppy Syndrome***

Possibly the most potent barrier to Kiwis achieving optimum performance. The Tall Poppy Syndrome appears to have a greater affect in New Zealand than it does in, say Australia. This may be associated with the higher assertiveness and confidence of Australians relative to Kiwis.

The Tall Poppy Syndrome appears to be pressure to conform to an egalitarian standard of behaviour. There is a resulting tension between high egalitarianism and high individualism, the former keeping the latter in check. To succeed in New Zealand you need to exceed some threshold of immunity to the TPS.

The Tall Poppy Syndrome contributes to:

- Deliberate under-performance
- Profound feedback reluctance
- Low assertiveness and confidence
- Under stating, self deprecation & negative language
- Suppresses emergence of and function of champions
- Avoidance/suspicion of specialists
- Limits ambition to create wealth

**Slide 46**

## ***Create 21st century version of DIY everything***

We have a strong propensity to do things ourselves. This is the #8 gauge wire and it extends across all aspects of our innovation and management. It may be associated with:

- DIY management including registering companies, lodging patents etc and reluctance to or failure to recognise the benefits of using specialists.
- Pathology of serial initiation
- Narrow capital structures, self reliance, lack of succession planning
- Owners/managers/directors are at apex of knowledge pyramid
- Lack of commercial ambition
- Poor preparation & presentation\*

**Slide 47**

## ***Understand the implications of “satisficing”***

Satisficing is usually thought of in terms of the 3Bs and diminished ambition. It is actually about reaching a threshold of “enough” (comfort, functionality, presentation, knowledge, quality, management skills, money) at relatively low thresholds and then



switching effort to new activities or “adventures”. May be linked to the DIY approach, lack of specialists, low patenting, poor attention to preparation and presentation, etc.

## Slide 48 *Making the LEAP*

Even if the entrepreneur is able to LEAP beyond these behaviours – and being able to do so is a measure of entrepreneurial success - the moment another person is involved in the business, their culture begins to impact – for better or worse.

The following four slides represent potential management strategies to exploit Kiwi strengths in invention and discovery and compensate for weaknesses in converting that into productivity, profit and prosperity.



Intellectual asset management provides the tools and strategies to convert the latent pool of intangible assets into value for the business. This may represent the greatest opportunity for Kiwi firms to increase their performance without dramatic new investments and our endemic failure to do so may be a distinguishing factor from other similar but better performing economies.



Because of the habit of “thinking for our customers” Kiwi firms have difficulty understanding exactly what the customers in other cultures seek, how they wish to engage with us etc. Similarly, it makes it difficult to appreciate fully what our own value propositions really are. In the absence of complete alignment, maximum value will not be created and will not therefore be available for harvest.



One entrepreneur noted that “you have to be pretty thick skinned to be an entrepreneur in New Zealand”. In fact Kiwis appear to be quite thin skinned, reacting badly to the criticism and negativeness associated with the Tall Poppy Syndrome. Strategies that can reduce the impact of the Syndrome, rather than trying to reduce the Syndrome per se are proposed.



Partly as a result of history, partly as a result of mindset, Kiwis have only minor involvement in the distribution channels for much of the nation’s products and services. As a consequence there are both communication barriers between the consumer and producer, and much of the value created is harvested by the distribution channel, not the New Zealand producer.

For further information on this and similar topics please refer to [www.forte-management.co.nz](http://www.forte-management.co.nz)