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**[www.forte-management.co.nz](http://www.forte-management.co.nz)**

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

# Unravelling New Zealand's INNOVATION and ENTREPRENEURSHIP puzzle



# The plan of attack –

We will explore whether New Zealand has:

1. An inventive culture?
2. An innovative culture?
3. An entrepreneurial culture?

Then we will consider why, even if you are inventive, innovative or entrepreneurial as an individual, national culture is so important to your success.

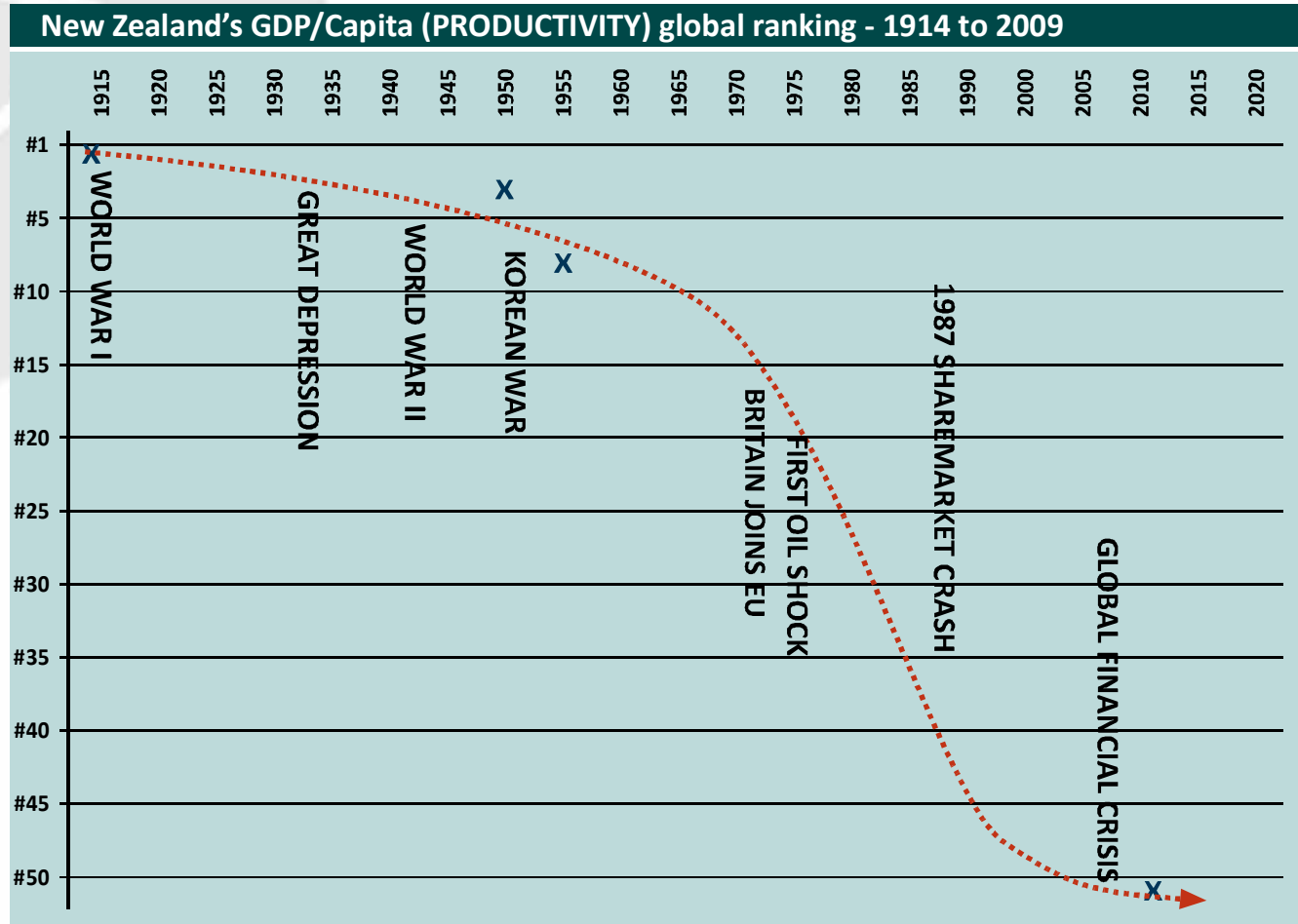


**Gradually eroding goals and declining performance are insidious.**



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# Wealth created - GDP/Capita



“...all the running you can do to keep in the same place.”

Queen of Hearts – Lewis Carrol

# Background & sources

Programme synthesis of research from:

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

\* Four studies have specifically included New Zealand





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## Take away message

**“Kiwis engage in thinking and behaviour that, despite working long and hard, results in us creating and harvesting less value than we could while at the same time increasing transaction costs. By understanding ourselves better we can adapt and adopt management practices that play to our strengths and compensate for our weaknesses.”**





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## Take away message

**“You cannot change how someone thinks, but you can give them a tool, the use of which leads them to think differently.”**

**Buckminster Fuller...** American engineer, systems theorist, author, designer, inventor, and futurist.



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**We're inventive but are  
Kiwis innovative and  
entrepreneurial?**

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# Our innovation puzzle

**Because we appear to be highly innovative and entrepreneurial, we should enjoy high productivity, profitability and prosperity.**

**That we don't is a puzzle.**



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# Today's problems come from yesterday's solutions.

At a critical stage of New Zealand's development, immigration was dominated by uneducated, "in-service" agricultural workers from a small number of southern English counties recruited by the *NZ Company*.

Jock Phillips – Professor of History VUW

The New Zealand population is "*derived from a relatively narrow and unstratified slice of British culture.*"

Matthew Palmer (2009) Associate Professor of Law VUW, now Deputy Solicitor General.



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# Today's problems come from yesterday's solutions.

Our National Innovation System and national business model were built on the value being harvested by foreign owned – British firms.

These were successful solutions for a bygone time and place but they remain deeply embedded in our psyche and business models.

***“We shape our structures  
then they shape us.”***

Winston Churchill.



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# Today's problems come from yesterday's solutions.

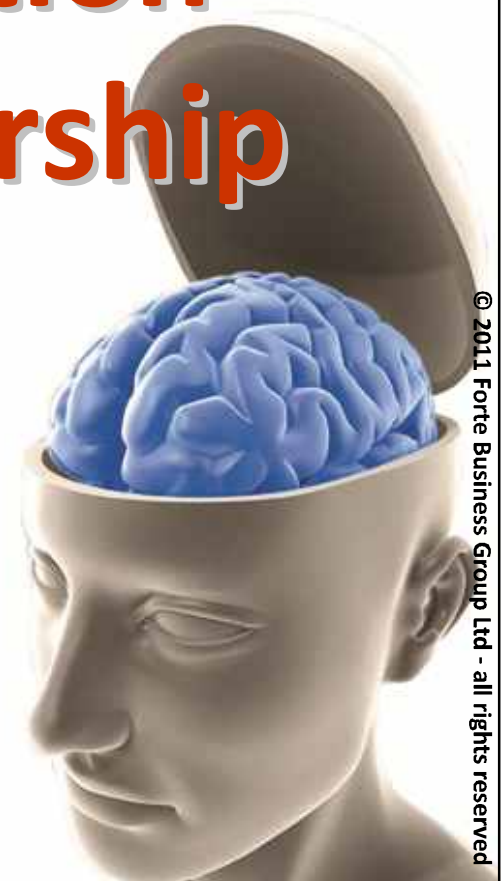
**We have built our business practises  
and models on trading with people  
who are reasonably similar to us.**

**The people we increasingly do  
business with have entirely different  
mental models, values, conventions &  
perceptions. They value different  
things to us & value them differently.**



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# Lifting the lid on our **BELIEFS** about innovation & entrepreneurship



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# Performance Indicators





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# Performance REALITY

(NZ Institute Report Card September 2010)

Life expectancy	C	14/31
Unemployment	C	11/23
Inequality	D	23/30
Assault mortality	D	23/28
Suicide	C	13/29
GDP/capita	C	22/30
Household wealth	D	9/9
Labour productivity	D	22/30
<b>Innovation &amp; business sophistication</b>	<b>D</b>	<b>20/31</b>
<b>Educational achievement</b>	<b>B</b>	<b>4/29</b>



# Terminology

**In most western countries and in the academic literature *invention, creativity, discovery, innovation* and *entrepreneurship* are often used interchangeably leading to considerable confusion and ambiguity.**



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# Terminology

## The Innovation Process

***“Initiation is the process of creating new (novel) ideas/knowledge, designs, inventions, business models etc.***

***“Implementation is the process of converting those into successful commercial and social outcomes.”***

Smale



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# National culture and Kiwi mental models

# The innovation process



**The innovation process is made up of two important stages – initiation & implementation – roughly equal to invention & entrepreneurship.**



**Different resources, thinking, behaviour & even people are required to optimise performance of the two stages.**



# The innovation process



**Being good at one doesn't imply being good at the other.**



**Inventions & discoveries do not automatically turn into value & creating value does not mean it will be harvested.**



**There are correlations between the initiation & implementation stages & national culture.**



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# The Innovation 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 in predictable ways according to their national culture.**



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# National Culture

A socially learned set of shared mental models, the “rules of thumb” and the reference points that groups of people use to interpret & respond to the world around them, to solve their collective problems & reconcile their dilemmas.

National culture is our  
“software of the mind”

(Hofstede)





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# Culture is not trivial

*“The culture a person grows up in **strongly** influences his or her brain wirings, or **neural pathways**, in the early years of life.”*

G. Zaltman – Professor of Marketing & Fellow Mind, Brain, Behaviour Initiative – Harvard University



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# Culture is not trivial

It has more influence on how we think than

Age

Race

Gender

Religion

Education

Occupation

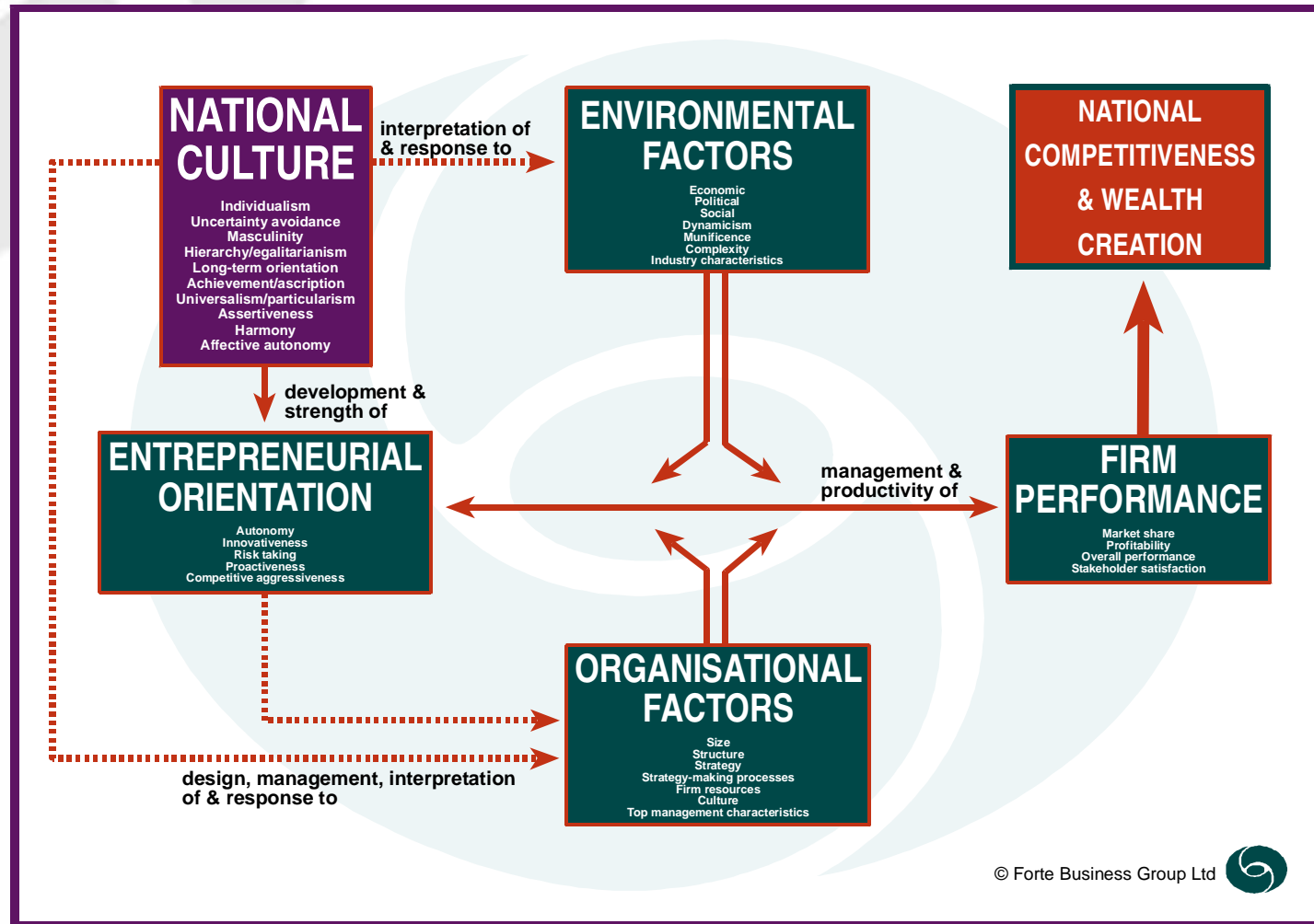
Trompenaars & Hampden-Turner (1998)

Including for the supposedly objective  
professions like scientists, economists and  
managers.



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# How national culture influences performance



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## 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.

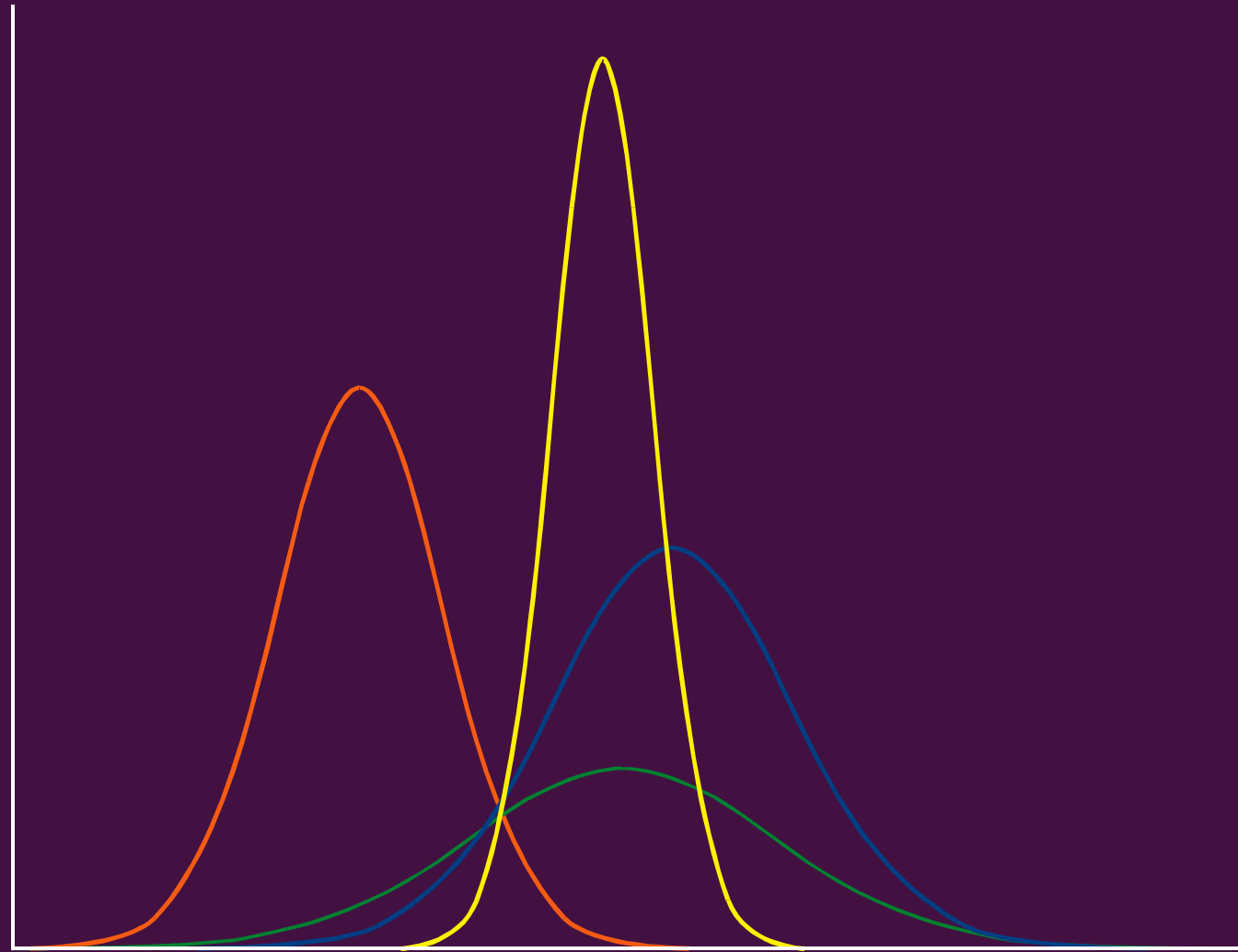


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# “Collective think”

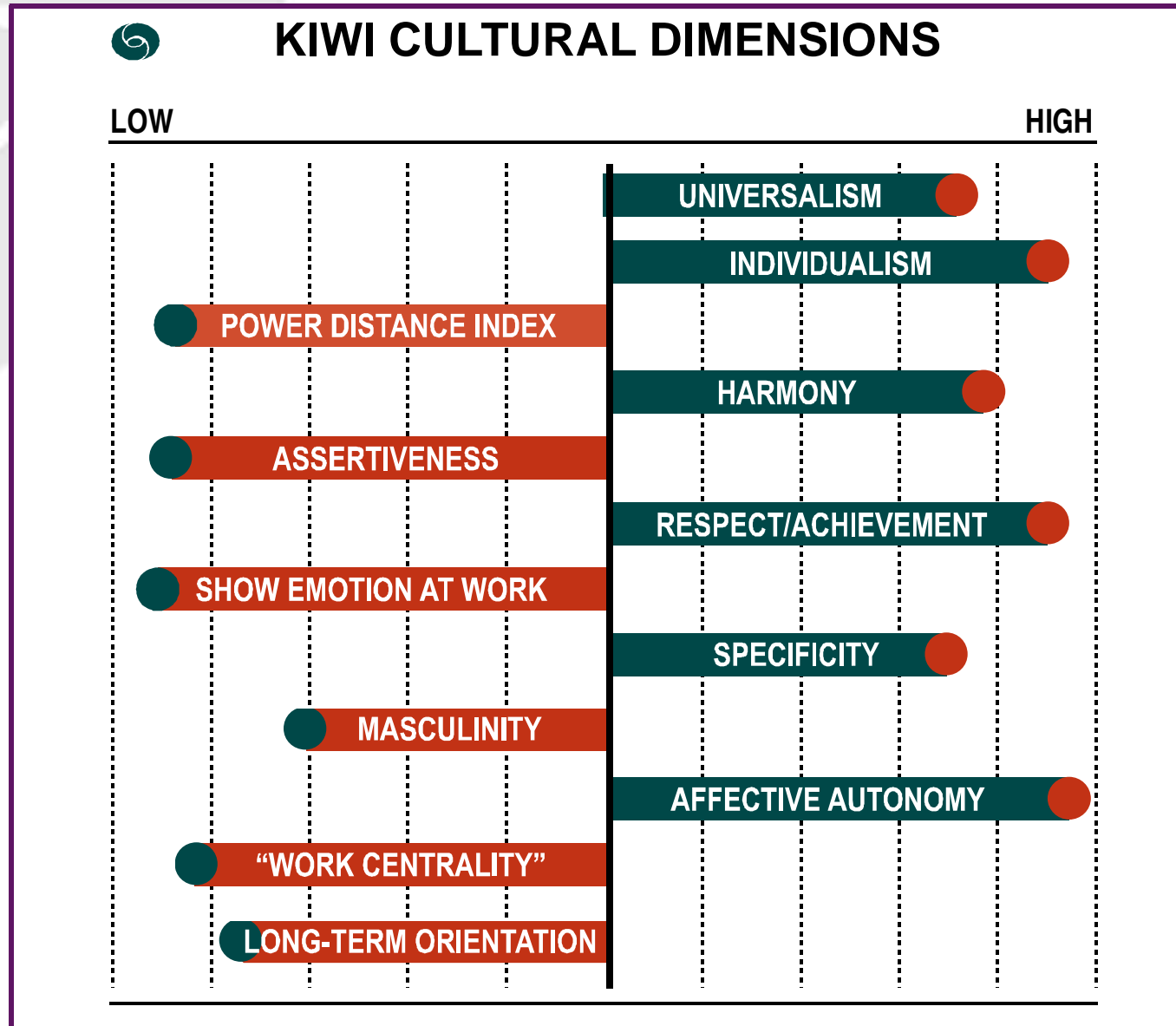
## NORMAL DISTRIBUTIONS



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# The shape of Kiwi culture



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# National Culture

**National culture changes slowly -  
persisting long after the reason it  
developed has passed into history.**

**Our culture was ideally suited to a  
pioneer nation but we are struggling to  
bridge the gap between our past and  
the challenges of the 21<sup>st</sup> century.**



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# Kiwi culture “unique” in important ways

Kiwi cognition and behaviour is different to our comparators and our best practice references.

Our cultural dimensions align strongly in favour of the cognition and behaviour associated with initiation rather than implementation.





# Our real mental models - summary

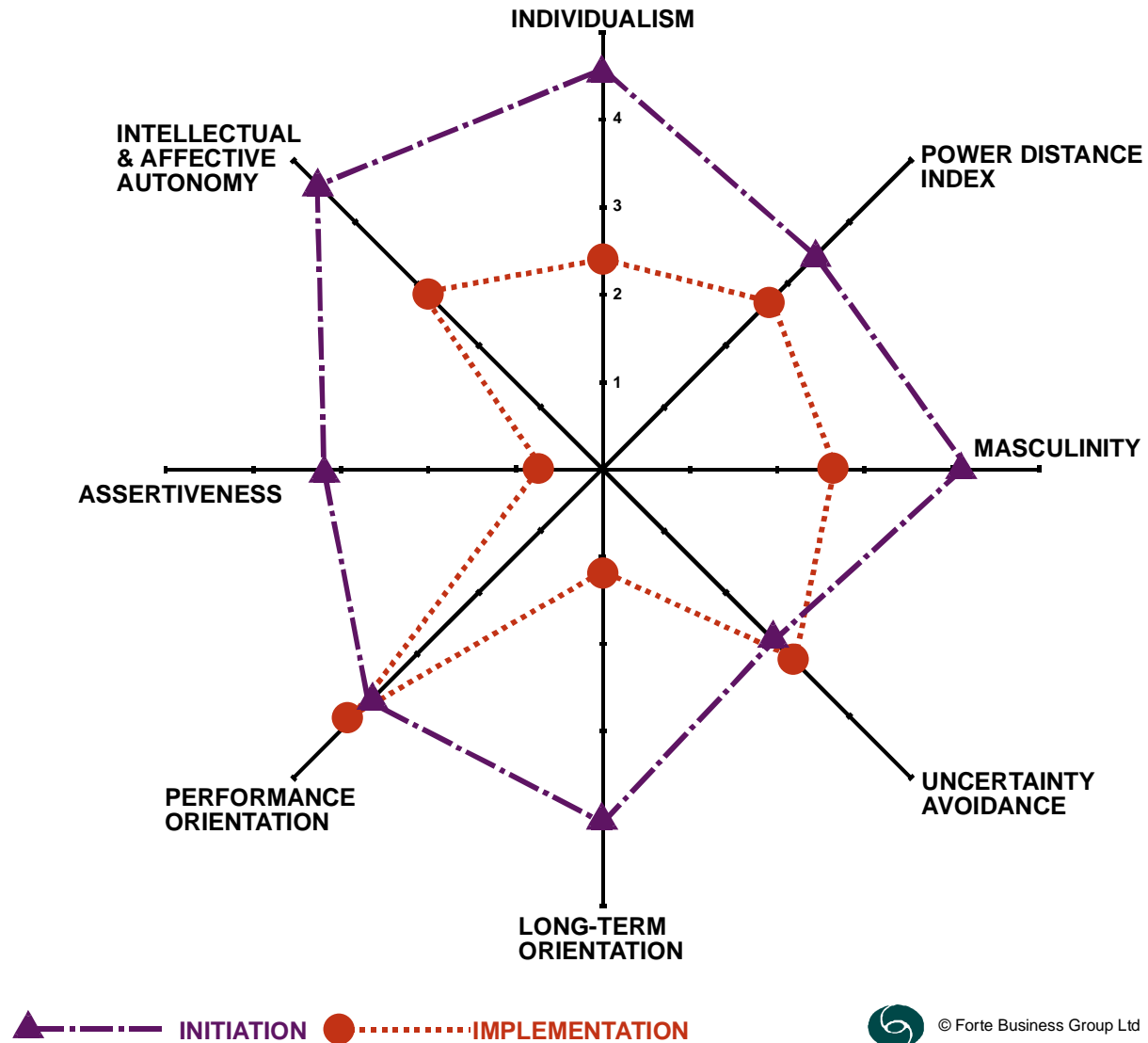
- Inventive, practical, resourceful and intensely self reliant => DIY & make-do;
- Universalist and short time orientation;
- Low assertiveness & low power distance => extraordinary lengths to avoid looking big headed including under-statement;
- Very low demonstrativeness => appear to lack “passion” for our inventions and business propositions;
- Driven by the need for adventure and discovery => Low “thresholds of enough” = satisficing.



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# “Kiwi” national culture - fit for initiation and implementation



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# Entrepreneurial Orientation ?

Lumpkin & Dess 1996:149

<b>Autonomy</b>	<b>++</b>
<b>Innovativeness</b>	<b>?</b>
<b>Risk taking</b>	<b>+/-</b>
<b>Proactiveness*</b>	<b>++</b>
<b>Competitive Aggressiveness (or assertiveness)</b>	<b>--</b>

**\* = Initiativeness**



# Entrepreneurial Orientation ?

**New Zealand ranks # 2 for early stage entrepreneurial activity but only 26<sup>th</sup> out of 36 for high growth businesses.**

GEM study (2005)

**In other words – we do well at starting new ventures but fail to grow them to create and harvest value. Our mindset is a significant contributing factor to both statistics.**

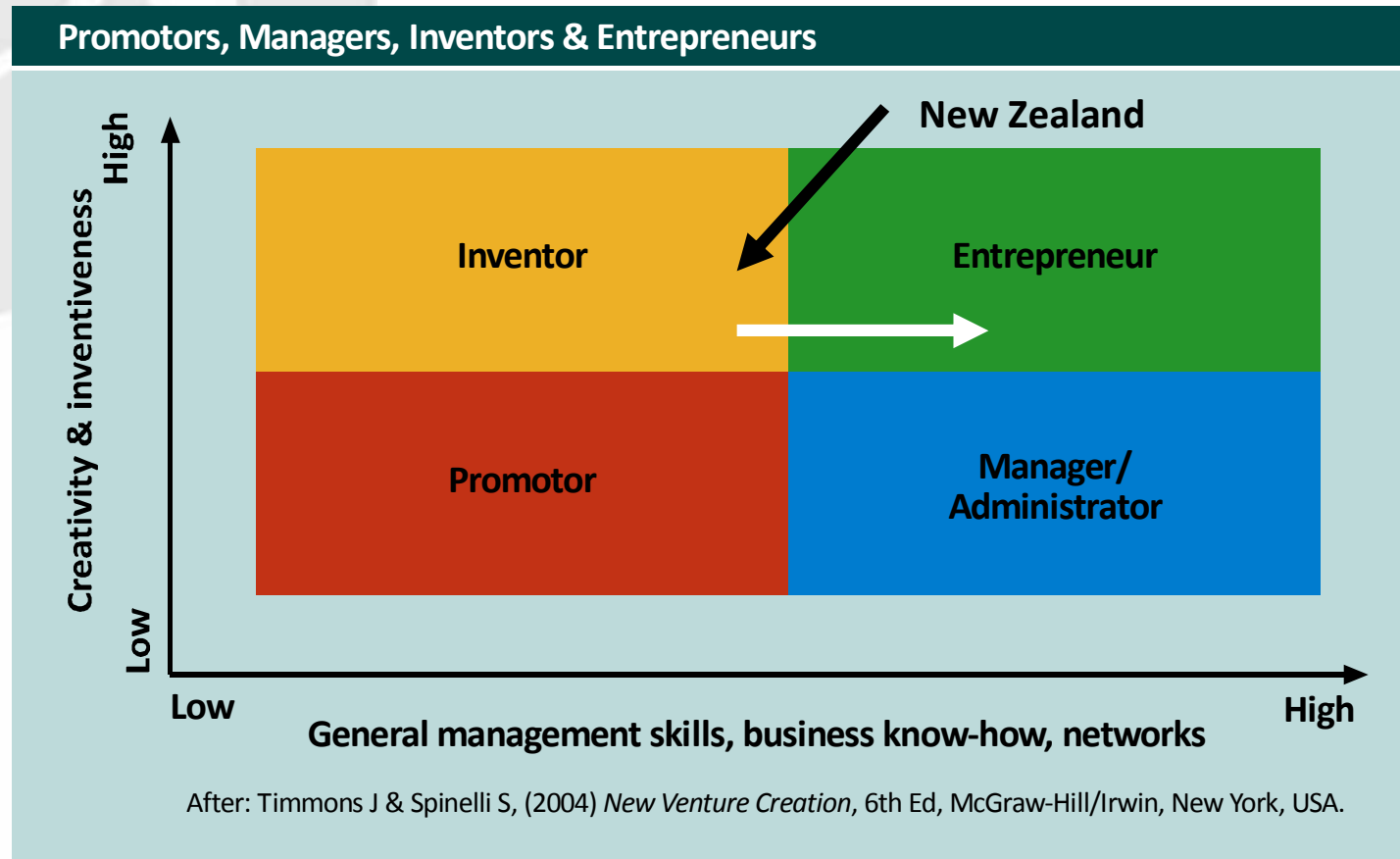
**On that basis, although we are inventive we are neither innovative nor entrepreneurial.**



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# Entrepreneurial Orientation ?

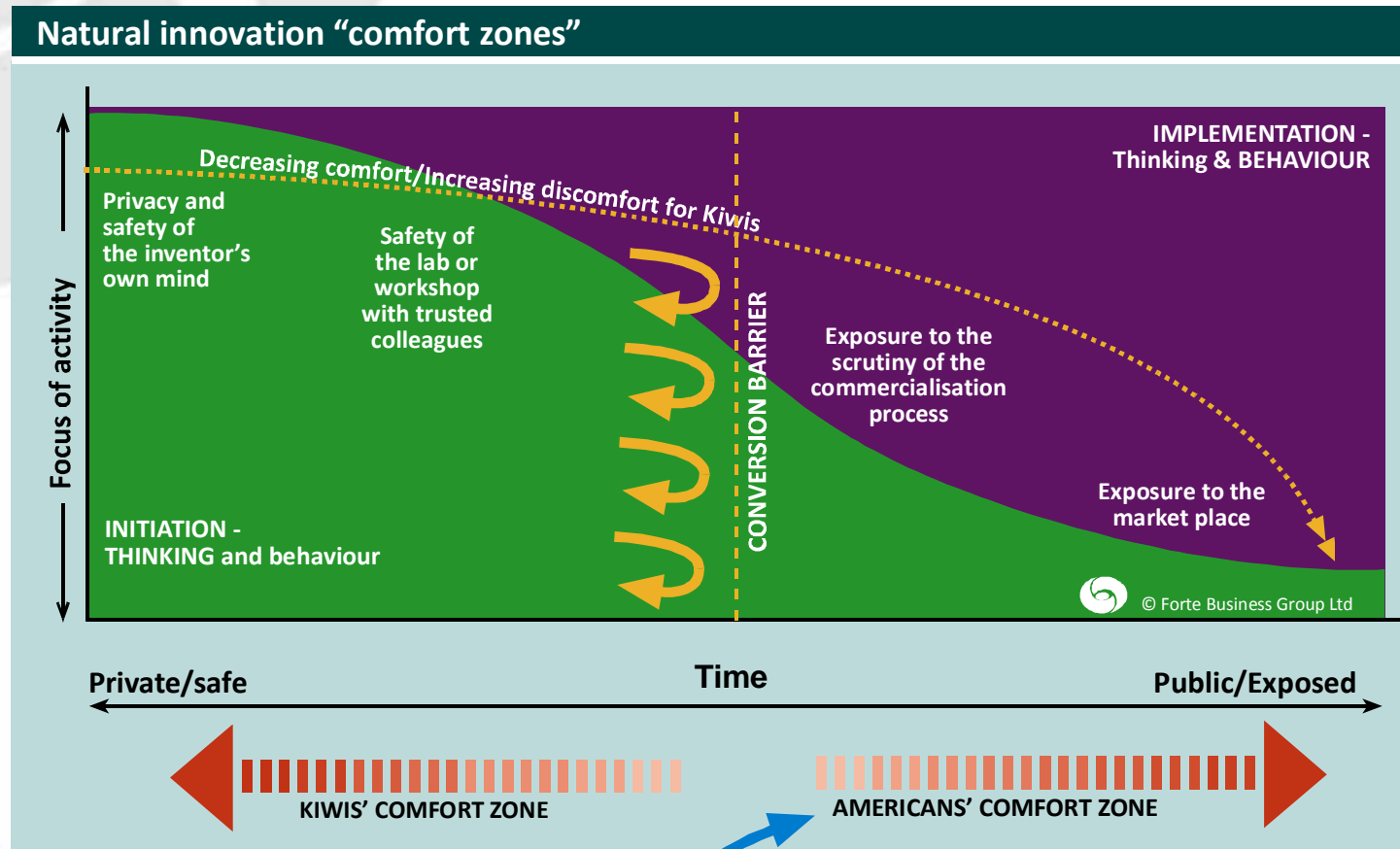
Timmons & Spinelli (2004)



**Even the most entrepreneurial individual operates within the confines of the nation's orientation.**

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# Our natural comfort zone – A manifestation of our mindset



The literature is based  
on this mindset

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# A Kiwi example



Adaptation of  
existing  
technology

“So he took to his garage and spent  
hours designing the Isovalve.”  
[Do-it-yourself, trial & error]

The project was financed  
(and managed) by family.  
[Own-it-all, do-it-all,  
know-it-all, control it all]

Money saver: Plumber Andrew Southern and his Isovalve. The valve will save time for plumbers.

## Plumber's invention saves

Three years ago, Andrew Southern was a frustrated plumber. Now he is an inventor and exporter as well.

In early 2006, the Christchurch man was fitting a basin at a medical laboratory when an idea for a new business came to him. The job should have taken 40 minutes, but it took Mr Southern more than three hours and a lot of stress because of the hassles involved in turning off the water to the entire complex. Mr Southern thought there must be a way

to isolate the water supply at the basin without having to turn the water off at the mains. So he took to his garage and spent hours designing the Isovalve, which not only solved his problem, but also saved water.

The valve is now being sold throughout New Zealand and Mr Southern has just secured his first export order to Australia, worth more than \$120,000.

Soon after developing the Isovalve, Mr Southern set up a company called Isovalve, and

enlisted the help of family to help fund the company. He also employed brother-in-law Milton Weir as business manager.

To kit out a home with the Isovalve costs an additional \$100, but plumbers needed to factor in the time it saved them and the water it would continue to save the home owner, Mr Southern said.

The Isovalve allowed people to reduce the amount of water coming through each tap. Fairfax



# Another Kiwi example

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"I was advised to go through a patent attorney but I decided to do it myself."  
[Do-it-yourself, avoid specialists/  
specialist knowledge]

"... a process that has been far more  
time consuming than expensive."  
[Low time value]

"A patent protects you only as far  
as you are prepared to litigate."

"It's very much a niche product."  
(Scientific conservation market)  
[Opportunity myopia]

"As for marketing, he's confident  
the trap will sell itself."





# The heights of ...

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## Kiwi ingenuity reaches new heights



Marlborough Express: 18 November 2009

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**Introducing three strategies  
to “PLAY TO OUR  
STRENGTHS”**



## A. Complete Customer Experience

### The diagnosis

- We have a remarkable tendency to think that what we want, like and value is what our customers want, like and value.
- We take for granted or discount what we are really good at & generally under-sell ourselves.
- We consider the customer's needs (including quality) from our technical & compliance perspective rather than the customer's.



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# Complete Customer Experience

When we “think for our customers”  
we don't understand how our own  
*value proposition offer* can align  
with their *value proposition*  
*demand*, lowering the value we  
create and harvest and increasing  
transaction costs.



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# Complete Customer Experience

## An illustration

In the USA customers are prepared to pay up to 13% more if good service is provided. India was the highest at 22%. Customers in other countries including Australia were prepared to pay 7 – 12% more.

American Express study 2011



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# Complete Customer Experience

## An illustration

NZTE “Perceptions of NZ” research by Neilsons

Indian business people perceive Kiwis as:

- Having a preference for short-term transactional relationships.
- Highly risk averse.
- Weak negotiators.
- Being reluctant to understand Indian culture and consumer needs.
- Having an inflexible “take-it-or-leave-it” attitude.
- Less fun to do business with than Australians!!!

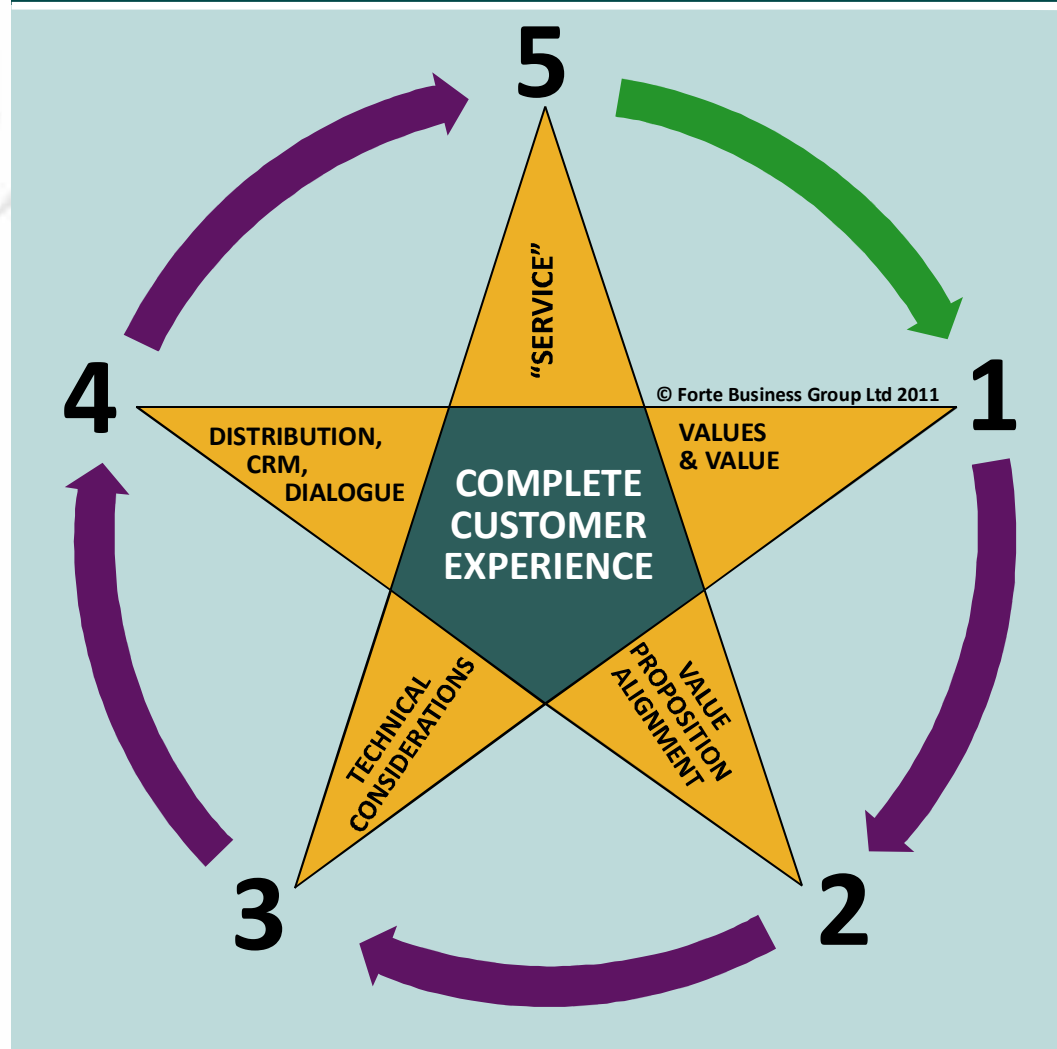
**This is not how we intend to be perceived but the results are consistent across many nations.**



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# We need to throw away a lot of “pre-determinants” and design from scratch

Forté Management Complete Customer Experience Model



## B. Managing people performance... The diagnosis

- We DIY people management and lack sophistication.
- We do not enjoy being managed and we do not like managing other people.
- We think that letting people “look after themselves” is good management.
- Our low assertiveness & feedback reluctance get in the road of us being good people performance managers.





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## Managing people performance...

*Management Matters in New Zealand (MED 2010)* study of management performance in 16 nations identifies that if New Zealand's people performance management could be shifted from the bottom to upper quartile it would increase labour productivity equivalent to 41% or capital productivity by 70%.

Problem is – we hate managing people and hate being managed so while the study recommended increased management education, that's not enough in our situation. Assertiveness, communication and negotiating skills should also be part of all professional development. One without the other will produce disappointing results.



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## Managing people performance...

**We need to adopt professional people performance management practises especially focusing on the selection of quality talent, their development, reward and retention.**

**A mix of HR education and assertiveness, communication and negotiating training is required.**



## C. Intellectual assets –

### Includes:

- ideas and plans,
- customer databases and relationships,
- knowledge and expertise,
- production processes and quality systems,
- designs and design capability,
- brands and reputation,
- inventions, and know-how
- registered IP like patents and trademarks.



# Intellectual assets...

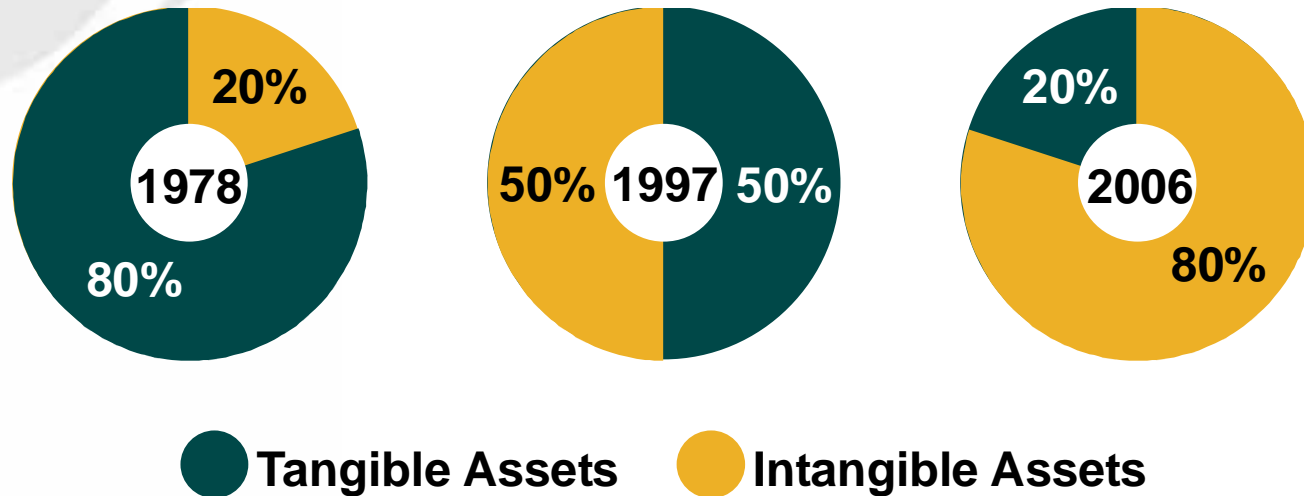
## The diagnosis

- We do not commercialise our IAs like most other nations do eg Finland & forestry, Iceland & fishing
- We struggle to recognise and extract the value from things we can't touch and see.
- We focus our attention on product and process and not on optimising value creation and harvest.



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# “A funny thing happened on the way to the 21<sup>st</sup> Century”<sup>©</sup>



Reference: Standard and Poor's 500 stock index and IAM Magazine, March 2006.

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**Al Gore understood this  
opportunity when he visited NZ in  
November 2007:**

***“If New Zealand followed through on its  
pledge to become carbon neutral and  
every business in every sector searched  
for new approaches to accomplish that  
goal, they would find the world beating a  
path to their door to license the new  
processes and innovations involved.”***

**BUT**



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# “Exporting” our assets

Because we do not recognise the value in intangibles we make little effort to protect them, instead letting or even helping other nations acquire them.

The NZTE Chilean Trade Delegation.

The Chinese internships.

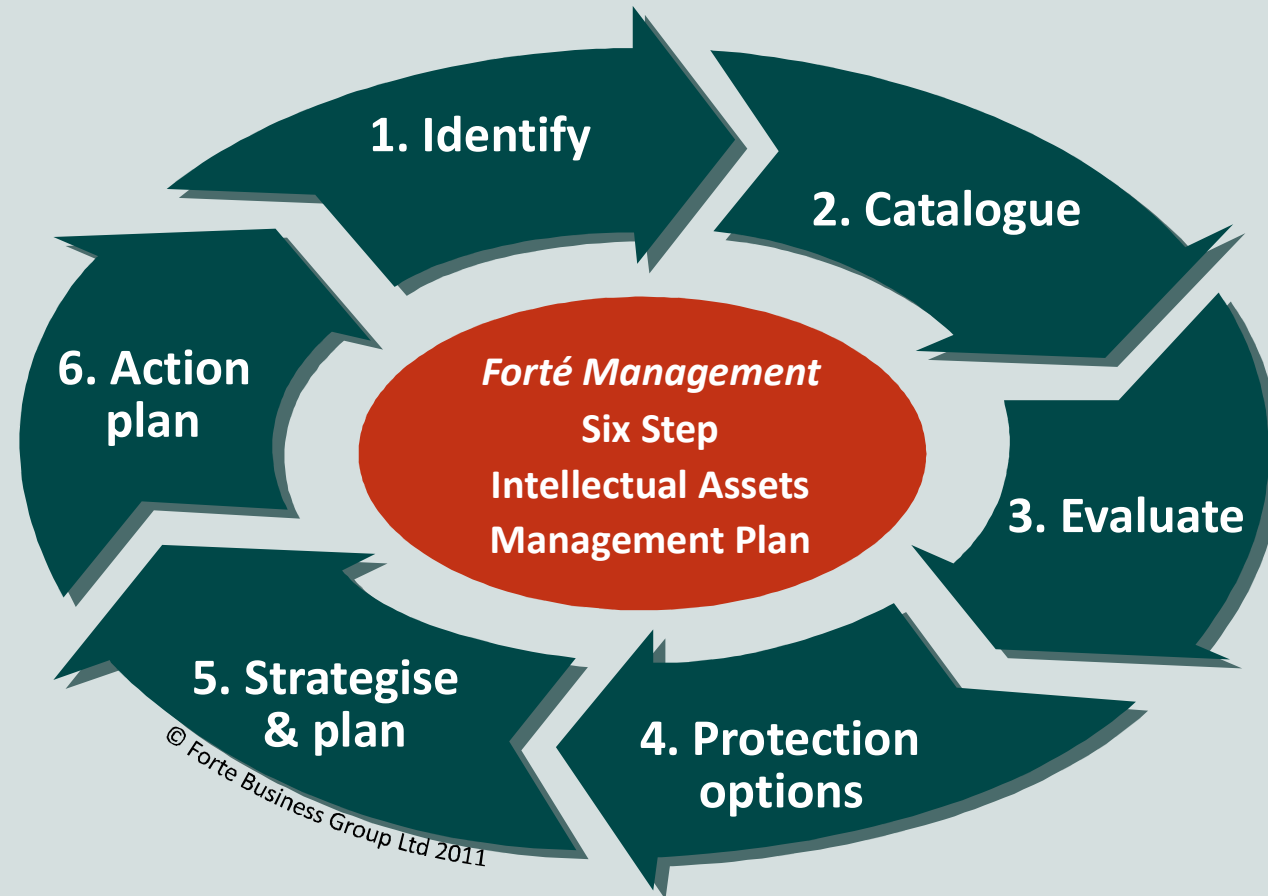
**Rick Christie's Chile story** (CEO of Carter Holt Harvey at the time. Later Chairman Tradenz)



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# The 6 step IAM process

*Forté Management Six Step Intellectual Assets Management Plan*



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## A final thought

***“... the belief that human cultures in the workplace should resemble the laws of physics and engineering is a cultural, not a scientific belief.”***

Trompenaars & Hampden-Turner (1998:4)



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# **DISCUSSION**

## **More information**

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