

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.

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Executive Summary

This report has been commissioned by New Zealand Trade and Enterprise to examine why one of New Zealand's core strengths - innovation, does not always result in improved economic performance. It finds a connection between the ways that Kiwis think and practise management and two stages of the innovation process; initiation, in which we have considerable strength, and implementation in which we do not.

The research was originally conducted by *eNZyme intellect's* Tony Smale as part of his Henley MBA studies. Tony is an accredited economic development practitioner who over many years observed that Kiwi firms did indeed appear to exhibit the characteristics that had earned a global reputation for innovativeness. However, somewhere in the process barriers existed that prevented the creation and capture of as much wealth as other nations achieve. Performance statistics are ambiguous, showing New Zealand ranking highly on early stage entrepreneurship and adoption of innovations but poorly on high growth businesses, GDP per capita and GDP per hour worked. While Kiwi firms are often urged to work smarter, this appears overly simplistic since Kiwis enjoy a reputation for being smart operators. However, given that both resources and time are finite, working smarter (and differently) does appear to be the key. Five broad strategies are discussed: Capturing and exploiting 'soft' capital; Building real relationships with customers; Capturing more of the value chain; Growing the firm's talent; and Executing the game plan – speed to market.

Invention and innovation are not the same thing. It is quite possible to be inventive and not turn that into wealth. That is probably why the #8 gauge wire metaphor, which is really about resourcefulness and practicality derived from our recent pioneering past can be true but still not deliver the wealth that we seek. Creativity, innovation and initiative are psychological processes and it is therefore important, without diminishing their importance, to extend consideration of the innovation process beyond our typical focus on economic factors like industrial structure, societal wealth, research and development infrastructure, resource endowments, and country size to include how we think about and manage the innovation process.

This report discusses national culture and describes it as *software of the mind*. The software varies in important ways from nation to nation and significantly influences how people interpret the world around them including how they think about and practise innovation, and what they seek from and value about products and services. People from different nations or cultures may and do apply quite different interpretations to the same situation. National culture can be measured and ranked by dimensions. There are statistically significant correlations between some of the dimensions and innovation outcomes. In New Zealand's case, dimensions like individualism, short-term orientation and the pursuit of discovery and adventure, should, according to the literature, make us better at the initiation stage than at the implementation stage.

eNZyme intellect's research examined how these previously published scores and rankings of the dimensions played out in Kiwi management and how these may affect the creation and capture of wealth or business success from the predicted high level of initiation or inventiveness/creativity.

Five behaviours or management practises that appear to have their origins in Kiwi national culture are discussed:

- **Satisficing:** This means that the struggle that is likely to occur in most cultures between creating more wealth and pursuing leisure pursuits tends to be won by leisure at a lower threshold of wealth creation in New Zealand than in most other countries. This is often described as the bach, boat and BMW attitude. Paradoxically, as a result of mediocre economic performance we find ourselves forced to work longer and longer hours just to stand still. Even though satisficing has a major impact on wealth creation this report does not aim to address satisficing directly but instead aims to provide recommendations to create additional wealth without compromising our lifestyle ambitions, that is, it aims to create additional wealth from the same amount of effort.
- **Thinking for our customers:** We tend to view the world from a distinctly Kiwi perspective and easily make the mistake of thinking for our customers. That results in us being judged as being quite different to how we think about ourselves. We quickly resort to contracts and combined with thinking for our customers we can be seen as inflexible with a take it or leave it and she'll be right attitude and more interested in the immediate transaction rather than building the long term relationships favoured by many trading partners. This is made worse by long, complex distribution channels that isolate us from the end users of our products and services. Even so, while it is important to understand that people in many markets want to do business in a different manner to us, it is also important to realise that there are others that prefer our approach. The secret is in knowing which is which.
- **Self-reliance:** We are fiercely self reliant and reluctant to rely upon others for success. As a result we feel compelled to do things that we would be better off delegating to others. We are reluctant to succession plan and struggle to picture the firm beyond our own tenure. The same self reliance and independence encourages us to use quite narrow capital structures, often involving capital raised from friends and family or debt finance secured over personal assets. That in turn increases our risk aversion and collectively represents a barrier to rapid business development.
- **Tall Poppy Syndrome:** This Syndrome causes us to under-perform, to have a profound reluctance to give and receive feedback, and a similar reluctance to use specialists, preferring instead Jacks of all trades. The feedback reluctance is a significant barrier to proper market engagement and to organisational and production learning, representing a potential barrier to productivity improvement. Kiwis and Kiwi firms, despite a willingness to experiment have a particularly negative attitude to failure, especially where money is concerned. Given that the most common form of development is trial and error, this is highly significant and a barrier to the transition from the relatively safe initiation stage to the more risky implementation stage.
- **Undervaluing intellectual assets:** We under value and struggle to recognise the intellectual assets that we create through our inventiveness. This is in part because we assume that others will be equally

inventive and make what ever it is for themselves, partly because of our practice of borrowing others intellectual property for our own use but at the same time recognising this as a barrier to commercial development. This limits the revenue generating capabilities of our business models.

Based on understanding these factors five strategies have been developed to help Kiwi firms optimise the benefits of their typically high level of inventiveness:

- **Capturing and exploiting 'soft' capital:** Develop an intellectual assets strategy, beginning with an intellectual assets assessment. This will guide decision making in key areas such as protecting assets, how critical they are to the firm and how resilient the firm is if they are compromised.. It also identifies assets that have potential to be developed through spin-offs, e.g. licensing, which represent new value streams for the firm.
- **Building real relationships with customers:** Three tactics are proposed. The first is personal and professional development designed to increase our receptiveness to feedback. The second is to adopt a life-time value model where margin, frequency of purchase and duration of the purchasing relationship are all considered. Finally, it is proposed that customer relationship management tools be applied to build direct connections with customers whether they are end-users of the product or intermediaries in the distribution channel.
- **Capturing more of the value chain:** This will allow Kiwi firms to appropriate value that currently leaks to other firms and countries as our products move through the value chain. More importantly it will allow Kiwi firms to grow closer to their end-customers, control their branding, gain valuable feedback and build direct long-term relationships without filtering by intermediaries.
- **Growing the firm's talent:** A suite of tactics is proposed to develop an organisational culture in which tall poppies flourish, personal and professional development is encouraged and movement both upward and between functions within the firm is facilitated. The tactics include matching what people enjoy doing with their actual work assignments, matching professional and personal development and implementing succession planning.
- **Executing the game plan – speed to market:** In order to optimise product development and market entry and growth, three barriers are confronted. They are encouraging the use of specialists to complement the trial and error approach, developing tactics to listen, learn and fail fast through early exposure of new products and services to customers, and appreciate the full range of financing and market entry/development options.

These strategies and tactics will contribute to management practices that will help Kiwi firms to capitalise on their inherent strengths in initiation of innovation and to create and capture more and new value.

Section 1: National culture

New Zealanders are clever, resourceful and adaptable – even if we do not readily admit it or recognise the opportunities that represents. We work long hard hours. In every firm in every town and city across the nation, people are creating new ideas, designing new things, inventing solutions to problems old and new. We believe wholeheartedly in our innovativeness.

National culture makes us Kiwi

Box 1: Software of the Mind

National culture has been described as *software of the mind*. When we deal with people from different cultures we need to be aware that their software is different to ours – in important ways. Imagine switching from a Microsoft word processor to an Apple one. What appears on screen is quite similar and the QWERTY keys produce the same results but many of the short cut and function/control keys are different and behind the screen, unseen, the processing functions are very different in powerful and important ways.

National culture in simple terms provides the mental models that we learn as we grow up and use as our frames of reference, our formulas to process information, and our *rules of thumb*. Culture works at the sub-conscious level. Possibly the best description is that national culture is the “*software of the mind*”¹. National cultures can be measured and ranked by “*dimensions*” or values like *individualism* (whether the individual or collective society is the usual frame of reference), *egalitarianism* versus *hierarchal* societies, long or short-term *time orientation* and interestingly for us, whether people seek conformity or individual discovery and adventure. Figure 1 shows the rankings for Kiwi culture for those dimensions of importance to how we manage the process of innovation. Various researchers and authors have produced variations as to how the dimensions are described but they all share strong commonalities. This report has used the dimensions from various authors in order to provide the best understanding of the Kiwi situation. A description of these appears in Appendix 2.

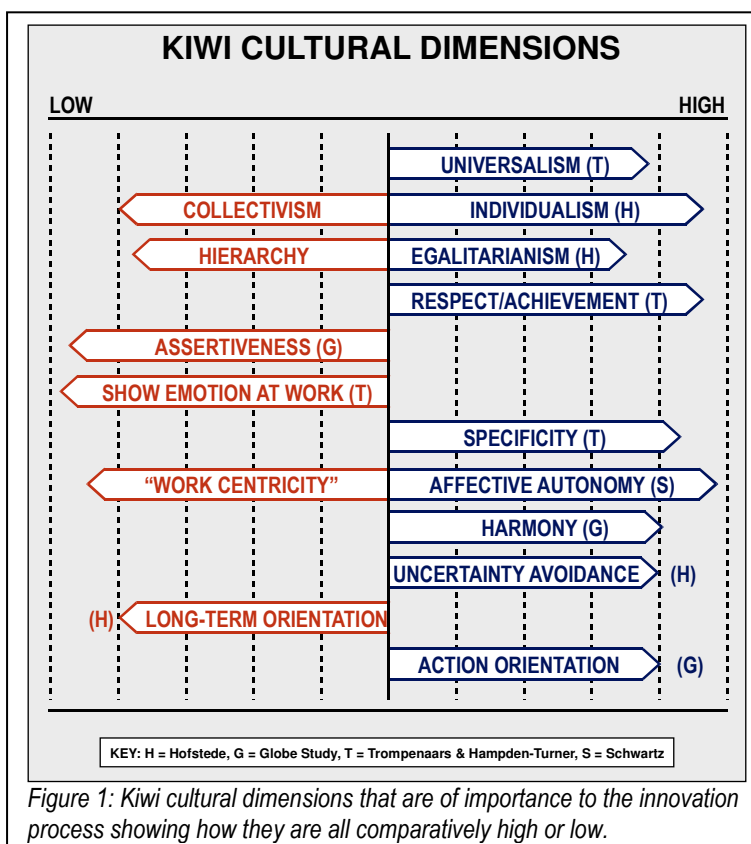
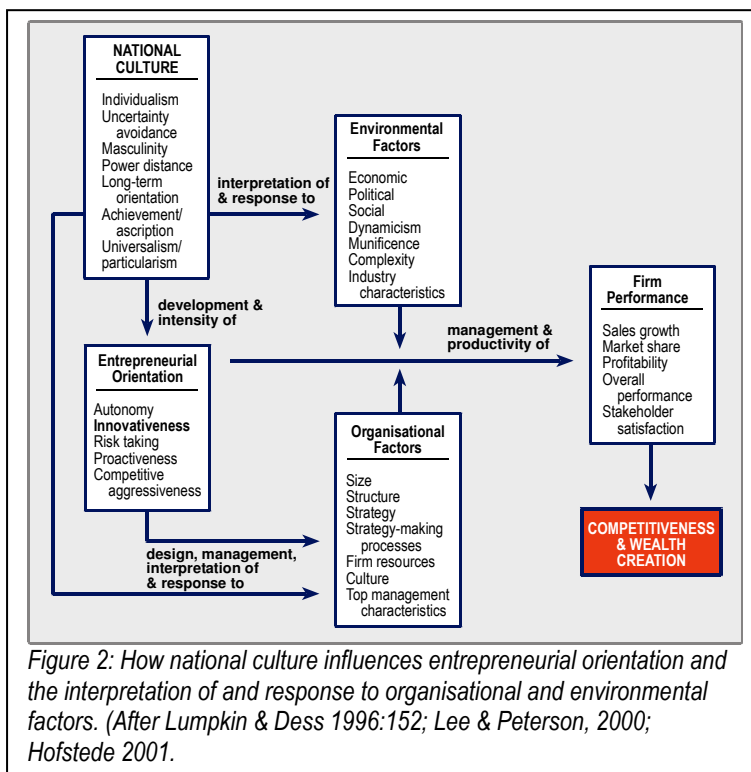


Figure 1: Kiwi cultural dimensions that are of importance to the innovation process showing how they are all comparatively high or low.

¹ Hofstede & Hofstede (2005)

In effect these are measures of the national psyche. In this case of course we are interested in the role of the Kiwi psyche in how we go about doing business and in particular managing innovation. Our individual psyches are a product of our unique life experiences and our national culture that we learn as we grow up. One makes us different to our peers, the other makes us similar – provides our shared identity as (in our case) Kiwis. In short, national culture strongly influences how we interpret the world around us and people from different cultures can and do interpret and respond to the same situation differently – including in their engagements with us and us with them and how they view our products and services.

National culture affects how we think and how we manage



Well-researched and validated studies show that there are statistically significant correlations between some of the *dimensions* of national culture and the performance of the initiation and implementation stages of the innovation process. And those correlations are opposite for the two stages. This information offers important insights into how we manage innovation and create business success/wealth. Figure 2 shows how *national culture* influences *entrepreneurial orientation*, and the interpretation of and response to *environmental* and *organisational* factors that then combine to influence firm performance and national competitiveness and wealth creation.

National cultures emerged as groups of people developed solutions to their particular problems and reconciled dilemmas. Because the issues varied from group to group different cultures developed. The Kiwi national culture is quite unusual and special – even unique². Rather than having evolved over millennia, it is a product of our quite recent European settlement. First arrived the whalers and sealers – uneducated but tough, resourceful and seeking adventure. Then as the stations were settled and developed we saw a large wave of people arrive, not from right across British society but predominantly uneducated³, in-service, hardworking and resourceful agricultural workers from Southern England⁴. Practical, hardworking people

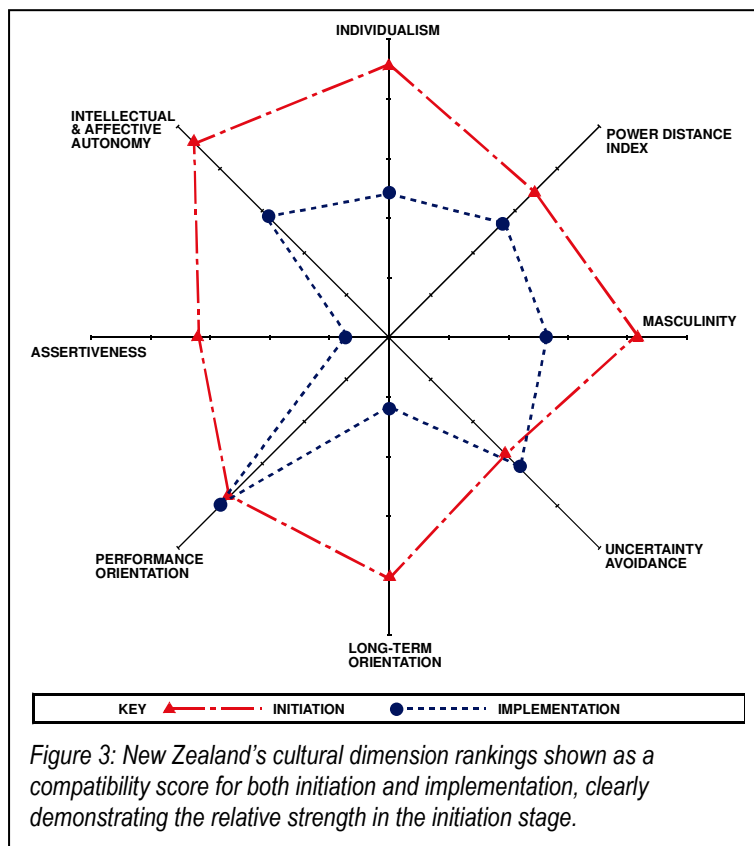
² Māori culture ranks quite differently on a number of important dimensions. Except for acknowledging that distinct traditional Māori cultural values exist, this paper focuses on the dominant Kiwi culture reported in the literature.

³ In fact it is reported that by the middle of the 19th century, literacy was, as a result of the efforts of the missionaries, higher amongst Māori than amongst the new settlers. (DoL 2007)

⁴ Phillips (1987)

who knew their station in society but who had the independence and sense of adventure to leave behind the world they knew in pursuit of a new classless (egalitarian) utopia. As hopeful as they would have needed to be – their time horizon would have been heavily influenced by the annual cycle of survival. Then through to the 1960s and 1970s New Zealand’s immigration policies focused on people with trade skills – again practical people who won their living with their hands. Little wonder then that our national culture, that continues to be passed down long after the problems it was designed to solve have disappeared, continues to reflect its very recent origins.

We remain highly individualist, egalitarian, reserved, adventure and discovery seeking, and have a short time



horizon. For the *dimensions* that influence innovation, we rank either high/very high or low/very low, and always in the direction that favours initiation over implementation of innovation. Think how those values, playing away in the *software of our minds*, influence how we manage. According to various studies the result is that our strength lays in the initiation stage rather than the implementation stage of innovation and looking around it is not hard to see that makes inherent sense. Figure 3 plots a selection of cultural dimensions and how Kiwi rankings correlate with the initiation and the implementation stages of the innovation process. They are shown so that the ideal fit in each instance would be around the outer perimeter of the “wagon wheel”.

Entrepreneurial New Zealand

International studies tell us that New Zealand is the most entrepreneurial country in the world after Thailand, and Auckland the most entrepreneurial city.⁵ Economics theory predicts that high innovativeness and entrepreneurship should lead to business success and high economic growth. So, on the surface Kiwis should be affluent and New Zealand a wealthy nation. Yet it’s no secret that New Zealand’s long-run economic performance is mediocre and in our businesses we have to work harder and harder just to stand still.

⁵ GEM Study (Frederick & Chittock, 2006)

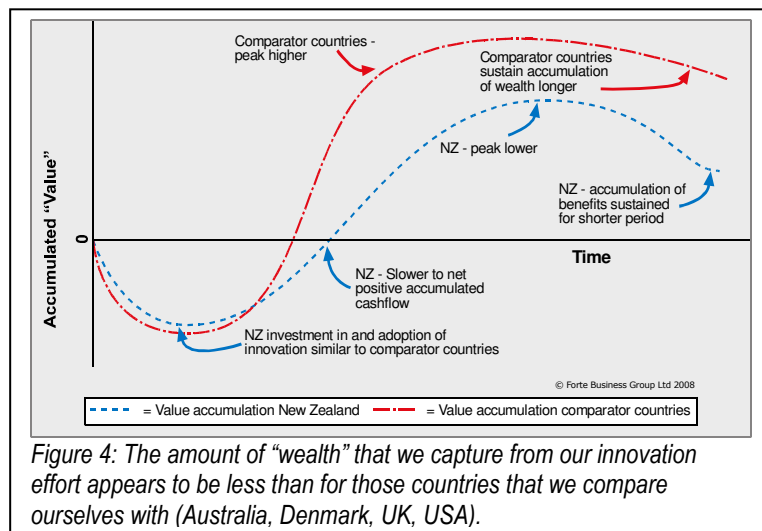
Performance measures mixed

New Zealand's innovation performance statistics are mixed as shown in Appendix 1 – Figure 7. Our manufacturing and service sector firms adopt innovations at above the OECD average, and produce an abundance of novel ideas. However our level of patenting is poor and for export of medium high/high technology manufactures we rank 19th out of 19⁶.

GDP per capita as a measure of national wealth creation often isn't of great interest to business, but its sister statistic, *GDP per hour worked* (the amount of value created and captured by NZ per hour of work effort) certainly should be. Unfortunately we are towards the bottom of the rankings for both. Despite New Zealand being a nice and comfortable place to live, most of our long-term economic indicators paint a sorry picture about the past and point to a similar picture in the future. (See Appendix 1 for some sample statistics). In 1951 we were the third wealthiest nation in the developed world. By 1955 we were eighth on the OECD GDP per Capita rankings and by 1991 we were 22nd where with some ups and down, we have stubbornly remained ever since. Put bluntly we have become poor compared to our peers. Even in the OECD quality of life statistics, at 14th out of 30 we rank well behind Australia at 6th⁷. Further, the *GDP per hour worked* statistic shows that we create and capture less value for each hour that we work than our peers in many other countries including Australia. Improving that situation is at the heart of this report.

Working smarter?

Remember that statistic about being so entrepreneurial? The same study shows New Zealand at 26th out of 36 for high growth businesses. Start-up (or initiating) is no indicator of business success. So, it would seem when we look at the whole value chain, from idea through to consumer, we may not be as innovative nor as entrepreneurial as we believe. In fact it appears that, despite investing a similar amount of effort and money in innovation as the countries that we compare ourselves with, we subsequently create and/or capture less wealth. Something like that depicted in Figure 4 appears to occur.



We are commonly advised that the road to success is to work smarter not harder but that advice must be an over simplification. We already have reputations for being smart operators. Smart farmers, smart wine makers, marine farmers, kiwifruit growers, sailors, computer programmers and so on. The solution to our

⁶ (OECD STI Scoreboard 2005)

⁷ MED/Treasury/Statistics NZ, 2007

mediocre economic performance has to be more than just working even smarter at what we do. We know that we work smart at making things efficiently. We need to also make sure we are working smart at creating and capturing value that will contribute to the business success that we strive for.

Innovation is a misunderstood term

Innovation is a much-misunderstood term and we tend to use *invention*, *creativity*, and *discovery* and *innovation* interchangeably. That confuses our thinking and planning because they are not the same thing. Innovation is a broad concept and we prefer to use the term *innovation process*. It extends from idea generation right through to the end users' purchases and experiences.

The innovation process includes two important stages – *initiation* where ideas emerge, things are invented/discovered, problems solved etc, and *implementation* where wealth is created and captured. Initiation is the process of engaging in and supporting new ideas, novelty, experimentation, and creative processes that may result in new products, services or technological processes.⁸ Implementation is the development, sale and adoption of those new products, services and processes to achieve entry to new or existing markets with new or existing products or services⁸ with the aim in this context, of creating new value and wealth. It would be easy to dismiss this distinction as semantics but it is vital because the skills, knowledge, resources and motivations that optimise performance in one are different for the other. We can be confident that we are highly “inventive” but that’s not the same as being “innovative”. Unfortunately, it is quite possible to be highly inventive and not turn that into value and business success.⁹

Although we often think of the innovation process as a technical/scientific/engineering one, “*Creativity, innovation, and initiative are psychological processes.*”¹⁰ and they apply to all of the elements of the marketing mix – product, price, placement (distribution), promotion and people. In other words the innovation process is a function of how people think (and behave) across the entire business process. That is not to underestimate the importance of resources - some threshold of resource availability must be exceeded (and we do face issues in that regard) but *eNZyme intellect*'s research suggests that the barrier between New Zealand and the business success we aspire to seems more likely to be the dynamic between the resources and the way we think about utilising them rather than just the resources. That makes inherent sense. Success is a product of how cleverly we apply our inventiveness, transform our resources, exploit knowledge of markets, the way we manage value chains, and how we turn our small size to advantage.

In practical terms, we can think of initiation as the process that creates our ‘soft capital’ or intellectual assets (knowledge, production and quality systems, designs etc) and implementation as the process of applying those assets to produce and sell our products and services for profit and to enable the other goals that we wish to achieve. Intellectual assets are used to transform our physical and financial assets (capital) into

⁸ After Lumpkin & Dess (1996:142)

⁹ The greatest example of this is that the inventions used by the British to develop the industrial revolution were largely made originally in France.

¹⁰ Rank et al (2004: 518)

business success. They are therefore the real value of our businesses even though they rarely appear on balance sheets. In New Zealand we largely use those assets as the means of production, and often to drive down the cost of production, but struggle to recognise that properly identified, protected and developed they represent a vast pool of hidden or undeveloped business opportunities.

#8 gauge wire

A word on #8 gauge wire is in order. As New Zealanders we think of ourselves as a people characterised by our ability to invent new things and new processes. Over time, our history has suggested to us that the #8 gauge wire mentality is a metaphor for our innovativeness; it is in our character and central to our economy. In reality, #8 gauge wire refers at best to creativity and versatility, and more properly to make-do resourcefulness and hands on practicality. Manufactured goods were, as a result of transport costs prohibitively expensive, so our colonists had to make do with those things they could make. The admiration of versatility and practicality continues to this day. *“In the UK the term ‘Jack of all trades’ was inevitably accompanied by the qualifier ‘but master of none’. In New Zealand, ‘Jack of all trades’ was a term of unqualified approval.”*¹¹ In an increasingly complex world the #8 gauge abilities are not enough to guarantee us the success we seek. They are still valuable but we need to rejig them into a 21st century version if we are to optimise their contribution to our business and economic performance.

Box 2: Intellectual assets latent opportunity:

Finland produces wood fibre just as we produce food protein. But the key to their economic success is not so much the wood fibre they produce and sell but that they have developed world leading businesses designing, manufacturing and selling wood fibre machinery, chemicals and consulting services. In other words they have developed the intellectual assets that underpin their production systems into businesses in their own rights. The same opportunity is on offer to us.

Workplace source of most invention

MIT Sloan School of Management economist, Professor Eric von Hippel has identified end-user invention¹² as, by far the most important and critical source of inventions for modern firms. End-user invention is where a person or organisation develops an invention for their own or the firm’s use because existing products or processes do not meet their needs. New Zealand is especially good at this, but we are poor at recognising, protecting and locking those opportunities into successful commercialisation pathways and hence optimising value creation and capture. If we can develop commercialisation pathways that transform more of our inventions into commercial success we will resolve many of our economic woes and enjoy the business success we seek. This seems so basic that it begs the question, what stops us doing it if, as noted earlier, it is not resource constraints alone that hold us back and we are clever, resourceful, adaptable and hard working? The answer appears to lie within ourselves. We have to touch on some theory here. Readers

¹¹ Phillips (1987:18)

¹² von Hippel used the term “end-user innovation” but when considering the different stages, he was referring to what this report calls “end-user invention”.

interested in further theoretical background and discussions are referred to the author's website at www.enzyme-intellect.co.nz/.

SECTION 2: Kiwi culture and business performance

Understanding ourselves and why we lose value

The research behind this report established that a number of management practises, processes and systems represent barriers to the implementation stage of innovation in New Zealand, the result of which is the under creation and/or capture of value from our innovation efforts. Many of these practices may be attributed to Kiwi culture or to the values that guide our lives. With some effort we can realign our management practises to make the most of being Kiwi.

Box 3: Looking in the mirror

NZTE research on foreign business people's attitudes to New Zealanders is insightful and somewhat disconcerting. Indians see us as having a preference for transactions rather than long term relationships, highly risk averse, weak negotiators, a reluctance to understand their culture and market needs, and an inflexible "take it or leave it" and "she'll be right" approach. Maybe worst of all "Australians are perceived as more fun than Kiwis"! (NZTE 2009:26)

Research commissioned by New Zealand Trade & Enterprise¹³ on attitudes of Indian business people to Kiwis is outlined in Box 3. The findings may surprise and challenge us but they are entirely consistent with the theoretical background to the *eNZyme intellect* work and in turn much of that is consistent with other reported research on Kiwi management practises.

One of the dimensions that we rank high on is *universalism*. To return to the computer analogy, our universalism makes us expect that no matter which programme we are running we should be able to press the same keys and get the same response. Of course

that does not happen. By understanding how we ourselves typically think and behave, and then relating that to how customers think and behave we can craft improved management practices that will deliver superior business performance.

1. Satisficing

New Zealand's mediocre economic performance is often attributed to lifestyle factors, especially the 3Bs – Bach, Boat and BMW¹⁴ or satisficing¹⁵ and our lack of serial entrepreneurs has been attributed to the tall

¹³ <http://www.nzte.govt.nz/explore-export-markets/Export-Markets-Resources/Pages/Perceptions-of-New-Zealand-research-summary.aspx>

¹⁴ e.g. GIAB, 2004; Frederick, et al 2007; Quinn, 2007

¹⁵ "In economics, satisficing is a behavior which attempts to achieve at least some minimum level of a particular variable, but which does not necessarily maximize its value. The most common application of the concept in economics is in the behavioral theory of the firm, which, unlike traditional accounts, postulates that producers treat profit not as a goal to be maximised, but as a constraint. Under these

poppy syndrome and lifestyle entrepreneurs¹⁶. Appendix 1, Figure 8 shows the top nine motivations for New Zealanders being in business. Note that the number one reason reflects individualism while three of the next four are related to personal reasons. Only the fourth and last two are strictly economic.

Satisficing is the technical term for what we often refer to as the bach, boat and BMW phenomena. It is probable that satisficing, that can be described as the struggle between applying effort to creating more wealth and spending time and effort in leisure pursuits, occurs in all cultures. However it appears that in New Zealand leisure wins out at a lower threshold of wealth accumulation than in most other cultures. While this is an important issue, and the national cultural origins are supported by our research, satisficing cannot readily be altered by changing management practices so the aim embodied in this report is to create additional wealth without compromising our lifestyle ambitions, thus negating any adverse impacts of the habit and allowing us to make the most of the Kiwi lifestyle. That is, to create additional wealth from the same amount of effort.

2. Thinking for our customers

We have a view of the world that assumes that everyone shares our values and wants what we want. We prefer transaction and contract-based rather than relationship-based business, both of which create barriers to proper market and customer engagement and value creation.

Strangely, for a people known for their openness and who travel so much, we find it incredibly difficult to see the world through other people's eyes. When we go to other countries, it is obvious that there are differences between the people there and ourselves. Sometimes it intrigues and thrills us. Other times it frustrates. But as soon as we return home, we appear to unconsciously think and act as if the people in our markets are just like us and so we easily substitute our own thinking for theirs. Too often we project our strong focus on price onto our customers. But low cost is rarely at the top of our customers' priorities (even if they say it is) and it is not by any means our most important value proposition. Our true proposition lays much closer to words like *value* and *quality* and *integrity* – things that we spend a lot of money on achieving (and proving through our quality and traceability systems) but focus little attention on turning into value. These assumptions erode our value proposition and we deny ourselves the opportunity to tailor our products to the exact needs of our customers, present them for optimum affect and thereby create the best possible value.

This is made all the worse by our export heritage of *"packing stuff into a container here, putting it on to a boat and sending it off to somebody in a foreign market who does something with it."*¹⁷ Our channels to market can be very long and that creates a barrier or filter between us and the consumers of our products. That makes it difficult to keep our branding message attached to the product as it moves through the

theories, a critical level of profit must be achieved by firms, thereafter priority is attached to the attainment of other goals." (Wikipedia, 2007)

¹⁶ Frederick, et al (2007)

¹⁷ Liddell, B (2009).

distribution channel, and that diminishes the value of the products. Then when we do get feedback from the market it is likely to represent the needs of importers, distributors and/or retailers more than it does end-user customers.

Even for those people who appear quite similar – there can be important differences. Americans' *software of the mind* for instance causes them to associate quality with price to the extent that in blind tastings of identical wines when told one has a higher price they will rank that as having superior qualities.¹⁸ Playwright George Bernard Shaw recognised these sorts of differences when he wrote "*England and America are two countries divided by a common language.*"

Despite a marked contempt for authority and rules, when it comes to trade Kiwis are quick to resort to contracts. This runs counter to the preferences of many of our prospects and customers, who, in an effort to avoid later problems, seek to build relationships and trust ahead of agreeing the deal. Our resulting reluctance to take the time to listen and learn (we have a short-term time-orientation as well) means we can be seen as having a short-term transaction, she'll be right, take-it-or-leave-it attitude to business. Quite the opposite of how we think that we are behaving. The she'll be right attitude reported in the NZTE research is not necessarily about a lack of attention to quality. It is that quality is properly described as "*conformance to requirements*" (ISO 9000) and those requirements should be defined by the consumer. Yet because there are filters between our firms and the consumers, and we substitute our thinking for theirs we risk carefully taking aim and firing at the wrong target.

This has a number of implications that may result in the people that we attempt to do business with coming to the conclusions shown in Box 3. Of course as important as it is to realise that some business partners go about things differently, it is equally important to recognise that there are others who share our way of doing things. The secret is in knowing which is which. When we do know that, we can tailor our products, value proposition and negotiations for optimum affect.

3. Self-reliance isn't the asset we think it is

Our reluctance to rely upon others for our success places constraints on the way we manage, capitalise and grow our businesses and how we engage with bureaucracy.

We do not enjoy relying upon other people for our success. That means that we often end up feeling compelled to do things ourselves that we would be better off delegating to others within our organisations or to outside specialists. It affects the way we structure our businesses, the capital structures that we adopt, and the processes that we use for product and market development. Combined with our short-term orientation it is difficult for us to visualise the firm without our self at the centre or beyond our own tenure and that limits our growth ambitions.

¹⁸ NZ Herald 15/01/08 reporting on research published in the *Proceedings of the National Academy of Sciences*.

As a consequence we end up with an *I have to do it all* and/or *do-it-yourself* syndrome. We are reluctant to delegate, to collaborate and even to succession plan¹⁹. There is a reluctance to employ and delegate management responsibility to functional specialists and even to middle managers that have come to be seen as some sort of unnecessary overhead rather than a productivity and growth tool. While in theory a degree of centralised control should favour implementation, the benefits may be lost in the log-jam of information and decision-making minutiae. this results in placing a low ceiling on development opportunities.

The most important impact of the control centrality may be the resultant tight capital structures, the most common early stage capitalisation relying on the three Fs (Friends, Family, Fools)²⁰ and debt finance, often secured over the family home with only 1:10,000 businesses using venture capital²¹. This in turn results in an increased uncertainty avoidance/risk aversion designed to protect friends, family, and the family home. The affect is to limit the rate at which firms can implement innovations, achieve market entry and create new market and shareholder value, even though it was recognised, consistent with the literature that speed to market was of increasing importance²². Even when the firm has moved beyond the start-up phase the reluctance to use venture capital, to licence, partner etc appears to linger.

Interestingly our reluctance to collaborate in business did not appear to relate primarily to our individualism or self-reliance but more to our short-term outlook. We do not take the time necessary to build the relationships and trust that collaboration depends upon.

We have a strong resentment of bureaucracy but at the same time recognise that there are worse examples in other countries. None-the-less it represents a significant barrier to the transition from the initiation to implementation stages where rules and regulations are seriously confronted for the first time. The root cause seems to be the small size of New Zealand businesses resulting in a very personal engagement between owners/managers and the bureaucracy, rather than through functional specialists that would be the case in larger firms. This results in an exaggerated perception and resentment of bureaucratic intrusion. However, exaggerated/perceptual or real, the effect on motivation to transition from initiation to implementation is real.

4. How the *tall poppy syndrome* affects innovation

The Tall Poppy Syndrome contributes to deliberate underperformance, an endemic feedback reluctance, suspicion of specialists, and undemonstrativeness that may adversely impact engagement with some trading partners.

The Tall Poppy Syndrome (which may be the egalitarianism moderating the individualism) creates a reluctance to be seen to excel (stand out from the crowd), and it would seem, consciously or unconsciously, encourages under performance or at least a reluctance to exceed the performance of peers and therefore a

¹⁹ Battisti, 2008

²⁰ Our Securities Act 1978 with its strict friends, family, close business associates requirements exacerbates this tendency

²¹ Frederick & Chittock, 2006

²² e.g. McGrath, et al, 1996; Roberts & Amit 2003

lowest common denominator effect occurs.²³ We have a suspicion of specialists and specialist knowledge and are more comfortable with information versus knowledge, and simplicity over complexity, even though we are more than capable of dealing with both. We accord respect more to practical achievers with whom we are more comfortable, especially those that appear to succeed against the odds, rather than those who pursue and achieve commercial success. For example, the brilliant Britten motorcycle has become a prominent icon of New Zealand innovation even though it did not achieve any commercial success. This all compounds the I-have-to-do-it-all and/or do-it-yourself syndromes, justifying make and use (versus “make and sell”) approaches including do-it-yourself management and design that all too often becomes “make-do”.

We understate and have turned self-deprecation into an art form. We are not *demonstrative* and loath to express *emotion* at work. This apparently appeared early in the emergent Kiwi culture with Elkington writing in 1891²⁴ “*The true colonial is not demonstrative*”. It is probable that there is an association between the *tall poppy syndrome* and the reported lack of demonstrativeness. To be demonstrative would be to stand out. Although there is no published literature on the subject, it can be assumed that this does impact the later stages of implementation and is therefore a barrier to optimising value creation and capture.

There may be cross-cultural difficulties when undemonstrative and demonstrative cultures engage²⁵. This is made worse by our own discomfort in dealing with demonstrative and sometimes effusive people. This represents a potential barrier to engagement in particular with North and South American (and even Australian) markets including offshore venture capital companies where we risk seriously underselling our propositions.

We have a pervasive disbelief, even in the face of evidence to the contrary, in our ability to do truly world scale innovation. How often do we hear it said “Surely *they* with all their resources and people would have solved/invented/discovered it”.

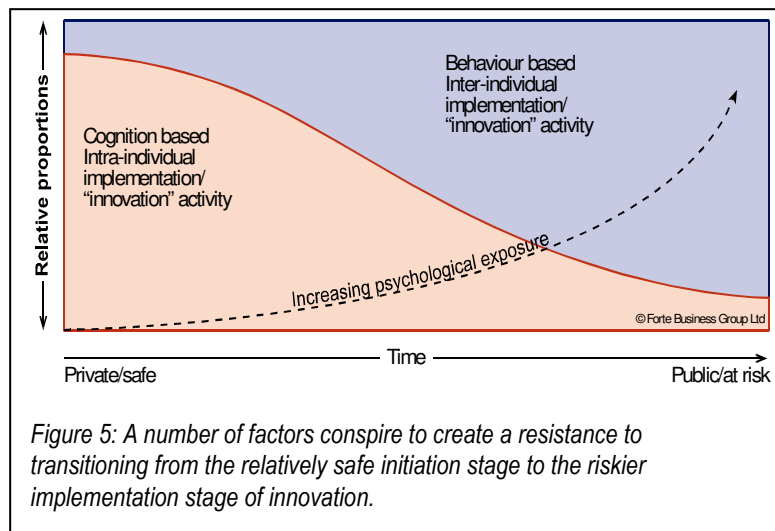
We have low *assertiveness*, a particularly negative attitude to failure and an endemic and striking inability to provide and receive constructive criticism or feedback even though we crave recognition. In the course of our research people from Germany, the Netherlands, Belgium, Canada and the UK were asked about this issue. They all commented on how difficult it is to get direct answers and described us as “beating around the bush” – presumably in an effort to avoid causing offence, or more correctly, seeking harmony. One person went so far as to say that at first they thought Kiwis were being deceptive, so difficult was it to get a direct answer. Conversely we often think of these people as being “blunt”. This is a particular lesson for us as there are great differences between the Europeans who seek very direct expressions of fact and Asians and some other cultures that prefer a much less direct approach.

²³ Kirkwood, J

²⁴ Phillips (1987:38)

²⁵ Trompenaars & Hampden-Turner (1998)

A common development approach is in-house trial and error (the #8 gauge wire ability at work) but despite a willingness to experiment, the negative attitude to failure and especially to waste money, led to a self-limiting make-do-ism where sub-optimal (albeit often quite clever) designs are cobbled together from available resources and information/skills/experience, often for our in-house use (that is end-user invention) without recognising the commercialisation potential. This is made worse by the reluctance to use specialists that might otherwise reduce the need for trial and error and reveal alternative design and development options and applications for the inventions. These represent barriers to the transition from the relatively safe initiation stage to the riskier implementation stage, and to organisational learning and improvement. This appears to be a major barrier to the implementation stage of the innovation process. The early stages of the process are relatively safe intra-individual²⁶ where we have a high level of control over what happens. The later inter-individual implementation stage involves a great deal more risk, especially the possibility of negative feedback, accusations of wasting money etc. Figure 5 depicts how this transition may occur.



Combined, these factors result in a pathology of serial initiation – repeated tinkering to reduce the chance of getting it wrong and delaying market entry and exposure to vital feedback and customer driven innovation. In some instances there was a clear intention to develop products but much less clarity around how they would be commercialised and taken to market. This was described most succinctly when comparing aquaculture development in New Zealand and Australia. In Australia the process was: What market opportunities existed? What local feedstocks were available? What species were available? In New Zealand it was said, the process started with finding what species could be grown with relative ease, then markets were sought and no particular attention was given to the availability of feedstocks.

5. Why we don't value intellectual assets

New Zealanders' make and use practicality, the common practice of borrowing or acquiring others IP combined with the *universalist* everyone is like us culture creates an opportunity myopia regarding the significance and value of properly developed intellectual assets.

We underestimate our real competitive advantages, our ability to invent things and solve problems, and the integrity of our products and services and we stop short of fully exploiting those for business success. We

²⁶ Rank, et al (2004:520)

Box 4: Facing the market

"This report marks a sharp break in the life of the company whose Board I have chaired for just one year. The realisation in the final quarter of the last financial year that the company would fall well short of the sales traction we had counted on in the 08/09 budget was a big wake-up call for the Board.

In the wake of the unacceptable result disclosed in this report, the Board met in early May driven by just one imperative; the transformation of Syft's performance.

We determined that Syft needed to make a strategic shift into becoming a market-facing technology company.

In essence, we concluded that after a six-year gestation period it now needed to be not so much about the science as about the sales." (emphasis added)

Hon Ruth Richardson 2009 Chairman's Report for Syft Technologies

are inclined to over-emphasise the science/technology and under-emphasise the customer engagement. (See Box 4)

Even though there is no lack of novelty, our inventiveness is dominated by practical, trial and error, incremental adaptation problem solving and process modifications using available resources and often borrowing"intellectual property (which we consider is okay because it is only for our own use) and thus immediately limiting commercial development. This is in effect the #8 gauge wire approach and in a pioneering world that was a nation-defining competitive advantage. In a world of increasing complexity and sophistication the do-it-yourself make-and-use²⁷ practicality

is increasingly a liability as it becomes a compromise *make-doism*" and that may be the basis of the reported *she'll be right* attitude.

While there is abundant ability to spot IP and pull that in to adapt and adopt on a make and use²⁷ basis, the ability to then push that out into a make and sell²⁷ commercial context is veiled by a number of factors. Significantly, there are few (if any) organised processes to identify, inventory and assess intellectual assets and link them into commercialisation pathways. There is an accompanying dearth of specialist professional services in this field and what do exist have their main focus on biotech and high-tech, which is not where many of our opportunities lie. Premature disclosure is a significant issue as was the manner in which firms encouraged staff members who developed new ideas and devices to disclose and develop them within the firm.

There is awareness of the need to protect IP and of the consequences of failing to do so. However IP protection was viewed mainly from a defensive perspective rather than as an enabler of broader developments. There is a lack of appreciation of the potential arising from properly developed intellectual assets and a certain sense of futility about the ability to enforce IP rights. There is wide spread belief that protection in New Zealand and Australia will suffice and the cost of wider protection is not justified. There is little understanding of the risk of leaving an invention exposed to legitimate appropriation and possible protection in countries that produced products that competed with New Zealand in global markets. Nor is there particular appreciation of the inherent value of patents and similar devices (and intellectual assets in

²⁷ © Forte Business Group Ltd

general) and the opportunities arising to licence and derive royalties etc without having to actually produce the products and services. Given our capacity to invent new things this seems to be a major lost opportunity. Similarly there is low awareness of the range of development options such as licensing and joint venturing that are available to firms.

While the causality is difficult to determine, factors appear to combine to create an opportunity myopia based around a disconnect with the end user customers and the universal assumption that others will make and use their own and hence no commercial opportunity exists. This may represent the single greatest barrier to creation and appropriation of value from our end-user inventiveness.

Unfortunately, New Zealand firms do not seem to recognise how much value they let slip through their fingers.

Section 3: Using our culture as an asset to drive business success

The effects of culture and the way we as Kiwis think and behave cannot be turned on and off like a light switch. But neither are we slaves to our culture and our intuitive way of thinking and behaving. Therefore we need to adopt practices that allow our inventiveness to continue to thrive but that also help us focus more on the wealth creation phase by increasing our awareness of similarities and differences between ourselves and those we aim to do business with, overcome some of the negative impacts of the Tall Poppy Syndrome, extend our time horizon and help us to recognise and value those intellectual assets that can be translated into new value. We will need to resist our short-term try-it and see then move on to the next new thing approach as these changes will require persistence over an extended period if they are to deliver the full potential on offer.

We are aware that many people when confronted with this information struggle to agree that national culture is at the heart of the issues identified. From a practical perspective the cause is less important than implementing actions that redirect our management practises to creating more wealth and business success. These recommendations are not intended as a substitute for other good management practices but instead aim to focus attention on areas of management that are particularly influenced by our Kiwi culture. Each of the five strategies below represent good practice in their own rights and each is based on sound research in this and other contexts. These may be implemented individually or in combination. As you become more familiar with them it will become apparent that each shares elements of the other and that they are all part of a broader systems model of innovation and business management.

Ways to work smarter

In seeking to work smarter and to create more value we have a number of options available to us. The first we are very familiar with already - producing and selling more volume more efficiently. That is the commodity trading model and its principles are deeply engrained in the Kiwi psyche, even when we aren't producing commodity products. We are very good at this approach and it is where much of our innovation effort is directed. Our natural inclination is just to work harder – put in more hours, nose to the grind stone, squeeze out some more costs, produce more volume. *“Hard work brings its own rewards”!* But, our productive capacity is finite and so is our time – and we already work longer than any other people apart from the Japanese²⁸ - so this approach is a game of diminishing returns and holds little long-run promise. This report does not give further attention to this approach.

Next we could by various devices such as product improvement, tailoring to consumer needs, careful positioning and marketing, achieve higher prices without increasing our costs proportionately. That requires us to have a more intimate understanding of end-user customer needs, which in turn requires better communication channels both ways between us as producers and the end-users of our products and services.

The third option is to develop, produce and sell new products and services, either to existing or new markets. Here we have two options. The first is through increased research and development and new product development processes. While not dismissing that option since it is part of the mix, we could also build a new business model based around leveraging value directly from our existing intellectual assets or soft capital (As referred to in Box 2). In other words we could develop businesses that develop and sell goods and services based on the knowledge, processes etc that we already possess but currently embed in our products and services, often in an effort to drive down the cost of production. This option requires a new mind set about the value of our intellectual assets and new processes to identify, capture, protect and develop these high value opportunities. Figure 6 (next page) depicts our existing national business model (left) and an extended model (right) showing the opportunity to create an additional revenue stream.

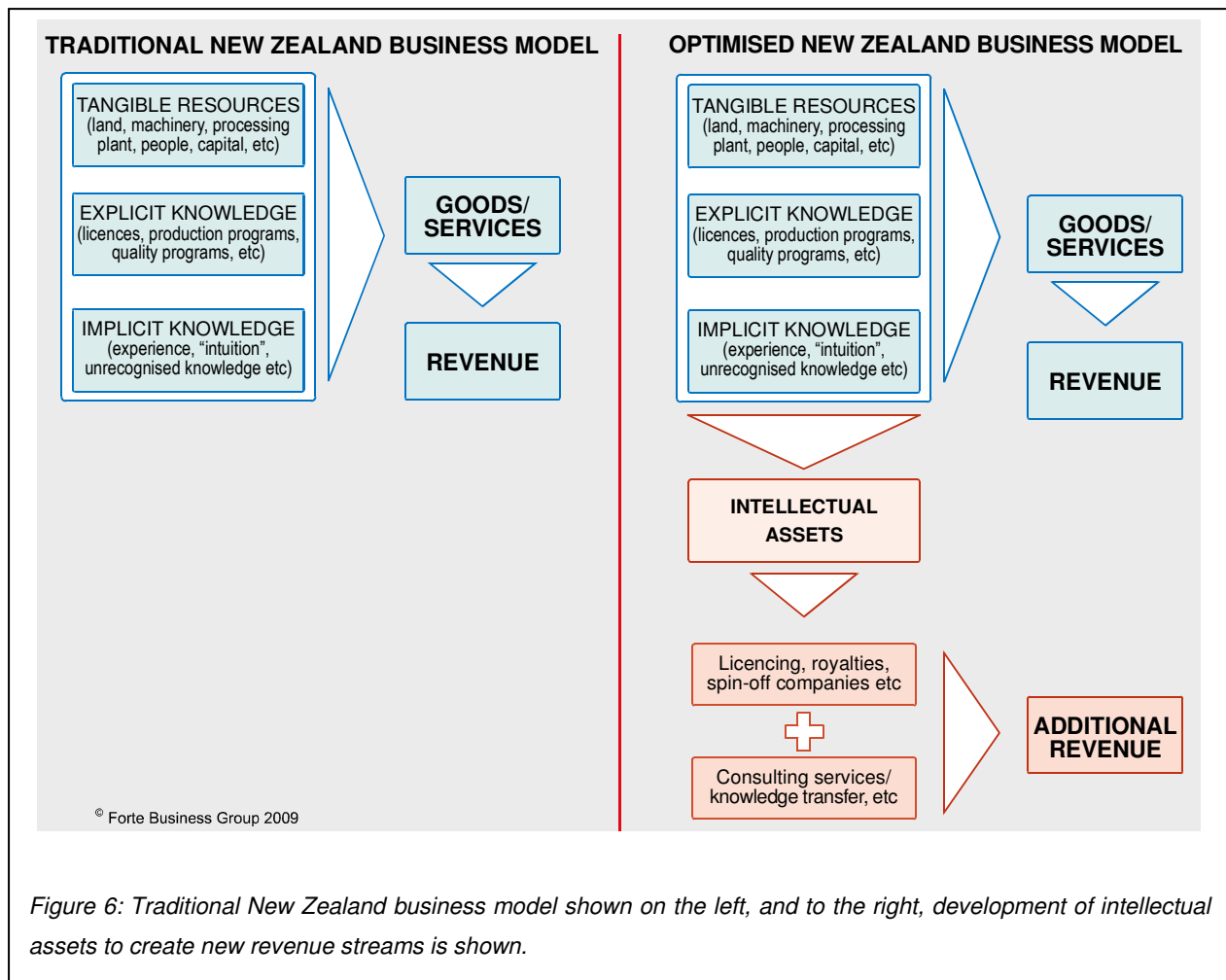
Finally, we could capture more of the value that otherwise leaks away in the distribution channel to be

Box 5: Value leaks from the distribution chain

We recently observed Marlborough Sauvignon Blanc in 1.5L pouches on sale in Australia for \$A21.99 (For comparison Oyster Bay 750ml Sauvignon Blanc was \$A19.95). The pouched wine probably left New Zealand shores for \$NZ2.50/L (or less) – so \$3.75 for the 1.5L or about \$A3.00. Australian companies and workers, and the Australian Government therefore appropriated something in the order of \$A19.00 (less any imported costs in packaging and distribution), while New Zealand companies, workers and the NZ Government shared \$NZ3.75 less the cost of any imported component.

²⁸ Messenger (2004)

captured by other companies and other countries. Research²⁹ has found that there is a widespread belief amongst New Zealanders that the fruits of innovation will be quickly captured by foreign companies and it would seem that there is some truth to that belief. See Box 5 for a real example.



While this is an extreme case it does illustrate the problem that we face. To resolve this we will need to own more of the distribution channel than we do now.

The following five strategies are designed to explore and develop these opportunities:

1. Capturing and exploiting 'Soft' capital

This strategy is intended to capitalise on our inventiveness and overcome our weakness in identifying opportunities, recognising the value in our inventions and commercialising those to create new wealth.

Within every firm is a pool of information and knowledge, skills and experience, systems and processes, relationships and other intangibles that make up the 'soft capital' or intellectual assets. Intellectual assets,

²⁹ Frater, et al 1995, and GIAB 2004

intangible assets and intellectual capital are very similar concepts. Just as with the concept of value creation, commerce is moving more and more to a service rather than a manufacturing base. These intangible assets will take on ever increasing importance. They may be recognised or hidden, latent or developed, recorded or in the heads of staff, and formally protected or not. Intellectual property is a subset of intellectual assets. A firm's total capital is comprised of physical, financial and intellectual assets and combined constitute the organisation's core competency and competitive advantage. Intellectual assets are the knowledge, systems, and processes etc that are used to transform financial and physical assets into business outputs and ultimately into profit.

Intellectual assets can be utilised in two broad ways. The first is our common Kiwi approach; embedding them in the products and services we make and deliver. For instance, New Zealand possesses an enormous pool of food protein production intellectual assets that we utilise to produce meat, milk etc. Second, the same assets can be utilised to develop new high value manufacturing and consulting opportunities and businesses as shown in the Finland example (Box 2). This remains a largely undeveloped opportunity for New Zealand to leverage its cleverness in the initiation stage of innovation into completely new value streams.

All organisations and sectors rely upon intellectual assets and they are increasingly recognised as key corporate assets. They should be identified, understood and managed in an organised way like the other assets. The problem is, they are not always obvious like plant and machinery and the bank balance. In our opinion it should be a responsibility of every Director and every CEO to ensure that the firm/sector has a fully developed and operative intellectual assets strategy. The intellectual asset strategy is a plan that clearly communicates the role of these assets in the firm/sector, and provides a clear framework for decision-making. While the core themes covered by the strategy will clearly vary from firm to firm, sector to sector, it will guide decision making in key areas such as which assets will be protected by formal registration (eg patents) and which by secrecy, how that will be achieved and maintained (eg what assets may be disclosed to third parties), how identification and development will be incentivised, and where spin-off, licensing opportunities, or even direct sale of the asset, etc exist, and how these should be developed.

The intellectual assets strategy is designed to identify, record, value protect, and where appropriate identify development opportunities to optimise shareholder value. Developing the strategy begins with the intellectual assets assessment that is a carefully structured process to identify and record the assets in the portfolio. It will determine whether they are codified (recorded) or tacit (that is in the heads of staff and therefore leave when they do), and whether they are formally protected (Patents, design registrations, trade marks etc) or not. It will assess how critical they are to the firm's/sector's success and the resilience if the assets are lost, damaged/disrupted or disclosed to other parties. Many assets are taken for granted and only come to attention when they are lost or someone with a key piece of information leaves the firm (such as the names of key contacts with a supplier or customer, or computer passwords that haven't been written down, etc). Without a proper strategy in place, these key assets are vulnerable and so is the firm.

Where development is an option, firms and sectors may be able to commercialise the intellectual assets themselves or if they feel they lack the capacity/capability or want to stick to their knitting, they should consider creation of spin-off companies, joint-ventures or licensing models. Properly and appropriately managed all represent significant opportunities to create new value for the firm and its shareholders. Sectors may choose to protect common or joint IP, making it available royalty free to Kiwi firms while licensing it to overseas firms that at the present time often acquire such IP free of charge and all too often with our help. This approach not only protects the value in the assets but also allows us to choose who has access to it on what terms, and to build reciprocal knowledge exchange pathways if that is appropriate, thus building even more value and development potential into the asset.

For most firms, just documenting the portfolio will add material value to the firm or sector. Following the assessment the intellectual assets strategy can be developed as a stand-alone plan or used as a means to provide an intellectual assets focus to the wider corporate plan. Whatever the approach, it is vital that there is tight alignment between the plan and overall corporate goals. Given the current state of intellectual asset management, that may well require adjustment of the goals!

2. Build real relationships with your customers

- 1. Know yourself**
- 2. Know your customer**
- 3. Build a relationship**

This strategy is intended to create closer connections with customers including building the one-on-one relationships necessary to capitalise on the new distribution channels proposed above. It will help Kiwi managers to seek feedback and to be more open to it when received. It is also aimed at encouraging longer-term planning and management in order to capitalise on the increased customer loyalty that should arise.

This section deliberately uses the term customer rather than market.

Kiwis are gregarious and widely regarded as trustworthy and open. Yet ironically we are loathe to receive and give feedback and that is a major barrier to proper market engagement. We are seen as preferring short-term transactions and having little interest in learning about our customers in any great depth. Implementing strategies that provide tools to structure relationship building and proactively seeking, processing and acting upon customer feedback will increase the quality of customer engagements, the ability to tailor products to customer needs and to extract new value. Three tactics are proposed:

Personal and professional development

As a starting point we recommend becoming familiar with Peter Senge's³⁰ work around systems thinking and learning organisations. It will heighten the openness to giving and receiving feedback and encourage longer-term systems thinking. Senge has also published a field book which managers may find a useful tool.³¹

Beginning with managers, this may evolve into organisation-wide culture change. This will not be easily achieved as it runs counter to deeply embedded national cultural dimensions and our commodity-trading psyche. However, it is one of the most important things that we can do to build the sorts of customer engagements that are necessary to optimise the value of our products and services and hence firm performance. For the majority of firms, communication is a monologue – from producer to the next stage in the distribution channel and occasionally direct to consumers, most often through mass media.

The added bonus is as the firm's team becomes more comfortable with and adept at seeking, receiving and responding to feedback, internal information/knowledge flows can be expected to improve. That will bring significant benefits as while the majority of inventiveness occurs within the organisation, staff in a New Zealand study³² said they believed that processes to communicate developments and new ideas up to management were dramatically less effective than management believed they were. This is likely to be a combination of staff's reluctance to offer feedback and management's reluctance to receive it, combined with the tall poppy syndrome that suppresses expression of anything out of the ordinary.

Lifetime valuation

Lifetime valuation is a simple tool widely used in the direct marketing profession. It says that a customer's value is a function of {average transaction margin: frequency of transaction: duration of the relationship}. If that model is used as nothing more than a tool to guide thinking about the value of relationships, a new more value focused and longer-term perspective will evolve. Used operationally it is a valuable tool to determine which customers are the most valuable. It also provides a pragmatic development strategy – increase the margin on each transaction, increase the frequency of purchase, lengthen the time the customer remains active. Try taking your own parameters and add 5% or 10% gains to each and calculate the overall affect.

Customer relationship management

Customer Relationship Management (CRM) is a suite of methodologies and tools that help firms manage customer relationships, including customer feedback, in an organised way. CRM is often thought of in terms of the software applications that can be used to support it. But more important is the culture that underpins the relationship building, which is the reason we recommend the personal and professional development (above). Importantly, combined with the proposed professional and personal development and the lifetime valuation approach it will provide the information the firm needs to build quality individualised relationships

³⁰ Senge, P (1990)

³¹ The Fifth Discipline Fieldbook: Strategies and Tools for Building A Learning Organization (1994), Doubleday/Currency, and the more recent version The Dance of Change: The Challenges of Sustaining Momentum in Learning Organizations (1999), Doubleday/Currency.

³² GIAB (2004)

with its most valued customers. Properly applied it will enable a high level of responsiveness and a deep understanding of how the firm's products and services can be tailored and the value proposition presented for optimum effect.

Customer relationship management tools include software and browser-based applications that collect and organise information about customers. Contemporary CRM will include use of two-way communication tools like blogs and social media such as Facebook and Twitter.

Ultimately the firm may reach the stage where it is ready to pursue the aim of becoming a learning organisation and the development and implementation of an overall knowledge management strategy, of which the above strategies should be a part. This will prove a powerful tool for over-coming some of the barriers identified earlier in this paper and will deliver increasing benefits as firms move deeper into the knowledge based service economy and e-commerce.

3. Capture more of your *value chain*

This strategy is intended to compensate for the current loss of value occurring in distribution channels. It will also help Kiwi firms get closer to their end-user customers, to understand their needs more intimately, to tailor their products and services accordingly and to formulate more compelling value propositions.

This is an important strategy and applies as much to SME's as to larger firms. The design of distribution channels is an area that New Zealand firms need to give a great deal more attention to. For many firms their products find their way to market through long complex channels that were designed around the time of the industrial revolution or earlier. It is common to use the same channel for all of the firm's products, irrespective of how they are to be positioned in the market. Our firms are frequently at the mercy of their distribution channels that use their power to drive down prices, filter the relationship between firms and the end-purchaser and capture large proportions of the price the end-user pays. Distributors typically carry a portfolio of brands and it is not in their nature to apply special attention to any one of them, especially as the Kiwi product is often a minor part of their portfolio. Intentionally or not, they stand as a barrier between the Kiwi firms and the end consumers. That makes it difficult if not impossible to keep the brand stories, that represent a significant proportion of the product value, attached to the product as it finds its way out to the consumer. It compounds our natural feedback reluctance and so makes it even more difficult to properly understand exactly what the consumers (as opposed to distributors) value in our products and services. At the very least we recommend that firms control their branding and marketing, and one of the most effective ways of doing that is to own and control the distribution channel as far out towards the consumer as possible.

The type of product being taken to market, the sales effort and after market support required will greatly influence the design of the distribution channel and the following comments are of a relatively general nature intended to stimulate new thinking. Overall we strongly recommend that firms actively engage in reducing the length of their distribution channels with the ultimate aim of direct to consumer or customer sales and

distribution. For instance in the case of food and beverage, channels can be built direct to consumers, restaurants and speciality outlets. Even if it is necessary to sell volume through commodity outlets like supermarkets we recommend development of high-end alternative non-discountable direct brands and channels.

If firms can build, own, and operate their distribution channels, and there is no practical reason why they cannot, even in complex markets like the USA, then a number of opportunities present. First is capturing some of the value created in the channel and currently appropriated by importers/distributors/retailers. As alluring as that is, being able to connect directly, or closer to consumers is even more important. Then firms have the opportunity to build enduring relationships and two-way communications with consumers, and can control and manage their brands and brand value. Finally, they can adopt a portfolio of contemporary communication and logistics tactics including the rapidly evolving benefits of e-commerce and direct to customer/consumer delivery.

To be practical, this strategy is beyond the resources of most Kiwi SMEs. It will be necessary therefore to build new collaboration models and that is something that does not come naturally to us. There are three broad options. The first is to enter into joint ventures/ownership with existing distributors. New Zealand companies have enjoyed mixed success with this strategy but it is certainly worth considering. Next, is to replicate existing channels but in Kiwi ownership. We are accustomed to taking our products to market through vertical channels – seafood through one channel, clothing through another, wine through yet another and so on. We can continue to adopt that framework or groups of like producers can put aside their natural competitive/individualist instincts and learn to co-operate. It involves head-on confrontation with the existing established players. Given our past history in this space, this is not our preferred option. The third alternative is to build horizontal portfolios of complementary products and services. This we believe has great potential. Whereas the vertical model relies upon selling a small number of products to a large number of customers, this model relies upon selling a larger portfolio of complementary products to a smaller number of carefully managed customers with whom long-term relationships and brand preference can be crafted. Once trust has been established with a consumer an almost unlimited range of products and services can be offered. We might find for instance that food, beverage, clothing and travel can be sold through the same channel. The relationship and communication channel rather than the transport and place utility becomes the key enabler. This is most likely to be based on an e-commerce model.

As firms move closer to the consumer they will start to discover their true value propositions and how that matches the consumers' value sets. To fully take advantage of that we will need to overcome both our propensity to think for our consumers and our feedback reluctance. Several tactics may help take advantage of this. The first is to employ wherever possible, here in New Zealand and in-market, people from our target markets who can act as translators and mentors. Secondly, we recommend personal and professional development around gaining and recognising insights and proactively seeking and being receptive to feedback. This has been covered in the earlier section – *Build real relationships with your customers*.

4. Grow your talent

This strategy is intended to mitigate the negative affects of the Tall Poppy Syndrome and to encourage Kiwis natural capabilities to emerge and flourish.

Tall poppies are those staff members whose performance leads the field, who stand out from their peers. The effect of the syndrome appears to be to lower performance in order to not stand out. The impact of this has not been quantified but anything that results in sub-optimal performance and motivation is of concern to managers and directors. There is no simple solution but anything that causes sub-optimal performance must be tackled. This strategy is about the development of an organisational culture in which tall poppies flourish, personal and professional development is encouraged, and horizontal and vertical movement within the firm is facilitated.

For the majority of Kiwi businesses, culture is a matter of chance. It is an accidental consequence of circumstances that reflects things like the founders personal style and comfort zone. Since managers tend to hire people just like themselves, the established organisational culture is reinforced by new hires and this becomes deeply embedded over time. Where it has been planned it is more likely to be based on principles derived from other cultures rather than Kiwi culture. That may in fact unwittingly move the culture even further away from alignment with Kiwi culture, in particular mitigating the affects of the Tall Poppy Syndrome and creating an environment of personal discovery and adventure.³³

Changing organisational culture is one of the toughest journeys a firm can embark upon and it is not to be undertaken lightly. However, properly done the rewards can be great. It involves changing the way that people think! There are numerous well-documented strategies for culture measurement and change projects and firms should seek advice from specialists in this field. In the meantime there are some practices that can be developed that will provide a back-door entry to culture change – that is, changing behaviour or practices and relying on that to encourage changes in thinking. Here are three that we suggest that firms consider:

Good day-bad day

Determine what tasks staff perform that make the difference between what they consider to be a good day and what they consider to be a bad day. You may be surprised to find that an alignment can be readily achieved between work task and what people really enjoy doing. People typically enjoy what they are best at and are best at what they enjoy. Their motivation and productivity should be enhanced. Today's business environment is challenging enough without not having all the people in the firm working to their natural abilities and loving what they do. One might imagine that this is important in any work environment but in New Zealand where we are motivated by leisure pursuits and adventure and individual discovery, the potential of this cannot be over-emphasised.

³³ Note that this is about aligning the corporate culture in such a way that staff are able to derive from work some of the sense of personal satisfaction that typically they only derive from their private leisure pursuits.

Personal-professional development

We have already referred to personal and professional development in the Customer Relationship Management section above. We repeat it here only to the extent that the productivity of professional development may be enhanced when an alignment is built between the firm's professional goals for their staff, their own personal goals and ambitions for development, and national culture. It is often assumed that these naturally coincide however our research revealed an uncommon degree of disconnect between work and personal goals that may not occur to the same degree in other cultures.

Succession planning

Succession planning may be an effective tool for tying the previous two tactics together with a longer-term view of the firm. The only way to keep talented people is to provide them with growth opportunities and find them more promising opportunities within the firm or sector than they can find elsewhere. That will not always mean upward mobility within the firm.

It appears that the growth of our firms may be limited when the point is reached where the founder or current leader's capabilities and capacities are exhausted. Founders may feel trapped into being the CEO and the "I have to do it all/know it all" syndrome. They end up doing work for which they are less equipped than what brought them to the firm in the first place and their satisfaction levels may suffer. We promote our best engineers, scientists and sales people into management when they may well prefer to remain engineers, scientists and sales people. It is no wonder then that as senior managers they continue to think most favourably about the initiation (discovery) stage of the innovation process and apply what worked in that stage to the implementation that they are now responsible for. This has relevance too as to how businesses engage with bureaucracy. There may well be benefits to be had from delegating engagement with the bureaucracy to people who do not have such a personal stake in the business as do owners and CEOs.

Succession management requires a long-term view of where the firm is headed and the positions necessary to achieve the goals, and how the existing team members fit into that future. Succession planning is an essential strategic tool for small firms as well as large ones. And it is not just succession to the top. It is about getting the right people in place for every job. Horizontal development is just as important as vertical development. Some of tomorrow's key jobs may not even exist yet. If a firm plans to double in size in five years, they will need more talented managers and probably a new business structure. Effective succession management is a journey, not a destination. Effort will be required and a long-term horizon adopted. A process of continually learning from feedback and adjusting the process accordingly is essential. The long-term impact will however be improved staff satisfaction, motivation, retention and productivity.

5. Execute your game plan (speed to market)

This strategy is intended to capitalise on Kiwis' natural inventiveness by creating processes that provide the confidence to speed product and service development, to begin market entry sooner and to pursue market growth at a stage of the product lifecycle that delivers maximum return on effort.

For a variety of reasons Kiwi firms may procrastinate during the product development stage, they may lack intimate connection with the consumers/customers who use their products and services, and once market entry is achieved, a number of barriers to optimising growth appear to exist. In particular we may be limited by a preference for trial and error in-house development and the under-utilisation of specialists, by lacking means to fail fast (a product of our reluctance to expose the product early to end-users and our limited control of distribution channels), limited financing options and utilisation of limited market entry and development options.

There are numerous new product development and commercialisation frameworks reflecting various philosophies and the particular needs of different sectors. We have not elaborated on these frameworks but want to raise some particular issues that we encourage firms to become familiar with in order to optimise the value created from their inventiveness. Remember that our issues appear to revolve around not being able to reap as much profit or value from our inventiveness as do firms in other nations.

We therefore encourage firms and sectors to focus attention on the following elements of the process:

Rapid product development

Kiwi firms have a preference for in-house trial and error development but negative attitudes to failure and the risk of being seen to waste money. This adds to the slow development process and delays market entry. Speed to market is considered an essential success factor in modern business. In adopting the in-house approach the engagement of specialists and specialist methodologies as well as access to leading edge and alternative approaches specialists by definition offer, may be delayed. We recommend that as an essential element of the business plan firms are familiar with the full range of services that are designed to speed the technical development of new products and services and available from universities, CRIs and private firms (including design programmes), as well as the substantial pool of Public-Good research that is available but often invisible.

Listening and learning

There is no easy way to put it. The evidence suggests that we are poor at listening to our customers and fail to interpret what we do hear from the customer's perspective. We substitute our thinking, our values, and our priorities for those of the customer. Nor are there any easy ways to change this. We have previously recommended owning and controlling distribution channels and that will remove some of the filters that currently obscure proper feedback. We have also recommended personal and professional development aimed at making us receptive to the insights available to us and we have suggested using people from our target markets to help us translate what people in the market are thinking. Immediately above we have suggested rapid product development processes. All of these should provide the frame work for us to have the confidence to expose our products and services to our customers at a much earlier stage of development than we are typically comfortable with, to listen properly, and learn and fail fast with the least possible expenditure of money. That might sound an odd recommendation but an element of trial and error is inevitable (especially given our propensity to adopt such approaches). The key is to discover the "errors" as

early as possible and beyond a certain point we cannot do that in our workshops and labs and advertising agencies. We can only do it by exposure to the customer/consumer and we can only do that when we have relationships in place that are sufficiently robust to withstand and support our early trial marketing.

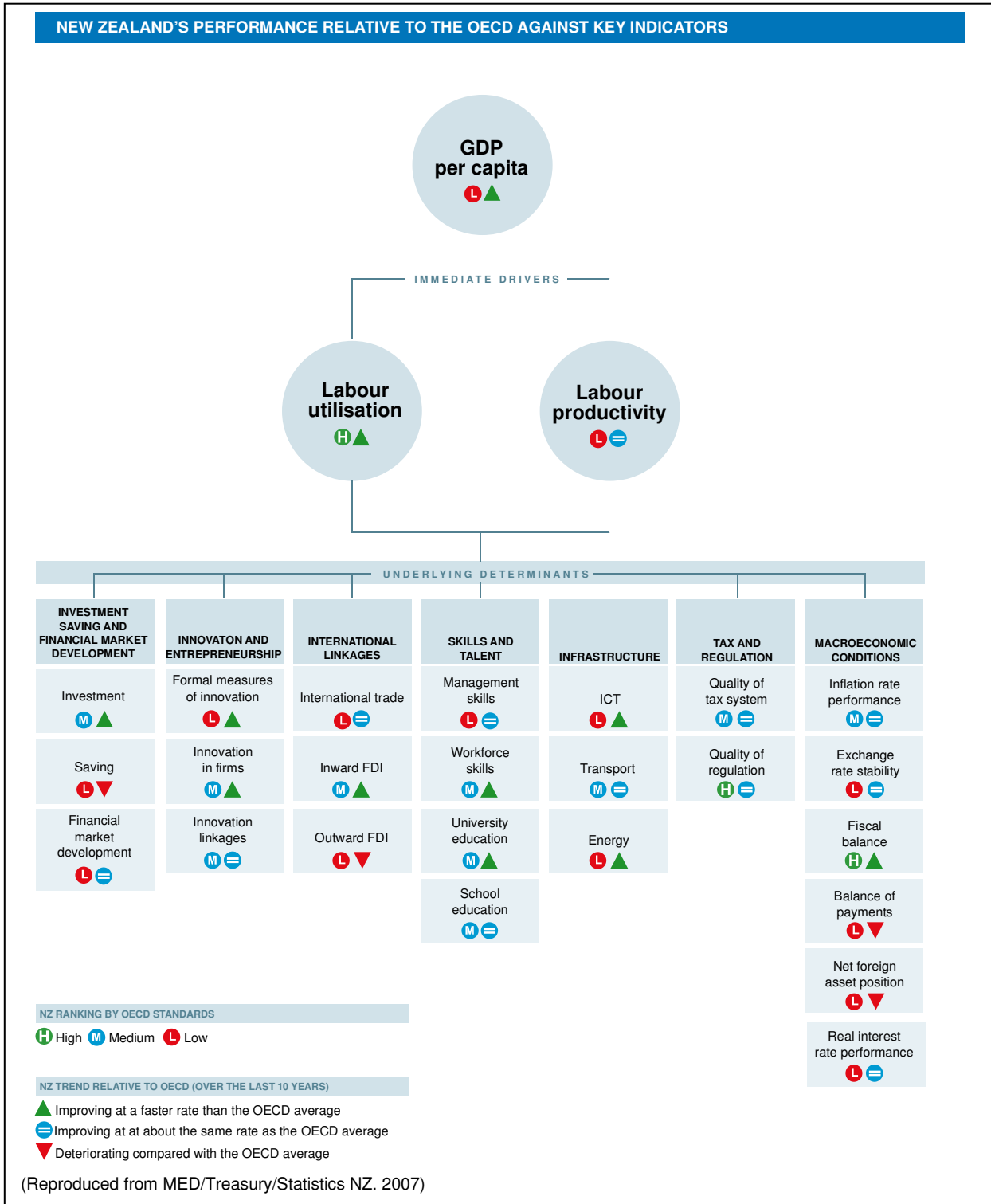
Financing and market development options

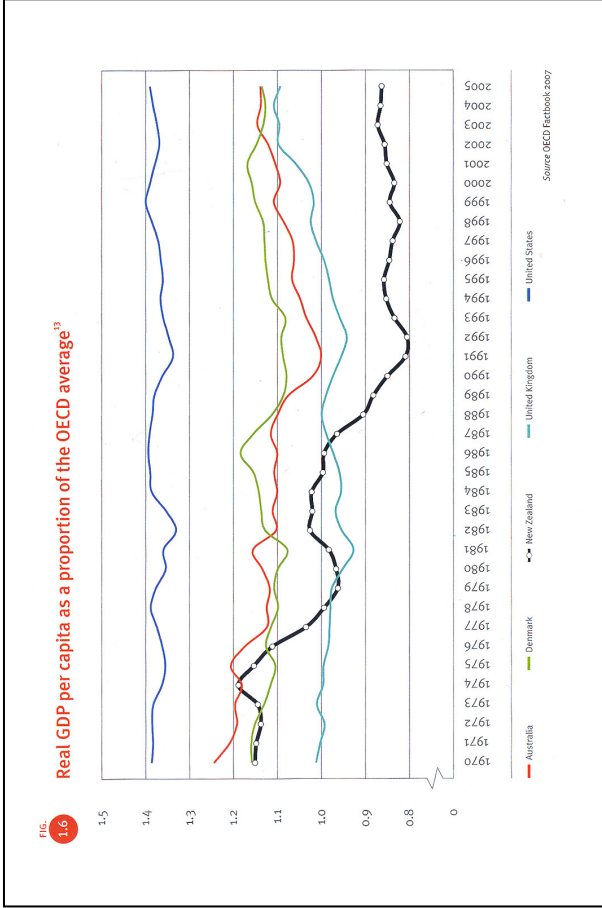
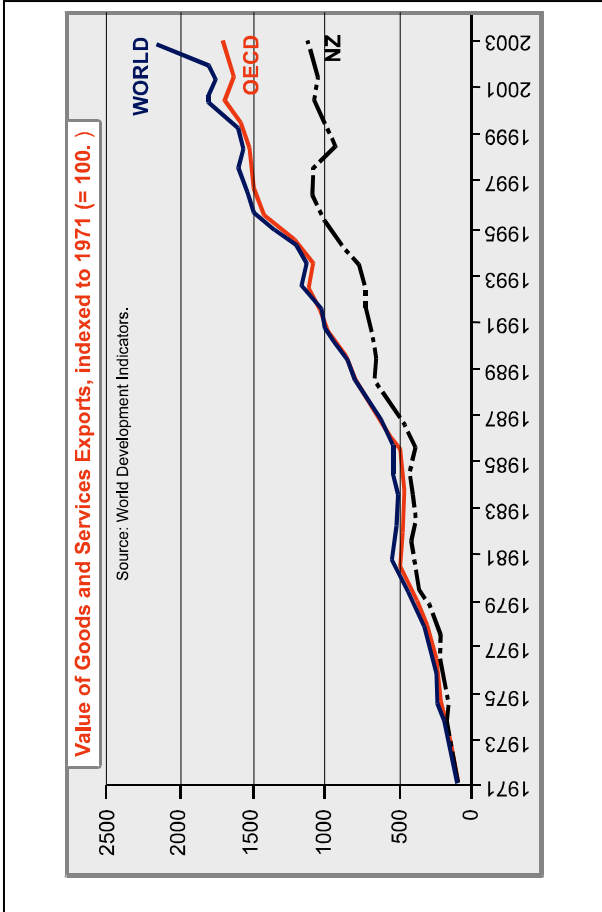
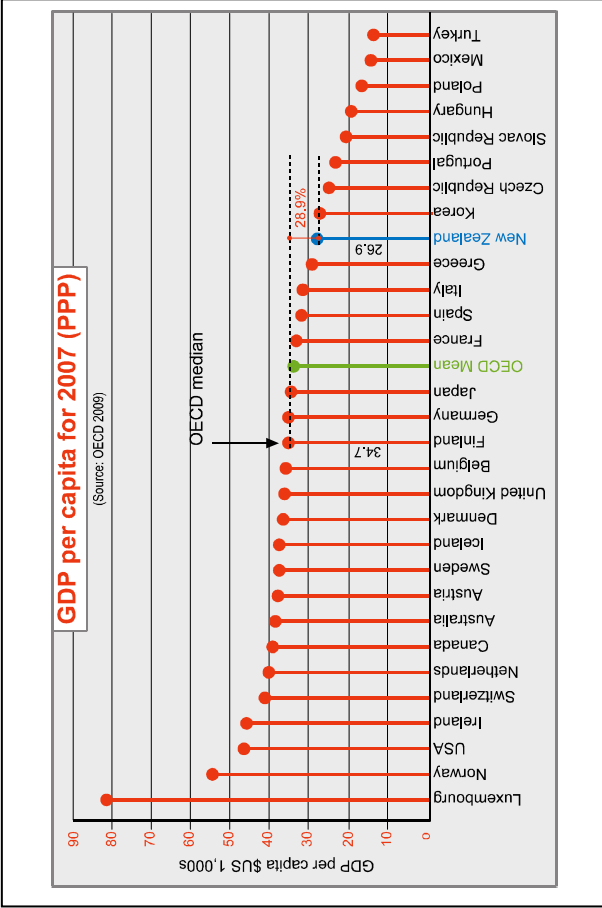
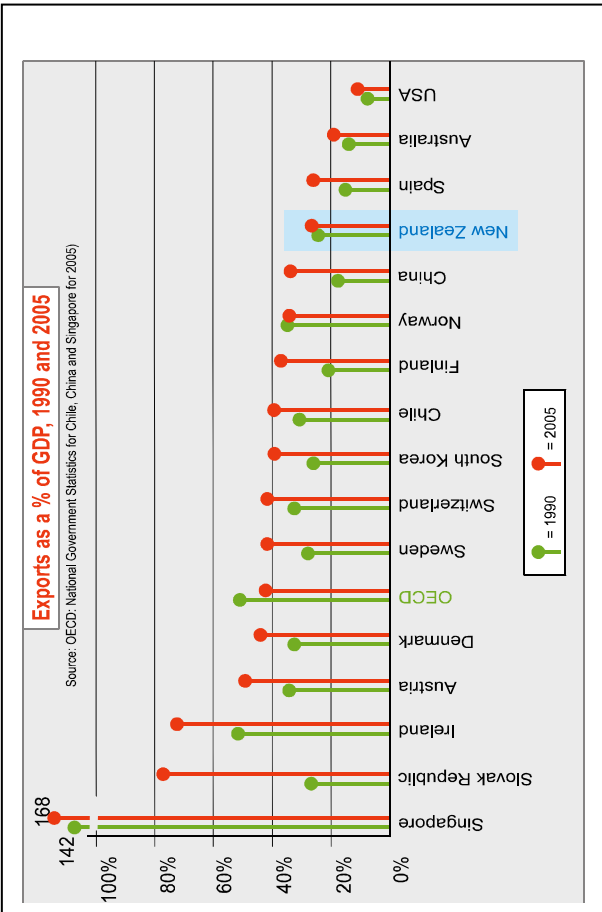
We have previously referred to the narrow range of financing options and market entry/growth options that Kiwis prefer. This section makes a very simple recommendation. Directors and managers should familiarise themselves with and as a routine consider the use of a full portfolio of financing and market entry/growth options including private equity and venture capital, spin-out companies, joint ventures, licensing or even sale of intellectual property. Given Kiwi firms' strength at the initiation stage a particular opportunity exists to deliberately seek out joint venture partners (probably in-market) with complementary strengths in the implementation stage. Saved until last, applied for this specific purpose, this single strategy may provide the most potent tool for Kiwi firms to truly leverage optimum advantage from our strengths in the initiation stage and to create and capture greater profit and value.

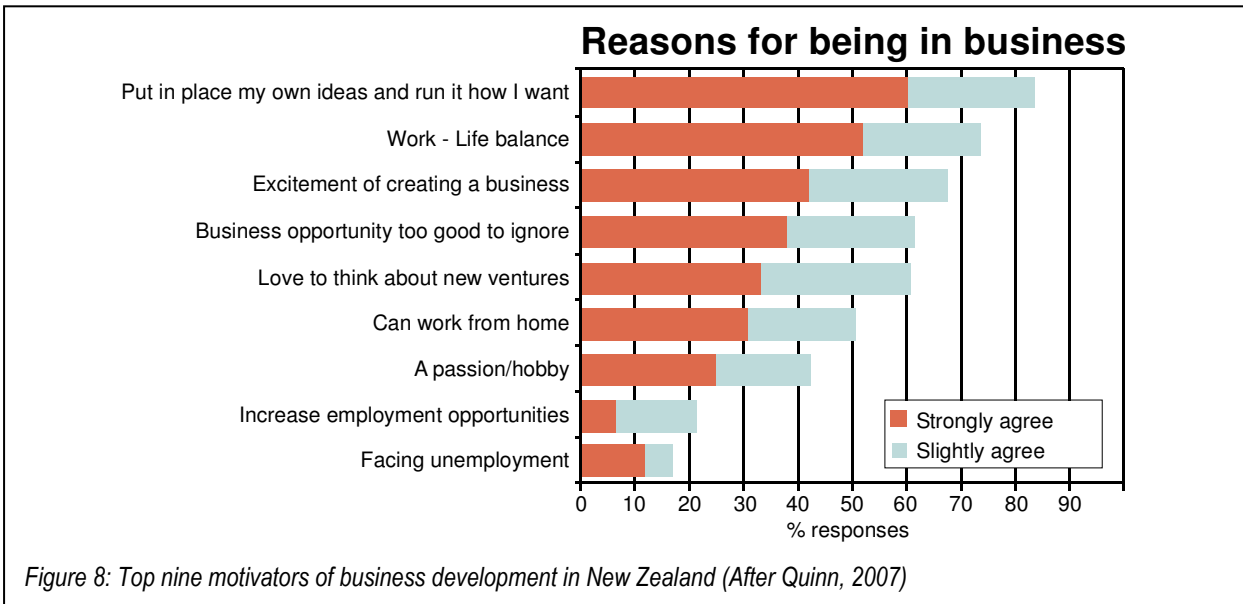
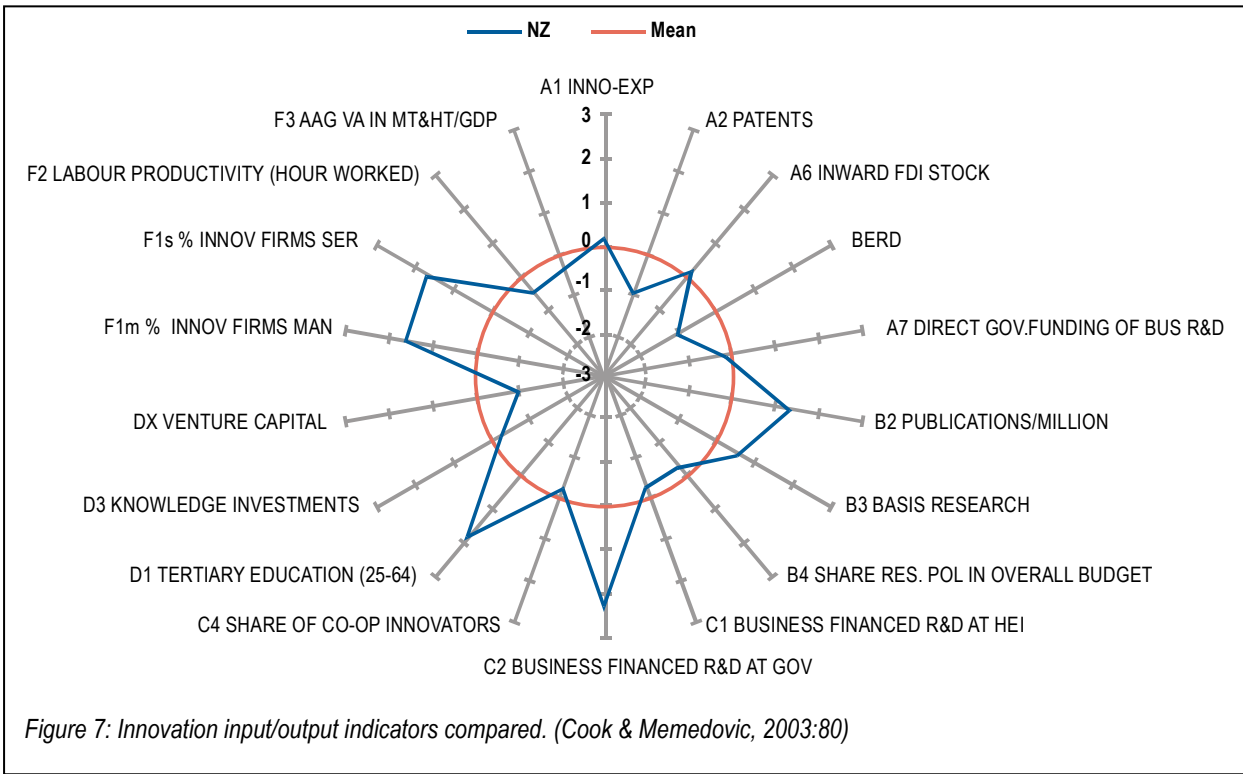
Individually and collectively these strategies and tactics will contribute to management practices that will help Kiwi firms to capitalise on their inherent strengths in initiation of innovation and to create and capture new value that is currently hidden, underdeveloped or lost to other firms in other countries.

Appendix 1: Facts and Figures

The Ministry of Economic Development provides the following overview of the performance of the New Zealand economy including the components of the National Innovation System (MED/Treasury/Statistics NZ, 2007). Insightful indicators of the nation's performance then follow.







Appendix 2: Descriptions of “Cultural Dimensions”

Cultural Value	Working Definition
Universalism vs Particularism	The universalist approach is roughly: ‘What is good and right can be defined and always applies.’ We would call it a “Black or White” view. In particularist cultures far greater attention is given to the obligations of relationships and unique circumstances.
Collectivism vs Individualism	The degree to which the interests of the individual are foregone in the interests of the group and the maintenance of societal norms, including collective reward, distribution of resources and collective action.
Power Distance (Egalitarianism vs /Hierarchy)	The degree to which members of an organisation or society accept the legitimacy of an unequal distribution of power, roles and resources. Low Power Distance = High “Egalitarianism”
Respect: Achievement vs Ascription	Achievement means you are judged on what you have recently accomplished and on your record. Ascription means that status is attributed to you by birth, kinship, gender or age, and also by your connections ... and your educational record. In New Zealand this appears to be taken a further step to according greater respect for practical achievement.
Assertiveness	The degree to which individuals in organisations or societies are assertive, confrontational, and aggressive in social relations.
Masculinity vs Femininity	The degree to which societies separate male and female roles and favour masculine (aggression, mastery) or feminine (warmth, nurturing, harmony) values. Harmony has a similar meaning to “feminine”.
Neutral vs Emotional (Degree to which show emotion at work)	Should the nature of our interactions be objective and detached, or is expressing emotion acceptable?
Specific vs diffuse	The degree to which authority and recognition is separated between tasks, especially work and social. In specific culture the relationship between subordinate and superior is quite different at and outside of work. In diffuse culture the respect, title etc accorded at work extends to all facets of life. “ <i>Monsieur le directeur is a formidable authority wherever you encounter him.</i> ” (Trompenaars & Hampden-Turner 1998:83) and his authority may extend to his wife and family. (NB: This is an incredibly important value to understand when engaging with people from other cultures.)
Affective Autonomy	A cultural emphasis on the desirability of individuals independently pursuing affectively positive experience (pleasure, exciting life, varied life). Think of New Zealanders’ “ <i>Great OE</i> ”.
Harmony	The degree to which conflict is avoided/harmony sought.
Uncertainty Avoidance	The extent to which members of a society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events.
Future or Long-term orientation	The choice of focus for people’s efforts: the future or the present. The degree to which individuals in organisations or societies engage in future-oriented behaviours such as planning, investing in the future, and delaying gratification.
Action Orientation	The degree to which intentions are translated into goal-directed behaviour.

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