

A goal is not a strategy - Media coverage

Update: 27 August 2010

Date	Media	Journalist
19/08/10	TV1 NZI Business 06:15am; 06:42am; 06:43am	Corin Dann; Pippa Wetzell & Paul Henry
19/08/10	Radio NZ – Morning Report 08:39am	Geoff Robinson & Sean Plunket
19/08/10	3 News 12:14pm	Michael Wilson
19/08/10	RadioLive 05:48pm	Maggie Barry
19/08/10	TVNZ Business News online	Editor
19/08/10	Scoop Independent News online	EPMU – Andrew Little
19/08/10	NZPA Newswire – Business & Finance	NZPA
19/08/10	NZPA Newswire – National	NZPA
19/08/10	Unlimited – online	Rick Boven
19/08/10	Scoop Independent News online	NZPA
19/08/10	Blog: BigCake.co.nz	Mike
20/08/10	NewsTalkZB – 06:40am; 10:02am	Mike Hosking; Newsreader
20/08/10	Gisborne Herald	NZPA
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20/08/10	The Dominion Post	Tim Hunter
20/08/10	NZNewsUK online	Patrick Smellie
20/08/10	Blog: BigCake.co.nz	Mike
20/08/10	Blog: Imperatorfish.com	Scott
23/08/10	Blog: BigCake.co.nz	Mike
24/08/10	Gisborne Herald print and online	Manu Caddie
24/08/10	Policy Progress	David Choat



ONE (Wellington)
NZI Business - 19/08/2010 - 06:15 AM
Corin Dann
Station Ph: 09 916 7000

The NZ Institute's director Dr Rick Boven discusses its newly presented economic strategy containing measures such as the development of 'differentiated exports' and helping NZ firms operate offshore. Boven says NZ is 'unusual' in the way it fails to value entrepreneurs or provide systematic methods of training them. Boven also discusses the need to lift labour productivity for the export sector.

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Interviewees: Dr Rick Boven, Director, NZ Institute

Duration: 3:04

Summary ID: W00040207707



ONE (Wellington)
Breakfast - 19/08/2010 - 06:42 AM
Corin Dann
Station Ph: 09 916 7000

The New Zealand Institute has released a report titled A goal is not a strategy: Focusing efforts to improve New Zealand's prosperity.

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Duration: 0:46



ONE (Wellington)
Breakfast - 19/08/2010 - 06:43 AM
Pippa Wetzell & Paul Henry
Station Ph: 09 916 7000


Comperes discuss the New Zealand Institute's report titled A goal is not a strategy: Focusing efforts to improve New Zealand's prosperity.

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Interviewees: Corin Dann, Business Reporter

Mentions: Jaycar Electronics


Duration: 0:45

 **Radio NZ - National (National New Zealand)**
Morning Report - 19/08/2010 - 08:39 AM
Geoff Robinson & Sean Plunket
Station Ph: 04 474 1999

The New Zealand Institute and an independent think tank has issued a report that says that NZ's economic situation is unlikely to improve unless it starts to sell unique products. The director of the NZ Institute, Rick Boven, says that NZ exporters rely on commodities and tourism, whereas rich nations export high value goods and services. The chair of AgResearch, Sam Robinson, says that the primary sector needs to invest more money in research and development. Boven compares Denmark's primary activity to New Zealand. Boven says that small NZ companies need to become more efficient, and shift their resources into high value exports. Robinson says that tariffs prohibit NZ exporters from entering overseas markets.


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Interviewees: Rick Boven, Director, New Zealand Institute; Sam Robinson, Chair, AgResearch
Mentions: European Union; GDP; NZ Government; OECD
Duration: 4:20

 **3 (Wellington)**
3 News at 12 - 19/08/2010 - 12:14 PM
Michael Wilson
Producer Mr John Hale 09 928 9000

The New Zealand Institute supports compulsory superannuation as a way to boost the economy.
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Interviewees: Rick Boven, Director, NZ Institute
Duration: 0:51
Summary ID: W00040214574

 **RadioLIVE (National New Zealand)**
Drive - 19/08/2010 - 05:48 PM
Maggie Barry
Station Ph: 09 360 0330

The New Zealand Institute has released a report on the economy which suggests more focus needs to be put on technology, rather than tourism and agriculture. Director Rick Boven says the productivity level in these sectors is too low. Boven states that almost 10% of New Zealand's goods and services exports are in technologies. There needs to be more qualified directors, entrepreneurs, and international sellers, as well as more capital, according to Boven.
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Interviewees: Rick Boven, Director, New Zealand Institute
Duration: 3:22

Transcript			
Station:	ONE	Date:	19/08/2010
Program:	NZI BUSINESS	Time:	06:15 AM
Compere:	CORIN DANN	Summary ID:	W00040207707
Item:	DISCUSSION ABOUT THE NEW ZEALAND ECONOMY.		
	INTERVIEWEES: RICK BOVEN, NEW ZEALAND INSTITUTE		
Audience:	Male 16+	Female 16+	All people
CORIN DANN:	Well putting more effort into developing the high-value so-called differentiated exports, and helping Kiwi firms to operate offshore, are among the proposals in a new economic strategy put forward by the economic think tank the New Zealand Institute. Its director Dr Rick Boven joins me now.		
	Good morning Rick.		
RICK BOVEN:	Good morning Corin.		
CORIN DANN:	Differentiated exports. What does that mean?		
RICK BOVEN:	Well when you make a commodity, you make it to a standard and you just agree a price, and you ship it off. But differentiated things are things where each customer has unique needs, and you need to understand those needs in order to be able to sell them effectively.		
CORIN DANN:	And we're not doing that effectively at that moment.		
RICK BOVEN:	We haven't been doing it as effectively as we could.		
	We have some firms that are doing very well, but a lot of the things that we've tried to do, value-added and so on, we're really struggling, because we're such a small country; we're so distant. And it is a very difficult challenge to take new products into new markets.		
	We really haven't been helping our firms to do that - to overcome those barriers as well as other countries have been.		
CORIN DANN:	So any ideas on how we can improve that process?		
RICK BOVEN:	Well just as an example, you know, the kinds of people who develop these businesses and take them offshore are entrepreneurs. New Zealand's a rather unusual country where we - first of all we don't value entrepreneurs very		

much, but we don't have any systematic ways that we train them.

Our entrepreneurs learn on the job to overcome a challenge that's a very difficult challenge.

CORIN DANN: So you think that they could be provided with more training?

RICK BOVEN: More training. I think there's a whole range of things that we're working on at the moment as specific policies to improve the internationalisation for [indistinct].

CORIN DANN: You talk too about labour productivity for that export sector, and lifting that.

RICK BOVEN: Yeah. What we've identified is that when you - labour productivity drives prosperity. And when you look at the drivers of labour prosperity and how New Zealand has made choices about the policies to improve labour productivity, we've made some different choices than other countries. For example, savings is on the agenda at the moment. New Zealand's made different choices in savings. We've got less capital for our firms. We perform less successfully.

So what we're saying is yes, improve labour productivity - and there are many opportunities to do that. But focus those improvement efforts on these internationalising firms, because that's the way we can get the quickest result economically.

CORIN DANN: That requires some coordination though, doesn't it, from Central Government, or somebody. And you call your report *A goal is not a strategy*. Are you saying here that there isn't enough of a coherent strategy that's been laid out by government to do this?

RICK BOVEN: I - what we're saying is two things, really. First of all, you know, it's useful to set a target or a goal. But you actually have to have an agreed way of achieving that goal. But secondly, simply improving the economy, simply identifying ways to improve it is not the same thing as creating a successful economy.

And successful economies, successful small trading economies are those that export high-value differentiated goods and services, and the productivity of the things that we export, mainly our agricultural commodities and tourism, is not low enough to make us a wealthy country. So we have to export higher-value goods and services.

CORIN DANN: Dr Rick Boven from the New Zealand Institute, thank you very much for your time.

RICK BOVEN: Thank you.

* * **END** * *

Transcript			
Station:	3	Date:	19/08/2010
Program:	3 NEWS AT 12	Time:	12:14 PM
Compere :	MICHAEL WILSON	Summary ID:	W00040214574
Item:	<p>THE NEW ZEALAND INSTITUTE SUPPORTS COMPULSORY SUPERANNUATION AS A WAY TO BOOST THE ECONOMY.</p> <p>INTERVIEW: RICK BOVEN, NEW ZEALAND INSTITUTE</p>		
Audience:	Male 16+	Female 16+	All people
MICHAEL WILSON:	<p>Think tank, the New Zealand Institute is backing a move to compulsory superannuation as a way to boost our economic performance.</p> <p>In its latest discussion paper, focusing efforts to improve New Zealand's prosperity, the Institute says our developing companies need capital to expand offshore.</p>		
RICK BOVEN:	<p>It provides more capital in the economy, and that additional capital in the economy, provided it's well directed, will increase the capital availability to the firms that are trying to succeed internationally.</p> <p>We're good at starting firms and that's easy to do with money that's relatively easy to get, but when the expansion phase starts, it becomes very difficult and so the companies are starved of capital, or they end up engaging perhaps prematurely with capital sources offshore and some of those companies that need not actually be sold offshore end up being sold offshore.</p>		
* * END * *			

Transcript

Station: **RADIOLIVE** Date: **19/08/2010**
 Program: **DRIVE** Time: **05:48 PM**
 Compere: **MAGGIE BARRY** Summary ID: **W00040221886**

Item: **THE NEW ZEALAND INSTITUTE HAS RELEASED A REPORT ON THE ECONOMY WHICH SUGGESTS MORE FOCUS NEEDS TO BE PUT ON TECHNOLOGY, RATHER THAN TOURISM AND AGRICULTURE.**

INTERVIEWEES: RICK BOVEN, DIRECTOR, NEW ZEALAND INSTITUTE

Audience: Male 16+ Female 16+ All people

MAGGIE BARRY: And it's an ongoing conundrum, what does need to be done to increase New Zealand's prosperity? Independent think tank the New Zealand Institute has waded into that discussion today and their new report on the economy suggests we need to focus more on our technology rather than the traditional agriculture and tourism.

Its director, Dr Rick Boven, joins us now. Good evening, welcome to the program.

RICK BOVEN: Good evening, Maggie.

MAGGIE BARRY: Can we improve what we do with agriculture and tourism, you know, in other words, our twin strengths, or have we got that so wrong we have to actually try a whole new strategy?

RICK BOVEN: Well, we can and we should improve in those things and it's very important to maintain particularly our competitiveness in those things just to ensure that we keep our export revenues up.

But the productivity level in those areas on average is too low to allow us to rejoin the rich countries and we need to get into things where we can earn a lot more than we can from those industries.

MAGGIE BARRY: You've talked in your report ensuring that at least one MBA provider offers a full-time program focusing on international entrepreneurship. What would that do to help us as a nation move into more productivity?

RICK BOVEN:

Well, it's a very difficult challenge from a small country and a small and distant country to take a new product into a new market. You need a lot of skills to be able to do that.

Most countries offer systematic training for their entrepreneurs. New Zealand's unusual in that we expect our entrepreneurs to learn a very difficult task on the job and many of them do succeed despite the odds but unfortunately not enough.

MAGGIE BARRY:

So New Zealand should invest in different things, I mean, technology isn't our strength, we would have to develop a lot of skill and that would take a lot of effort. Where should the investment go?

RICK BOVEN:

Actually we do do very well in some technology areas and about 10 per cent of our goods and services exports are in technologies and it's growing and it's very high value so we should continue to do that.

We should also focus a lot more effort on trying to get from the inventions that we're quite good at creating to the business success, the international business success that makes us wealthy.

MAGGIE BARRY:

So when were you looking at - how do we do that? Is it through our people or through finance and expenditure, developing new technology? How do you see it working best?

RICK BOVEN:

There are two things that are absolutely critical. The first is to increase the flow of talent into the area, in other words, we need more experienced and qualified directors, we need more entrepreneurs, we need more people who can sell internationally, we need more people who can develop - bring development projects to success.

But we also need more capital. The businesses that are trying to expand internationally are really struggling to get the capital that they need to do that and in part that's because the settings encourage or have encouraged capital to flow into things like residential property investment rather than into these areas.

MAGGIE BARRY:

The institute does have a history of publishing papers that aren't always taken up. I mean, how do you think that you can engage the public particularly in this debate that you want to lead where we're looking more at technology rather than our traditional growth areas?

RICK BOVEN:

I think all we can do is - is try and communicate through the media and communicate directly with the officials and those who influence them and really just keep working to develop proposals that we can offer.

We don't actually have our hands on the levers directly. We can only influence others.

MAGGIE BARRY:

Thank you for that. Dr Rick Boven, the director of the New Zealand Institute.

* * **END** * *

New growth strategy for NZ

Published: 1:08PM Thursday August 19, 2010

Source: NZI Business



A container ship - *Source: NZPA*

Related News

An economic thinkthank has released a new strategy for New Zealand's economy that suggests developing high value exports is the way forward.

The New Zealand Institute says its "A Goal Is Not A Strategy" paper is not designed as a criticism of the government's economic strategies but rather an alternative growth strategy for the country.

Director Dr Rick Boven told NZI Business this morning that goals do not automatically equal success.

"It's useful to set a target or a goal but you actually have to have an agreed way of achieving that goal. (And) simply improving the economy, simply identifying ways to improve, is not the same thing as creating a successful economy."

Labour Finance spokesperson David Cunliffe says the paper proves that National's 2025 "closing the gap" goal is definitely not a plan.

"It reinforces the fact that a real plan involves a strategy based on diagnosis and analysis. This is in stark contrast with National's one simplistic goal of closing the income gap with Australia by 2025.

"The Institute is a privately-funded, non-partisan think tank whose work draws on evidence, analysis and international experience," Cunliffe said.

High value exports

Boven says small economies that are successful rely on exporting high-value differentiated goods and services. But what New Zealand does export - largely agricultural commodities and tourism - does not have low enough labour and production costs to make the country wealthy.

The Institute says New Zealand needs to change focus to exporting higher value

goods and services.

Boven explains that standard exporting works on making a commodity to a set standard, agreeing a price and shipping it. But "differentiated" exports are when each customer wants a slightly different end product from the raw materials and the company meets that need.

He thinks New Zealand has not been doing that very effectively.

"A lot of the things we have tried to do, like value added, we have really struggled because we are such a small country, we are so distant, it is a very difficult challenge to take new products into new markets.

"We really haven't been helping firms to do that, to overcome those barriers as well as other countries have."

The Institute want a stronger focus on better labour productivity in the export sector, more of a helping hand given to Kiwi firms to operate offshore and better support and training for entrepreneurs.

National's 2025 goal criticised

Cunliffe said while goals like 2025 can help focus attention on what's important, they need well-directed and strong actions, grounded in solid diagnosis of what is holding New Zealand back and a coherent plan to address those constraints.

He believes Labour understands the need to make fundamental change and will make it happen.

"Labour will act decisively, in partnership with business and the wider community, to address critical constraints of New Zealand's lack of innovation, productivity, exports and capital scarcity.

Cunliffe said a Labour government would implement a clear and bold new direction in economic management.

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<http://www.scoop.co.nz/stories/PO1008/S00239/new-report-pointing-the-way-to-prosperity.htm>

New report pointing the way to prosperity

Thursday, 19 August 2010, 3:01 pm

Press Release: EPMU

New report pointing the way to prosperity, 'breath of fresh air'

New Zealand must respond seriously and meaningfully to the New Zealand Institute report "A Goal is not a Strategy" released today if we are to raise incomes and living standards, the largest private sector union, the Engineering, Printing and Manufacturing Union (EPMU), says.

The New Zealand Institute report draws attention to the lack of government commitment over many years to fostering the development of a manufacturing sector focused on sophisticated manufactures with high margins that are easy to transport. It says this should be done without compromising our commitment to our thriving primary production sector.

"The new report is a welcome breath of fresh air to an economic debate for so long dominated by the view that there is little the government can and should do apart from letting the so-called market decide," says EPMU national secretary Andrew Little.

"There is no question that the principal challenge facing us, if we wish to maintain our place in the developed world, is to change the mix of our economic activity to business that is much more capital intensive, that has scale and requires a skilled workforce employed under good conditions," he says.

"A genuine emphasis on the right kind of manufacturing activity through good government policy is just the sort of intervention we need and we shouldn't be diverted from this direction by meaningless calls for more free market."

"The only measure of a country's economic success is how its people are doing and the fact is that on average New Zealand wage and salary earners have been going backwards for far too long."

"Something needs to change and the New Zealand Institute report points us in a useful direction. We should take it seriously."

ENDS

NZ needs to develop high productivity industries

Wellington, Aug 19 NZPA - Productivity in the mainstays of this country's economy -- agriculture and tourism -- is low, so new high productivity industries must be developed, the New Zealand Institute's latest discussion paper says

Called A goal is not a strategy, the paper said raising the level of entrepreneurial activity and encouraging training for international business success should be a core part of the labour productivity agenda

While New Zealand scored well on levels of entrepreneurship, it arguably had too many small independent businesspeople called entrepreneurs, and too few highly skilled entrepreneurs targeting international business success

That shortage meant the product of this country's inventiveness -- large research output, inventions, and new business opportunities -- was not being converted into international business success, the paper said

Around the country, 10 Master of Business Administration programmes were being offered, but not one focused on developing the skills needed for international business success

"New Zealand should ensure one MBA provider offers a full time world class programme focused on international entrepreneurship, establish a large internship programme, and offer many more development opportunities for practicing and aspiring entrepreneurs."Unless it could find another strategy for success, this country needed to find a way to join the other small countries that were becoming prosperous by exporting differentiated goods and services, the paper said

Information, communications and technology (ICT), and niche manufacturing, along with value-added and differentiated goods and services based on primary production, were the areas New Zealand should invest in most aggressively

At the same time the country should still pursue opportunities in agriculture, natural resources, and tourism where competitive advantage and high value jobs were available

Agriculture accounted for 48 percent of total merchandise exports in 2009, and for the industry in this country to continue to be successful the most important requirement was to increase productivity so commodity products remained competitive

"With a foundation of competitive commodity production, agriculture can be developed in three directions: value-added products, industry products and services, and intensification," the paper said

Tourism was this country's second largest export earner, accounting for 24 percent in 2008, but the industry had lower than desired productivity

So increasing the share of tourism in the economy would not improve overall productivity enough, but having a large tourist industry could be helpful for New Zealand because it could help sustain exports, and because it provided jobs for many low-skilled workers

"However, growing tourism without lifting productivity is a second best solution. It would be better for New Zealand's GDP per capita to retrain the workers, and employ them to grow export sectors that have higher than average productivity."When it came to manufacturing, Denmark demonstrated that a small country could be successful without a single large successful technology business, the paper said

"Value-added primary products, exports of high value niche services, software, and intellectual property sales all fit within the class of exports that New Zealand would grow if it was to follow a Danish-style strategy."NZPA WGT mjd gt19/08/10 15-25NZ

Report sparks productivity/innovation debate

Wellington, Aug 19 NZPA - A new report critical of the lack of productivity in the economy highlighted a lack of government action, Labour says

But Finance Minister Bill English said the Government was doing something about it while Labour didn't during its nine years in office

The New Zealand Institute's latest discussion paper -- A goal is not a strategy -- said productivity in the mainstays of this country's economy, agriculture and tourism, was low, so new high productivity industries had to be developed

The paper said raising the level of entrepreneurial activity and encouraging training for international business success should be a core part of the labour productivity agenda

While New Zealand scored well on levels of entrepreneurship, it arguably had too many small independent businesspeople called entrepreneurs, and too few highly skilled entrepreneurs targeting international business success

That shortage meant the product of this country's inventiveness -- large research output, inventions, and new business opportunities -- was not being converted into international business success, the paper said

In Parliament Labour's David Parker tabled the report and criticised the Government for axing his party's research and development tax credit and the Fast Forward innovation fund

Mr English replied: "I have seen reports that those two initiatives of the previous Government were cut by this Government, and for good reason: we had a better policy

"We have put that in place, and we have a more positive attitude towards science and innovation in that sector of the economy than there has been for many years." Mr Parker asked whether the Government had a credible plan to address the savings and innovation deficit hampering New Zealand

The Engineering, Printing and Manufacturing Union national secretary Andrew Little said the report highlighted the lack of government commitment over many years to fostering the development of a manufacturing sector capable of earning high margins

NZPA PAR WGT mt mjd gt19/08/10 18-00NZ



Shaping up and shipping out

Our future lies in a higher volume of higher value exports

Thursday, August 19 2010 || News || BY Rick Boven

The New Zealand Institute has released a discussion paper titled *A goal is not a strategy: Focusing efforts to improve New Zealand's prosperity*. The paper concludes that efforts to improve economic prosperity should focus on improving the drivers of labour productivity, growing exports of differentiated goods and services, and helping firms overcome the barriers to internationalisation.

Economic prosperity is a worthwhile goal for New Zealand and Government has set a goal of matching Australia's GDP per capita by 2025.

The main driver of GDP per capita is labour productivity and New Zealand's private economy labour productivity is 57% of Australia's. Labour productivity is not the only important measure of economic performance though. For a small trading nation exports are very important too. New Zealand's exports have grown much more slowly than the OECD average partly because global trade in commodities (where New Zealand exports are concentrated) has grown more slowly than trade in differentiated goods and services.

In recent years weakening trade performance has combined with imported private debt to erode the current account balance. Now New Zealand needs to improve labour productivity and grow exports enough to reduce the debt load and increase prosperity.

Lifting labour productivity depends on improving the drivers of labour productivity; entrepreneurship, innovation, skills and talent, investment, and natural resources. For some drivers New Zealand has made choices that differ from those made in other advanced economies and there is good reason to believe that those choices have eroded relative economic performance. New Zealand is fortunate that there is great potential for improving performance on the labour productivity drivers.

New Zealand's most important sectors for exports are tourism, agriculture, and manufacturing. All three sectors have average or lower than average productivity so simply growing these activities without also substantially lifting productivity would not lift GDP per capita materially.

Denmark is one of the world's wealthy countries. Denmark's food and agriculture exports per capita are similar to New Zealand's and Denmark's agricultural productivity performance is similarly low. But Denmark's differentiated goods and services exports are much higher and that difference explains Denmark's high prosperity.

There are many opportunities in agriculture, natural resources, and tourism, and these should be pursued where competitive advantage and high value jobs are available. But information, communications and technology (ICT), and niche manufacturing, along with value-added and differentiated goods and services based on primary production, are where New Zealand should invest most aggressively.

New Zealand's success at exporting differentiated goods and services has been limited by the obstacles of small domestic market size and distance from markets. Applying the diagnostic approach reveals internationalisation of businesses as a critical binding economic constraint. But over-reliance on economic liberalisation has led to New Zealand committing less effort than other small trading countries to overcome the internationalisation challenge. If the issue had been recognised sooner, and remedial action had followed, the country would be in a much stronger economic position now.

Examples of successful internationalising firms from New Zealand demonstrate that success is possible. Increased efforts to develop entrepreneurs, to train managers and others to become high-skilled workers, and to ensure adequate capital supply are all possible.

Other small countries are becoming prosperous by exporting differentiated goods and services and New Zealand must find a way to join them or find another strategy for success.

A strategy is a reallocation of resources to achieve a valued goal. If the goal is important and the strategy is sound then the reallocation should be material; sufficient to change the outcome. A few tens of millions of dollars is not material. Competing small countries are committing hundreds of millions of dollars to efforts they regard as strategically important.

Our conclusion that supporting internationalisation success for differentiated exports should be the economic strategy priority should be tested and debated. If the conclusion survives that scrutiny then a material reallocation of resources should follow.

While internationalisation is the main opportunity, the overall economic strategy proposed is to:

- * Focus economic development effort on high value export sectors selling differentiated products and services;
- * Prioritise labour productivity effort to improve performance of these high value export sectors with growth potential;
- * Reallocate resources from low productivity domestic activities into high productivity export activities and sectors;
- * Focus on the internationalisation stage of the business development process and ensure New Zealand firms can overcome the size and distance barrier successfully;
- * Continue to defend agriculture competitiveness to sustain export revenues and provide a sound platform for differentiated exports based on primary production;
- * Apply sufficient resources.

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<http://www.scoop.co.nz/stories/PA1008/S00283/nationals-2025-goal-definitely-not-a-plan.htm>

National's 2025 goal definitely not a plan

Thursday, 19 August 2010, 10:53 am

Press Release: New Zealand Labour Party

National's 2025 goal definitely not a plan

Labour Finance spokesperson David Cunliffe has welcomed The New Zealand Institute's discussion paper *A Goal Is Not A Strategy*.

"It reinforces the fact that a real plan involves a strategy based on diagnosis and analysis. This is in stark contrast with National's one simplistic goal of closing the income gap with Australia by 2025," David Cunliffe said.

"The Institute is a privately-funded, non-partisan think tank whose work draws on evidence, analysis and international experience. This discussion paper is not designed as a criticism of National's lack of an economic plan, but its title --- a goal is not a strategy --- tells a pointed story."

David Cunliffe said the Institute's paper confirms that while goals like 2025 can help focus attention on what's important, they need well-directed and strong actions, grounded in solid diagnosis of what is holding New Zealand back and a coherent plan to address those constraints.

"Labour understands the need to make fundamental change.

"New Zealand suffers from a lack of innovation and our poor performance in adding value to exports.

"We are being held back by poor productivity, but National is failing to invest in skills and technology," David Cunliffe said.

"New Zealand also critically lacks capital and savings, with capital misdirected to the property market rather than growing high value businesses and exports."

David Cunliffe said a Labour government would implement a clear and bold new direction in economic management. "Labour will act decisively, in partnership with business and the wider community, to address critical constraints of New Zealand's lack of innovation, productivity, exports and capital scarcity.

"It is essential that New Zealand builds decent workplaces that will attract and retain the highly-skilled and high-income workforce of the future.

"Building a successful economy requires goals, but it also requires milestones that demonstrate an understanding of what needs to be done. It requires a strategy. It requires a plan. National hasn't even begun to think about what's needed.

"National's idea of fundamental change is to give large tax cuts to its wealthy mates and set up a committee to look at savings. It has a 2025 goal without a single milestone or yardstick by which to judge progress."

ENDS

BigCake online

<http://bigcake.co.nz/investment/latest-nz-institute-paper-out-%E2%80%93-%E2%80%9Ca-goal-is-not-a-strategy%E2%80%9D-nz%E2%80%99s-tiddlywinks-approach-to-economic-growth/>

Latest NZ Institute paper out – “A goal is not a strategy”. NZ's tiddlywinks approach to economic growth

The NZ Institute's [latest discussion paper](#) – “A goal is not a strategy – focusing efforts to improve NZ's prosperity” – touches on one of BigCake's observations about how this country attacks its economic growth issues.

We're playing “bloody tiddlywinks” while countries, even of a similar size, play big boys' games.

Tens of millions of dollar there, millions here ain't going to make much difference.

As the NZ Institute says if a goal is important, then resources should be poured in to match. “Competing small countries are committing hundreds of millions of dollars to efforts they regard as strategically important.”

The Herald's Brian Fallow has [commented](#) on the sizeable discrepancy between what NZ will fork out for its national broadband network (calculated to be \$5-8 billion) and Australia's A\$43 billion.

“Canberra's estimate is the equivalent of \$2400 per Australian, eight times the per capita outlay of public money our Government is talking about.”

Fallow was making the point that “this does not, as they used to say, compute.” Someone is going to lose – the taxpayer and/or the consumer.

BigCake's point is the difference in ambition – geographical and population differences aside.

A couple of years ago I wrote about how the then Labour Government was, under the heading of economic transformation, going to spend \$3.6 billion over four years on infrastructure skills and R&D.

At the same time Ireland's National Development Plan projected expenditure of NZ\$105 billion on infrastructure alone over six years.

Whether either happened is not really the point – it's just the gap in ambition (and the money backing it) that hits you between the eyes.

You see the small thinking in the current Government's tens of millions approach to agriculture R&D.

As usual the NZ Institute's work is packed with good grunty stuff on what's wrong with our economy and what we can do to fix it.

"A goal is not a strategy" is focused on boosting the non-commodity side of the economy – "exports of differentiated goods and services, and helping firms overcome the barriers to internationalisation.

"New Zealand's exports have grown much more slowly than the OECD average partly because global trade in commodities (where New Zealand exports are concentrated) has grown more slowly than trade in differentiated goods and services.

"New Zealand's most important sectors for exports are tourism, agriculture, and manufacturing. All three sectors have average or lower than average productivity so simply growing these activities without also substantially lifting productivity would not lift GDP per capita materially.

"Other small countries are becoming prosperous by exporting differentiated goods and services and New Zealand must find a way to join them or find another strategy for success."

A post on the performance of our ICT sector has been banging around my head for a while. The above looks like good context for a post.



NewsTalk ZB (Auckland) (Auckland)

Mike Hosking Breakfast - 20/08/2010 - 06:40 AM

Mike Hosking

Station Ph: 09 366 0466

Hosking talks to the director of Asia Pacific Risk Management Roger Kerr about the NZ Institute economic think tank. Kerr says that NZers are good at analysing problems but not good at coming up with solutions. Kerr says that the report criticises Prime Minister John Key's economic goals, saying that NZ needs an economic strategy. [cont]

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Interviewees: Roger Kerr, Director, Asia Pacific Risk Management

Mentions: GDP; NZ Government

Duration: 2:20



NewsTalk ZB (Christchurch) (Christchurch)

10:00 News - 20/08/2010 - 10:02 AM

Newsreader

Station Ph: 09 366 0466

The NZ Institute report says the NZ economy must change to lift GDP and is critical of the PM John Key's goal of matching Australia, noting the need for a strategy.

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Interviewees: Roger Kerr, Business Correspondent

Duration: 0:33



NZ Institute says productivity focus needed

WELLINGTON — Productivity in the mainstays of this country's economy — agriculture and tourism — is low, so new high-productivity industries must be developed, the New Zealand Institute's latest discussion paper says.

Called A goal is not a strategy, the paper said raising the level of entrepreneurial activity and encouraging training for international business success should be a core part of the labour productivity agenda.

While New Zealand scored well on levels of entrepreneurship, it arguably had too many small independent businesspeople called entrepreneurs, and too few highly skilled entrepreneurs targeting international business success.

Information, communications and technology (ICT), and niche manufacturing, along with value-added and differentiated goods and services based on primary production, were the areas New Zealand should invest in most aggressively.

At the same time the country should still pursue opportunities in agriculture,

natural resources, and tourism where competitive advantage and high value jobs were available.

"Agriculture can be developed in three directions — value-added products, industry products and services, and intensification," the paper said.

Tourism was this country's second largest export earner, accounting for 24 percent in 2008, but the industry had lower than desired productivity.

So increasing the share of tourism in the economy would not improve overall productivity enough.

"Growing tourism without lifting productivity is a second-best solution.

"It would be better for New Zealand's GDP per capita to retrain the workers, and employ them to grow export sectors that have higher than average productivity."

When it came to manufacturing, Denmark demonstrated that a small country could be successful without a single large successful technology business, the paper said.

— NZPA



Productivity queried

Wellington - A new report critical of the lack of productivity in the economy highlighted a lack of government action, Labour says.

But Finance Minister Bill English said the Government was doing something about it while Labour didn't during its nine years in office.

The New Zealand Institute's latest discussion paper — A goal is not a strategy — said productivity in the mainstays of this country's economy, agriculture and tourism, was low, so new high productivity industries had to be developed. The paper said raising the level of entrepreneurial activity and encour-

aging training for international business success should be a core part of the labour productivity agenda.

While New Zealand scored well on levels of entrepreneurship, it arguably had too many small independent businesspeople called entrepreneurs, and too few highly skilled entrepreneurs targeting international business success.

That shortage meant the product of this country's inventiveness — large research output, inventions, and new business opportunities — was not being converted into international business success, the paper said. — NZPA

NZ lacks capital to make firms global

8:57 AM Friday Aug 20, 2010

New Zealand has invested too much in being inventive, and not enough in taking inventive ideas to global markets, says the New Zealand Institute in a new report urging a national focus on overcoming the barriers to creating high value global businesses.

"Performance at the internationalisation stage by New Zealand firms has been weak," says the report, entitled "A Goal Is Not A Strategy", a reference to the government's goal for New Zealand to catch up to Australian living standards by 2025.

"There is a shortage of entrepreneurs, experienced directors and well-trained managers, of capital, and of connections.

Efforts to lift innovation effectiveness have focused mainly on inventiveness, not internationalisation.

"The importance of the internationalisation obstacle has been under-estimated and the market failure in overcoming it has not been recognised."

The Institute says one of the major issues has been under-resourcing, with programmes that had potential being wound up because they were spread too thinly to succeed.

Instead, the Institute proposes a "material reallocation" of billions of dollars of government funds and effort should be thrown at high value manufacturing and internationalisation efforts over a number of years.

If government debt were allowed to rise to 20 per cent of Gross Domestic Product specifically to overcome the internationalisation barrier, "that would be a material reallocation of resources," the report says.

The Institute also suggests that economic liberalisation has created a mindset that relies too heavily on market forces to provide answers, and "a reluctance to intervene or 'tilt the playing field'," as other more successful exporting countries have done.

Fundamental to the problem is New Zealand's continuing over-reliance on agricultural commodity exports and inbound tourism, two sectors that suffer from long term low labour productivity performance, the Institute argues.

"Much more effort is required by New Zealand to establish the basis for success of wealthy small countries: that is, having large exports of differentiated products and services."

While some such products may exist in the agricultural sector, far greater opportunity is available in high value manufacturing and information technology, but the efforts to foster an inventive society have yet to be matched by a focus on training inventive people to be successful entrepreneurs.

"New Zealand does not have a single world class university degree focused on training entrepreneurs to internationalise businesses; instead, our entrepreneurs learn on the job.

"New Zealand's major agency for supporting internationalisation puts most of its effort into making introductions," the report says.



New Zealand is relying too much on agricultural commodity exports, according to a report. Photo / Hawkes Bay Today



Think-tank report calls prime minister's match-Australia aspiration inadequate

Tim Hunter

PRIME MINISTER John Key's aspiration of matching Australia's GDP per person has been labelled inadequate in a provocative report from an independent think tank.

The NZ Institute report, *A goal is not a strategy*, argues that New Zealand will get close to its goal by relying on liberalisation and market forces. Its nod to Mr Key's comments this year about the GDP target as an "aspirational goal" was deliberate, said institute director Rick Boven.

"It's deliberate to communicate to people that we need to do a whole lot more than we're doing at the moment if we want to meet this aspiration of rejoining the rich nations in terms of GDP per capita," he told BusinessDay.

The size of change required is significant, the report says. Even matching Australia's mining productivity would not make much of a dent in the GDP gap.

"If New Zealand increased its share of output from mining and quarrying and raised productivity to Australia's level in 2008, this would have improved New Zea-

land's GDP per capita by only \$1833, accounting for only 9 per cent of the 2008 GDP per capita gap," the report said.

In the year to December New Zealand's GDP per capita was \$46,683; Australia's was \$66,771. Catching up with Australia would require per capita economic growth of 4 per cent to 5 per cent, the report said.

Dr Boven said the biggest cause of the wealth gap with Australia was labour productivity in the private sector, but improving productivity in agriculture or tourism would only go so far.

"You can improve a business, but if it's a lousy business, even after the improvements it still might be a lousy business. So improving a business is not the same as turning it into a good business. I think that analogy applies to a country. You can do a lot of things to get economic improvement, but the question is are they enough to take you where you want to go?"

Successive governments had let markets take their course rather than intervening to support high-productivity export sectors, as countries such as South Korea and

Singapore had done, he said. "Pretty much all the OECD countries have this economic liberalisation rhetoric about leaving the market alone. New Zealand's the only one that actually believes the rhetoric. Other countries do a great deal to tilt the playing field."

While the institute has yet to advocate policy measures for tilting the playing field, the growth recipe has opponents.

Business Roundtable executive director Roger Kerr said liberalising the economy was the top priority. "There's a lot of fundamental issues not in good shape in the first place – government spending, tax burden, barriers to growth. You can't just slide over those and put something else on top. The order of importance is still the other way round."

The institute wants the country to prioritise information, communications and technology, and niche manufacturing, along with value-added and differentiated goods and services based on primary production. Mr Kerr called this misguided. "Efforts by governments to pick winners have been sad failures."

New policies, funds needed to make firms global

• [Business](#)

20 Aug 2010

Article - Businesswire

New policies and billions needed to make companies global: NZ Institute

By Pattrick Smellie

August 19 (BusinessDesk) – New Zealand has invested too much in being inventive, and not enough in taking inventive ideas to global markets, says the New Zealand Institute in a new report urging a national focus on overcoming the barriers to creating high value global businesses.

“Performance at the internationalisation stage by New Zealand firms has been weak,” says the report, entitled “A Goal Is Not A Strategy”, a reference to the government’s goal for New Zealand to catch up to Australian living standards by 2025.

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While some such products may exist in the agricultural sector, far greater opportunity is available in high value manufacturing and information technology, but the efforts to foster an inventive society have yet to be matched by a focus on training inventive people to be successful entrepreneurs.

“New Zealand does not have a single world class university degree focused on training entrepreneurs to internationalise businesses; instead, our entrepreneurs learn on the job.

“New Zealand’s major agency for supporting internationalisation puts most of its effort into making introductions,” the report says. “The results reflect the lack of effort. Competing countries do much more.”

(BusinessDesk)

BigCake online

<http://bigcake.co.nz/exports/nz-institute-describes-our-economic-hole-%E2%80%93-a-guide-to-why-nz-needs-to-walk-the-talk-to-escape/>

[Latest NZ Institute paper out – “A goal is not a strategy”. NZ’s tiddlywinks approach to economic growth](#) [Gallup – NZ second in world as preferred place to emmigrate to](#)

NZ Institute describes our economic hole – A guide to why NZ needs to walk the talk to escape

BigCake’s four big themes have been:

1. Economically we are in a hole
2. We need to recognise we are in a hole
3. We can extricate ourselves if we get our act together
4. NZ is still a pretty sh!t hot place, so while climbing out of the hole, we need to protect what’s great about living here.



Regarding numbers 1 and 3, the NZ Institute thinktank has been a major influence.

Following up on yesterday’s [post](#). Below I’ve cherry picked facts from the institute’s latest paper, [A goal is not a strategy](#), to show that NZ is in a hole. Many challenge the way we like to think of ourselves:

Innovation and education

- New Zealand has the highest proportion in the OECD (equal with Ireland) of highly skilled people living in other OECD countries.
- None of the 10 MBA programmes offered around the country focuses on developing the skills needed for international business success.
- In New Zealand innovation is often confused with inventiveness. As a result there is a tendency to think that if R&D output is increased then innovation will increase. Unfortunately for New Zealand, which is quite good at inventiveness, innovation also depends on successful commercialisation of the new way of doing things, and New Zealanders are not so good at this.
- New Zealand’s innovation and business sophistication score is low relative to the scores for many other advanced economies indicating there is great potential to improve innovation, and that doing so would lift economic performance substantially.

Agriculture

- In 1990 New Zealand had around five hectares of agriculture and forestry land per person; today it has less than three hectares per person. Population growth will reduce that further.
- Productivity per hour worked in agriculture is not very different between New Zealand (NZ\$40) and Denmark (NZ\$50). But in New Zealand the productivity of agriculture is around 83% of the average for the whole economy (NZ\$48) whereas Denmark’s agricultural productivity is only around 47% of Denmark’s overall average productivity (NZ\$106). Despite outperforming New Zealand in agriculture, agriculture is not the powerhouse of the Danish economy.
- Denmark and New Zealand have almost identical food and agriculture, beverages and tobacco exports per capita. However, New Zealand uses a greater share of its total workforce (6.8%) than Denmark (2.6%) to achieve the same result.

Entrepreneurship

- Two-thirds of New Zealand entrepreneurs are home based and tend to be ‘solo’ operators with few employees. Many of these people are satisfying their desire for independence, to be their own boss. These small independent businesses are likely to have quite low productivity. The relative abundance of these small businesses is therefore likely to be contributing to low overall relative productivity.
- New Zealand has too few highly skilled entrepreneurs targeting international business success. The shortage means the product of New Zealand’s inventiveness – large research output, inventions, and new business opportunities – is not being converted into international business success.

Exporting

- New Zealand’s exports have grown much more slowly than the OECD average partly because global trade in commodities (where New Zealand exports are concentrated) has grown more slowly than trade in differentiated goods and services.
- New Zealand’s most important sectors for exports are tourism, agriculture, and manufacturing. All three have average or lower than average productivity so simply growing these activities without also substantially lifting productivity would not lift GDP per capita materially.
- Commodities are well known for their cycles, and reliance on them would mean New Zealand would continue to be exposed to volatility and price shocks.

General

- New Zealand and Denmark have similar small populations yet the institute calculates that Denmark’s GDP per worker (NZ\$170,386) is more than twice New Zealand’s GDP per worker (NZ\$83,842).
- New Zealand’s manufacturing labour productivity is the same as that of agriculture, at NZ\$40 per hour worked. In comparison, Denmark’s manufacturing labour productivity is almost 90% higher than New Zealand’s, at NZ\$75 per hour worked.
- Despite strong doses of economic liberalisation, New Zealand’s GDP per capita remains lower than the OECD average and much lower than Australia’s. New Zealand’s private economy labour productivity is 57% of Australia’s.
- New Zealand scores relatively poorly on measures of infrastructure development, placing 35th in the world with the quality of roads, railways, and electricity ranking worse than the OECD average.

It’s a pretty big hole, but it’s one that we can get out of if enough of us accept we are in a hole. We also need to accept that something more needs to be done to get us out our hole than we are seeing at the moment.

In *A goal is not a strategy*, which everyone interested in the above issues should read, the Institute again sets out the case for change and the bare bones of an economic growth strategy. It says New Zealand needs to:

- Focus on the internationalisation of high value, differentiated export sectors
- Prioritise labour productivity improvement efforts on these sectors, and
- Reallocate resources from low to high productivity sectors.

[Photo credit - [horslips5](#) via Flickr]

[HTTP://WWW.IMPERATORFISH.COM/2010/08/NZ-INSTITUTE-REPORT-SHOULD-BE.HTML](http://www.imperatorfish.com/2010/08/nz-institute-report-should-be.html)



FRIDAY, AUGUST 20, 2010

NZ Institute Report Should Be Obligatory Reading For Politicians

The New Zealand Institute has written a report entitled *A Goal is not a Strategy: focusing efforts to improve New Zealand's prosperity*. You can see a copy of the report [here](#).

The title is a swipe at the National Government's goal to close the income gap with Australia by 2025, even though there appears to be no plan to achieve that goal. The report is also critical of the 2025 Taskforce and ideologically-driven market liberalism generally. It is a genuinely refreshing read on the state of our economy and what we can do to increase economic growth.

The report pins much of the blame for our poor performance on an over-reliance on economic liberalism. Some features of economic liberalism are necessary and desirable, but a blind adherence to liberal policies has harmed our economy.

The report identifies the ten standard prescriptions for economic liberalism followed by many western governments. They include: fiscal policy discipline, government focused on core services only, tax reform, market determined interest rates and exchange rates, liberalisation of trade and of inward foreign direct investment, privatisation of state-owned assets, market deregulation, and secure property rights.

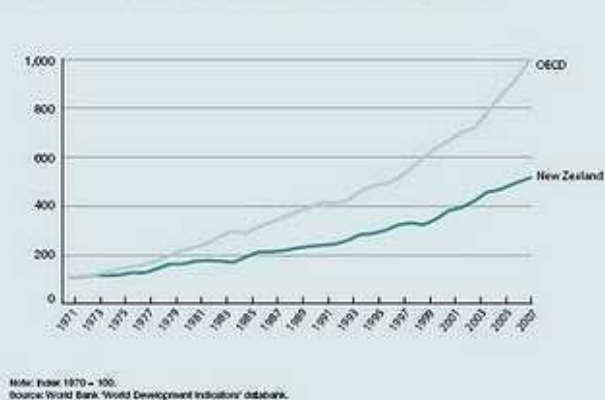
The report favours an alternative approach to economic liberalism, labelled the "diagnostic approach". Essentially, the diagnostic approach moves away from ideology and looks at the country-specific binding constraints on economic growth. In this way the policies adopted by each country will be unique, because conditions are different in every country. That is a very different approach to the one taken by the economic liberals, whose prescription is always the same (cut taxes, sell assets, cut government spending, deregulate etc), regardless of conditions.

Examples are given of Asian economies that have applied a "diagnostic" approach. These countries have identified issues specific to them, and have not been afraid to intervene in areas where market liberalism would prescribe non-intervention.

The diagnostic approach may sound like plain common sense, but the neo-liberal acolytes running National and ACT Government are not kindly disposed to adopting any methodology besides the one they understand. Their minds are generally closed to other ways of doing things. You can see this clearly in the [2025 Taskforce Report](#). Its recommendations were

based entirely on liberal economic theories. While John Key has distanced himself from those recommendations, one senses that he has only done so because they are politically unsaleable, not because he disagrees with them.

FIGURE 3: REAL VALUE OF GOODS AND SERVICES EXPORTS, 1971-2007

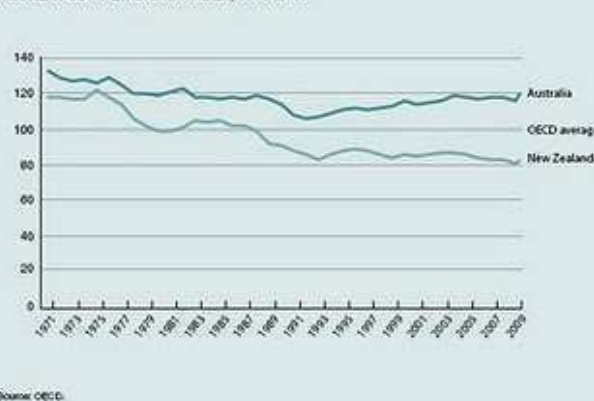


The New Zealand Institute report looks at our low rates of productivity and examines the reason for those low rates. One of the main reasons for low growth it identifies is our over-reliance on commodity exports. Commodity prices are fickle, and this means the value of our exports, compared against the OECD average, continues to slide. We will not arrest this slide unless we invest more in high value exports. That is why the value of our exports compared to the OECD average is so poor.

The report notes that we would be better off growing the market for high-value exports, such as niche manufacturing, or the manufacturing of value-added primary produce. ICT is also an area where we can do well, and where our distance to market is not such a problem.

It is sobering to think that we were once a wealthy nation. The shock of the UK entering the EU in the early 1970s was catastrophic, and we responded to that challenge extremely poorly. The head-in-sand policies of the Muldoon government set New Zealand back by decades, and meant the reforms of the '80s and '90s were more painful than they needed to be. Things have steadied since 1990, but we have not seen any rise in our fortunes when compared with other countries.

FIGURE 1: GDP PER CAPITA INDEX, 1971-2009



Productivity is also stifled by the shortage of capital. We have some good entrepreneurs and risk-takers, but our poor savings records and addiction to overseas debt mean there's little money for new ventures or new businesses. The only money readily available is from banks, and banks are conservative lenders. We also tend to rate our management skills more highly than can be reasonably justified. Overseas reports have suggested we have a shortage of good managers, and this is constraining many of our companies.

We are also poor at commercialising innovation. We're good at inventing and coming up with bright ideas, but terrible at taking them to market. This is partly due to a lack of capital, but there are a lot of other reasons for this lack of success, which the report does not address. I've written extensively on these before.

We can also do better on the education and skills front. We still have too many people leaving school without basic skills. And many who are highly skilled choose to ply their trade overseas.


These things can be improved if governments are prepared to invest in education and training. Unfortunately, the narrow focus of the current regime on standards, while cutting funding to adult education, suggests this is a low priority.

It will not be easy to fix our poor capital markets. A tradition of deregulation and of speculation in real estate, and an addiction to overseas borrowing, has left our capital markets in a parlous state. A move to encourage savings may help, and there are clear signs both major political parties have this on their agendas. There is also some work being done on capital and securities market reform at the moment. Unfortunately, only a few of the incentives to invest in real estate have been taken away.

This report is a good reminder of how flawed our current economic model is. For the last 25 years we've been told that the key to economic growth is tax cuts, deregulation, and a reliance on the market. This report reminds us that market liberalism simply won't work, unless it takes into account the unique challenges we face as a nation.

We are still driving in reverse: obsessing over tax cuts, cutting red tape, and reducing government spending. Key's government is at least "taking a look" at a few things, such as compulsory savings, and capital market reform. But Key seems to lack the nerve to make tough decisions*, so I am not hopeful we will see the "step-change" Key keeps talking about any time soon.

* To be fair to Key, it's not as if Labour's nine years in power saw much change on many of these critical issues.

Posted by Scott at 1:35 PM 

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Labels: [2025 Taskforce](#), [economy](#), [innovation](#), [John Key](#), [New Zealand Institute](#), [productivity](#)

<http://bigcake.co.nz/exports/if-ambition-was-sales-%E2%80%93-the-unfulfilled-dreams-of-the-it-sector-and-how-the-export-growth-debate-has-moved-on/>

If ambition was sales – the unfulfilled dreams of the IT sector and how the export growth debate has moved on

This post started out focusing on the lack of ambition of our businesses and politicians, but noting one honourable exception – the Kiwi IT sector.

That led to BigCake wondering what has become of all this IT ambition. Unfortunately not much, from a national big-picture perspective anyway. For sure, there's heaps of IT businesses whose results match their ambitions, but I'd guess there's an equally big heap where reality has fallen short.

That sort of lead to the question: why's that? Is our IT sector a bunch of dreamers or is something else going on?

And that got me thinking about how the debate regarding what's holding our exporters back has changed in the last decade or so.

Anyway, as mentioned BigCake has been a bit obsessed by a lack of ambition around the Kiwi shop which just seems at odds with our pioneering past, though the more he thinks about it, not so much.

One group of Kiwis not so inhibited is the IT sector. What's happened in this sector (with its abundance of dreams, energy and ideas) brings home the magnitude of the problems facing globally ambitious Kiwi companies.

If ambition was sales...

Latest export sales stats show the sector has been going backwards from \$1.6 billion in 2006/07 to \$1.4 billion in 07/08. Domestic sale increased a bit over that latest period.

As a result, you have to wonder whether our leaders have now given up on IT, and other high-value sectors, because they're too hard and instead have gone and put most of our eggs back in the agriculture/commodity basket.

It's the path of least resistance, but it's also a risky one as the last 50 or so years have shown.

Back in 2003 the [ICT taskforce](#) came out with a set of targets for the industry to achieve by 2012, including:

- More than trebling the number of employees to 125,000
- More than doubling the sector's contribution to gdp to 10%
- A 625% increase in the number of \$100m plus IT companies to 116.

To get an idea of how big a leap the last one was, there were only 15 companies in the \$50 – \$100m bracket at the time. Just 16 had already made it. I think this target was later (sensibly) modified to be less focused on a number of companies and more on the 10% of gdp target.

Anyway, they're not going to happen.

For the taskforce these targets were not aspirational – the collective wisdom of some of the brightest minds in the ICT sector (Peter Maire, John Blackham, Ian McCrae...) was that it could be done...provided there was a "serious commitment to change". Which of course never happened.

The NZ Institute's latest report ["A goal is not a strategy"](#) also goes into this issue of our inability to 'walk the talk'.

It's interesting to compare what the ICT Taskforce saw as the constraints back in '03 with what the institute now sees as the problems holding back high-value sectors like IT (acknowledging they're got different approaches).

BigCake sees the changed diagnoses as a sign of how the export support debate has moved on.

The issues, as the taskforce saw them, were:

1. The shortage of commercialisation skills and experience to go global
2. The supply of appropriately educated graduates. The taskforce was particularly worried about the need to “inspire and engage with tomorrow’s ICT talent”.
3. Celebrating our ICT heroes
4. The regulatory environment.

For sure, they were big problems back in '03 and in the main, are still so today. However, in today’s debates on how to grow exports, the taskforce’s constraints seem a bit self regarding, internalised and maybe naïve.

Are they really the heaviest anchors on the ICT sector’s ambitions now, or even back then? Would a 2010 taskforce consisting of Rod Drury, Sam Morgan etc produce a completely different the set of constraints?

Dunno. Let me know.

In a “Goal is not a strategy” the NZ Institute has come up with alternative diagnoses for sectors like IT that reflect where BigCake thinks the export growth debate has gone in the last couple of years (or at least gone in his head).

I’ve posted on this shift, or the need for it, [before](#) while looking at the work of people like economic geographer Philip McCann.

The guts of what the institute is saying is this: “Much more effort is required by New Zealand to establish the basis for success of wealthy small countries; that is having large exports of differentiated products and services.” (eg. IT ones)

Its list of constraints on achieving this is:

- Size and distance – “Other countries have implemented policies to help domestic businesses overcome the size and distance barrier challenge. New Zealand has not pursued the range of policy initiatives that other countries have, and all of these countries have been more successful in growing differentiated exports.”

The institute has looked at the support countries like Singapore, Korea, Denmark, Australia and Israel give their exporters to overcome their size and distance problems. We give financial support, but not R&D tax credits or exemptions, skill development help and we don’t do industrial park development.

- Infrastructure – “New Zealand scores relatively poorly on measures of infrastructure development, placing 35th in the world with the quality of roads, railways, and electricity ranking worse than the OECD average.”
- Exchange rate policy – while a floating exchange rate provides commodity exporters with a natural hedge, it is not so good for sector like IT. “Exports are usually priced in the currency of the destination market so the consequence of the exchange rate rising and falling for non-commodity exporters is that earnings fluctuate.”
- Picking winners – encouraging the development of the kinds of economic activity that are regarded as more valuable including sub-sectors and individual businesses.
- Supporting cluster development.

Yeah, so things have moved. The perceived problems now are more external or structural and as such much more difficult to resolve, in part because we haven’t really acknowledged how big the issue is.

Most of the above get a mention in the taskforce report, but don’t make it to the list of top-line issues.

So if you were on a 2010 ICT taskforce, what would be your top three problems and the related fix?



Local leaders need to step up

by Manu Caddie

A REPORT released last week from independent think tank The New Zealand Institute should be compulsory reading for all local leaders. "A goal is not a strategy" concludes that New Zealand needs to get more businesses to establish themselves overseas, ensure we have a high-skilled, well supported workforce and put more focus on the science and technology of industries like farming, forestry and fishing.

The report concludes that lifting labour productivity depends on improving things like entrepreneurship, innovation, skills, investment and natural resources.

It suggests New Zealand's most important export sectors — tourism, agriculture and manufacturing — have lower than average productivity so simply growing these activities without also substantially lifting productivity will not lift GDP per capita.

There are many opportunities in the areas Gisborne excels at, such as agriculture, horticulture and tourism. But information, communications and technology (ICT) and niche manufacturing, along with value-added goods and services based on primary production, are where we need to invest



most aggressively.

Ngati Porou schools, with support from the Ministry of Education, have invested millions in ICT over the past 10 years, Lytton High School has been producing world-class computing graduates and some of our most successful local entrepreneurs found success through internationalising their business.

I was at the Federated Farmers presentation to the Community Development Committee of Gisborne District Council earlier this month and have some sympathy for their frustrations about the high value of our currency. As the son of a farming family, in the early 1980s I saw similar stress on farming families from record droughts and 24 percent interest rates.

The reality is that unless our primary production sectors make a quantum shift from high-volume, low-value exports into new knowledge and technology-based goods and services, our region will be left behind. Local leaders need to get much better at building the case for attracting some of the billions available for research and scientific investment in our primary industries. The world is hungry and looking for more sustainable production of both food and construction materials. While we cannot feed and house the planet, we can provide new technology and productivity skills to other countries. Organics, biofuels, renewable energy



are all industries with massive growth potential this century.

So, where is the strategy for retaining and attracting talent to our district? How can we support local businesses to internationalise their expertise? What are we doing about the social issues that impact on our children and their ability to reach their full potential? What is the Plan B once transport costs make our low-value exports even less competitive? Who is doing the thinking and influencing to help our region step up as a model for the rest of the country?

The proposed Economic Development Agency has great potential to lead some of this work, provided that it avoids being captured by special interest groups; appreciates the interdependent relationship between social, economic and environmental wellbeing; and encourages the development of national educational leadership from local schools.

We live in a region that has everything going for it — a wealth of natural resources, rich cultural heritage, world class innovators, a clean environment and caring community. We don't need to follow the path of places like Tauranga that might have gained the world but in the process lost its soul. Our regional development strategy has to be smart and sustainable in a way that enhances our communities, economic security and natural environment.

<http://www.policyprogress.org.nz/2010/08/pick-ict-niche-manufacturing-as-winners-says-nz-institute/>

[Pick ICT and niche manufacturing as winners, says NZ Institute](#)



By [David Choat](#)

Category: [Progressive Path to Prosperity](#)



The New Zealand Institute is probably the only really serious thinktank we have in New Zealand (as opposed to the handful of right-wing advocacy groups that style themselves as such). Its current focus is on how the New Zealand economy can be more prosperous and effective, which is also a topic that I've been looking at here at Policy Progress in the 'Progressive Path to Prosperity' workstream.

So, when the Institute last week released its report [A goal is not a strategy: Focusing efforts to improve New Zealand's prosperity](#), I was keen to take a look, especially since I knew its director Rick Boven would be speaking at the Fabians seminar *What Will Fix New Zealand's Economy?* (held last night).

I'm glad I did. It's a useful report, with some interesting facts and figures scattered throughout, and a proposal that I think is definite worthy of debate.

But I'm also a bit frustrated. There's some important gaps and a lot of the really crunchy issues and difficult decisions have been pushed out to the next report in this series.

In essence, what *A goal is not a strategy* is advocating is that New Zealand make a definitive choice to back information and communications technology (ICT) and niche manufacturing as the crucial sectors that we need to grow.

This, of course, is 'picking winners' and for a generation we've been told by 'serious' people that doing that was economic lunacy. But the policy cycle seems to have swung around again, and a lot of heavy-hitters now seem to be open to at least a cautious version of the 'picking winners' approach.

I don't have a problem with that. And the report makes a good argument that the more even-handed open-to-all-players approach has resulted in 'insufficient aspiration and lack of a sufficient focus':

Aspiration is missing partly because there is not yet sufficient agreement that ICT and niche manufacturing should be the priority sectors. As yet there is no consensus that agriculture and natural resource development will be insufficient, nor that New Zealand can build a prosperous economy based on innovation and exporting value-added goods and services. (p. 33)

The other thing I like about this report is its insistence that an economic strategy has to have some real consequences if it's to make a difference:

A strategy is a reallocation of resources to achieve a valued goal. If the goal is important and the strategy is sound then the reallocation should be material; sufficient to change the outcome. A few tens of millions of dollars is not material. Competing small countries are committing hundreds of millions of dollars to efforts they regard as strategically important. (p. 3)

Their critique of the failings of government efforts to support cluster development (p. 46) illustrates this point well. An evaluation of New Zealand Trade and Enterprise (NZTE) programme four years on found it to be “too small, too thinly spread and its objectives and outcomes were insufficiently defined to support true cluster development”. So was the response to put more money in and tighten its focus? No, the programme was abandoned as it was felt “that regions were in a better position to prioritise and make decisions that suit their needs which may include cluster funding.” (There may be another side to this story, but on the face of it that seems an illogical response to those findings.)

But I have some misgivings, too. Firstly, it's not clear to me that picking “ICT and niche manufacturing” really narrows things down that much. It represents a clear choice not to rely on agriculture as our engine of growth (while preserving our existing strength there). But there isn't really a definition of what that does and doesn't include, and why.

Nor is it conclusively demonstrated that things like, for instance, the previous government's [focus on the development of the food and beverage sector](#) were a misjudgment. The report makes much of the low productivity rate of the agriculture sector overall, but surely this masks quite a range (as with manufacturing) and there are high-tech high-productivity pockets in agriculture and affiliated industries.

Secondly, while some of this is yet to be unpacked, it reads like what the report is advocating is pouring an awful lot of money into business assistance. Maybe that *is* what we need to do, but I'd like to have seen a bit of evidence about that sort of thing being a good spend.

Personally, I'm still cautious that throwing contestable grants (or loans) at individual business who meet the right tests and are in the right industry is the most important thing we need to do. I'm inclined to feel that more cross-cutting issues like our low rate of savings and (related) the capital shallowness of New Zealand business are more the sort of things we need to address, and that implies rather different policy levers. (These issues are touched on in the report, but aren't its main focus.)

One of the general problems that the report does have a bit of a focus on is our weak management capability, and I'd tend to agree that this seems to be a problem. But I'm a bit perturbed by the lack of evidence of our weakness that they've actually assembled here. I think the report does a good job reconciling some of the areas where we are reported to be strong — we score well on measures of entrepreneurship and on ease of starting a business — with our overall weakness: we end up with a lot of SMEs satisfying people's desire for independence but not really building up the kind of skilled entrepreneurship that's needed to break through into successful exporting.

But there really isn't anything beyond assertion to show that we really do have weaker levels of management capability than our competitors. The MED report [Management Matters](#) is cited but its findings aren't really presented.

That means that report doesn't really offer us any insights about why or in what ways our management capability is weak, and what structural factors might be responsible and need addressing. That gap results in some rather out-of-left-field solutions: is ensuring one of our ten MBA providers offers a "full-time world class" programme focused on international entrepreneurship really a transformative difference??

This all leads the report to the conclusion that supporting success at 'internationalisation' in ICT and niche manufacturing should be New Zealand's economic strategy priority. But exactly what 'internationalisation' entails isn't spelled out and "[t]he specific actions, resource reallocations, and policies required to lift internationalisation performance remain to be identified and agreed" (p. 51).

I guess we have to accept that this report is one step in a wider work programme, and only takes us so far. And despite the limitations I've outlined, I think it does provide a good conversation-starter for a debate on which winners to pick and how best to help them. But we need to *have* that debate, and argue back and forth about the evidence — we can't take it that the New Zealand Institute has made a settled case for anything, as yet.

Postscript: I drafted this post before going to the Fabians seminar last night. I took the opportunity at that event to ask Rick Boven whether the significant sums he envisaged this emerging strategy as requiring were actually to be spent primarily on business assistance programmes, as the report seemed to suggest (and as I mentioned above). Surprisingly, he said no — he felt the priority spend was on various innovation-friendly tax-breaks in areas such as depreciation.

I thought that was pretty interesting as in some ways it chimes in more with my mention of cross-cutting obstacles (above) than with needing to pick winning sectors (although the tax-breaks could be restricted to certain sectors). It's also an idea that's entirely absent from the report except in a 'case study' on South Korea (pp. 40-41). That case study felt somewhat superfluous when I first read it, but it may turn out to be an important pointer to the New Zealand Institute's further work in this area.