

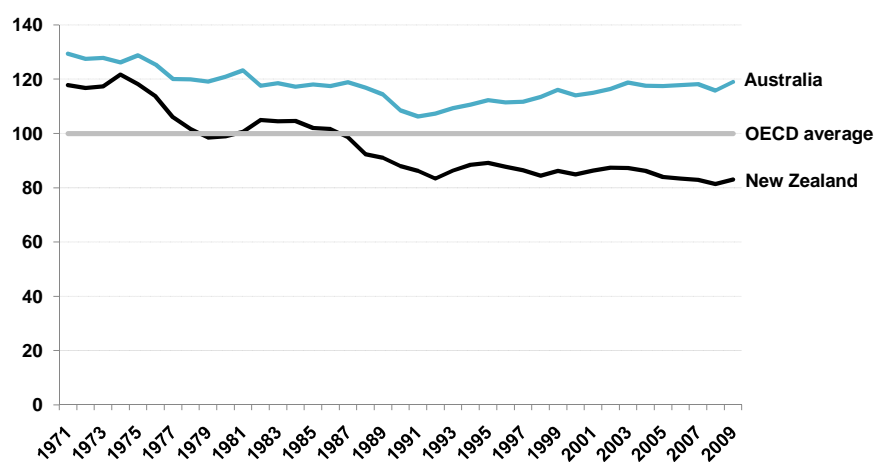
## Strategies to leverage prosperity from New Zealand niche market manufacturing

Presentation to  
Metals New Zealand Industry Conference 2011

Dr Rick Boven  
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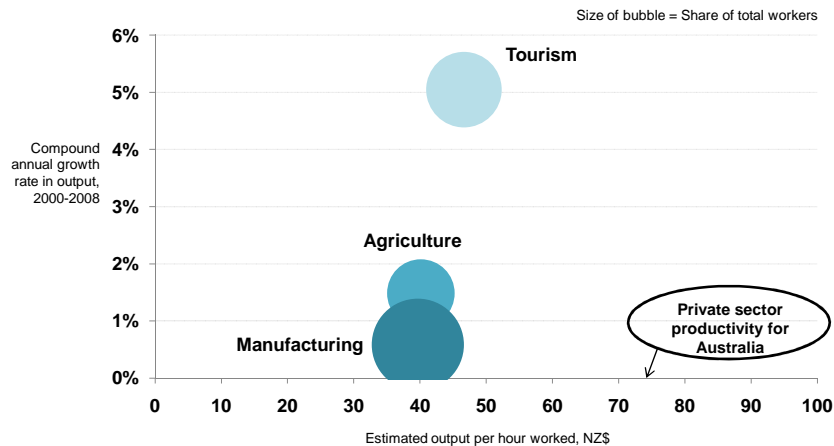
### GDP PER CAPITA INDEX, 1971-2009



Source: OECD.

## NO EXPORT SECTOR DISPLAYS SUFFICIENT PRODUCTIVITY

Labour productivity, output growth, export sectors, 2008



## WHY DO TRADITIONAL EXPORT SECTORS HAVE LOW AVERAGE PRODUCTIVITY?

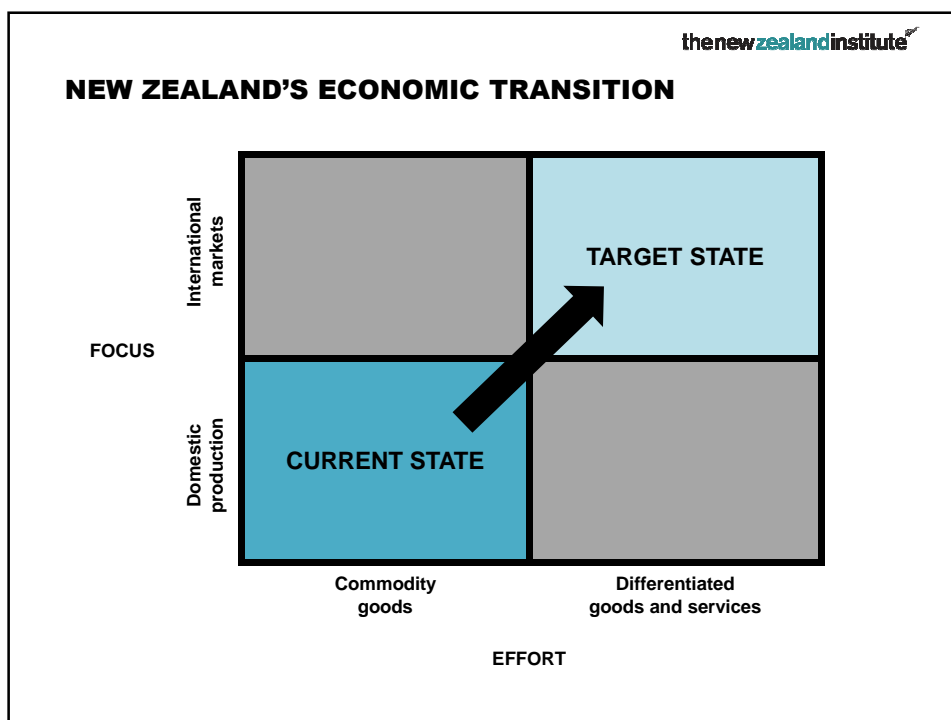
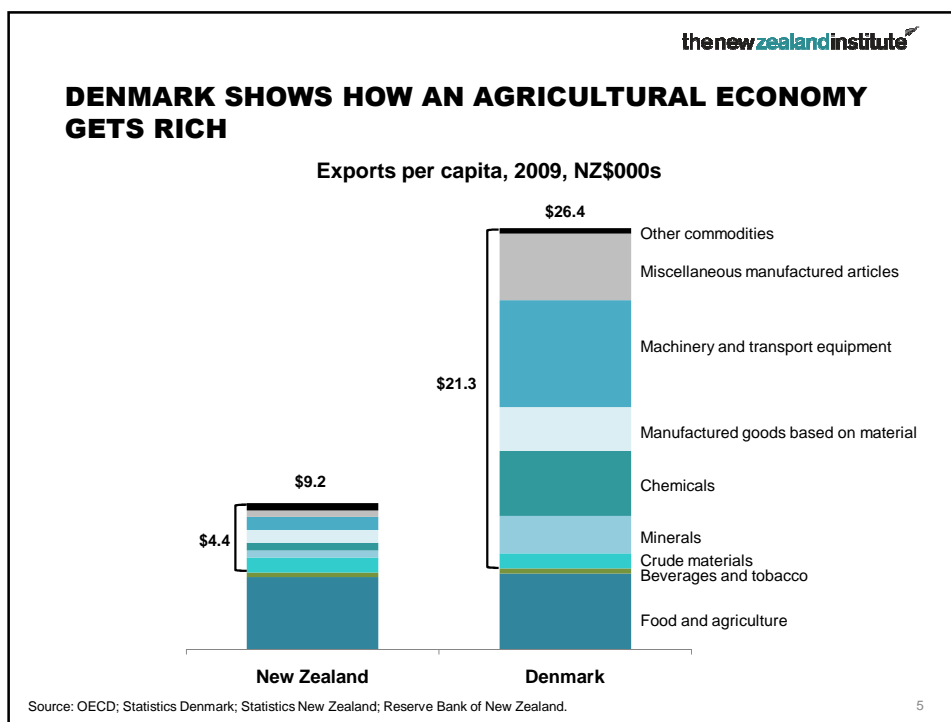
Productivity is measured in dollars earned per hour worked

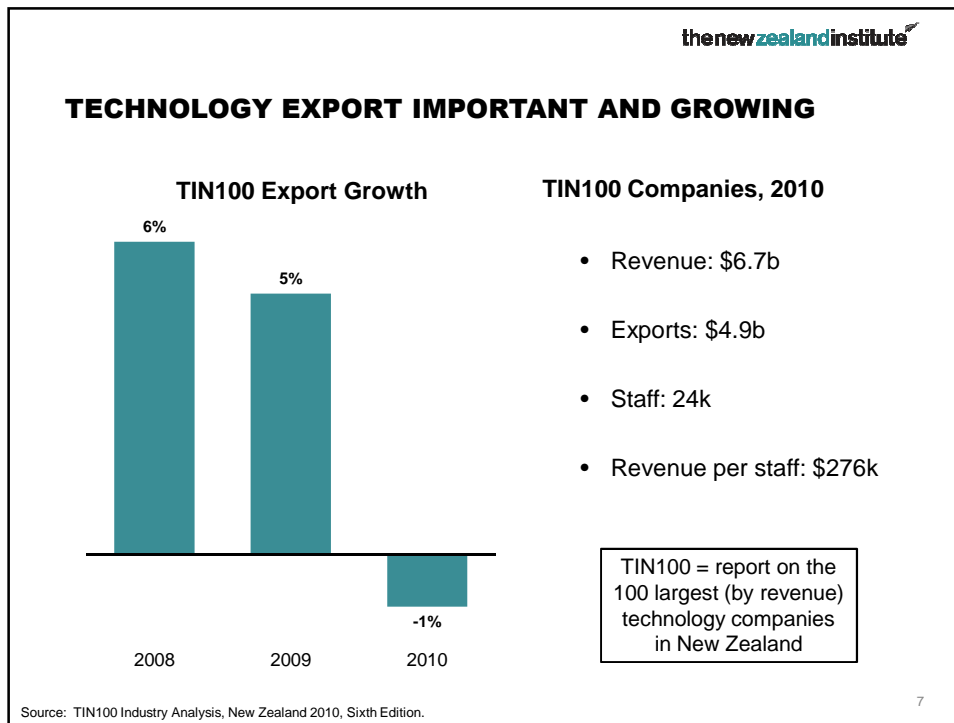
- On farm efficiency improvement is not the same as productivity growth

Agriculture competes with low cost developing countries and high efficiency developed countries close to market

Tourism competes with low cost competitors and most jobs are low-skill

Manufacturing is disadvantaged by low capital intensity, small scale, lower than average management quality, and distance from markets





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### FOCUS EFFORTS WHERE THERE IS A GOOD CHANCE OF SUCCESS

Government's goals imply increasing exports by over \$100 billion in 15 years

- Encouragement and relying on market forces with business as usual will be insufficient
- Investment is both justified and required to achieve such a goal

Focus investment on high productivity sectors where New Zealand can gain competitive advantage

- Choose sectors based on what is already working

Focus on the drivers of productivity

- Innovation
- Talent
- Capital

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**A PIPELINE OF FIRMS IS ESTABLISHED**

Sector	Revenue \$m	Number of firms	Average revenue per firm \$m	Total number of employees	Average employees per firm	Revenue per employee \$000
Food and beverage manufacturing	6,107	205	39.5	34,850	170	233
Niche manufacturing	6,002	633	12.7	31,050	50	255
Information, communication, technology and media	791	267	3.0	4,600	18	165
Agriculture (excluding commodities)	515	114	4.5	2,052	18	251
Scientific and medical	448	312	1.4	3,744	12	120
<b>Total</b>	<b>17,923</b>	<b>1,531</b>	<b>11.7</b>	<b>77,102</b>	<b>50</b>	<b>232</b>



Source: Statistics New Zealand Business Operations Survey 2008 – Statistics on technology intensive sectors.

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**SOURCES OF DISADVANTAGE – PRODUCTIVITY DRIVERS**

Disadvantage	Why?
Innovation	<p>Late starter – only got going around 2000</p> <p>Size and distance makes it hard to succeed from New Zealand and not enough is done to help firms overcome the barriers</p> <p>Less incentives offered than competitors</p>
Talent	<p>Brain drain</p> <p>Slow to align workforce needs with training investment</p> <p>Large pool of under-skilled people not being addressed</p>
Capital	<p>Low saving incentives leads to low saving</p> <p>'Misallocation' of investment via tax incentives for residential housing</p> <p>Not 'investor-oriented' for FDI</p>

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## GROW HIGH VALUE EXPORTS – FOCUS ON THE DRIVERS OF PRODUCTIVITY

### Innovation

- Help firms overcome the disadvantages of size and distance – shared cost facilities, information, connections
- Specialise and build scale in target sectors
  - Nominate the sectors New Zealand will invest in
  - Establish sector specialised at-scale research and commercialisation institutions, clusters, colonies

### Talent

- Unlock obstacles to growing science, engineering, technical and international business talent
- Focus more academic effort on improving outcomes for New Zealand; reduce emphasis on publication
- Improve skill levels of adult workforce and of disadvantaged youth
- Strategic immigration policy

### Capital

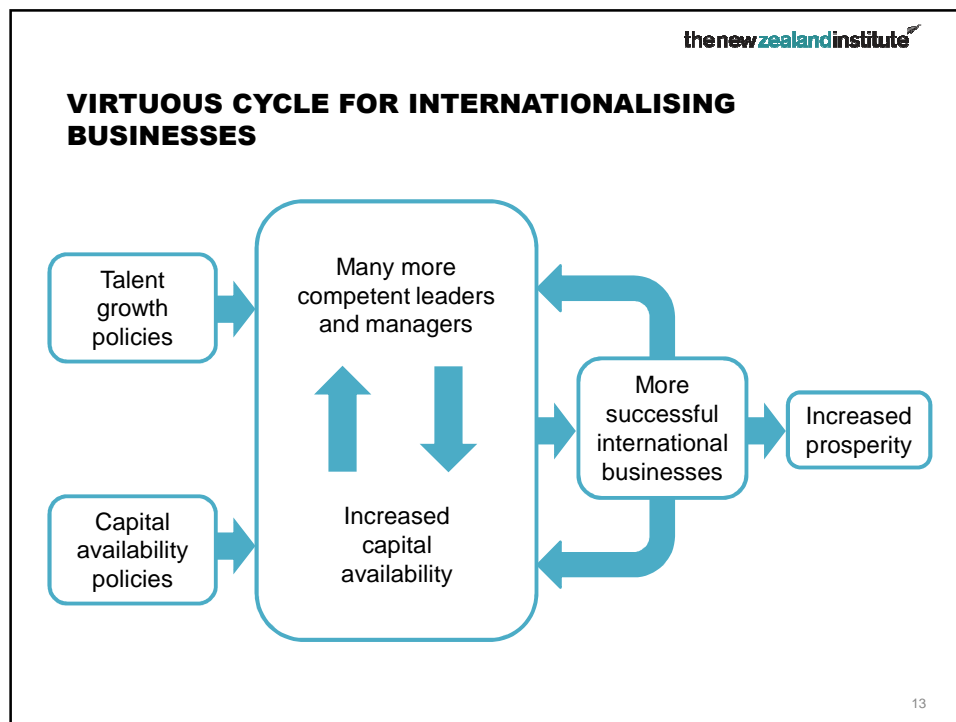
- Saving, tax, FDI/ODI policies
- Incentives to invest in high value exporters

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## OUR SPECIFIC PROPOSALS TARGET AREAS OF CONSTRAINT

Expansion capital	Connect venture funds with international partners Provide tax incentives to angels and investors in venture funds Establish loan guarantee scheme
Talent	Establish institutes with purpose of lifting business competences in entrepreneurship, sales, marketing, strategy, operations IoD to offer training for directors of internationalising firms
Information	Establish library of how-to information for firms Establish utility information clearinghouse Focus more research on internationalising firms' needs
Connections	Develop clusters in NZ and colonies offshore Establish Innovation Council to monitor progress, prioritise and mobilise resources

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**OUR CULTURE CHANGE MESSAGE IS IMPORTANT**

Don't	Do
Assume you understand what the customer wants	Research & understand customer needs, wants, and competitor offers
Turn up and demonstrate the product or service	Have a plan to establish & maintain the relationship and make the sale
Arrive in your normal clothes	Dress, communicate and behave to fit in with the customers' expectations, conventions & values
Assume you can do it all yourself	Learn who can help you and how  Invest in NZ and international networks

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**PLUGGING THE GAP**

Image courtesy of Lee ter Wal Design

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## **RELEVANT RECENT PUBLICATIONS**

Plugging the gap: An internationalisation strategy

- Rick Boven, Catherine Harland, Lillian Grace, Dec 2010

A goal is not a strategy: Focusing efforts to improve New Zealand's prosperity

- Rick Boven, Dan Bidois, Catherine Harland, Aug 2010

Standing on the shoulders of science: Getting more value from the innovation ecosystem

- Rick Boven, Dec 2009

Behaviours to increase international business success

Rick Boven and Tony Smale, Sep 2010

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