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Media Release

Tuesday, 29 December 2009

A prescription for a Prosperous New Year

Innovation and economic development expert calls for fresh thinking on creating a prosperous New Zealand.

MARLBOROUGH, NEW ZEALAND: If New Zealand is to ever again enjoy prosperous New Years then it needs a prescription of fresh thinking. "Without fresh thinking we're going to remain trapped in the economic whirlpool we got dragged into decades ago. We've been using much the same thinking that got us in to get us back out." says innovation and economic development consultant Tony Smale of *eNZyme intellect* "To quote Einstein, 'that's the definition of stupidity'."

Around and around we've spiralled, trying out variations on the same economic themes, treating the economy as if it were some giant machine that will behave in predictable ways when certain "levers" are pulled "even though we've been frantically pushing and pulling those levers to little avail for decades." laments Smale. The economy is actually a highly complex system dominated by human behaviour and that behaviour can be unpredictable, contrary, and swing wildly from optimism to pessimism without any apparent rational reason. "Worse, for the last two or three decades we've been promoting a style of economics that seems to imply that the best prescription is bitter medicine and the more bitter the medicine the better we are meant to like it. That almost always leads to slash and burn."

"We're much smarter than that and we can do much, much better" believes Smale. "Kiwis have very particular values and a very particular way of thinking about things. When economic policies and management practices don't align with those values and thinking, the only predictable outcome is that the results will be unpredictable."

"Maybe because of the way economic strategies are presented to us, we just do not seem to "get it" - that we have to create prosperity to pay for the very things that we cherish, like "free" health and education, no-blame accident compensation and universal superannuation. And that productivity determines how much effort is required to create that prosperity. "I suspect that we are limited by our own roots though. We still have a picture in our brains that implies creating prosperity is somehow bad or exploitive. And that gets in the way of thinking our way out of the whirlpool that we're in." "Prosperity and productivity have absolutely nothing to do with greed or avarice or exploitation as some Kiwis seem to think." Until Governments manage to get Kiwis to understand that, the spurious arguments that always spring up when things like *'standard of living'* or *'wealth'* or *'productivity'* are mentioned will sidetrack any sensible discussion and progress. "For the life of me I can't understand why some people think having to work longer and harder in a never ending cycle just to stand still is a good idea."

Smale claims that for most New Zealanders the fabled Kiwi lifestyle has been reduced to little more than mythology. Already international comparisons rank us at 14th for quality of life compared to Australia at number six. And fewer and fewer can enjoy it. The rest, whether they are employees or self-employed, are going flat out just to keep their heads above water.

This is a consequence of our poor productivity, "But it would be pointless" says Smale "to suggest that we need to work harder and longer. That is just counter productive. We have to find ways of creating more prosperity from the same amount of effort and investment, or even better, more prosperity from less effort." As Kiwis we should be rebelling against the idea that people in places like Australia and France and the UK create more prosperity for doing the same amount of work than we do. But they do. And of course many of us do rebel – we go join them across the Tasman and further afield!

At heart, the productivity measure is a very simple one – the amount of value created divided by the amount of time or expenditure required to produce it. We can increase productivity by decreasing the time or cost which is something that we are very good at. Over the years much of our inventiveness has been directed at making processes more efficient, squeezing out costs here and there. But it is a game of diminishing returns. We have applied much less of our inventiveness to creating and capturing new value and that is where the real opportunity to increase productivity and hence prosperity lays.

"We have to do something different. And there's no better time to start than right now." claims Smale. The point here is not so much about what is right or wrong (or left or right for that matter) but applying our innate inventiveness to discovering solutions to our mediocre economic performance.

"It's not that what we do is wrong" says Smale, "but that it is incomplete." Innovation and creating prosperity is a game of two halves. We are much better at the first half than the second. Things are invented and discovered, problems solved in the first half of the game. Prosperity is created in the second half. Our mistake is to think that because we are very good at the first half then we will automatically be good at the second half. But not true. One does not automatically lead to the other.

Unfortunately, it does appear that, unwittingly, Kiwi firms let a lot of value be swept from their grasp. Not because they are not working hard, nor even that they are not good at what they do, but in part at least because of our particular Kiwi mindset. Quite simply we are more excited and motivated by the first half of the game than by the second. It's not that we cannot excel at the second half as well but we require fresh thinking about the way we structure and manage our businesses and people and especially how we engage with customers in our markets. We have to get beyond our obsession with price and learn that they seek value and what they value is almost certain to be different to what we value, and then to respond accordingly.

Smale throws down a challenge. He says that we have mostly accepted the idea that we do not have the right to limit the options of our children and grandchildren by unsustainably exploiting the natural environment. "Do we have the courage to readjust our mindsets to create an economic legacy that we can be proud of rather than one that future generations will not thank us for?"

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Tony Smale is an MBA qualified economic development and innovation consultant. He is one of a small number of formally accredited economic development professionals in New Zealand. Tony is author of the NZTE report "Playing to our strengths" (http://www.nzte.govt.nz/features-commentary/In-Brief/Pages/Report-DIY-approach-innovative-but-limiting-.aspx).

His views and conclusions are based on 22 years experience in hands on business and economic development during which time he repeatedly observed firms allowing value to slip through their fingers. After research for his MBA he concluded that was to a large degree as a result of the Kiwi mindset preferring the excitement of invention and discovery compared to the creation and capture of prosperity for the firm and nation.

He has represented New Zealand at international forums and has been a member of an OECD expert panel on economic development partnerships. Most recently he was a keynote speaker at the New Zealand launch of EO24.

He chooses to live in Marlborough so that he and wife Helen can enjoy the best of the Kiwi lifestyle and be close to family.