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## Conversion - invention to value

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**New Zealand appears to have a “conversion” problem. It struggles to convert its legendary inventiveness into firm productivity and profitability and national prosperity. If New Zealand is as inventive as reputation suggests it should enjoy outstanding economic performance. That productivity is static, profitability unspectacular and national prosperity no better than mediocre is a perplexing and increasingly paralysing puzzle.**

Invention doesn't automatically convert into productivity and profit. Being inventive is no guarantee of creating and harvesting value. Professor Christopher Freeman (Freeman, C. (2002) 'Continental, national and sub-national innovation systems – complementarity and economic growth', *Research Policy*, 31:191–211.) referring to the Industrial Revolution, showed that while most of the inventions occurred in France, the implementation and value appropriation occurred in the UK because of “culture and attitudes” and capital markets underpinned by the “scientific spirit pervading the national culture”. The fact that the French were immediately post their own Revolution (The Liberty, Equality, Fraternity type) may have had some influence as well but does not detract from the point being made.

Similarly, referring to both China and the Soviet Union, Professor William Baumol (Baumol, W.J. (2004) 'Entrepreneurial Cultures and Countercultures', *Academy of Management Learning and Education*, 3(1):316–326.) revealed that a high level of inventiveness did not produce economic growth because despite the “*astounding abundance of inventions*”, there was no incentive to create new value.