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business & economic development advisors

**Downloads available at  
[www.forte-management.co.nz](http://www.forte-management.co.nz)**

**The way things  
are around here.**

**Why New Zealand firms  
struggle to convert their  
inventiveness into cash**

Thinking  
about how  
we think  
about  
innovation

# Foundations

Programme synthesis of research from:

- MED & NZTE
- NZ Institute & GIAB
- Otago, Massey, Lincoln & Waikato Universities
- Mind, Brain, Behaviour Initiative – Harvard University
- Significant body of academic literature\*
- *Forté* research into Kiwi culture, innovation & business



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# Four take away messages

1. The innovation process has two important stages - initiating and implementing.
2. National culture can contribute to some nations being better at one stage than the other.
3. Being good at one stage does not automatically mean being good at the other.
4. We can do [much] better when we understand ourselves better!



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# Reframing what we KNOW & BELIEVE about innovation



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# Investing in INNOVATION

We invest in innovation  
because it is a **PRIME  
DRIVER** of a firm's  
**PRODUCTIVITY &  
PROFITABILITY** and the  
nation's **PROSPERITY.**



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## COMMENT

Even though innovation takes different forms in different businesses, every firm that does anything new is innovating. The issue is how much value is extracted from that process and how long that value is extracted for.

The yield from the investment of money, energy and emotional capital should be of prime concern and managed similarly to any other investment.



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# How well is that investment paying off?



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# Harsh REALITY

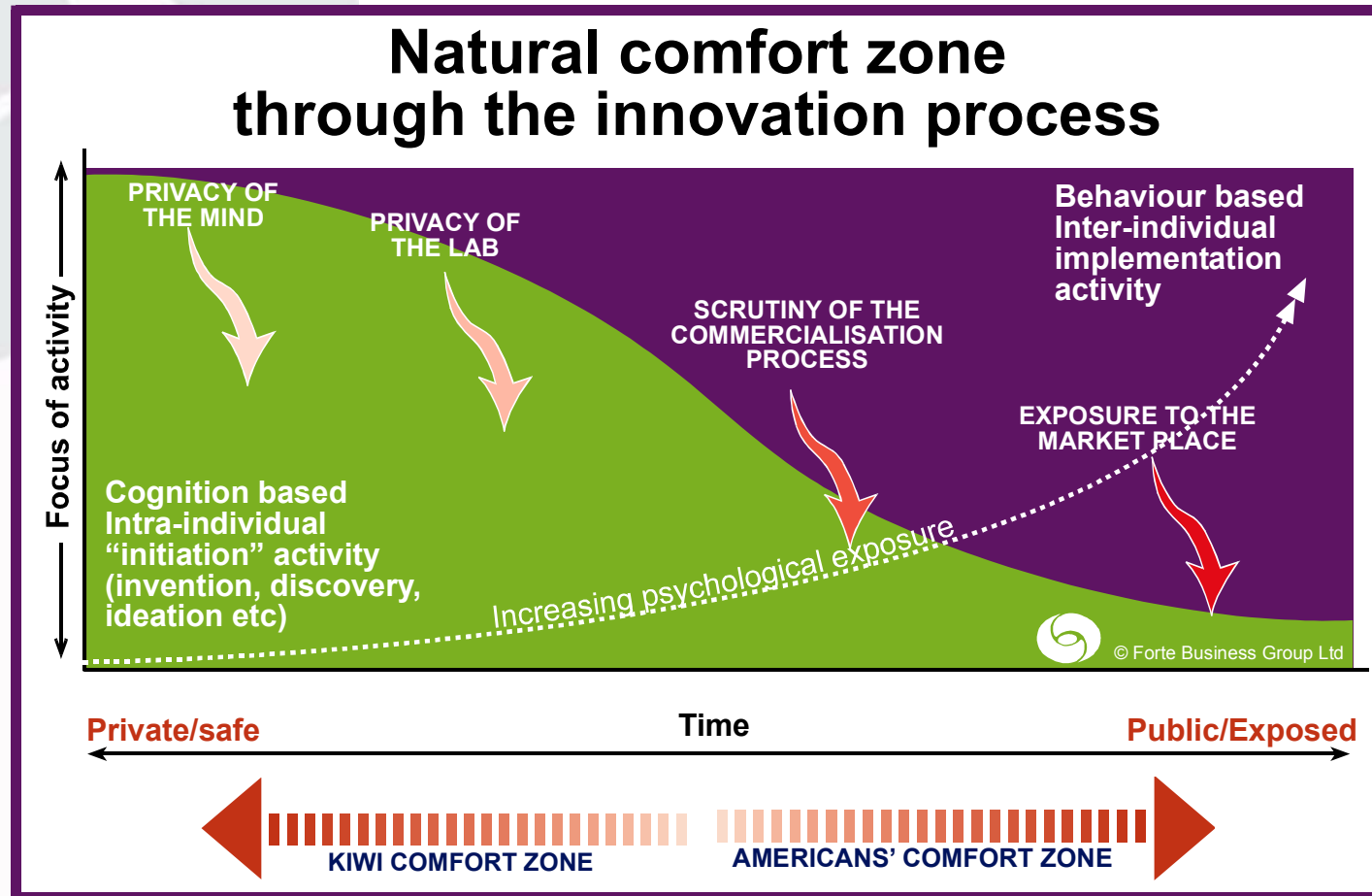
(NZ Institute Report Card September 2010)

Life expectancy	C	14/31
Unemployment	C	11/23
Inequality	D	23/30
Assault mortality	D	23/28
Suicide	C	13/29
GDP/capita	C	22/30
Household wealth	D	9/9
Labour productivity	D	22/30
Innovation & business		
Sophistication	D	20/31
Educational achievement	B	4/29



# Our natural “COMFORT ZONE”

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# The innovation **PROCESS**



**This is a psychological and social process involving thought & action.**



**Different thinking & actions, resources, strategies, investments, institutions & people are needed to optimise the two main stages.**



**Thinking & behaviour vary from nation to nation.**



**Strength in initiation is no guarantee of strength in implementation.**



**No automatic conversion one stage to the next.**



**Creating value is no guarantee it will be harvested.**



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# The innovation **PROCESS**

In general we are:



**Strong at the early initiation stage of the innovation process - **creativity, invention, discovery****



**Weaker at the later implementation stages – **commercialisation, value creation, value harvest****



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## COMMENT

We engage in a variety of behaviours that mean the majority of our firms do not extract the maximum value from their innovation, management and sales efforts even though they work long and hard. This can be that they are slow to market because their new product development isn't as sophisticated as it could be, it may be that they do not learn enough about their customers needs and try to get them to adapt to our product rather than the other way round, or that they fail to develop long term relationships and hence have to keep “selling” continuously. It can even be that their sense of decency means that they put their best offer up front and leave themselves no “wiggle room” when their customer expects to negotiate. This accounts for the “take-it-or-leave-it” perception!



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# NZ has a **CONVERSION** issue

## FACT

We fail to **CONVERT** our  
legendary inventiveness/  
innovativeness into  
productivity, profitability  
and prosperity.



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# Tell tale statistic

**NZ ranked:**



**2<sup>nd</sup> out of 36 for early  
stage entrepreneurial  
activity.**



**26<sup>th</sup> out of 36 for high  
growth businesses.**

GEM study (2005)



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# How BEING KIWI influences innovation and business management



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**MED says there's a  
WEDGE in NZ's  
innovation system that  
causes us to generate  
less productivity, profit &  
prosperity than our peers  
for an equivalent amount  
of "innovation effort".**



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Some  
**MYTHS**  
that get in the road  
of understanding  
“The Wedge”



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# Myths and REALITY



**Quality of life advantage.**

Ordinary Kiwis.

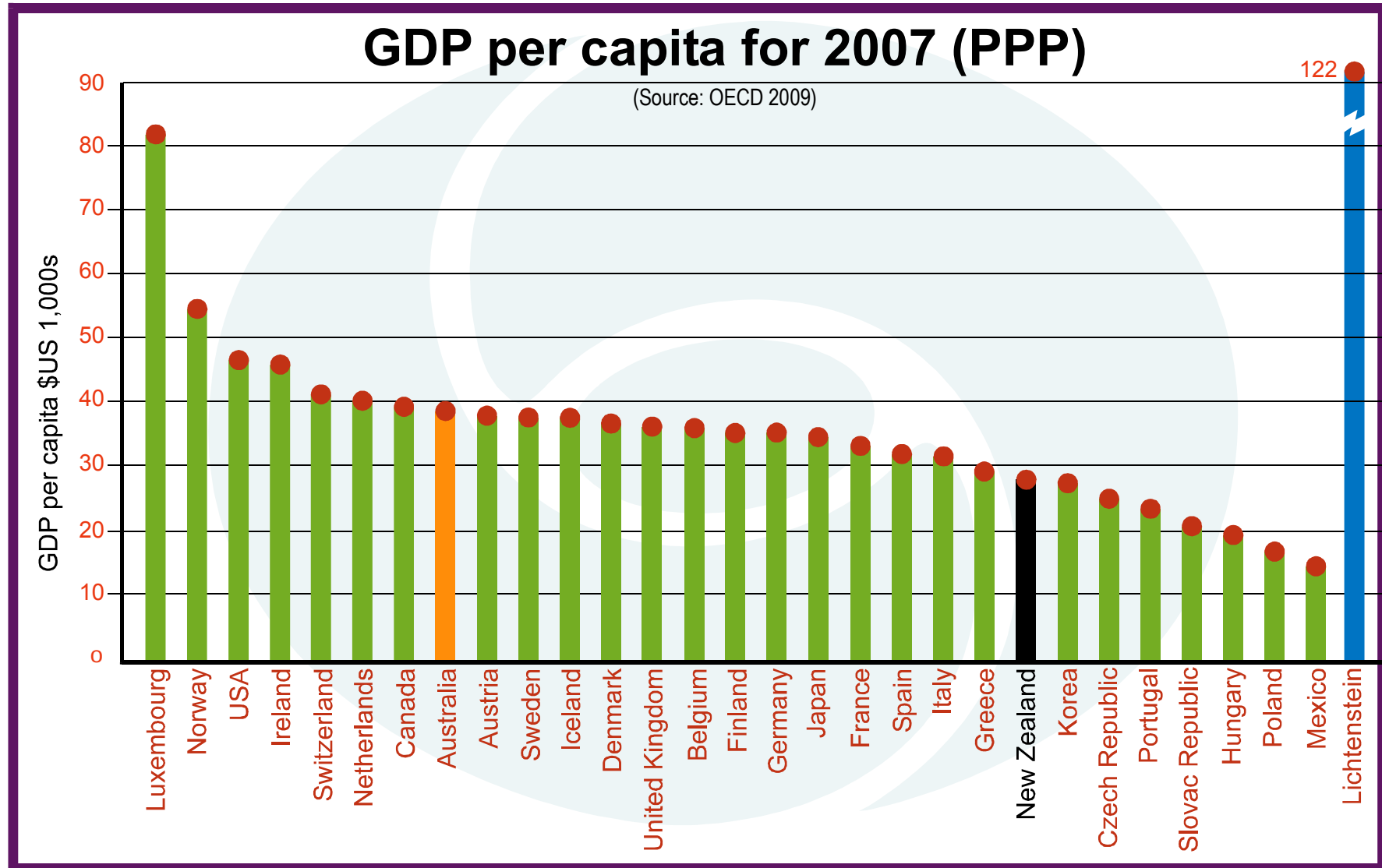
#8 Gauge Wire, DIY & self  
reliance.

We're the most innovative.

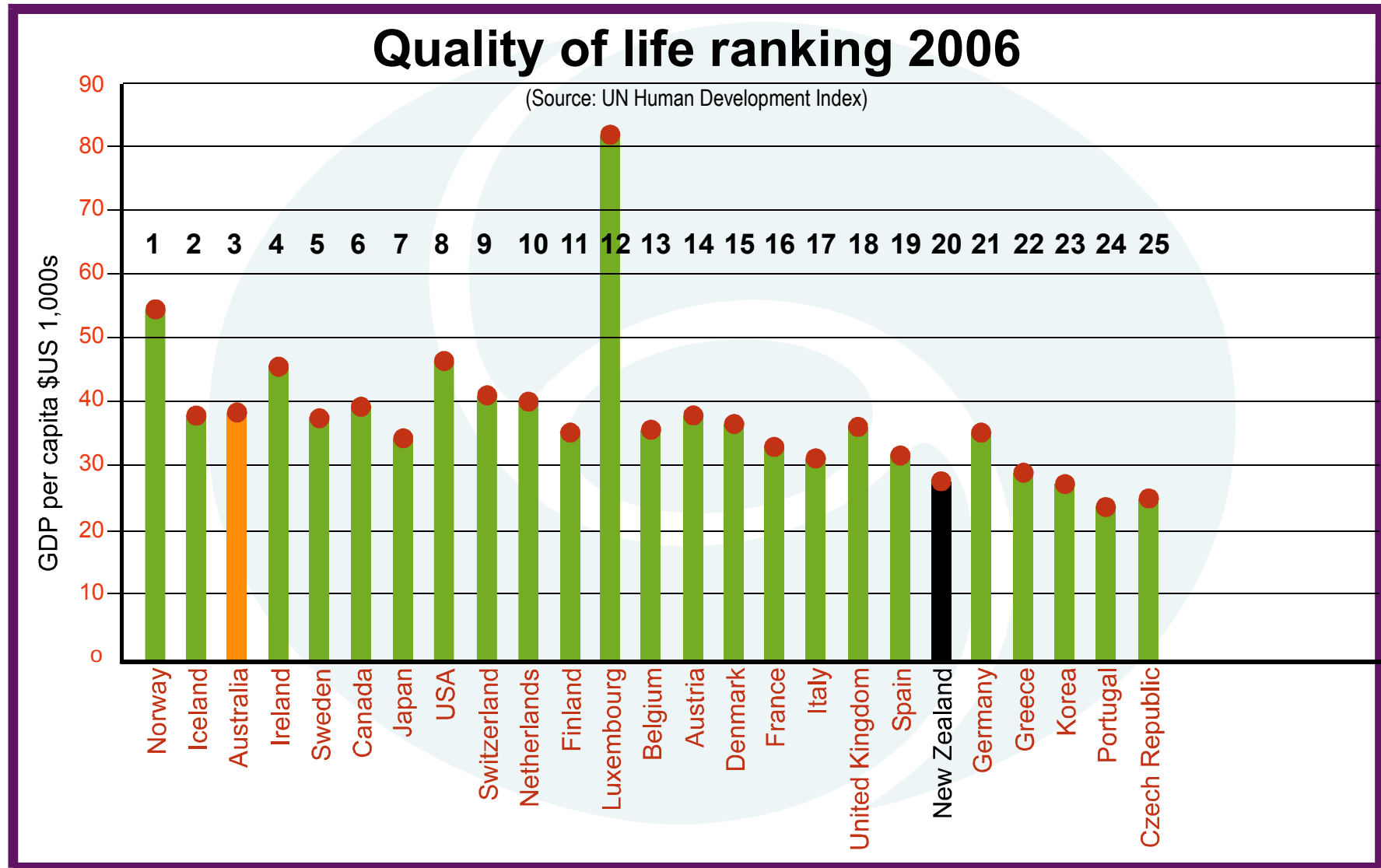
Sources of innovation.



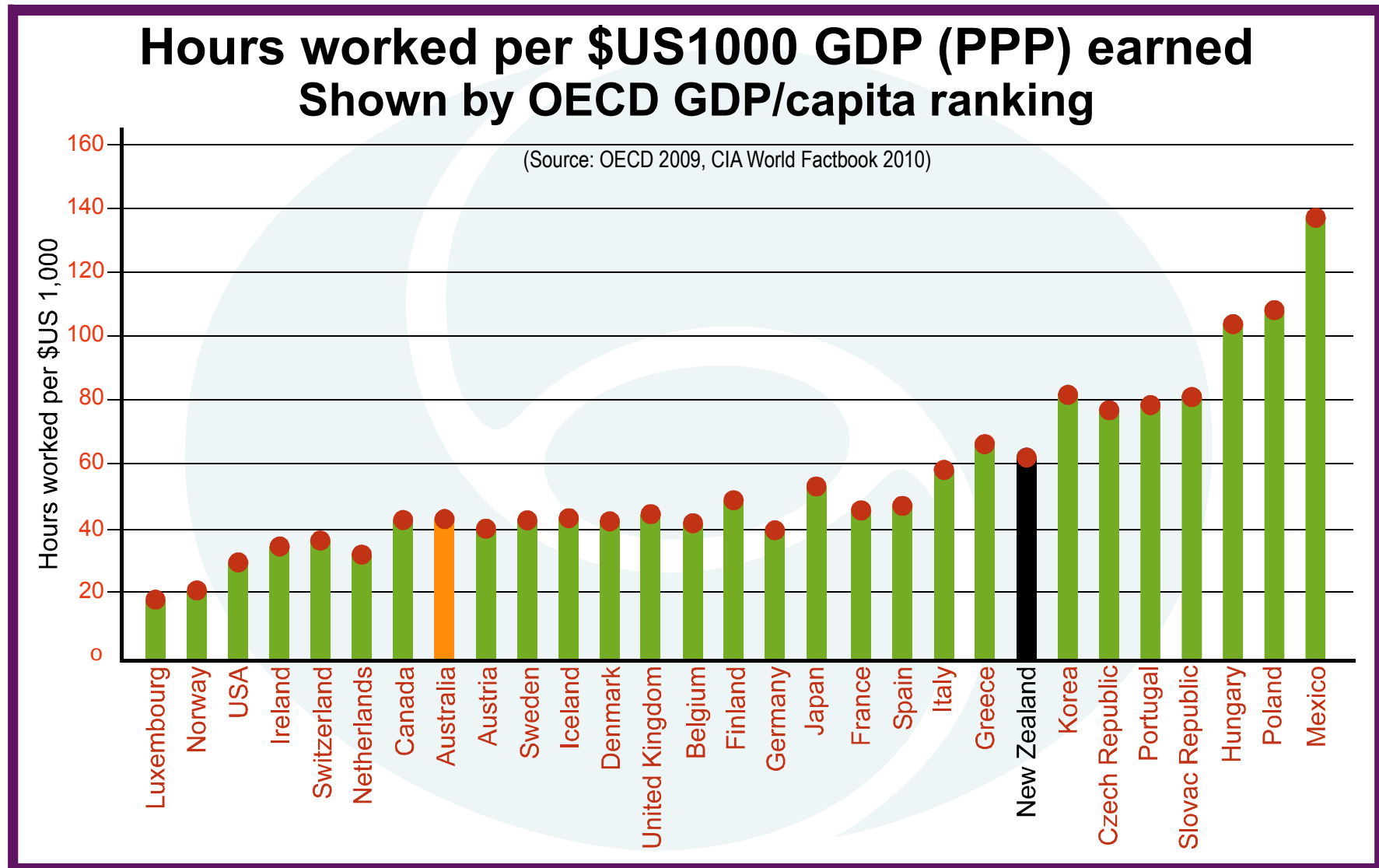
# Productivity



# Quality of Life Ranking



# How “laid-back” is this?



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# Myths and REALITY



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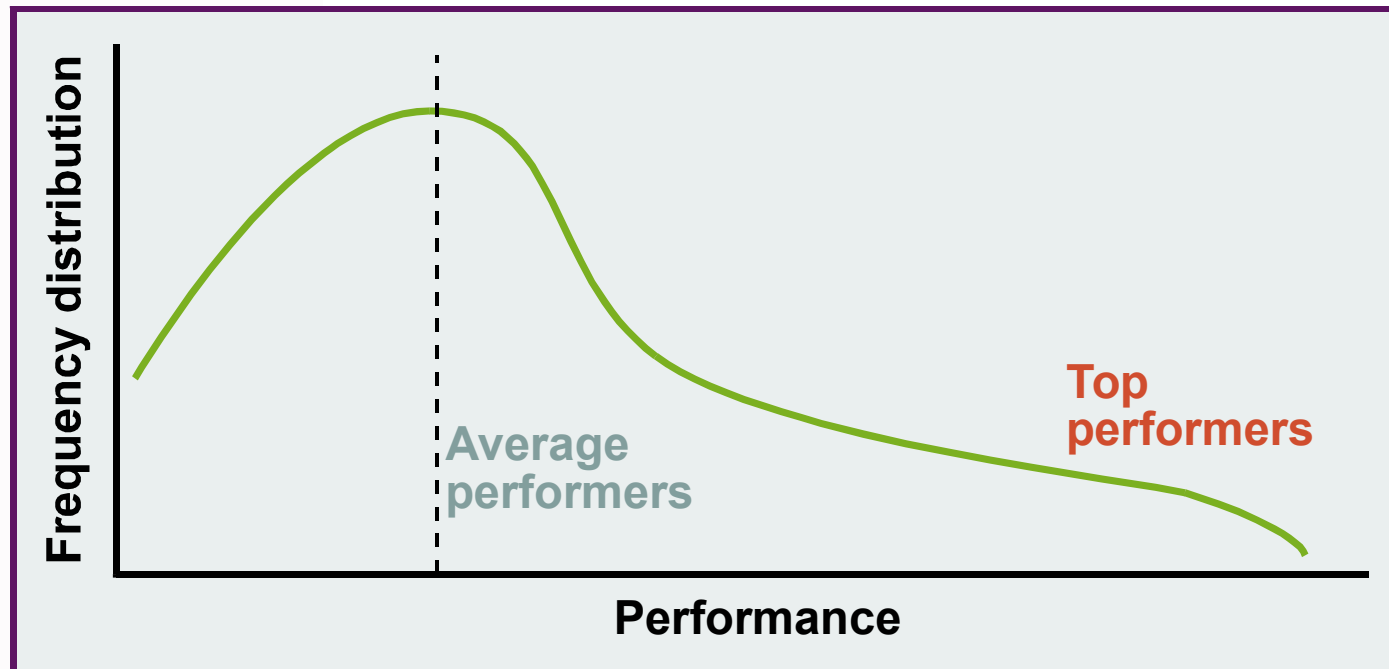
Sources of innovation.



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## Top performers are not “ordinary” Performance occurs on a power curve distribution

Top performers in any field are not only rare ... they are very unusual. They are either naturally different or have developed coping strategies.



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# Myths and REALITY



**Quality of life advantage**



**Ordinary Kiwis.**



**#8 Gauge Wire, DIY & self  
reliance.**



**We're the most innovative.**



**Sources of innovation.**



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**We cling to many other  
REASONS (excuses) too,  
like...**

**we're a long way from  
market, we're small, we're a  
primary producer, Australia  
has minerals ... blah, blah,  
blah!**



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The myths get in  
the road of seeing  
ourselves as we  
really are



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# How others see us

According to Indian business people, Kiwis -

- Have a preference for transactional vs long-term relationships.
- Are highly risk averse.
- Are weak negotiators.
- Are reluctant to understand Indian culture and consumer needs.
- Have an inflexible “take-it-or-leave-it” approach.
- Australians are more fun to do business with.



Consistent with research in other markets.

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# The missing piece of the PUZZLE

**National Culture is a socially learned set of mental models & “rules of thumb” that groups of people use to interpret & respond to the world around them, to solve their collective problems & reconcile their dilemmas...**

**It means that people from different cultures, even those as “objective” as scientists, will interpret the same data set differently.**



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# National Culture

National culture is responsible for  
our collective psyche,  
our Kiwi mindset,  
our “Software of the mind”

It has more influence on how we think than

Age

Race

Gender

Religion

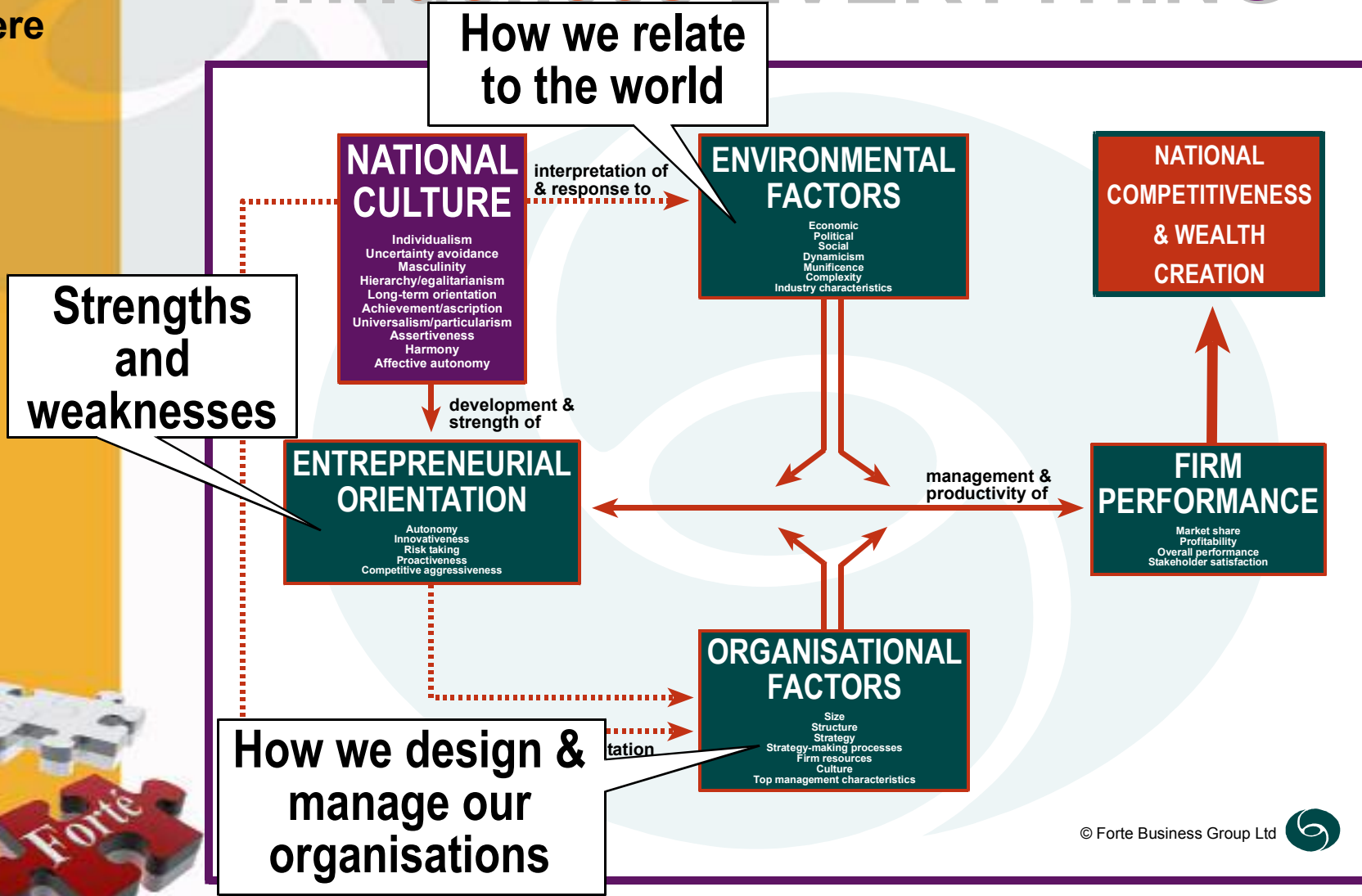
Education

Occupation



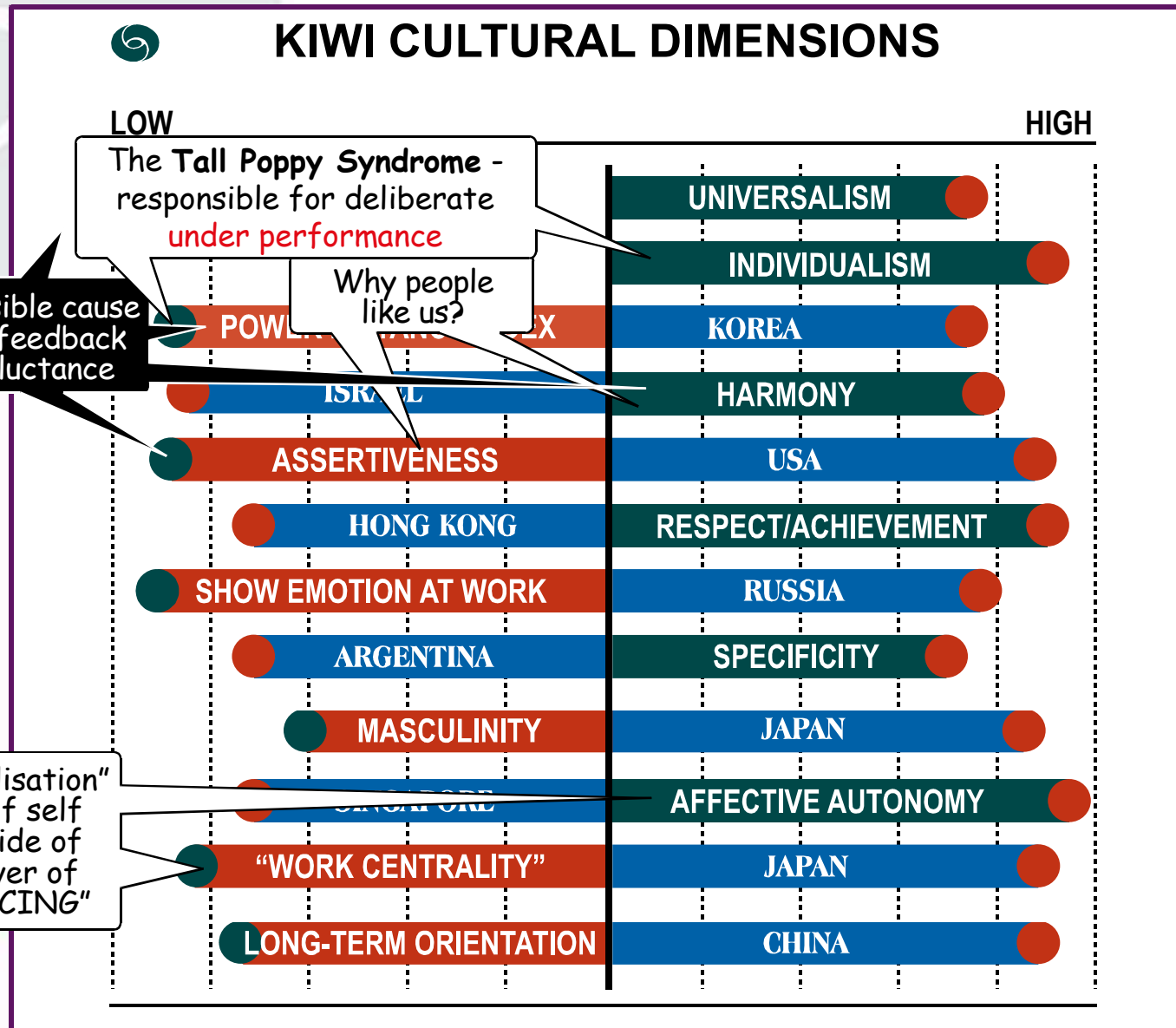
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# How national culture influences EVERYTHING



# We can MEASURE national culture

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## **COMMENT**

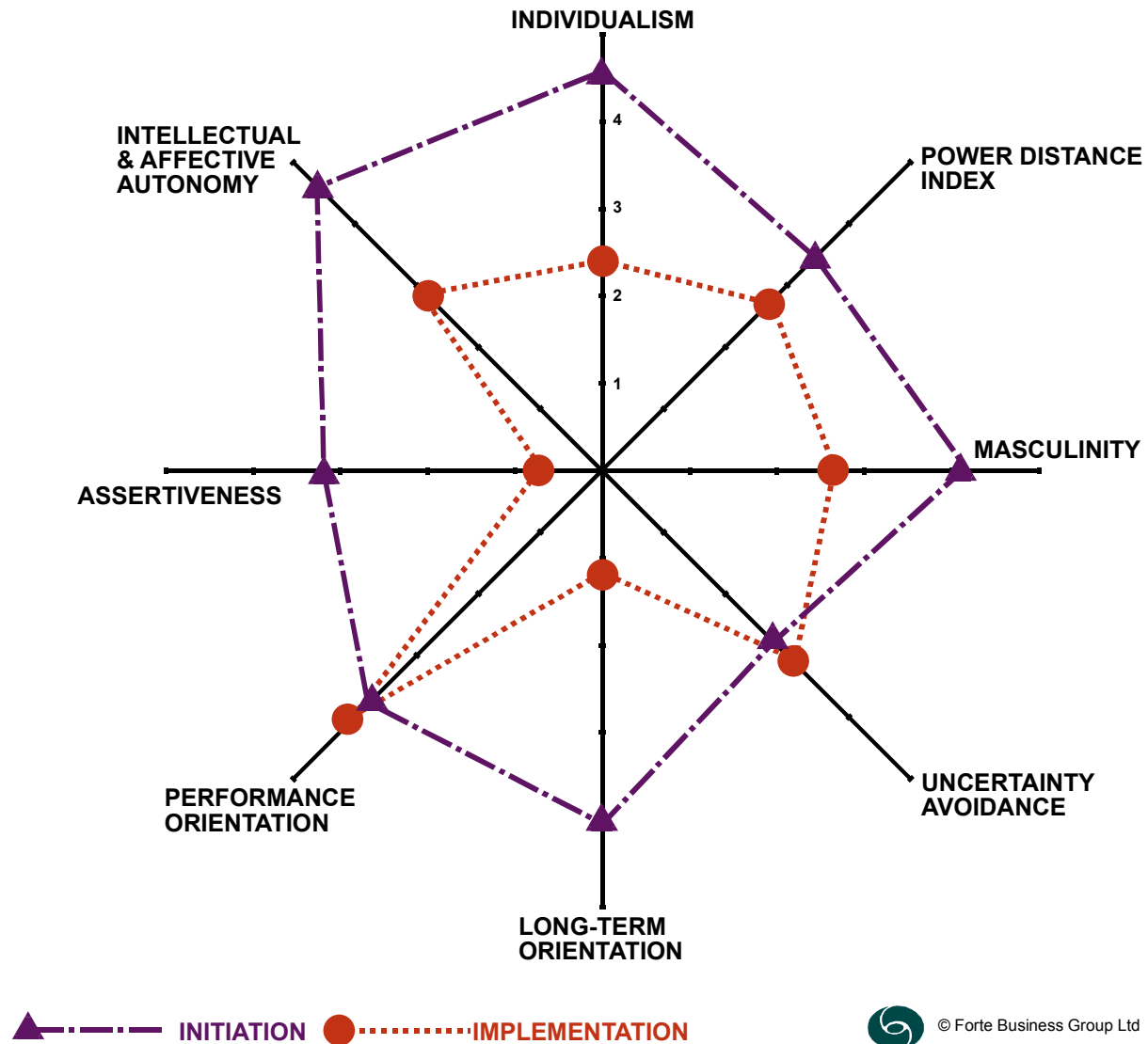
**The point here is that all of these factors are aligned in a way that means that we are more motivated by, derive more satisfaction from doing NEW things (call it the “thrill of the hunt”). This does not mean that we are trapped into being poor at doing the things necessary to maximise financial “yield”. It does mean that we have to pay special attention and adopt special strategies to ensure that we optimise the conversion of “invention” into optimal commercial outcomes and sustain those outcomes for the maximum possible period.**



The way things are around here



# “Kiwi” national culture - fit for initiation and implementation



# Inventors' STORIES tell us a lot about "how we are around here"

The way things are around here

"I was advised to go through a patent attorney but I decided to do it myself."  
[Do-it-yourself, avoid specialists/  
specialist knowledge]

"... a process that has been far more time consuming than expensive."  
[Low time value]

"A patent protects you only as far as you are prepared to litigate."

"It's very much a niche product."  
(Scientific conservation market)  
[Opportunity myopia]

"As for marketing, he's confident the trap will sell itself."

made in nz //  
YOU DIRTY RAT

**NATIVE NEW ZEALAND** set the scene for Thomas with his story, and the addition of Ed Thomas's home-made rat trap to the next annual award.

After 40 years in pest control, working for DGR and Landcare, Nelson-based Thomas has come up with a product that is generating enthusiastic reports. Thousands of the traps have been used successfully in conservation projects in Nelson, the Coromandel, the Pacific Islands, and in Scotland, and in trapping of the African coast.

In conventional rat traps, bait is placed on top of the trigger. In the bottom-baiting trap, it is wedged under the trigger, held under a wire in a metal coil. The bait forms a small part of the trap, which can be removed by an animal, strong enough to break the metal coil.

led to secure a world-wide patent, a process which has been far more time consuming than expensive. "I would have sought a patent attorney but I decided to do it myself."

Having secured a provisional (one year) patent, the patent office required him to scan the world market to ensure there was nothing comparable already out there. He's continued however. Thomas is now seeking a permanent patent in New Zealand, the US and China. Thomas believes in Chinese market and that will have a very strong vested interest in supporting his business. "A patent protects you only as far as you are prepared to litigate."

The relationship with the Chinese market has generally been positive, except for one instance involving over specifications. Thomas found the traps to be much more only catch the rats instead of snapping on walls. He was disappointed because he had already had a size of bait. They now have notified and

the traps are hanging the rats squarely on the head, just as they should.

By manufacturing in China, Thomas can sell a trap for approximately \$30. As for marketing, he's confident the trap will sell itself. With a lifetime of work in a local reputation in trapping, Thomas says a lot of people are waiting in the wings to add his trap to their conservation armoury. It's very much a niche product. The closer to the scientific conservation market.

Nigel Cowley



The way things are around here

# Inventors' STORIES tell us a lot about "how we are around here"



Adaptation of existing technology

"So he took to his garage and spent hours designing the Isovalve."  
[Do-it-yourself, trial & error]

The project was financed (and managed) by family.  
[Own-it-all, do-it-all, know-it-all, control it all]



**Plumber's invention saves**

Three years ago, Andrew Seaton was a frustrated plumber. Now he is an inventor and engineer as well.

In early 2005, the Christchurch man was fitting a toilet at a medical laboratory when an idea for a new business came to him. The job should have taken 30 minutes, but it took Mr Seaton more than three hours and a lot of stress because of the leaks involved in turning off the water in the entire complex.

Mr Seaton thought there must be a way to turn the water supply at the basin with out having to turn the water off at the main. So he took to his garage and spent hours designing the Isovalve, which not only solved his problem, but also saved water.

The valve is now being sold throughout New Zealand and Mr Seaton has just secured his first export order to Australia, worth more than \$125,000.

Soon after developing the Isovalve, Mr Seaton set up a company called Isovalve, and

received the help of family to help fund the company. He also employed brother-in-law Miles Wray as business manager.

To fit out a home with the Isovalve costs an additional \$500, but plumbers needed to factor in the time it would take and the water it would continue to save the homeowner, Mr Seaton said.

The Isovalve allowed people to reduce the amount of water wasted through each tap.



## COMMENT

These strategies are derived from research across a broad range of Kiwi businesses. The symptoms they are designed to address will affect all Kiwi firms to greater or lesser degrees but it is unlikely that any firm is entirely exempt.

The nature of these issues is that they are almost completely invisible to us but often obvious to people looking in from the outside – even our closest cousins from across the Tasman.



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**Align the firm's Value  
Proposition Offer<sup>©</sup>  
with the Customer  
Value Proposition  
Demand<sup>©</sup> –**

**Understanding what the  
customer really values  
and what we really have  
to offer**



## COMMENT

Kiwis tend to “think for our customers”. We assume that what we take for granted is what they will take for granted, what we value is what they will value. As a consequence we tend to under value the products and services that we sell in the mistaken belief that we are extracting maximum value. An outstanding example is the traceability, inspection and food quality programmes we apply. We typically see these as no more than market entry barriers yet they represent both significant consumer benefits and substantial commercial development opportunities in their own rights.



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# Immunise the firm and its people against the tall poppy syndrome



## COMMENT

The tall poppy syndrome is believed to cause deliberate underperformance in that it discourages “excellence” or standing out from the crowd. If the business employs staff there is every likelihood that this insidious disease is affecting performance, even if the owners/directors/managers are sufficiently “thick skinned” to be able to resist its affects and are quite likely oblivious to its presence.

Any factor that is known to result in under performance should be of concern to managers.



## COMMENT

It is also responsible for:

A remarkable degree of self-deprecation - what we might refer to as “modesty” but in many markets (eg the USA and Australia) is simply under selling ourselves and in other markets like Asia is simply confusing.

A paralysing unwillingness to offer and receive feedback including and maybe particularly – addressing **POOR PERFORMANCE**.



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**Exploit company know-  
how, trade secrets, and  
other valuable assets –**

**Intellectual Asset  
Management**



## COMMENT

Kiwi firms tend not to recognise the commercial opportunities represented by their production technologies and accumulated knowledge. We are inclined to “stick to our knitting” or core business while those technologies and knowledge will often represent substantial value creating opportunities, sometimes worth more than the products or services they are used to produce.

Fear of giving away “secrets” is common. Truth is, we do that now. This is about licensing and otherwise trading those “secrets”.



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# Strategies



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# Create & harvest more value from the distribution channel



owning, managing &  
collaborating



## COMMENT

Distribution channels are our last frontier. We should be investigating how we can extend our control further out towards the consumer, both to harvest additional value and to create closer links (and hence feedback) with the people that actually consume the product. This is a major issue for many Kiwi firms where market intelligence is frequently filtered through long distribution channels.

We commonly use a photograph that we took in a major liquor chain in the UK where Kiwi wines (including Villa Maria) are stocked under an “Australia” banner.



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To quote Jim Collins

“The old adage ‘People are your most important asset’ turns out to be wrong. People are *not* your most important asset. The *right* people are.”



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# DISCUSSION

## More information

[www.forte-management.co.nz](http://www.forte-management.co.nz)



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***“... the belief that human cultures in the workplace should resemble the laws of physics and engineering is a cultural, not a scientific belief.”***

Trompenaars & Hampden-Turner (1998:4)



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# Thinking for our customers

## Assume that everyone is like us –

- Fail to understand true value propositions.
- Fail to build relationships/transaction approach/ poor negotiators.
- Fail to recognise IP & IA opportunities.
- Fail to tailor products/services.
- Expect others to prefer substance over form like we do.



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# The TALL POPPY SYNDROME

## Results in:

- Deliberate under-performance. Limits ambition to create wealth.
- Profound feedback reluctance.
- Low assertiveness and confidence.
- Under stating, self deprecation & negative language.
- Suppresses emergence of and function of champions.
- Avoidance/suspicion of specialists.



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# DIY & Self RELIANCE

## Associated with:

- DIY Management including registering companies, lodging patents etc
- Pathology of serial initiation
- Reluctance to use specialists
- Narrow capital structures, self reliance, lack of succession planning
- Owners/managers/directors are at apex of knowledge pyramid
- Lack of commercial ambition
- Poor preparation & presentation\*



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# Understand **SATISFICING**

Usually thought of in terms of 3Bs and diminished ambition.

Is actually about reaching a threshold of **“ENOUGH”** (comfort, functionality, presentation, knowledge, quality, management skills, money) at relatively low thresholds and then switching effort to new activities or “adventures”.

