



business & economic development advisors

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How Kiwi culture influences productivity, innovation, customers, motivation, profit & just about everything else you can think of ...

**Thinking
about how we
think about
innovation**



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

Then we attempted to join up the dots based on our combined 50+ years of practical experience in management, business, innovation, consulting & economic development.



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NZ has a **CONVERSION** issue

New Zealand's problem is not lack of inventiveness and discovery. It is our inability to **CONVERT** our legendary inventiveness into productivity, profitability and prosperity by creating and capturing the maximum value on offer.

We engage in cognition and behaviour that results in us creating and harvesting less value than theory suggests we should, practice indicates is potentially on offer, and our peers do create and harvest from the same "effort".



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**Reshaping the logic
of what we KNOW or
BELIEVE
about innovation**



CONTEXT

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Productivity and profitability are increased by either reducing input costs or increasing the value created and/or harvested.

The private & public sector invest in education, science and innovation because innovation is the **PRIME DRIVER** of a firm's **PRODUCTIVITY & PROFITABILITY** and hence the nation's **PROSPERITY**.



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**How well has that
investment been doing
over the last four decades?**



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Performance 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



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The “WEDGE”

“Kiwi firms let a surprising amount of value slip through their fingers.”

(Gareth Chaplin – Chief Economist NZTE)

- because maximising the value created and harvested is not the **NORM** in New Zealand.

That is – even given the constraints of institutional arrangements and economic geography, we still create and harvest **LESS VALUE** from our innovation efforts than we could **FROM OUR EXISTING INVESTMENT**.

That means there is a **DISSONANCE** between the theory that we rely upon and the cognition and behaviour that we Kiwis exhibit.



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The PARADOX

**“New Zealand does not have an enterprise culture.”
(Hull 2003)**

YET

**2nd out of 36 for early stage entrepreneurial
activity...**

BUT

26th out of 36 for high growth businesses.

GEM study (2005)



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The PARADOX

McCann says we have “near text book” institutional arrangements.

... and the OECD (2003) says “The mystery is why a country that seems so close to best practice in most of the policies that are regarded as the key drivers of growth is nevertheless just an average performer.”

This is New Zealand’s

PRODUCTIVITY PARADOX



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We call it New Zealand's

INNOVATION PUZZLE

“Why is NZ unable to convert its legendary innovativeness into productivity, profitability and prosperity?”



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Understanding the puzzle



Innovation is a psychological and social process.

“... 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)



Two major stages – initiation & implementation - require different cognition & behaviour (& resources).



Success in the first doesn't automatically convert into success in the second.



Cognition & behaviour vary from nation to nation – moderated by national culture.



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Solving the puzzle

Not taking account of these factors means that we focus our efforts on the early part of the process where we are already strong in the mistaken belief that will push more out the other end of the innovation process, ie drive productivity and create & harvest additional profit and prosperity.



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How BEING KIWI influences innovation and productivity



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National culture – a key 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, may interpret and respond to the same information and/or environmental signals differently.



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National Culture

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

**It influences everything including economic geography
and institutional arrangements**

It has more influence on how we think than

Age

Race

Gender

Religion

Education

Occupation

Trompenaars & Hampden-Turner (1998)



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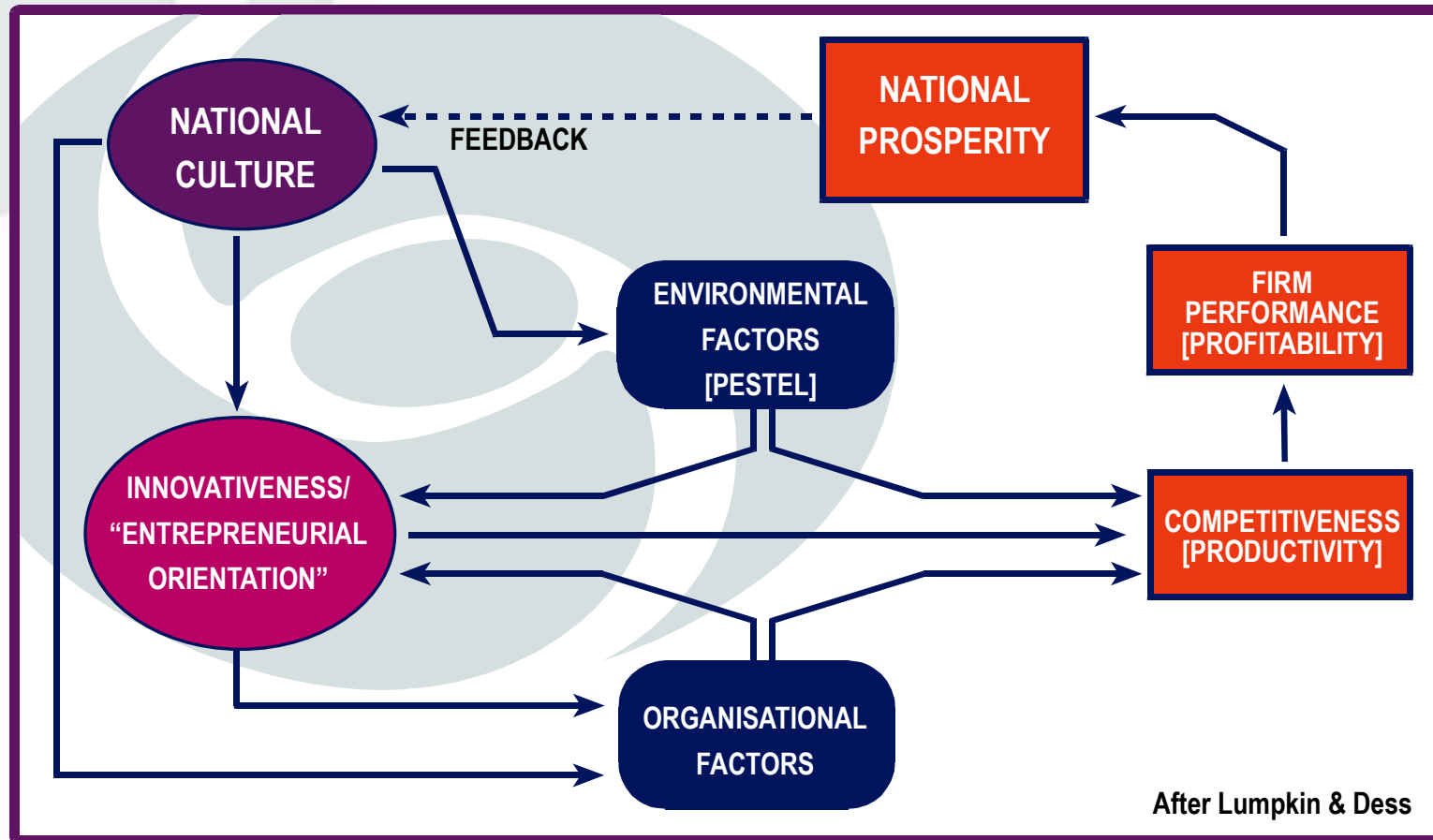
National Culture

This has significant implications for **EVIDENCE BASED DECISION MAKING** since the evidence may have different meanings in different cultures and elicit or require different responses.



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How national culture influences EVERYTHING



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How national culture influences **EVERYTHING**

Our mental paradigms, that in part are products of our national culture:

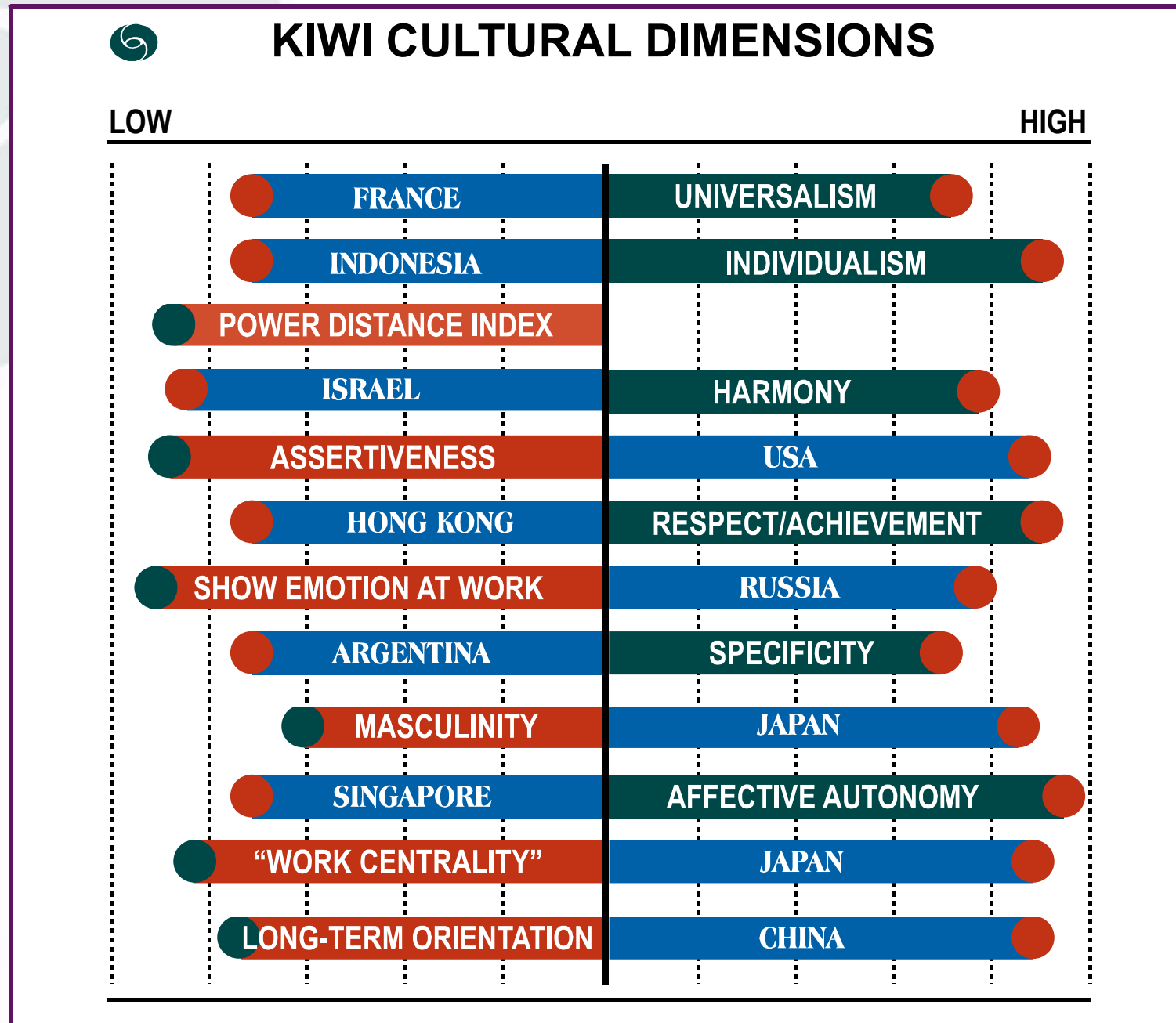
- Directly influence our inclination to initiate or implement innovation and the associated entrepreneurial behaviour.
- Influence what we “see” in the world around us, how we interpret that (including apparently objective data sets) and respond to it.
- Influence how we design our organisations, how we capitalise them and how we manage them.

The environment, such as declining prosperity, may feed back into our willingness to risk take and therefore modify national culture over extended periods of time. Different dimensions change at different rates.



We can MEASURE national culture

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The LESSONS from KAL801

Thinking about how we think about incidents

KAL lost aircraft in 1977, 1979, 1982, 1987, 2 in 1989, 1994, 1997 & 4 more in 1998 & 99

The crashes were attributed to NATIONAL CULTURE [Power distance]

FLIGHT 801

Four years later KAL received an international air transport safety award!

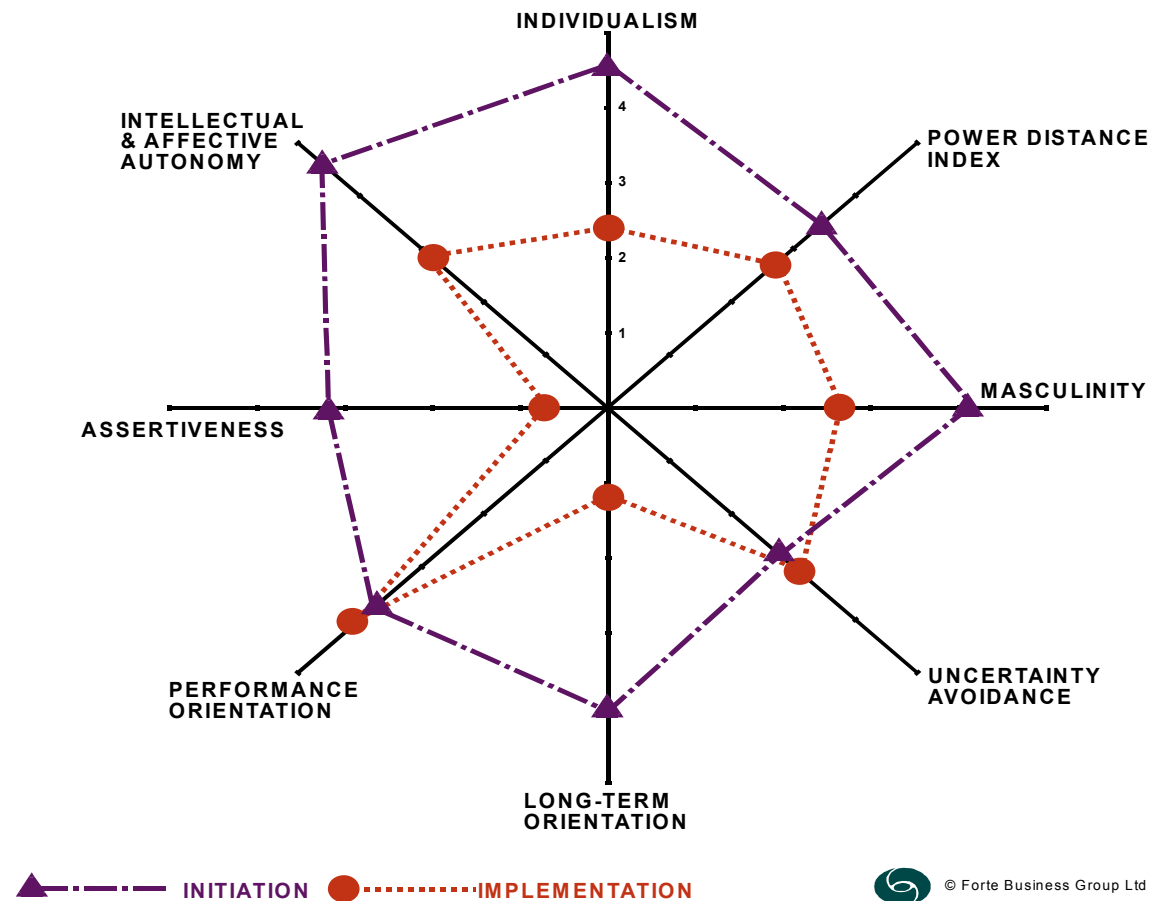
US Department of Defence

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There are statistically significant correlations between some dimensions of national culture and:

- The two stages of the innovation process.
- Entrepreneurial orientation.

“Kiwi” national culture - fit for initiation and implementation



Attitudinal research

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According to Indian business people, people from which nation:

- ⚙️ 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” attitude.
- ⚙️ Are less fun to do business with than Australians.

KIWIS

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ideas
rather
organization
result
profitability
ways
concepts
help
value
innovative
innovation

The implications of
“the way we think
about innovation”



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The innovation **PROCESS**

In general we are:



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

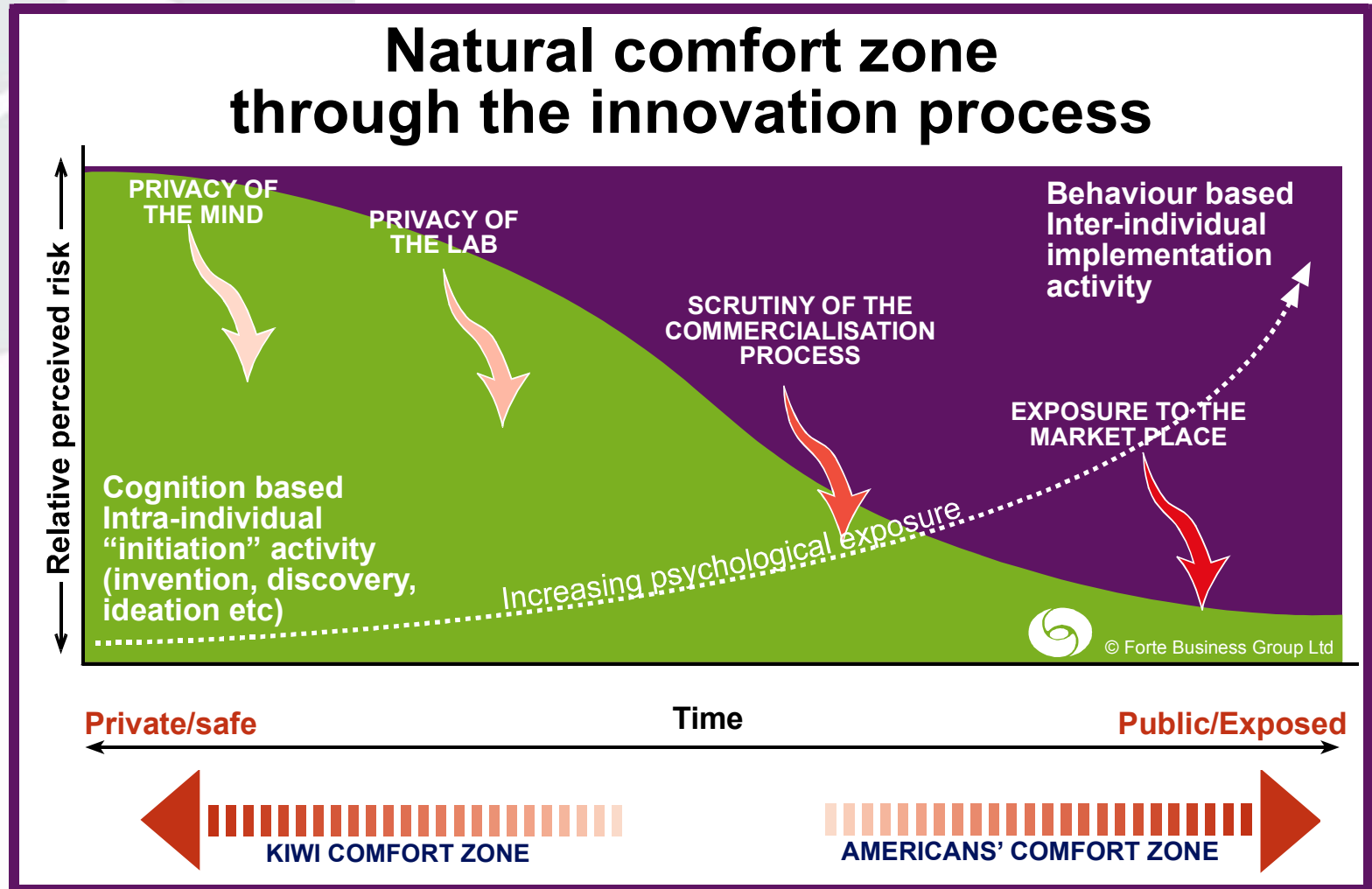


Weaker at the later implementation stages – **commercialisation, value creation, value harvest**



Our natural "COMFORT ZONE"

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How Kiwis are **DISTINCT**

One rule for all situations/ “think for our customers”.

Extreme self reliance/DIY.

Extreme feedback reluctance.

Low assertiveness.

High susceptibility to the Tall Poppy Syndrome.

Separate work and social life – work not the place for fun.

Short term orientation.

Satisficing (But satisficing appears to be the redirection of effort into the next new thing rather than any cessation or diminution of effort).



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Examples of business strategies



Understand the customer from their perspective.



Immunise staff & firm against the tall poppy syndrome.



Manage the intellectual assets.



Manage or own more of the distribution channel.



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Policy IMPLICATIONS

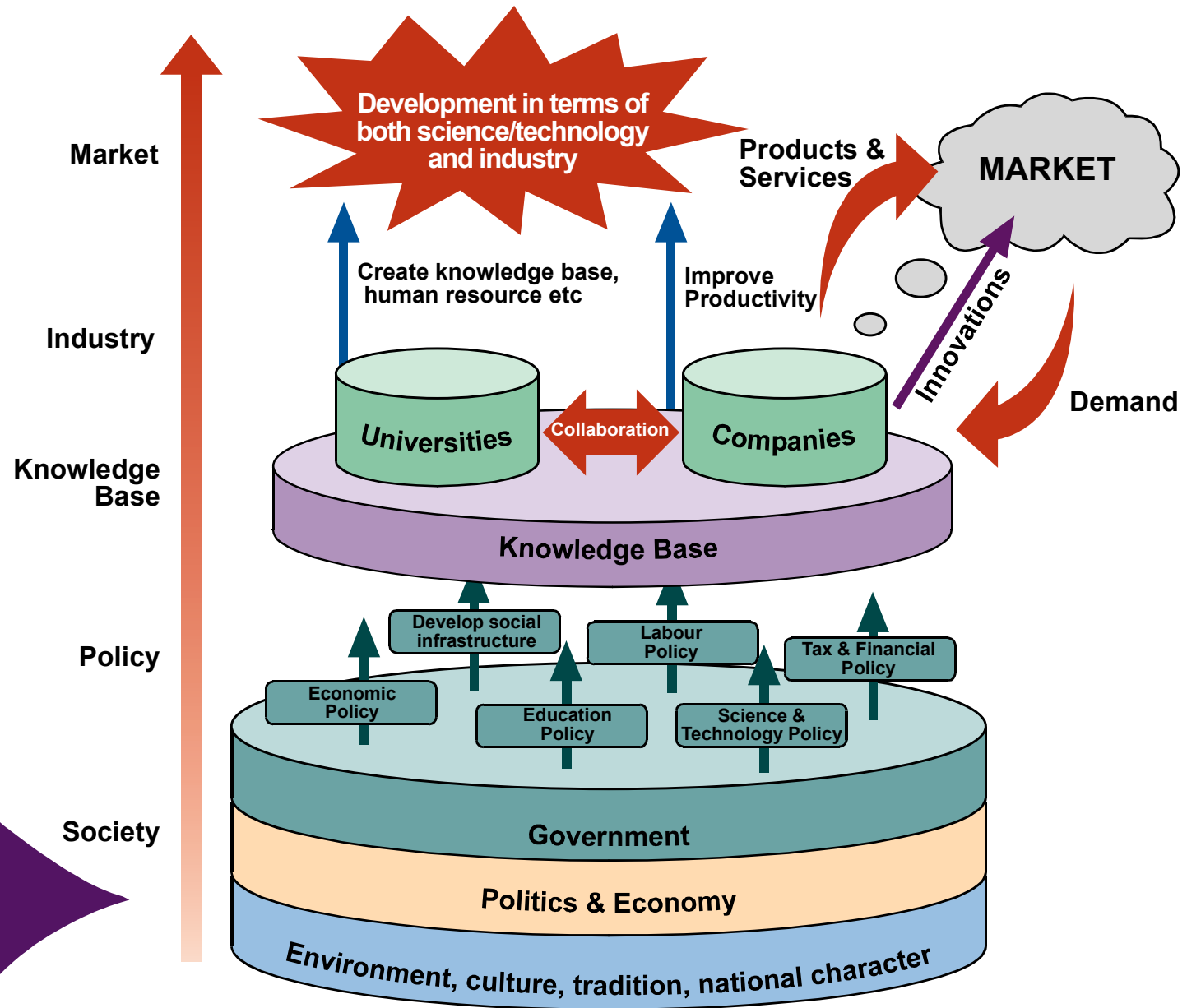
The National Innovation System, upon which our productivity, profitability and prosperity rests, is a complex psychological and social system operating within an institutional arrangements and economic geography framework.

It has as its foundations, our **NATIONAL CULTURE.**



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CONCEPTUAL DIAGRAM OF NATIONAL INNOVATION SYSTEM



After Japan Ministry of Education, Culture, Sports, Science & Technology

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National Culture

National innovation systems are social systems and therefore it is the relationships between the components – the lines between the dots – that ultimately determine their efficacy.



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Policy IMPLICATIONS

Innovation has two major stages. There is no automatic conversion from initiation to implementation.

Driving more initiation does not necessarily result in more implementation, ie positive economic outcomes.

Different policies/interventions may be required to optimise value creation & harvest versus initiation.



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Policy IMPLICATIONS

Crocombe, Enright & Porter were the first to point this out to us in 1991.

(Upgrading NZ's Competitive Advantage)

They also identified a number of causative factors for our poor competitiveness that are attributable to national culture. (P123-125)

In economics value is considered a function of supply, demand and efficiency of production.

In marketing, value is considered a function of the closeness of the fit between the offer & the demand.

In both cases there is an implicit assumption that “actors” will engage in behaviour that maximises outcomes.

In New Zealand, neither assumption can be taken as the NORM.



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Policy IMPLICATIONS

Kiwi cognition and behaviour is different to our comparators and our best practice references.

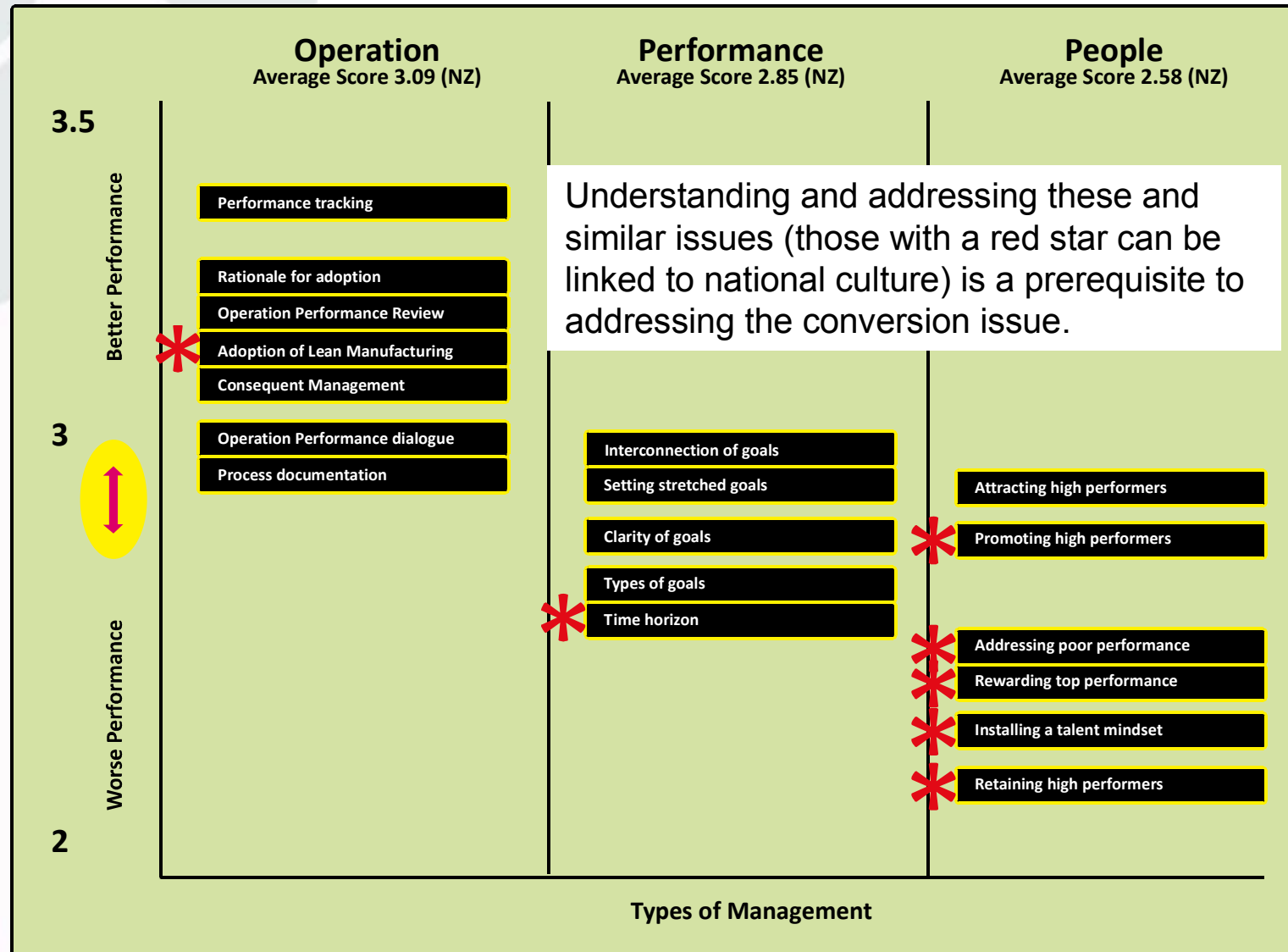
There are, within New Zealand, compounding the institutional and economic geography factors, cognitive and behavioural barriers, that unless factored in and addressed, will frustrate other efforts.



“Management Matters in NZ”

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AVERAGE MANAGEMENT PRACTICES SCORES ACROSS 18 DIMENSIONS



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Testing an idea?

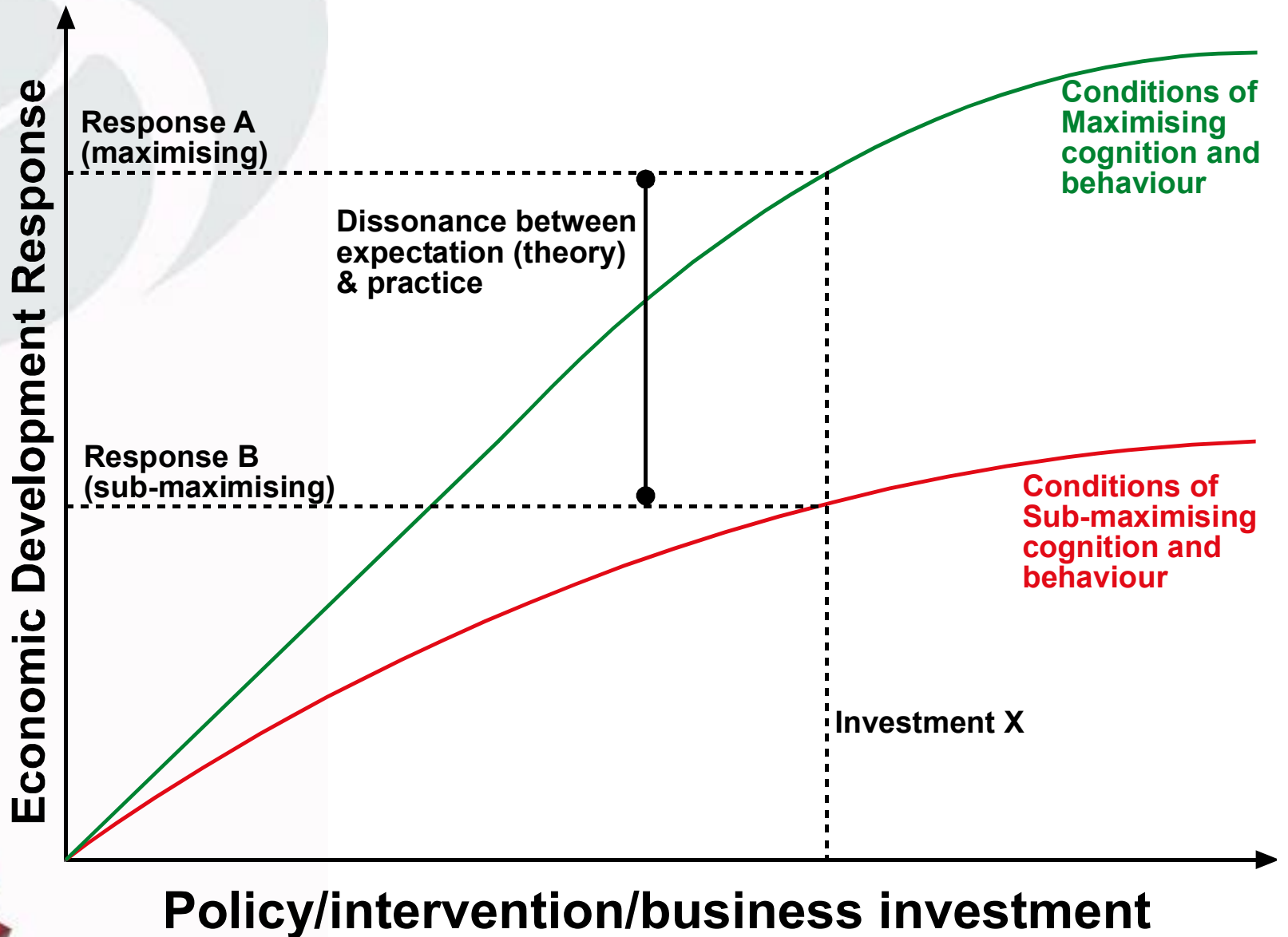
Since we are significant satisficers, and would benefit from more maximisers, what is the effect of promoting New Zealand as a lifestyle destination?

What is the reality given the hours that we work and our quality of life ranking?



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Can we develop a line of thinking around the impact on policy of our sub-maximising cognition and behaviour?



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We cannot change our small size, our population density or our distance from market. Nor can we quickly change our national culture.

But we can adopt strategies to capitalise on our strengths in initiation and compensate for our weaknesses in creating and harvesting value.



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DISCUSSION

More information

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