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## Bridging the innovation gap

We can't afford to adopt 'one size fits all' formulas for raising national prosperity

New Zealand's mediocre economic performance is widely attributed to our small population, low capital intensity and distance from other markets. However, there is strong evidence that our culture and mindset also play a role.

There's not much we can do about structural factors, but the way we practise innovation is entirely within our control. It's vital therefore that we factor the effects of our mindset into policies and strategies to mitigate our weaknesses and capitalise on the things we are genuinely good at.

National prosperity is the proper measure of innovation and in this we perform well below our potential. With innovation being the primary driver of productivity improvement and economic development, we might well ask ourselves, 'Why is it that a country with belief in, and a reputation for, innovativeness, is not a great deal more prosperous?' The reason is we are inventive — we love creating new things — but not innovative. We face significant barriers converting our inventiveness into innovation in a way that creates value from our investment and effort.

When we analyse and discuss innovation we tend to limit ourselves to scientific and economic perspectives. Yet innovation is a psychological and social process and its success is determined by how people and groups think and behave. That is significantly influenced by our culture.

The following two examples illustrate how important it is to understand the way subtle differences, especially in the way people from different nations think and behave, can create or bridge innovation gaps and why we need to interpret overseas prescriptions with great care.

According to the Ministry of Economic Development's *Management Matters in New Zealand* study of 16 nations, if we lifted our performance management rating from the bottom quartile to the top quartile, the effect would be the same as adding 41% more staff or 71% more capital. In other words, we could dramatically ease the effects of capital constraints and poor labour productivity just by improving performance management.

The report authors offered a simple prescription — educate our managers better. But lack of education

is not the only problem, maybe not even the most important one. Kiwis don't like being managed and don't like managing people. An important contributing factor is our low assertiveness. In one significant international study of 62 nations, Australians ranked 21<sup>st</sup> in this regard and Kiwis ranked 61<sup>st</sup>. Unless we address the assertiveness issue, increasing managerial education will produce disappointing results.

We quite correctly compare ourselves with countries like Finland, Denmark, and Australia. In a report for the Ministry of Economic Development, Professor Keith Smith of Tasmania University argues that "without exception" these countries have leveraged development from resource-based sectors through "persistent innovation". What Smith doesn't make clear though is these countries have also done something clever — something that we generally don't. They have taken the intangible or intellectual assets they developed in their primary industries and turned them into high value businesses. In New Zealand we tend to develop high value intellectual assets to drive down the cost of production, then embed those in comparatively low value goods and services for export. Intellectual asset management and development is therefore an opportunity waiting for Kiwi firms to embrace.

To close our innovation gap we must draw on the global knowledge pool on this subject but at the same time we have to interpret and adopt that knowledge with care and subtlety. We must factor in the effects of Kiwi culture. If we don't our efforts to craft optimised innovation and management models will continue to disappoint us.



**UNLESS WE ADDRESS THE ASSERTIVENESS ISSUE, INCREASING MANAGERIAL EDUCATION WILL PRODUCE DISAPPOINTING RESULTS**

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