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S1 00:00 Hi there. My name is Glen Williams and welcome to the first ever Moxie podcast. This is the companion web show to the Moxi session which are an invite only discussion event held in Auckland, New Zealand. Now they started back in December, 2012, to provide a forum for interesting techno files from across the economy, to discuss things like: How to re-tool our existing rules and attitudes for the Internet? Also to make connections that are normally missed, or ignored, between different economic areas. And to get a better sense of what is going on in the Internet economy overall.

S1 00:42 At was put together by Hayden Glass, and Hayden is on the line with us today. Hayden - welcome to the podcast.

S2 00:46 Thanks Glen. It's a pleasure to be here.

S1 00:49 Well this is essentially your podcast really [laughter]. Why did you set up the Moxie sessions?

S2 00:56 It began with a conversation with Paul Brislen, who is the Chief Executive of the Telco Users Association and a friend of mine. And about how disconnected the debate was in Internet policy particularly and how it-- lawyers would speak to lawyers, and economists would talk to economists perhaps, but there might be series of set-piece conferences each year, but there were many issues that were not being discussed, and new connections not being made. And so the Moxie sessions is an attempt to try and overcome some of that.

S1 01:30 And I suppose the nature of the topic itself being the Internet, people feel that they don't probably need to meet in a session like this, but you feel there is still a need to press the flesh, as it were?

S2 01:45 Absolutely. Yeah. I think that one of the best main parts of the discussion is we have moved away from telco to tech and many of the telco issues have been resolved - regulatory issues particularly - and the answers on that side of things have always been more straight forward, we have had a lot of international examples. But I think in the case of the use of the Internet to improve New Zealand's economic prospects, that is a much more uncharted territory, and I think some sort of a collaborative approach thinking about what works in different places and trying to build off each others efforts makes a lot of sense.

- S1 02:21 Okay, so you had the first Moxie session back in December. The second one was just on February the 4th, and the topic was: Are there cultural features of the way New Zealanders operate in business that hold us back as a nation? And if there are, what can we do about it? You had a group of speakers, including yourself there Hayden, and just a wee background on Hayden Glass himself, he is a consulting economist with the Sapphire Research Group, and he works for government and for private clients, mostly on issues in telecommunications and technology, and sometimes on broader public policy projects. So we have already heard from Hayden. One of the other speakers was Tony Alexander, who has been the Chief Economist at New Zealand's second largest bank, the Bank of New Zealand since 1994. You have probably seen him on TV and heard him on radio. He has got responsibilities including informing the board, and senior management about economic developments and prospects, risks and opportunities and provision of services for the bank staff and clients base. Welcome to the podcast Tony.
- S3 03:26 Thanks very much.
- S1 03:28 And also Graham Solloway, who is currently the Program Leader for the Marine Sector for New Zealand Trade and Enterprise, but he spent the last five years as New Zealand's Trade Commissioner to Korea. Welcome to the show Graeme.
- S4 03:42 Thanks Glen.
- S1 03:43 And Graeme it sounds like you have come back for the long, hot New Zealand summer, rather than stick it out in Korea for another winter.
- S4 03:54 Yes, it was pretty cold when I left. It's nice to be back.
- S1 03:57 Okay, well let's kick off with Tony, and your thoughts on the topic: Are there cultural features of the way New Zealanders operate in business that holds us back as a nation? What were your thoughts at the Moxie session on this?
- S3 04:07 Yeah, yeah. My thoughts would be most definitely there are some particular characteristics we display as Kiwis which do tend to leave us as extremely good investors of things, be it in our offices, factories, down on the farms et cetera, but when it comes to actually taking those things and making money out of them, domestically, developing the products, setting in place distribution chains, moving overseas et cetera, some of those particular characteristics do tend to hold us back. And I guess when I came in to all of this was about two and a half years ago when I sat back and thought come 1992 we had the deregulatory process go through the New Zealand economy there, we had at that time one of the most deregulated economies in the OECD, so surely with the passage of 18, 19, 20 years we should be doing extremely well by now. But the evidence was that although we had a good pay off in productivity and income gains in the 1990s, things have

definitely faded over the past 10 or 15 years or so. So I ran through an exercise of what are your usual things to impediments to growth: OECD this, IMF that, cut taxes here - all those sorts of things. And they didn't really give me an answer, I felt as to why we were still underperforming over this past two decade period. And then I started to come across some of this research that had been done by a gentleman called Tony Smale at Forte Management out of Blenheim in the South Island there. And looking at this cultural characteristics of Kiwis, and when I looked at that I thought, "Now I think I can-- as an economist, answer the question that people would put to me." So, "Why aren't you booming down there in New Zealand." And I guess just to give you an example of one of these things for instance, in no particular order of importance, as Kiwis we tend to be very wary of relationships of inferiority and superiority. We have very strong egalitarian ethic in us, I think it's a wonderful thing, but I think it is one of the factors that explains why in surveys of our management ability we tend to rate relatively lowly on internalisation of our businesses, and also human resource management. And so for instance, if you have got Jo working in your warehouse, your office there et cetera, and he is not performing fairly well, we should go up to him and basically say, "Look, you have got to pull your socks up. You are not doing this, you are not doing that." Well in America, they would do that. We see that sort of thing on TV with their apprentice for a day sort of program. Here in New Zealand we are a bit wary of doing that, so maybe we just move Jo away from some of the sensitive machinery, and he doesn't know he is underperforming and we tend to have a bit of maybe dead wood in our company there. But equally we are wary of potentially looking inferior if we go and hire experts, if we tell Jo he is massively out performing there - we are wary of possibly making somebody's head a wee bit too big. So those people that are performing strongly, they may end up getting frustrated, or simply move away. Or more recently, November last year, I started to get involved with some of these discussions of ex-pats, regarding their hiring experience in New Zealand, and these ex-pats were saying they didn't understand why people were not hiring them. And some of them said they had feedback later on that the employers were scared of them. They were scared that they were sort of superior to them, they might change their business, et cetera. So there are many aspects of the culture that we have there and that is simply one of them, that in a business sense sometimes we are just a wee bit egalitarian in our interrelationships with the under performers and the high performers.

S1 07:37

That is a very good point there Tony you bring up about this situation where New Zealanders will go and get some really good experience overseas, and then come back and find that employers are a little bit freaked out about them, and as you say, might come in and rule the roost [chuckles], rather than be an absolute asset to the industry that they have chosen, Tony.

S3 08:00

Most definitely. And the interesting thing there was that the ex-pats who would come back, they would either get frustrated and not stay, shoot off to Australia, or somewhere a bit more assertive like that, or they might go in to setting up their own business, their own consultancy, et cetera, which I think in the next few years could be an avenue for many of these people with all these retiring baby boomers in New Zealand looking to sell their SMEs. There Small Medium-Sized Enterprises et cetera. But there were also one or two comments came through in this LinkedIn discussion group that I was in, and summarised in a six page pager there on my website. Some of the employers and the recruitment agencies suggesting these ex-pats tone themselves down. That they strip some of the big numbers and roles out of the CVs just to bland themselves a bit. And I thought to myself, "That is exactly the wrong thing for the New Zealand economy." We actually need the intercon activity, that these ex-pats can bring, with the international business community et cetera. One of the things that Hayden mentioned there a few minutes ago there is some improving connections in the New Zealand economy and I think our distance from overseas markets is one of our constraints on our economic growth. We need to embrace these ex-pats as they come back and what they can bring. And not be too scared of them, as it were. And it is going to be a bit difficult to change those attitudes but we will work on it over time.

S1 09:19

All right. Well Graeme you have been out of the country for five years, so you have got a [said differently?] outsider perspective looking back in. What are your thoughts on the cultural features of the way that New Zealanders operate in business that hold us back?

S4 09:32

Yes, thanks Glen. Very interesting to follow Tony's points. I came across this particularly working up in Korea and advising New Zealand businesses and seeing New Zealand businesses come to market often, unfortunately very ill prepared for a country like Korea. By and large I found that New Zealanders got on really well with Korean people. And it was interesting Korean people and New Zealanders share a lot of basic love of laughing, a love of good food and companionship, but at the end of the day, that good relationship if you like, fails to translate in to significant business outcomes in many occasions. And as a result of that we see in our trade with Korea, it's our fifth largest market, quite a structural imbalance, where it's dominated by commodities, which are often captured by Korean interests rather than New Zealand interests. So the value of that trade is relatively low to New Zealand and New Zealand companies. I wondered about this paradox, so like Tony I sort of stumbled across the literature that's floating around in this area around things like cultural distance. And the recognition that if you take an average New Zealander, you take an average Korea, they are about as opposite as you can get on any of the cultural distance maps that have been formulated. So effectively we have got two

peoples that are, if you like, polls a part in the way in which they-- the lens in which they see the world. If you take the view that culture is a critical part in which way in which we operate and the way in which we interact with the people around us then we have certainly got a lot-- there is certainly a very large gap to bridge between New Zealanders and Koreans in order to be able to successfully bridge their culture. And I think that same principle applies in many other countries, particularly in Asia.

- S1 11:59 I just wondered Graeme, is one of the issues the fact that New Zealand is so distant from the world, because of our distance, do we underestimate how cultural difference can be an issue, or be such a problem with doing business elsewhere in the world?
- S4 12:17 I think it's because we have-- it's partly a distance thing, but the physical distance translated has led to a, I guess a culture within New Zealand where we have been quite isolated, we have developed a very 'can do' attitude, we come from an environment historically which valued the sorts of attributes Tony referred to, not being too high and mighty, being self-reliant but rather self-effacing about it. We take a very casual approach to the relationships we have in the rest of the world. It reflects the style, the life style lead way in which we approach our life in New Zealand. Coming back to Auckland here, it is very noticeable to me whenever I return to Auckland, it is noticeable to me now, just how lifestyle-driven we are. We live for the weekend. We live for the boat and the bach. It is very, very apparent when you come here from outside the rest of the world.
- S1 13:35 But apparently Graeme, even though we are lifestyle-driven, we apparently work longer than many other people in the world.
- S4 13:44 Well I think that's because we have a relatively low productivity. We have got to work longer. You look at the style of our trade and the balance of our trade, we are relatively low value, we export relatively low value products. Therefore we have to work long hours in order to be able to gain as much economic value out of those relatively low streams of exports. So I think there is a paradox there, but we believe-- we adopt a style of interaction which when you are looking at New Zealanders in the way in which they operate in Asia, and North Asia is a very hierarchical, very formal business culture, our casual approach just doesn't cut it. We are seen as endearing, but we are not serious players. And so we will often get-- often we will be listening to, but when they have to make the really hard decisions, we are not at the table.
- S1 14:53 But Hayden, I would like to bring you back in, being the ring master, you have got a different sort of angle to this, this sort of non-cultural barriers that hold New Zealand back.

S2 15:00

Yeah, we had a bit of an introduction in the Moxie sessions about all of the other things that are difficult in New Zealand [chuckles], before we attend to the question of culture, and we have already referred to some of them I think: the geographical isolation, as a nation we make things that are relatively lower value, we are in competition with Australia for capital, particularly, and we're a much smaller market than they are, and we generally lack economies of scale - and I think this comes out in what Graeme was saying about being able to do a bit of everything, because we don't specialise as much as other countries. And we don't get as far up the value chain. It is fair to say also, it is not a complete disaster, New Zealand has got plenty of things going for it: highly educated population, supportive [deaspira?] which seems increasingly important, and Tony's comments refer to that. It always rates really highly as a business friendly place to do-- a friendly place to do business - those types of things. And the question really that is whether the birth of the Internet, these new technologies over come the [?] distance, and essentially enable New Zealand to improve its economic performance in the world. And New Zealand tends to be pretty well connected. It has got good broadband uptake and usage, and the government's plans around that will give us very advanced Internet infrastructure through their urban fibre builds and also rural broadband initiative. But interestingly, New Zealand's rated very highly. So New Zealand is rated very highly for use of the Internet, but rated relatively lowly for our ability to abstract economic value from the Internet. And it seems like, so it's a significant scope for businesses in New Zealand to better take advantage of the Internet to improve their own, and thereby New Zealand's economic performance. And to me that seems like an aspect of culture, i.e. we are good at getting access to technology but we are not necessarily good at monetising it. That is something that Tony and Graeme have both touched on.

S1 17:24

It seems to me that when ever the topic of ultra fast broadband comes up in New Zealand people sort of go, "Well what are we going to use it for?" Of course we are going to watch movies or TV on demand, and Peter Jackson is going to upload a few movies back over to Hollywood on it, and no one seems to be able come with any other ideas. Are we bereft of ideas for uses of the Internet in New Zealand?

S2 17:51

No, I don't think so. And I think that there are companies that are using the Internet in creative ways. I mean one of the things is, and one of the issues that we face in our manufacturing sector in New Zealand is that we are often focused on the wrong part of the value chain. We are often focused on maybe the making of stuff, whereas the real value increasing lies in the design, the research and development, and also at the other end in the sales and support model. So there are companies that are using the Internet to focus on how they can work with customers internationally around the design and look at manufacturing as being a commodity, which is largely what it can amount to. And

therefore looking at how they would manufacture perhaps in Thailand, or elsewhere in order to be able to extract the value out of the right part of the value chain. So we do see companies doing that, it is just a question of being able to expand that model more efficiently through the economy and that has a lot to do with maybe the ownership structures that we have this relatively small matrix-- small business nature of many of our firms and their perhaps lack of capital and lack of sophistication when it comes to these tools.

S1 19:23

Something that just occurred to me, when we look to start up a business, we don't think that it is going to be the biggest business of its kind in the whole entire world, we just want to make sure it's the biggest business in Pakuranga, rather than the whole of the southern hemisphere, or the whole world. Whereas if you look at businesses that start up in the States, particularly of course in Silicon Valley, they have a view to take over the whole world straight away. So is that a cultural difference that in New Zealand we never think that we are going to create something that is going to become a household name in London?

S2 20:04

I guess we feel a little bit like we are the little brother, we are the small guy at the table so therefore we can't possibly have people and things that would be world leading. And that's an attitude, or an issue that we have to try and overcome.

S4 20:26

If we are going to be successful.

S3 20:34

I think part of it stems from the fact that we are the people that left the major centres and major countries and came down here, right from back in the 1780s, 1790s et cetera, the major migration periods after World War Two, et cetera. In fact 25% of our population of New Zealand was born overseas, 40% in Auckland, so we have come from the major sectors, from the major economies down to the small part of the world. And what I think that that means, we don't naturally think in terms of, "I'm coming down here just for a quick rest and I am going to then re-gather my energy and go and attack all those markets overseas." We sort of come down here for the lifestyle. People haven't come down here to earn money. They know they are going to be earning maybe half of what they were earning in London et cetera if they come down to New Zealand, so I think that maybe that is part of it, but also just the fact that we can only be niche operators. We will never achieve volume in terms of New Zealand domestically orientated production, it is only in dairy product, where because such a small quantity is-- percentage is actually traded around the planet we rate highly in terms of percentage of international trade. I think this is where the [terrains?] of distance comes in, in that we do invent all these lovely products and processes, IT et cetera, down in New Zealand and they can be just niches of where we may not develop the whole product, but we have got some componentry which can go in to the products. But knowing exactly where it will slot in can be difficult. And

that's where we need that improved connectivity with the companies overseas, with the expats overseas, that know the details of what they are producing in their major US, UK, French corporates, et cetera and can look at what we have got and say, "Look, that is going to solve the problem that we have been working on." In our sort of more [abummed?] structured way there for ten years. We're Kiwis, we see nothing in our way, and we'll just invent the things ourselves and then leave them sitting on the shelves. My interest working with some other researchers out there, is what they are discovering in terms of the change in our cultural characteristics. That we have not just the second largest proportion [deaspira?] in the OECD, after Ireland, but we have the most rapidly churning population, certainly in the OECD, don't know about the world. On average each year about 1.7% of our population leaves, and we get a gain of about 2.1%. So there is always this churning of the expats, and the foreigners, as it were, coming in. And so the people coming in while some of them, the expats maybe, are coming in to settle down, maybe they are in their 30s, 40s raising a family, that sort of scenario, not all of them are willing just to lay back as it were, and settle for the three Bs, which maybe they can afford when they sell their house overseas, or whatever. But certainly the migrants coming in have got amazing connectivity and drive, they want to succeed, they want to keep running their businesses et cetera. And maybe the younger people, the younger generation coming through as well, I think about some of the cultural characteristics that I display, that tend to match up with a lot of what I have been coming across I guess as an impediment. But for the younger coming through, they don't know so much about this hands on, down on the farm, Barry Crump can do anything, you know, sort of attitude there. They are more connected all the time, in the evening until three o'clock in the morning or something on their screens. And so I think there are changes underway, and I guess it's a matter I guess of capturing those changes and making sure of that those people with their different attitudes are not going to be frustrated by those of us who are older, who are running the businesses, who are telling them to calm down. The risk is those of us with those cultural characteristics cause them to leave. And I think the starting point, and I guess what I'm to get across through a new publication I have got, Brain Gain New Zealand, new monthly sort of thing, is actually try and make business people aware in New Zealand, we do have a culture. Once you have got awareness, then you can look at its deficiencies and how you alter it. Especially with the people coming from off shore, and the younger generation coming through.

S4 24:20

And I think that is part of what we try to do at New Zealand Trade and Enterprise, by looking to celebrate success, by looking to provide the sort of support programs to businesses before they do venture off shore. And by working closely with some of our leading companies to make sure that they are well prepared when they go to market. So

there is a bunch of things that we can do, and we do do on a regular basis, to help build the capability of New Zealanders to operate internationally. So it is not by any means a doom and gloom story. It is about recognising where our deficiencies lie, and taking steps to overcome those. I would be very interested, just you mentioned one other thing, or Hayden mentioned one other point, and I will just refer to it as well, this issue of longevity. And I think one of the other panelists made the comment, a very, very good profound comment, that go to a bank and businesses here have a very short term view, but go and try and raise capital or go to a bank in Germany and you will be asked questions like, "Where do you see your business in 50 years time?" And most New Zealand businesses don't think in those sorts of terms. They don't think that they are building an entity for intergenerational wealth. And I think that's something which we have got to acknowledge and look to ways in which we can think in longer terms around the sorts of entities we are constructing.

S1 25:59 All right. Well I think that's a very good note to bring this very first Moxie podcast to a close. All the is really left is to let people know what projects you have got underway and where to find out more online and follow what you are up to. First of all, Tony, what are you doing?

S3 26:20 Okay, number one I have got a website, tonyalexander@xtra.co.nz, where I place my suite of five major publications. I have got a weekly overview, it goes out each Thursday night to 27,500 people. I've got two monthly surveys there on the real estate sector in New Zealand and Business Sentiment. I've got my monthly Growing With China publication I started in February last year. If you want to keep up with China. And the new publication I started, well frankly just a few days ago, Brain Gain New Zealand. It's aimed at New Zealand's expats, letting them know what's happening in New Zealand, the economy, but also some of the more interesting stuff, like these cultural characteristics, high value manufacturing, creative digital content sector, et cetera. So definitely have a look at that one, it has been fairly well received so far. So my main areas I guess of exploration in terms of my research would be that intermingling of culture with the expats and also this larger issue of China/Asia, where I reckon for the rest of the history of this planet essentially, that's where our trade, that's where our exports are going to go and because of the cultural way they do things, and the speed of business over there is so different from New Zealand, we do need to upgrade, I think, some of our awareness of our own characteristics and the adjustments we need to make when we go off shore to interact, because that's where the rest of the history of this country lies essentially.

S1 27:38 Good one. Thanks Tony. Graeme, where are you at and where can people find out more about what you are up to?

S4 27:45 In terms of what New Zealand Trade and Enterprise does, look get online. If you are not already interacting with NZTE as a customer, get

in to the website nzte.govt.nz. I would certainly encourage New Zealanders who are there and working to-- and looking at international markets, looking at their business and how their business operates-- can operate and grow internationally to get in there and find out the resources that are available before you do actually take the steps of going off shore. Too many times I'm meeting with folk who have arrived in Korea and they haven't been prepared, and they haven't done the research before they left. And that's the easiest thing to do. It will save you a lot of time and money when you are over there.

- S1 28:34 All right Graeme. Thank you very much Graeme. Hayden, where can we find what you are up to? And when is the next Moxie session?
- S2 28:41 So the Moxies will be every four or five weeks through the year and if you found this one then that means you know where to look [chuckles] to find the podcast. And there's various other bits of streams of activity, so I'm sure we will see some of that come out through the year.
- S1 29:02 Brilliant. Well we are looking forward to the next one if you will have me back, technical problems and all.
- S2 29:08 Well interestingly the next one is about connectivity and New Zealand's connections to the world. And this fascinating question of: what sort of business-- whether you need to have an office and whether you need get on a plane - and those types of things, or whether the Internet solves that problem for you - which is a really good discussion.
- S1 29:25 Yes. Because I haven't mentioned that of course that I'm on the other side of the world in London hosting it, which is quite a weird and bizarre thing really. But it's an absolute pleasure and honour to be doing it. Well thank you very much to all three of you and best of luck for 2013, I think it's going to be a cracker of-- there is certainly a lot of positivity out there anyway. We have been with Tony Alexander and Graeme Solloway and Hayden Glass. My name is Glen Williams. Thanks very much for tuning in to the very first Moxie podcast. We will catch you on the next one. See you.