



KELLOGG
RURAL LEADERSHIP
PROGRAMME

**Selling our businesses overseas;
How does this affect our ability to
fund innovation and growth?**



Kellogg Rural Leadership Programme

Course 40 2019

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I would like to thank everyone involved that helped me out in the busy world we live in. The attachment and the passion to my cause was truly humbling. There are some great people, in some great paces, doing some awesome things.

While I have put a lot of effort into this subject, it still requires more understanding and research. I believe that awareness is the key to this subject, as there are so many contributing factors. The Overseas Investment Office rules do not necessarily have the ability to define between land and the sale of businesses.

I would also and like to thank my wife Amanda Hodgson and two kids and Annabelle and Jasper for their continued support through this Kellogg's journey of discovery.

To the Archway Group family, I really appreciate the fact that everyone has stepped up and taken the bull by the horns and completely remove me from daily operations to allow the Kellogg journey to happen.

The following people have had direct input into this project:

Kirsten Mead, Callahan Innovation

Peter Chrisp, CEO NZTE

Bruce Cameron, Chairman of Zespri

Lain Jager, Chairman of primary sector council

Langdon McMillan, MBIE

Executive Summary

Innovation:

New Zealand has some of the brightest people researching and developing some of the best ideas in the world, but we don't necessarily hold on to the investment intellectual property to get the full value of the innovation.

We run into issues such as; capital restrictions, market restrictions and people restrictions. When these restrictions are met in New Zealand the easiest way to overcome this is to involve overseas strategic investment. This investment could involve acquisitions such as; capital, people or access to market.

I believe more work needs to be done by the government to ensure we maintain as much intellectual property as possible when overseas investment is involved.

At present the NZ government invests heavily into NZ companies research and development but we are not necessarily capturing the potential value, nor are we getting return on investment when the business is sold overseas.

Typically, in New Zealand business we are poor at recognizing the value of our ideas and how to protect them.

One way to capture more value is to hold onto the intellectual property.

How do we do this? I am not the right person to make recommendations but that is not to say it needs to be done.

Productivity:

New Zealand is one of the least productive countries in the **Organisation for Economic Co-operation and Development (OECD)**. Throughout this research, I have found that some of the reasons for this poor productivity is driven from:

- a. our location
- b. our lack of competition in markets due to scale
- c. our people in leadership.

This might sound all bad, but there is a real opportunity to grow our people, introduce competition, and with technology, location issues are becoming less. In saying that it as I'm writing this, we have some huge challenges with climate change, and how that affects our location will be interesting to see how it plays out.

The only real way to introduce competition is by Foreign Direct Investment (FDI).

The FDI introduces capital into NZ. Capital is a huge constraint for New Zealand's innovators and developers.

One of the main issues with capital constrained companies are that they are generally sold to overseas buyers.

These companies that are sold are often New Zealand's most productive, most innovative, and most disruptive firms that have generally had investment/funding from the NZ government or other New Zealand funding sources.

What I have found in my research is that some of these companies stay in NZ and others relocate overseas completely.

My question is: 'How do we maintain or capture the value of our ideas?'

Introduction

So, if I haven't already got you intrigued about productivity and innovation and its relevance to Foreign Direct Investment; then let me try to give it some relevance in your day to day life as you know it today.

Have you ever been into a hardware store in NZ and experienced true customer experience?

You never have had to wait in line; you can always find somebody to talk to that has a lot of knowledge of the products you wanting to buy, they would carry the product to the counter for you, help you to your car, and you have walked away thinking that that was one of the best experiences you've ever had.

I would doubt you have had an experience like this in NZ.

The fact is that there's not enough scale or competition for businesses in NZ to practice full customer experience, or for the company to be so productive that if they didn't perform to the highest level possible, then they simply wouldn't exist.

Although some very great ideas come from New Zealand, this lack of competition also effects how we innovate and develop as a country. Our laid-back approach doesn't necessarily hold companies in NZ accountable for poor performance.

By not holding companies accountable for poor performance; we are not driving companies to innovate and develop better systems and techniques. This would drive people performance, better technology and efficient and effective NZ businesses.

The competition needs to come from Foreign Direct Investment. But this investment needs to be in good character socially aligned to New Zealand's unique position in the world.

We are food bowl at the bottom of the world, insulated from disease and pests, although we have distance to markets, we are a very safe and secure place to source our food from.

We are also a very safe place to invest in as we have a democratic government that can be trusted internationally, and we are accepting of other cultures and nationalities.

We can be seen to be a very strategic place to put money due to:

- our location,
- stability of our economy and banking,
- our climate is very good for growing food, and;
- reasonably insulated from the rest the world if there was a conflict or other adverse climate effect.

With current government policy and planned policy influenced by overseas influences, there has been comment made through this research that we could be at peak protein production in New Zealand.

This statement implies; that, unless we gain more value from the products being exported, New Zealand's economy will not fare well in the near future. But there is value in the value chain that has not been captured or recognised and this is where lies the opportunity if we own the business or the intellectual property.

Aims & Objectives

The objective of this research is to create awareness of a subject that is often overlooked in society.

I am going to focus my research on three key points.

1. How New Zealand's contribution to innovation is lost when FDI (Foreign Direct Investment) is present.
2. Productivity of New Zealand and Foreign Direct Investment businesses
3. Who owns our businesses by country?

The objective is to understand how FDI is present in our businesses and provide an evaluation of **scale** and **effect**.

Methodology

Firstly, I will undertake a full literature review of any available information online to determine who owns our businesses.

Secondly, a qualitative approach was conducted using interviews with key industry stakeholders and leaders that were available.

I was humbled by the availability of all leaders and stakeholders that were contacted to participate in my survey on productivity. This allowed me to develop my thinking and draw conclusions on productivity and innovation and the effects it has on New Zealand business culture.

1.1 Defining Innovation investment

Nearly every business leader today recognizes the need to innovate and stay competitive, but simply prioritizing innovation is not guaranteed to drive growth. In the [2017 PwC CEO Survey](#) of about 1,400 chief executives, innovation was the number one area CEOs wanted to strengthen in order to seize new opportunities—and companies are budgeting, hiring, and managing accordingly to do just that.

However, the size of your innovation budget is not related to your ability to enact progressive change—it's how effectively you spend it. In a dozen years of conducting the [PwC Global Innovation 1000 Study](#), we've never found a statistical relationship between the dollars a company spends on R&D and its financial performance.

Innovation has risen from a priority area to a near imperative for business leaders. They see the accelerating pace of technological change upending every industry, and cheaper computer power is driving fast-paced, new innovations in the essential eight emerging technologies.

Today's companies should invest in and use their innovation dollars wisely to drive growth and stay ahead of continual marketplace disruption. But too many companies innovate for the sake of innovation—making blind bets on impressive new, emerging technologies soon after they enter the marketplace. The fact is that the sheer volume of emerging tech is contributing to much of the noise and distraction that can make it difficult for executives to objectively evaluate whether the latest tech could, in fact, boost their bottom line. Seemingly innovative ideas and projects that are poor fits with a company's marketplace goals, supply chains, or talent pools are flooding the market and muddying the waters of business strategies.

Which is why careful self-education is vital when making decisions about how emerging tech fits into your individual company's goals and processes. Random acts of innovation rarely pay off. For innovation to deliver results, it must be clearly aligned with a company's business strategy. According to [PwC's Innovation Benchmark Report](#), which surveyed executives in more than 1,200 companies, the 61% of executives who say their companies are investing 15 percent or more of their revenue in innovation also say strategic alignment is their biggest challenge.

To do a better job of aligning your targeted innovations with your specific company's strategy, bring leaders from the business side into the creative process—[what we call the innovation sandbox](#)—at the start, during the ideation phase. This demands that your internal team better collaborates with employees from across the firm, appreciates different perspectives, and emerges from their specialized silos, connecting with one another throughout the entire innovation process—from brainstorming to execution.

The sandbox strategy entails a “fail fast” mentality that is unafraid to rapidly produce basic prototypes and then correct course when the proposed innovation doesn’t support the business objective. Potential innovators should be given significant freedom to try and re-try new approaches, but when one pilot project repeatedly does not bear fruit or support the business strategy, it may be time to change direction and/or enlist different perspectives. In Jeff Bezos’ 2017 letter to Amazon’s shareholders, he draws a distinction between “Day 1 companies” and “Day 2 companies.” To stay a Day 1 company, Bezos says, you need to make decisions quickly and correct poor choices.

There will also be times when it’s not the innovation strategy that needs correction, but rather the business strategy. Don’t let your company’s pursuit of growth stall because you’re too wedded to a potentially outdated business strategy that seems set in stone—it isn’t, and repeated innovation failures may be a sign that it’s time to rethink it.

Sue Siegel, CEO of GE Ventures, was quoted in PwC’s Innovation Benchmark Report, saying, “We need to focus on business model recreation and re-imagining. We all know that various emergent technologies are very powerful. But what we have to figure out is, what is the sustainable business model that we could [use] to actually drive growth?”

Ultimately, innovation spending has to drive business value and financial performance. But for that to happen in any consistent way, innovators should understand and help define future business models that can support the innovations they create.

To realize the success you are pursuing, kick off any new project with an initial and immediate eye to strategic alignment—and if it doesn’t work, keep course-correcting to ensure your company’s innovation efforts reflect a carefully considered, timely business strategy.

From <http://usblogs.pwc.com/emerging-technology/investing-in-innovation-for-biggest-impact/>

To back this up in our own business, Archway Group LTD, every innovation is not always a good one. When you get it right it is hugely satisfying but it shouldn’t be done with out a very clear set of values for the business and a core vision of what the business stands for.

1.2 Value of Innovation

Investment Levels in R&D, Funding Channels and Initiatives:

The link between investment in R&D and GDP growth is clearly seen in OECD data. The OECD Science, Technology and Industry Outlook 2000 (Annex 1) contains a comprehensive summary of the empirical links between innovation and economic performance. Based on a large number of studies evaluating the rates of return on R&D investments, it finds the direct (private) rates of return are typically between 10% and 20%, making investments in R&D ultimately a profitable undertaking. Rates of return typically show considerable differences across sectors, with R&D in research-intensive sectors having higher returns.¹⁵ A comparison of GDP per capita versus national R&D expenditure (GERD) per capita, over time in US dollar equivalents (Purchasing Power Parity US dollars), for New Zealand and various other countries confirms that increased investment in R&D does correlate to increased GDP (Figure 2). While this correlation may be one of diminishing incremental return, this return may be worth seeking, in terms of the expected absolute GDP per capita growth achieved.¹⁶ The average OECD total R&D expenditure in 2008 was 2.33% of GDP. New Zealand falls well short of this, running at approximately 80% of OECD average in total of government and education sector expenditure and about one-third of the OECD average for the business sector.

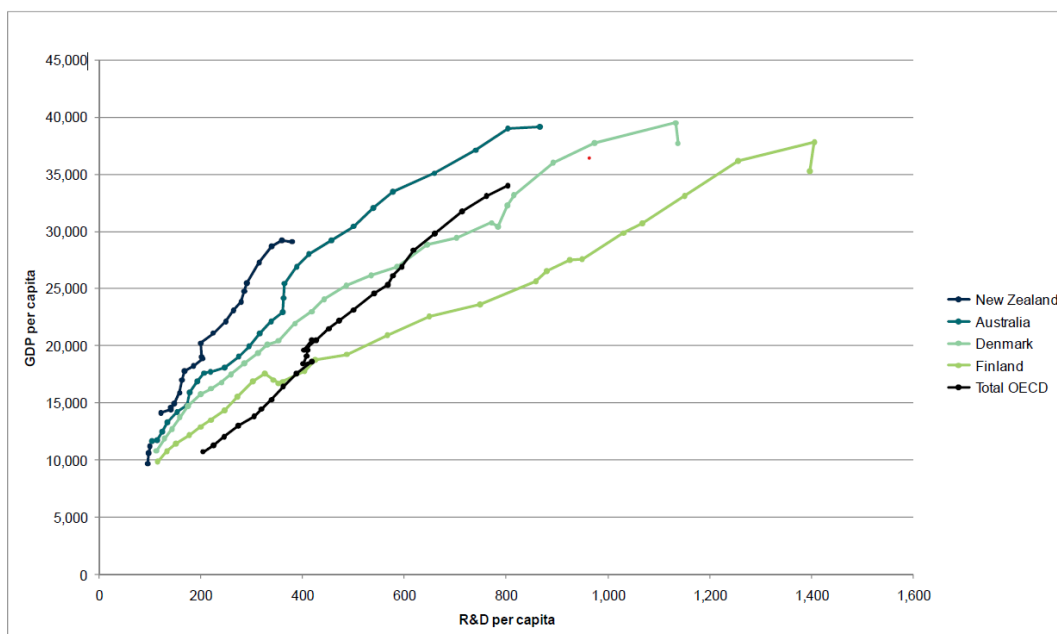


Figure 2: Comparison of GDP per capita, 1981–2009

<https://www.mbie.govt.nz/assets/e1abc58ac4/powering-Innovation.pdf>

Given the rate of return of research, development and innovation, this graph clearly shows that there is a huge gap between other western countries and NZ. The place where most of our innovation should be directed is how we increase our productivity as a country.

1.3 Examples of businesses that have sold

There are plenty of businesses that have sold in New Zealand. One that stands out for me is LanzaTech this is an article from the New Zealand Herald;

A New Zealand-based biotech firm with links to Barack Obama's re-election campaign manager is moving to North America.

LanzaTech has received \$14,185,972.89 in taxpayer funding including GST, since September 2005 but announced this morning it was shifting 30 employees from New Zealand. A new Illinois hub will serve as the firm's research and development (R&D) centre with a new investment there of more than \$19.9 million.

LanzaTech captured carbon-rich waste gases from large industrial operations such as steel plants and used microbes to recycle the waste gas. The company grew steadily since its establishment nine years ago and last week raised \$69m in private sector funding.

LanzaTech is the low carbon fuel partner for Sir Richard Branson's airline Virgin Atlantic. In November, the firm became the world's first company to have its jet fuel certified by the Roundtable on Sustainable Biomass.

The World Economic Forum included LanzaTech in an elite group of firms "set to have a significant impact on business and society" in its 2012 Technology Pioneers awards.

The company received multiple grants from U.S. taxpayers before announcing its move today. Last year, the US Department of Energy provided \$4.9m in research funding. The Illinois Department of Commerce and Economic Opportunity approved tax credits for LanzaTech worth an estimated \$1.28m over the next decade.

In New Zealand, LanzaTech's move seemed a surprise to the ministry which championed and helped bankroll it here. The Ministry of Business, Innovation, and Employment knew nothing about the move when the firm was holding internal discussions about shifting a week ago.

A spokeswoman for Science and Innovation Minister Steven Joyce said LanzaTech had received no significant grants since 2012 and the only active grant was for \$88,000. "In order to receive Government R&D grants in the future, LanzaTech would have to continue to undertake significant R&D in New Zealand," she added.

Labour's Energy and Resources spokesman David Shearer said LanzaTech was probably the most innovative Kiwi company of the last decade and its shift to Illinois was disappointing.

"The fact the ideas came out of New Zealand and the weight of the company is now moving offshore is a blow to us, and it will certainly limit the ecosystem we hoped would be developed in New Zealand around clean energy," he said. "It's not the end of LanzaTech here but on a personal note, I'm disappointed because I've watched this company develop over a number of years and been hugely excited about it."

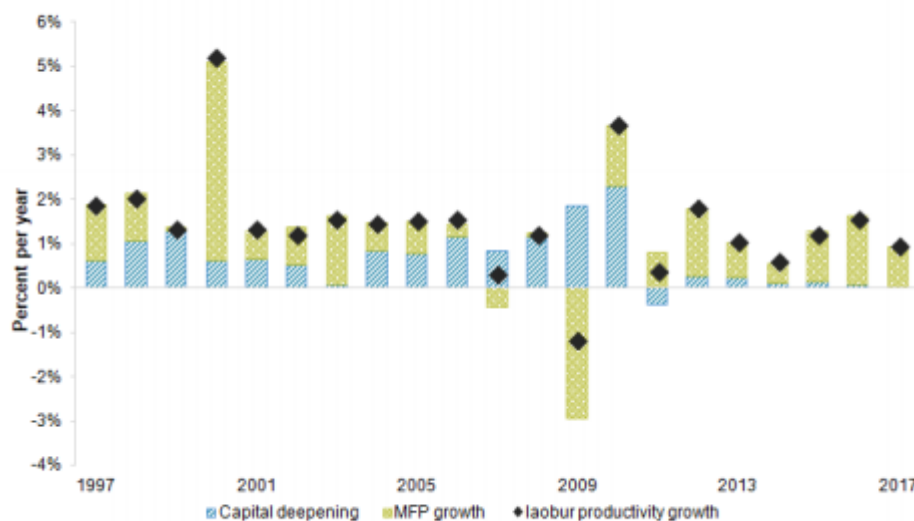
https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11232302

There is a lot more information on the LanzaTech website, although there is still kiwi employment the bulk of the profits are returned overseas. It is as a result of New Zealand just being too small and not attracting enough capital, quality people, and access to markets. I believe it doesn't need to be like

this with the connectivity and technology advancement. I believe there will be a way we can hold onto our precious innovations and let them flourish.

2.1 Productivity of NZ

Chart 1: Contributions to Labour Productivity Growth in New Zealand, 1997-2017



Source: Statistics New Zealand

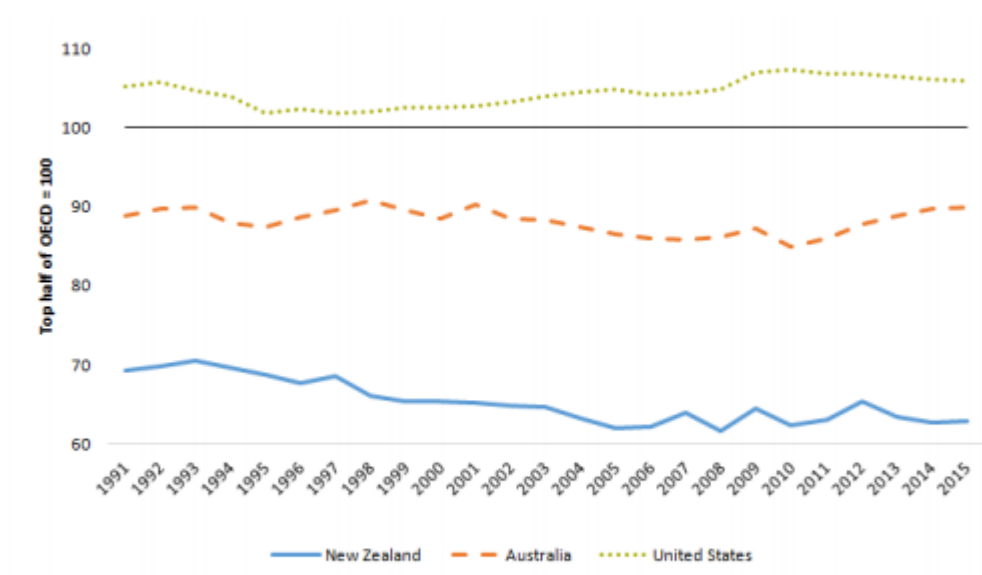
New Zealand's Productivity Performance Aggregate Drivers of Growth Productivity growth in New Zealand has been reasonable in some years and in some industries but has generally been weak in international comparison over the long run.

Consistent with this relatively poor long-run productivity growth performance, the level of labour productivity in New Zealand has been well below the average of high-income OECD economies for some time. Since the mid-2000s, New Zealand has not suffered the same decline in MFP growth seen in many OECD economies apart from a strong negative outturn in 2009, MFP growth strengthened a little post the Global Financial Crisis (GFC) (Chart 1).

However, as in a number of OECD economies, capital deepening declined from the mid-2000s, leading to a softening in labour productivity growth. However, this labour productivity slowdown has been comparatively minor and New Zealand's decline in labour productivity relative to high-income OECD economies came to an end in the mid-2000s (Chart 2). Although New Zealand's labour productivity has been "keeping up" in the context of a generalized productivity slowdown across the OECD, there is still no evidence of any "catching up" and a sizable productivity gap remains. In contrast to a relatively poor long-run productivity performance, growth in labour input has been a key driver of GDP growth. This reliance on the labour market as a driver of economic growth has intensified in recent years. For example, since 2000, growth in the New Zealand labour force has been more than twice the OECD average, driven by much faster growth in the working age population and a greater increase in labour force participation (Culling and Skilling, 2018). In turn, rapid growth in the working-age population has largely been driven by strong immigration inflows, while participation rates have increased for older workers and, more modestly, for females. In addition, hours worked per worker has fallen by less in New Zealand than in the rest of the OECD, adding to the overall increase in labour supply.

<http://www.csls.ca/ipm/34/Conway.pdf>

Chart 2: New Zealand's Labour Productivity Level Relative to High-income OECD Countries, 1991-2015



Source: OECD

Note: Population-weighted average for the top 17 OECD countries for labour productivity, calculated using 2010 purchasing power parity exchange rates.

2.2 What affects our productivity?

Why New Zealand firms have low productivity:

The previous section paints a picture of an economy that has generally struggled to “catch up” with the productivity performance of high-income OECD economies, despite the emergence of a considerable productivity gap.

Consistent with the aggregate results, firm-level analytics highlights issues with technology diffusion and resource allocation across firms, with a large share of labour and capital employed in low-productivity firms.

A growing literature has identified a range of possible reasons for weak technology diffusion and productivity detracting resource reallocation, despite theoretical predictions and empirical evidence of productivity convergence within the OECD. This includes a host of structural factors, such as weak international connection and the geographic segmentation of domestic markets. Firm-level differences in productivity-enhancing investment, including in knowledge-based assets such as R&D and managerial capability, have also been found to play a role.

Small Markets and Firms:

The size of the market in which firms operate influences their productivity. Large markets reduce search costs and facilitate specialization by allowing a finer division of labour. They can also encourage better knowledge flows and spillovers across firms and facilitate increased competition that improves reallocation.

The funding necessary to invest in capital and to innovate may also be more forthcoming for firms operating in large markets. In small economies, international connection is the only way of securing the benefits that come with large markets. While international connection is important in general – for example, more open economies converge more quickly (Melitz and Ottaviano, 2008) – it is especially important for small economies. As such, there is a clear negative cross-country relationship between economic size and trade intensity (Chart 5).

For a small economy, New Zealand is not well connected internationally. The intensity of international trade in both goods and services has declined over recent years and is one of the lowest among economies of a similar or smaller size (Figures 5 and 6). New Zealand firms also participate to a minimal extent in global value chains (de Backer and Miroudot, 2014). The stock of FDI in New Zealand peaked at around 50 per cent of GDP in the late 1990s and has fallen slightly since. In contrast, global cross-border investment flows increased markedly over the late 1990s and 2000s as globalization deepened. The stock of FDI in New Zealand as a share of GDP is now around the OECD median, while outward direct investment is among the lowest in the OECD.

Firm-level analysis also finds no evidence of technology spillovers from relatively productive foreign owned firms operating in New Zealand to lower-productivity domestic firms (Doan, Mar'e and Iyer, 2015; Conway et al., 2015). More optimistically, although digital connection to the rest of the world measured as international bandwidth per capita use is relatively low, it has grown at a reasonable pace since 2006. International connection via people flows is also relatively high, with a large share of workers born overseas. However, as discussed below, given capacity constraints in the New Zealand economy, currently very high inward migration may work against capital deepening. On balance, weak international connection is the key explanation for the “technology disconnect” between leading New Zealand firms and leading international firms outlined above. Compared to firms focused on domestic

markets, exporting and foreign-owned firms operating in New Zealand are typically more productive and larger, suggesting that international connection facilitates technology diffusion and allows productive firms to grow and benefit from scale effects. However, despite these productivity and size advantages, there are relatively few outward-looking firms operating in New Zealand. This challenge of weak international connection is compounded by small and geographically segmented domestic markets. The associated negative impact on productivity may be considerable in New Zealand – a long, thin, mountainous and sparsely populated country in which infrastructure provision to link regional economies is challenging. This is likely to be an important reason for weak market selection effects and limited productivity “catch up” across firms within the domestic economy. For example, Zheng (2016) finds that firms in some services industries and in the construction industry tend to focus on the local market in which they are geographically situated and these firms are also the least likely to catch up to the national productivity frontier in their industry. Overall, because the size of the market affects the size of constituent firms, weak international connection and small, insular domestic markets mean that New Zealand firms are relatively small in international comparison.

They also grow relatively slowly on average – within-firm employment growth is driven by a small cohort of high growth firms whereas a large number of firms do not grow at all (Meehan and Zheng, 2015). A Capital-shallow Economy Investment lifts labour productivity directly by adding to the capital workers have at their disposal and indirectly through MFP, as new technologies are often embedded in new capital. Capital intensity can also influence an economy’s areas of comparative advantage and specialisation. For example, Johansson and Olaberria (2014) show that across OECD economies, higher capital intensity is associated with higher exports. Over recent decades, non-residential business investment as a share of GDP in New Zealand has averaged slightly below the OECD median (Conway, 2016). However, with low GDP per capita and rapid employment growth, this is spread across relatively more workers compared to other OECD countries. Put differently, rapid population growth necessitates a higher investment share of GDP if New Zealand is to maintain capital per worker relative to countries with lower employment growth. In any case, investment per New Zealand worker is relatively low in international comparison.

2.3 Investment opportunity

A stable place to invest and do business:

Attracting high-quality business investment into all parts of New Zealand plays a critical role in creating economic growth, increasing jobs and lifting productivity, and is an essential ingredient for building an innovative and internationally connected economy. Investment brings the financial capital that firms need to expand their operations or meet the costs of accessing overseas markets and can help stimulate productivity improvements by allowing firms to unlock more productive capital. Attracting investment from overseas sources of capital can help us accelerate our economic growth and reach our export target sooner. Overseas investment can also bring additional benefits, such as providing access to new ideas, technology or production processes that can help firms to innovate and add value to the goods and services they produce.

<http://gdsindexnz.org/wp-content/uploads/2018/10/14.-Ministry-of-Business-Innovation-and-Employment-New-Zealands-Investment-Attraction-Strategy.pdf>

New Zealand has a reputation for honesty and transparency.

International's 2017 Corruption Perception Index ranks its public sector the least corrupt on the planet.

New Zealand takes a tough stance on money laundering with legislation that puts obligations on its financial institutions and casinos to detect and deter money laundering and terrorism financing. New Zealand boasts sound macroeconomic foundations and is among the top 10 rated sovereigns in the world. New Zealand's low net debt to gross domestic product (GDP), low sovereign risk and independently managed inflation rate are bedrocks of stability. This solid foundation instils investor confidence and gives New Zealand the ability to persevere through and bounce back from crises, both economic and physical.

Compared to other parts of the world, starting a business is simple – it only requires one step and can be completed in half a day. There is a straightforward, business-friendly taxation system. Over the past three decades, New Zealand has advanced to having some of the most investor friendly regulations in the Organisation for Economic Co-operation and Development (OECD) There are fewer layers of bureaucracy, both in the public and private sectors, with decision makers easily accessible. New Zealand offers significantly lower costs to do business in areas such as export compliance costs, wages and facility costs compared to neighbouring Australia.

The point here is that we have a unique investment opportunity in the world we need to understand this and the attraction to invest in NZ.

Investment statistics

Key data at a glance

New Zealand is an island nation situated in the South Pacific Ocean. With a land area of 268,000 square kilometres, it is similar in size to Japan or Britain. We have a relatively large exclusive maritime economic zone of 4.1 million square kilometres.

Over half of New Zealand's total land area is pasture and arable land, and more than a quarter is under forest cover, including 1.8 million hectares of planted production forest. Lakes and rivers cover 1 percent of the land area. Most of the rivers are swift and seldom navigable, but many are valuable sources of hydro-electric power.

New Zealand's resident population is approximately 4.7 million. With an estimated population of 1.5 million people, the Greater Auckland Region is one of the fastest growing regions in the country.

Trade is essential to New Zealand's economic prosperity. Exports of goods and services make up around 30 percent of gross domestic product (GDP), and New Zealand's trade interests are well diversified. Australia, China, North America, the European Union and the Association of South-East Asian Nations are our largest markets for goods and services exports. Other major trading partners include Japan and the Republic of Korea.

Asia-Pacific regional linkages remain at the core of New Zealand's political and economic interests. The countries of Asia-Pacific Economic Cooperation (APEC) take more than 70 percent of New Zealand's exports, provide 71 percent of tourism arrivals, and account for around 75% percent of New Zealand's foreign direct investment. However, New Zealand's trade policy still has strong links to Europe and successive governments have also pursued opportunities in emerging regions, such as in the Middle East and Latin America.

While New Zealand exports a broad range of products, it remains reliant on exports of commodity-based products as a main source of export receipts and relies on imports of raw materials and capital equipment for industry.

The following are a selection of economic indicators and investment statistics including foreign direct investment levels, exports and markets.

<https://www.nzte.govt.nz/investment-and-funding/investment-statistics>

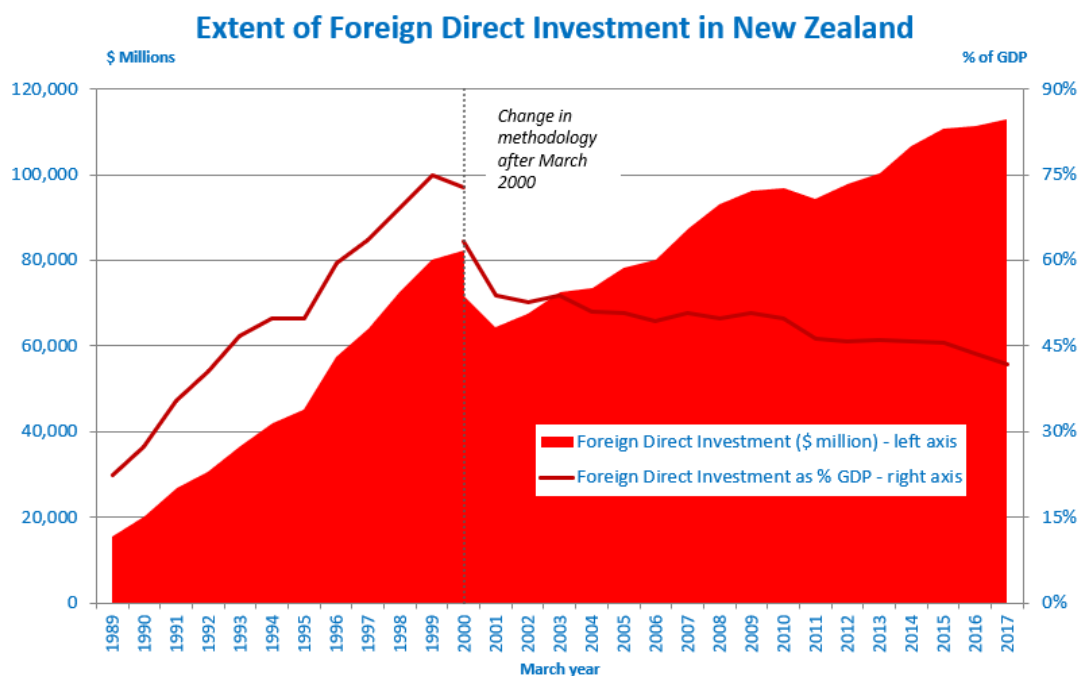
How do we rank...?

Ease of doing business	2nd in 2015	World Bank Doing Business Report
Protecting investors	1st in 2015	World Bank Doing Business Report
Ease of starting a business	1st in 2015	World Bank Doing Business Report
Absence of corruption	2nd in 2014	Transparency International Corruption Perceptions Index
Economic freedom	3rd in 2015	Heritage Foundation Index of Economic Freedom
Attractiveness to foreign investors	4th in 2015	Milkin Institute Global Opportunity Index
Global competitiveness	16th in 2015-16	World Economic Forum Global Competitiveness Index

<https://www.nzte.govt.nz/-/media/NZTE/Downloads/Investment-and-funding/Sector-opportunities/Open-for-Business--Investing-NZ.pdf>

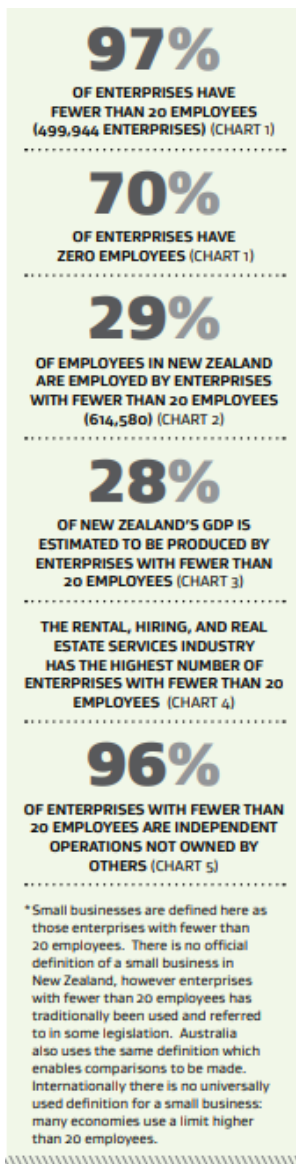
Data on Foreign Investment stock

Graph Showing: How much FDI we Have in NZ and its relationship to GDP as a percentage



Source: International Investment Position, National Accounts - Statistics New Zealand

Some Key data of the Scale of Businesses in New Zealand shown as a percentage:



<https://www.mbie.govt.nz/assets/30e852cf56/small-business-factsheet-2017.pdf>

This data is showing close to 30% of our people are employed by small businesses and close to 30% of our GDP comes from small businesses that could arguable be unlikely to be put up for overseas sale individually.

Stock of total foreign investment in New Zealand by country

Country	NZ\$ million	Year end
Australia	114,882	Mar - 16
Canada	5,570	Mar - 16
Cayman Islands	1,158	Mar - 16
Channel Islands	Confidential	Mar - 16
China, People's Republic of	5,464	Mar - 16
Hong Kong (SAR)	8,504	Mar - 16
Japan	11,753	Mar - 16
Malaysia	638	Mar - 16
Netherlands	8,692	Mar - 16
Singapore	7,753	Mar - 16
Switzerland	1,924	Mar - 16
United Kingdom	74,319	Mar - 16
United States	35,952	Mar - 16
Virgin Islands, British	3,014	Mar - 16
Total investment in NZ¹	386,360	Mar - 16

¹ Only a limited country breakdown is shown in this table, therefore data does not sum to stated totals

Source: Statistics New Zealand

The information on this table settles any misconceptions that China has an influence on our FDI, this suggests that it is more our neighbour Australia that has an influence on New Zealand in the amount of forging direct investment stock Australia owns.

Conclusions

There is an opportunity to attract good capital into NZ to improve productivity. This in turn will accelerate innovation. It is how we maintain the intellectual property of this innovation that will increase the wealth and the well-being of New Zealand's people and its economy.

Recommendations

I would recommend a full government enquiry into how the Overseas Investment Office makes its decisions around foreign direct investment into NZ businesses, as I believe we need to capture more value from our innovations.

We also need to take stock of our productivity in New Zealand and sort it out.

It simply isn't good enough to accept poor performance from companies or our people in New Zealand.

This is going to require a shift in culture to gain the desired results.

I believe the key to this culture shift is education into emotional intelligence.

Emotional intelligence definition "***the capacity to be aware of, control, and express one's emotions, and to handle interpersonal relationships judiciously and empathetically***"

If we truly understand this then we will understand the 'Why' we are New Zealanders and how we can capture the true value of being a New Zealander and a New Zealand business.

There has been comment in my interviews that we are very poor at also capturing value in the value chain, although this theory is been told repeatedly, the uptake to the idea seems slow in comparison to the rate of change globally.

We are self-confessed innovators and hard workers but some of the data coming to light is not substantiating these claims. Although we may work hard our efforts maybe unusable in this ever-changing world. Therefore, the real area in need of innovation is our productivity!

References:

Personal Communication

Kirstin Mead, Callaghan Innovation

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Langdon McMillan, MBIE

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