

# **Innovation and Enterprise – Keys to Productivity**

By Paul Winter June 2009

It was encouraging to read how the 'Great Economic Debate' held recently in Manukau revealed a surprising amount of agreement on the economic outcomes New Zealanders wanted. The debate that remains between the political left and right is on the strategies and programmes required to achieve what are essentially similar outcomes.

So what are the economic outcomes that a sizeable majority of us want, no matter our political hue? They include:

- controlling inflation
- achieving a less volatile exchange rate, so our businesses can increase their export capability, helping us buy all the things we want from other countries
- raising our relative wages, with most of us at last sensing that this means we need to lift our overall productivity
- having more of our savings invested in the tradable sector and by inference less in the non tradable sectors like property

If we can agree on these ends, why can't we agree on the means to achieve them?

The problem is that unless we want to rely on luck, then we need to put in the effort to select and pursue good strategies and programmes, and continue to do that whether we have a centre left or centre right government. It is also unrealistic to expect we can achieve a consistent flow of increased economic benefits without the great majority of us investing in, or making some other initial effort to earn them. That is not likely to be a popular message because politicians instinctively don't want to ask their supporters to do their bit.

We all understand from a diet and sports perspective that simple sugars give us a temporary high, while complex sugars and other energy sources enable us to sustain our effort for much longer. The same is true in economics. If we, as individuals and as a nation, don't have an appropriate balance between our consumption and savings, we can't sustain our ability to generate the wealth needed to support the way of life we want.

There are times when some borrowing makes sense. If we can expect with some certainty earlier access to a positive stream of net benefits from bringing forward our ability to make productive investments, borrowing can make sense. However, if our judgement is poor or wrong in deciding to borrow, then we will pay a price for that in the future, or leave a legacy of debt to our children or future generations.

So how do we develop some consensus on the contributions each of us must make to improve our overall productivity? Instinctively our historic philosophical biases and pre-conceptions, shaped by our political leanings, assume 'we' are already doing our bit and it is the 'others' who are not. The 'we' and 'others' are interchangeable. They might be represented by different stakeholder groups such as workers and bosses. This paradigm needs to be shattered.

The reality is that to really progress rapidly, every person, enterprise and institution in New Zealand - private, not-for-profit or public - needs to be committed to the daily challenge of increasing the value and productivity of our contributions. This is more about challenging current paradigms and being willing to think innovatively so that we work smarter, rather than just putting in longer hours. The latter seems to be the lot of the uneducated and unskilled.

The good news is that at the grass roots level of some of our enterprises this focus on innovation and productivity is happening. However, the reality is that it is still not happening as often and consistently enough even in most of these

enterprises, let alone across the totality of all that we do in every sector, public and private.

A lot of us remain trapped in debating win/lose strategies. For 'us' to win 'they' the other stakeholder must lose or contribute the most. It doesn't have to be like that. Instead we all need to make an effort and focus as much on our contributions as those of others. Team New Zealand understood and captured this in its catch cry 'what ever it takes to make the boat go faster'.

It needs to be about having every aspect of what we do looked at with open minds. It is about seeking the clearest possible evidence for strategies and programmes which might contribute to deliver the outcomes we all want, no matter whose initial idea it was.

The evidence is that this process of innovation and enterprise is more consistently delivered by choice through competition which helps keep suppliers sharp, rather than monopolistic public entities. However, it is often just as important to look for scale and potential benefits of team efforts. We need to learn when to cooperate or collaborate and when to compete.

We see this most clearly illustrated in IT markets with efforts to drive common industry standards that boost the economies of shared networks and interfaces, while robust competition continues in all aspects of service and supply delivery.

As Kiwis, no matter what sector we operate in, we need to get that balance right. We should also demand that balance from our politicians, but that is a topic in itself.