Editorial

The Three Rs

Welcome to the first issue of the new-look University of Auckland Business Review. Rebuilt from the ground up, the relaunched Business Review is the result of a fundamental rethink about its aims and purpose in the second decade of 21st century. First published in 1999, the journal has always striven to showcase New Zealand’s best peer-refereed business research. In these challenging times, however, outstanding scholarship alone is not enough. In order to remain relevant, more must be done to bridge the gap between theory and practice, and between the worlds of academe and business.

With this in mind, the editorial team developed a new roadmap, based on three elements: redesign, relevance and readability.

Redesign. Readers will first be struck by the visible changes to the Business Review that stem from its reincarnation as an online publication. While print has its merits, we believe that the cost-effectiveness, convenience and flexibility of web delivery are compelling reasons to embrace the new technology. Importantly, the journal has been reengineered to serve the needs of time-constrained business professionals in an age of mobile web browsing. The articles can be read, shared, printed, searched and downloaded via a range of smartphones and other portable devices. The move to online delivery also enables us to offer the Business Review to readers without charge.

Relevance. We believe that the Business Review has an important role to play in bridging the divide between university scholarship and the business community, by making research more accessible and relevant. The editorial team is taking a proactive role by asking selected authors to ‘review’ their best high-impact work in a way that emphasises its relevance to New Zealand. While this model will be used for the majority of new articles, we will continue to welcome articles from scholars wishing to submit their work via the traditional double-blind system.

Readability. As professionals wrestle to fit more workload into their constrained lives, we acknowledge that they may no longer have the time or energy to digest traditional academic articles. Accordingly, we have reduced the length of Business Review articles, and have asked authors to integrate work that they wish to cite into the main body of their text. Since the intellectual rigour of the articles has already been proven elsewhere, the journal is able to focus on presenting and summarising essential ideas in an easily assimilated manner. Hyperlinks to authors are intended to encourage discussion and debate around issues raised.

Design evolution aside, any journal claiming to offer powerful ideas will stand or fall on the quality of its writers. Indeed, the first decision of the new editorial team was to invite contributions from an intellectual powerhouse of thought leaders who, between them, are among the top scholars and professionals in their respective fields. To our delight all ten, along with their co-authors, agreed to help relaunch the Business Review—the first five are included in this issue. Their unhesitating commitment gives us confidence in the journal’s new direction.

Vaughan Yarwood
Editor
National Branding

Done right, an umbrella brand could act as a ‘creator of meaning’ for export businesses.
Roderick J. Brodie | Rahul Sharma

Kiwi Mobility

The country doesn’t have a ‘brain drain’: its overseas workforce is a potential source of competitive advantage.
Kerr Inkson | Kaye Thorn

Exceptionalism

Far from global centres, the country is paradoxically well-placed to be a hotbed of world-changing ideas.
Kevin Roberts

Mineral Resources

Unlocking the country’s mineral wealth will take more than oil rigs and earthmovers.
Basil Sharp | Chye-Ching Huang

Why Leadership Matters

Leadership is crucial to thriving amid uncertainty, but fostering it means letting go of outdated notions.
Lester Levy
New Zealand's economy is heavily dependent on exports. In 2008, merchandised exports amounted to $43 billion, or 40 per cent of GNP. It comes as no surprise, then, that the successful marketing and branding of New Zealand and its exports is essential to the nation's economy. Despite this, however, there has been little coordinated effort to develop a national umbrella brand for exports. Beyond our romanticised pastoral heritage, New Zealand in many ways is invisible on the world business stage. By contrast, countries such as Germany, Italy, Switzerland and Japan have established international identities and meanings that give distinctive meanings to their export brands.

Done right, an umbrella brand could act as a creator of meaning for export businesses. It could provide the means to communicate the unique qualities of New Zealand's products and services to the world. This is not just about promoting the country, but about building a brand that represents the essence of New Zealand. A national brand would be a powerful tool in the fight for New Zealand's share of the global market.

Developing a distinctive national identity and meaning is essential to the nation's economy. A national umbrella brand for export marketing and branding of New Zealand and its exports would be a significant step in this direction. It would provide a clear and consistent message about what New Zealand represents to the world and help to distinguish its products and services from those of its competitors.

Despite the potential benefits, there has been little coordinated effort to develop a national umbrella brand for export marketing and branding of New Zealand and its exports. This is a missed opportunity for the country, which could benefit significantly from a strong national brand that reflects its unique qualities and heritage.
Currently, New Zealand’s national branding relies heavily on the ‘100% Pure’ campaign developed by Tourism New Zealand.

This has been successful for New Zealand’s tourism sector and has generated positive international exposure for one aspect of the country’s identity. The campaign has received international acclaim, being ranked amongst the world’s top ten tourism brands (Anholt –GMI Nations Brand Index). Recently, ‘100% Pure’ celebrated its tenth anniversary and in this time, together with supporting campaigns, it is calculated to have created $13.6 billion worth of international exposure. Nevertheless, the question must be asked, is ‘100% Pure’ really all that we are?

While the success of the 100% Pure campaign for the tourism sector is evident, concerns have been raised with regard to the spinoffs for New Zealand’s tourism sector and has generated positive international exposure. The campaign has received widespread support, and the co-creation of value becomes increasingly important.

A central export agency could play a significant role in providing an umbrella brand for individual exporters’ branding strategies. Of particular interest is how national branding can be used not only to support the trademark and image/logo stages of branding but the stage where a brand acts as a creator of meaning for export businesses.

The following discussion draws on the findings of recent research on national branding undertaken by the authors at The University of Auckland Business School. The research was based on in-depth interviews with 10 industry experts, each chosen for their experience and involvement in New Zealand’s export sector. A more comprehensive discussion paper is available from the authors.

As part of this research, the interviewees were asked to evaluate the state of export branding in New Zealand and to comment on how the country’s identity should be portrayed to best facilitate the growth of its export brands.

There is a perception that New Zealand’s national identity is overly reliant on nature and so lends itself only to the horticultural and agricultural sectors. Technology and service sector firms are forced to adopt strategies devoid of any provenance. Consequently, those with the greatest capacity to change perceptions of New Zealand on the world stage are choosing not to do so. The result is that New Zealand’s national identity is seen to be stuck in a time warp.

A shared concern raised in the research related to the use of ‘pure’ as the defining identity for the generic branding of New Zealand’s exports. While ‘100% Pure’ is widely applauded, it is a tourism campaign, which, when transferred to export-related

### STAGES OF BRANDING

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Figure 1: Adapted from a framework developed by Kaj Børsting and his colleagues at Vectra Consulting

### Challenging the Status Quo

The research began by seeking to understand the prevailing issues affecting New Zealand’s current national brand identity. Three key concerns were identified: the narrowness of New Zealand’s identity, the emphasis on ‘pure’, and the lack of internal understanding of the national brand.
communications, becomes a potential liability. The risk of claiming the ‘pure’ label is two-fold. First, such claims are so commonplace that many consumers simply disregard them. Second, terms like ‘100% pure’ overpromise and could lead to excessive compliance costs for New Zealand exporters. The experts readily accepted that New Zealand was perceived as clean, green and pure, but they questioned the authenticity of the claim and whether many exporters truly believed it.

While the Government is active on environmental issues, the use of ‘100% Pure’ as the core characteristic of New Zealand’s identity creates vulnerability by inviting unnecessary scrutiny. In many cases, interviewees feared that such an examination could damage the brand equity that has been built up over the past decade.

An overriding theme that emerged from the research was the need for a structure to guide the development of the generic New Zealand export brand. As a nation, New Zealand is still young and lacks the history that more established nations lay claim to. Accompanying this youth is a widespread misunderstanding of who we really are. But if we do not understand who we are ourselves, how can we expect any different from others?

While the expert panel identified common attributes regarding New Zealand’s overall identity, there was less agreement about the secondary traits that help to paint the full picture. These secondary traits have an important role to play, because the only way to present a clear and consistent identity is to implement structure in the development of a national export brand. This would provide a reference point and benchmark for exporters and the various agencies supporting export initiatives.

National branding

Evolving New Zealand’s Identity

The interviews next focused on the options for evolving the national identity and developing a generic umbrella brand. This involved thinking of the export brands as vehicles for the creation of meaning for export businesses and as conduits for the development of business relationships. The experts identified distinctive themes that are intrinsically related to New Zealanders and their business enterprises. The themes related to characteristics of New Zealanders, including individual achievements, cultural diversity, humility and fresh thinking and innovation. The theme of harnessing the environment was also raised.

The interviews uncovered the consensus that New Zealanders as a people are the key to defining the brand beyond the existing stereotypes. To be successful in export markets, brands must be used to facilitate interactions and relationships amongst exporters and other stakeholders. To achieve this, greater emphasis needs to be placed on those individuals who embody and convey the brand.

To date, New Zealand’s identity has been portrayed by tangible, natural resources. Interviewees saw this direct approach as primitive and simplistic. The emphasis on the rural idyll was considered damaging to the reputation of some of the country’s highly sophisticated export businesses. In particular, the lack of personality traits in New Zealand’s identity was identified as the reason for its lack of dimensionality.
and consequently relevance, across a broader range of sectors.

To overcome this, the interviewees suggested leveraging the personas of New Zealanders who have risen to international fame or gained exposure through their abilities in their chosen careers. These cases provide a useful tool for breaking down the traditional stereotype of New Zealanders as shepherds and share-milkers.

A personality trait widely attributed to New Zealanders, and personified by the late Sir Edmund Hillary, is humility. It is often associated with the way in which exporters operate internationally.

Despite the relatively small size of New Zealand, many successful exporters are leaders in their respective markets, yet rather than exaggerating their capabilities, they let their products and services speak for themselves. As a result, when New Zealand exporters gain international acclaim it is usually the result of others discussing their excellence.

The panel considered fresh thinking and innovation to be important attributes. Fresh thinking encompassed being solution driven, creative, innovative, and having the ability to simplify complexity. Innovation was associated with notion of resourcefulness.

The experts commented that rather than being renowned for revolutionary innovations, New Zealanders often showed the ability to come up with simpler, more effective solutions. This was in contrast to international counterparts, who had a propensity to over-engineer their solutions. It was suggested that the relative youthfulness of New Zealand culture led to a greater value being placed on creativity and independence.

A common strength that was identified related to the composition of New Zealand’s society, and particularly the diversity of the people and their cultural heritage. New Zealand enjoys diversity in terms of thinking, approaches to life and values—all of which directly affect how we carry ourselves as individuals and as businesses.

At a deeper level, stronger values of openness and acceptance contribute significantly to New Zealand’s international reputation for egalitarianism, trustworthiness and integrity.

The panel emphasized the need to make the ‘100% Pure’ tourism campaign a component of a generic national branding strategy. This overcomes the limitations it has when considered as the dominant identity.

A number of examples were identified where New Zealand exporters had successfully leveraged the ‘100% Pure’ brand and the clean and green image to achieve price premiums. This was especially so for agricultural and horticultural exports.

The panel also identified broader aspects of New Zealand’s location and environment as important attributes. One expert suggested that New Zealand could be portrayed as a ‘lost world’, while others referred to the country’s isolation and distance as contributors to a sense of mystique that arouses people’s natural curiosity.

What is common in these responses is the importance of location and the environment in the stories established for export brands.

**National Brand Architecture**

International firms use brand architecture to grow, establish and manage brands within their portfolio and ensure a cohesive marketing strategy across different markets. Applying the same disciplines to establish an umbrella identity, to lead and complement individual New Zealand export brands, emerged as a strategy that New Zealand is yet to fully consider.

Having a clear brand architecture allows for the integration of specific marketing activities. It also provides guidance for the positioning strategies for individual brands by ensuring relevance and consistency in the creation of brand meaning and in facilitating business relationships.

In order to develop a cohesive brand architecture for national branding there needs to be an organisation structure and governance processes supported by adequate resources. The experts commented on the current disparity between the resources afforded to Tourism New Zealand and those available to New Zealand Trade and Enterprise. They also commented on the lack of alignment between the two organisations. These factors were seen as major reasons why New Zealand’s identity has not developed as effectively as it could have done with respect to exports.

Figure 2 outlines the suggested brand architecture for Brand New Zealand that would lead to a more
unified approach between Tourism New Zealand and New Zealand Trade and Enterprise. Within this architecture there should be development of a separate New Zealand export brand in order to put it on par with the established tourism brand. This could be achieved by the creation of a holistic New Zealand brand that integrates aspects of both export and tourism brands.

Brand New Zealand provides an umbrella for branding within the value network for export activity. In order to convey this umbrella brand to consumers it is important to consider the touchpoints where people around the world interact and engage with New Zealand. As part of a holistic strategy, important brand touchpoints were identified and grouped by the experts. The key groups were industry brands, such as New Zealand Winegrowers, and individual export companies (and their brands), such as Air New Zealand, Icebreaker and Les Mills.

Also important are national sporting brands, such as the All Blacks, Team New Zealand, the Black Caps and, recently, the All Whites—all of whom have the capacity to create dramatic exposure through their activities on the world stage.

The final resource identified within the national brand development strategy related to the use of prominent New Zealanders with international profiles as national ambassadors. The experts discussed individuals from a range of fields, including diplomats such as Helen Clarke and Sir Don McKinnon, sporting heroes like Jonah Lomu, Scott Dixon and Ryan Nelson, and cultural icons such as Sir Peter Jackson and Dame Kiri Te Kanawa.

Coordinating New Zealand Trade and Enterprise and Tourism New Zealand through one central agency was seen as the best way to manage the proposed national brand. The resources of a single organisation would leave it better placed to compete with international counterparts, which often wield far larger budgets. Furthermore, it would facilitate the transparency required to implement long-term strategic objectives. Finally, it would enable the effective leveraging of resources, including expertise that each respective organisation has developed.

As has been discussed, important themes for the umbrella New Zealand export brand include ‘fresh thinking’, ‘trust and integrity’, and ‘diversity’. They could be supported by additional themes of ‘openness’, ‘acceptance’, and ‘humility’. Together, these themes would make New Zealand’s export brand applicable across a wider range of export sectors.

The coordinating role of the agency involves a balance between internal and external marketing communications. Internal marketing involves interactions among internal audiences, including exporters, national ambassadors and other stakeholders.

Re-launching the New Zealand Wine Growers branding strategy

from “The riches of a clean green land” to “New Zealand wine – pure discovery”

In 2007, New Zealand Winegrowers re-launched its generic branding strategy following a major brand audit that included international research with key markets. The research revealed a strongly positive perception of New Zealand wine. Not only did it have an image of high quality but also feelings of adventure and discovery. The re-styled national brand image was developed with a new tagline: “New Zealand Wine - Pure Discovery”. The new strategy focuses on the excitement and clarity of flavour that New Zealand wines offer the market. It also summarises the journey the industry has embarked upon as it continues to discover, innovate, improve and diversify from the dominant focus on Marlborough Sauvignon Blanc. For example, the annual international Pinot Noir conference, held in New Zealand, is now flanked by the Syrah and Aromatics Symposia, and is aimed at the discovery of the broader spectrum of quality New Zealand wines. The theme of discovery was also the focus of international events, which encompassed the emerging Asian markets of Singapore, Tokyo, Hong Kong, Seoul and Shanghai along with the traditional UK, Australia and US markets. The number of New Zealand wineries participating in these events in response to the new campaign has increased considerably (NZWG 2007).
The Swiss National Brand

Co-creating brand meaning for export businesses

For many, the Swiss stereotype revolves around chocolate, mountains, cuckoo clocks and army knives. However, through a coordinated national approach, Switzerland has established an air of confidence which is reflected in the national brand. This evolution of the Swiss national brand has important lessons for the development of Brand New Zealand.

Geographically, Switzerland is nestled between France, Italy and Germany in the heart of continental Europe. To remain apart from these countries the Swiss created external barriers that helped preserve, and continue to reflect, a strong sense of independence.

Rather than attempting to change this image, these traits of strength and independence have been converted into the key factors underpinning the nation brand. The basis of Swiss independence has been translated into brand values of exclusivity and high quality standards that preserve the nation’s integrity. In doing so, the Swiss have successfully established an image that attracts those aspiring to the exclusivity and privacy that the nation claims to offer.

Swiss companies are able to use their national provenance to achieve premiums that would otherwise be unattainable. Geneva is recognised as a desirable location for head offices and is home to some of the world’s largest organisations. Many of the world’s elite have also been drawn by what the nation has to offer and are now domiciled there. For the Swiss, this creates an ideal situation in which the nation benefits from the associations that it has forged.

The crucial lesson for Brand New Zealand lies in the ability of the Swiss national brand to develop a distinctive brand meaning. This has been achieved by identifying, communicating and leveraging the relevant cultural traits to create a perception that has value in the eyes of the target audience and which appeals to its desires.

A government agency, Presence Switzerland (www.image-schweiz.ch), was formed to implement the national branding. Its brief is to facilitate “a clear and credible brand concept for a sustained, positive perception of Switzerland, allowing it to distinguish itself from other countries abroad”. The strategy facilitated by Presence Switzerland goes beyond merely developing a distinctive identity for Switzerland. The emphasis is on the national brand as a vehicle to help create the vision and strategy for export businesses. Branding thus becomes the basis for the co-creation of meaning for the businesses.

The proposed umbrella brand strategy could be communicated to international consumers via these key touchpoints. External marketing involves direct interactions with international markets, including direct communication with customers, distributors and other stakeholders, about the identity and meaning of the nation brand. In both situations, new media are expected to play a major role.

The transition in generic branding of the grape and wine sector organisation New Zealand Winemakers from “Riches of a Clean Green Land” to “New Zealand Pure Discovery” offers an example of the evolution of a generic branding strategy to provide more relevant meaning. Similarly, international examples, such as Switzerland’s ability to shift its national identity from “mountains, chocolate, cuckoo clocks and secretive banking” to “sophisticated and innovative people and companies”, also provide valuable insights into how to develop a national branding strategy that breaks away from traditional stereotypes.

National branding has a central role in establishing New Zealand’s identity and building a platform for its exports in the global marketplace among customers, retailers, and other market participants. Therefore, it is of prime importance to develop a clear-cut international branding strategy that goes beyond a traditional clean and green image and facilitates a rich and distinctive meaning for exporter to use in their marketing. A key element is the framing of a harmonious and consistent brand architecture. Of particular importance is achieving synergies between the generic branding of New Zealand’s identity and the initiatives undertaken by individual exporters. The integration of ‘100% Pure’ with the New Zealand Export Brand under Brand New Zealand forms a key plank to this overall strategy.

KEY-TAKE-OUTS

- The ‘100% Pure’ campaign works well for the tourism sector but is inappropriate for most exporters.
- A national brand that broadened New Zealand’s identity could help create the vision and strategy for export businesses. This would require a clear brand architecture to integrate specific marketing activities.
- A central export agency could play a significant role in forging an umbrella brand for New Zealand exporters.
The continuing popularity of the country’s “Big OE”—the rite-of-passage in which thousands of Kiwis in their twenties, particularly well-educated ones, head overseas for a few years to see the world—contributes to the high number of New Zealanders living abroad. At any given moment, a fifth of all New Zealanders live overseas, mostly in Australia, Britain, and other English-speaking countries. Is this something we should worry about?
Financial constraints also tend to impact significantly on the flow of people across the world. The credit crisis and the downgrading of the United States’ credit rating, both of which are occurring as we write this (August 2011), make us wonder if the situation is developing into yet another economic recession.

The recession of 2008-9, for example, was credited with inducing more expatriate New Zealanders than usual to return home. However, the labour market had tightened here too, and many of these people found themselves unemployed or underemployed. Some may since have returned abroad to seek new opportunities in the global market place as the financial crisis eases.

Fuelled by media headlines such as “Have brains, will travel”, “Kiwi, please come home”, and “Flight of the Kiwi shows unhappiness over NZ’s prospects”, debate on New Zealand’s brain drain has flourished. In addition, when, for perfectly good economic reasons, large companies such as Fisher & Paykel shift their manufacturing—and therefore their manufacturing jobs—overseas, it seems that the human process is being exacerbated by an economic/technical process. But is it a ‘brain drain’, or a net ‘brain gain’ (where gains through immigration exceed losses through emigration)? The authors of this article prefer to use the term ‘talent flow’, believing that ‘talent’ is broader and more accurate than ‘brain’, and better to use the term ‘talent flow’, believing that ‘talent’ is broader and more accurate than ‘brain’, and be- that its effects on the individual, and on the world, are positive.

To better understand the process, we put forward an academic concept that is very fashionable in understanding how firms succeed: the Resource-Based View (RBV) of the firm. In RBV, firms cultivate ‘bundles’ of resources—often ‘hu- man’ resources—that are valuable, rare, and impossible to imitate, and by doing so they achieve competitive advantage. If we apply the RBV at the individual level—the Resource-Based View of the Person, or RBVP—we can see how international mobility might help travellers acquire valuable and rare personal or career resources, especially if they are well attuned to changes in the technical and labour market environment.

In a related metaphor, that of ‘career capitalism’, individuals have a stock of career capital—motivation, skills and networks connections—whose value they may constantly seek to increase in relation to the demands of the market. So interna- tional mobility and working overseas is not just about “how much money will I make?” but also “what will I learn?” and “how much will my ca- reer capital grow?” Studies we have done on Kiwi travellers suggest that in the early stages of their sojourn abroad they are relatively uninter- ested in their resources and their capital, but instead chase novelty, fun, and culture. Later, they become much more career focused, develop- ing new career capital by acquiring such things as industry experience, IT skills, competency in a new language and greater social confidence.

The Role of Mobility

INTERNATIONAL mobility assists the global economy because it contributes to the diffusion of knowledge. Individuals take with them their skills and experience, and when they combine these with the skills and experiences of others in the host country they develop and release new and different talents, including individual competencies, increased self-confidence, and interpersonal and cross-cultural skills. In addition, they develop new networks, both at work and socially, and work in cross-national, cross-cultural and cross-disciplinary teams able to do things that their groups back in New Zealand could never accomplish. Whatever the effect of the OE on New Zealand, we believe...
Returning Birds

LIDGARD profiled New Zealand returnees at the turn of the century. Around a third were returning from Australia, a third from the United Kingdom (UK) and a third from other countries. Most were in their late twenties or thirties, although those returning from the UK, where there is an age limit on work visas, tended to be younger than those coming from Australia. Women were more likely to return than men—a trend evident from the 1990s. Those returning had a higher level of education than the general population. The desire to travel had been a key motivator for leaving the home country, but the economic situation had not influenced the decision to relocate. Family ties were the most important reason for returning, with people expressing a desire to bring up their children in New Zealand.

What about Kiwis still abroad? Between 2003 and 2008 Massey University researchers conducted a number of online studies of Kiwis currently resident abroad, and interviewed some of those recently returned. Kaye Thorn’s study of 2,608 highly-educated New Zealanders living and working abroad asked them where they intended to be living in five years’ time. Some 43 per cent expected to be living in their current country of residence, 22 per cent thought they would be in another country, while 35 per cent anticipated returning to New Zealand. Those intending to remain overseas had mainly moved abroad for financial and career opportunities, whereas those returning to New Zealand had done so for culture and travel opportunities.

This last finding (uneasily) echoes a finding from an earlier Massey University study which suggested that returnees to New Zealand had high affiliation (social) motivation while those remaining overseas had high achievement motivation. A further study by Barbara Myers and Kerr Inkson confirmed this, showing that family and friends, and the lifestyle of New Zealand were the key attractants for a return. Indeed, as a country New Zealand scores much higher in the international rankings of lifestyle indicators than it does on rankings of per capita GDP, and has even been referred to as a ‘lifestyle superpower’.

Overall, the findings of these studies suggests a broad tendency for those Kiwis who remain overseas to have a career focus and to be self-starting and self-oriented, and for those who return to value the sociability, leisure opportunities of New Zealand, which they see as a great place to raise children.

The problem is compounded by the fact that the very scale, scope and challenge of operations in many overseas companies are hard to match in New Zealand. One informant set herself the goal of being a top-level director of television documentaries. She was 38, had lived in London for 12 years, and worked as Assistant Director for a variety of documentaries, filmed all over the world, for the BBC. Why not Television New Zealand? She laughed at the suggestion. The kind of experience that some would-be high-fliers want simply isn’t, and can never be, available in New Zealand.

Returnees, however, highlight the gains from their overseas venture in terms of social and career capital. Although many had left New Zealand to travel and experience other cultures rather than to enhance their careers, they nevertheless felt they had gained skills and confidence that would benefit New Zealand. Of course, they do face ‘resettlement blues’. Half of
New Global Citizens

OUR STEREOTYPE of the Big OE portrays it as a simple there-and-back phenomenon. A few years ago that may have been accurate, but no longer. People do not simply move abroad and then return to spend the rest of their lives in the home country. The reality today is that people may leave and return many times. Or, they may go to another country, then move from there to a third one, then to a fourth. Thorn’s research identifies two distinct types of mobile New Zealander—the Boomerang Mover (who intersperses moves to other countries with returns to New Zealand) and the Global Nomad (who moves on from country to country with little revisiting). Two generations ago, most New Zealanders saw themselves as locals, with lives revolving around a specific location in the country. The next generation were nationals, who were New Zealanders first and foremost, even after their OE. Increasingly, today’s young are Global Citizens, who will move on to wherever the combination of personal history and motivation, economics, family circumstances and cultural opportunities draw them.

Consider, for example, the spatial trajectory of New Zealand mechanical engineer Brian Schlaadt, shown in Figure 1. Schlaadt’s mobility over the past 27 years involved repeated returns to New Zealand, with ventures to increasingly remote countries in between. The variety of motives driving his mobility behaviour at different stages of his career is indicated in the table below the diagram. Some of these relocations were self-initiated, while others were at the request of his company.

| 1. Travel to UK | Cultural and travel opportunities |
| 2. Travel around Europe | 1 year | Cultural and travel opportunities |
| 3. Brisbane, Australia | 4 years | Economic, family |
| 4. Bathurst, Australia | 1 year | Career |
| 5. Gladstone, Australia | 2 years | Career |
| 6. Auckland, NZ | 3 years | Family (children to get to know grandparents and cousins) |
| 7. Indonesia | 1 year | Career (commuting without family) |
| 8. New Zealand | 1 year | Family |
| 9. Philippines | 6 months | Career (commuting without family) |
| 10. New Zealand | 1 year | Family |
| 11. Sydney, Australia | 3 months | Economic (commuting without family) |
| 12. New Zealand | 3 years | Family, career |
| 13. Indonesia | 4 years | Cultural and travel opportunities |
| 14. Kenya (possibly) | Economic, cultural and travel opportunities |
Schlaadt’s mobility highlights a significant issue that is likely to become increasingly important over the next decade. He has spent numerous years commuting to his job and living apart from his family. ‘Flexpatriates’ (flexible expatriates) like Schlaadt, along with those adopting other alternative working arrangements such as short-term or frequent-flyer assignments, are now a regular component of global business. From the organisation’s perspective such arrangements, which avoid the need to relocate the whole family, yield significant cost savings. One of the pitfalls of this type of assignment, however, is the ‘out of sight, out of mind’ conundrum, in which the flexpatriate is left to manage his job and living apart from his family. Some organisations seek to do so by staying in touch with former employees and contacts who have gone abroad. Successive New Zealand Governments have given funding to the Kiwi Expatriates Association (KEA: www.keanewzealand.com), a network of 25,000 members worldwide which, according to a 2009 Ministry of Economic Development report, has now achieved sufficient critical mass to make a difference if appropriately organised and utilised. Readers interested in capitalising on the diaspora network for their own and their organisation’s benefit can find out more from KEA itself.

The growing phenomenon of dual careers—where both partners in a relationship seek to pursue separate career objectives—also affects mobility, and is a major obstacle for either partner to move abroad or to return home. Complicating factors for a return home include lost opportunities for promotion and the difficulty of simultaneously obtaining career positions for two specialised professionals.

Diaspora

A MAJOR potential—but as yet unexploited—source of competitive advantage for New Zealand is its diaspora: the one million or so New Zealanders who live outside their homeland. Many members of the diaspora have considerable talents and a residue of gratitude and goodwill toward their homeland. There is no reason in principle why the expertise of the Kiwi diaspora should not be mobilised. Some organisations seek to do so by staying in touch with former employees and contacts who have gone abroad. Successive New Zealand Governments have given funding to the Kiwi Expatriates Association (KEA: www.keanewzealand.com), a network of 25,000 members worldwide which, according to a 2009 Ministry of Economic Development report, has now achieved sufficient critical mass to make a difference if appropriately organised and utilised. Readers interested in capitalising on the diaspora network for their own and their organisation’s benefit can find out more from KEA itself.

A last point to consider is that in today’s connected world an individual’s geographic location is becoming irrelevant. Globalisation of work processes and the rapid development of new communication technologies have meant that people working together can be located in different parts of the world. For example, a fund manager could be at a computer in London, New York or Auckland, without impacting on the job they do. If an employee wishes to experience a different culture, or to accompany a partner abroad, it may be possible to continue to employ them, thus retaining valuable career capital for the organisation and the country. Should the draw of life in New Zealand be strong for someone living abroad, they may be able to relocate, without the complication of changing employment.

There is little doubt that New Zealanders will continue to spend short or long periods living and working abroad. We are a nation of travellers and this has implications for individuals, for organisations and for the country. So how do individuals, organisations, and society as a whole ensure maximum return on our investment in travel and travellers? It is up to all those who value the country and its people—the managers and entrepreneurs within its borders, the young people keen to live offshore, and the new nomadic global citizens who originated in New Zealand and remember their homeland with goodwill—to recognise the increasing mobile nature of society, to think carefully about issues of location, and to ask themselves what they and their organisations can do for, and with, their country.

KEY TAKE-OUTS

- Global mobility enriches New Zealand’s talent pool by building ‘career capital’ in the form of motivations, skills and network connections.
- Highly-skilled returnees need to be employed in ways that harness the benefits of their travels—and these may justify extra pay. The high number of returning women may necessitate more flexible work practices.
- In a connected world it is increasingly possible to continue to employ people wanting to live and work offshore, so retaining valuable skills for the organisation and the country.
LORD RUTHERFORD was called “Old Croc” because, like the reptile, he was incapable of looking backwards. Me too. I am programmed to focus on the future, and to get there you have to be totally committed to making things happen. Reason leads to conclusions; emotion leads to action. This is why storytelling is such an important business builder. I look to stories, and to language, as activators of new behaviours. I am not a huge fan of research vampires, process re-engineers and re-structuring boffins—too many conclusions, not enough action. Stories, which are subjective, creative and imaginative, inspire us to act.
My first attempt at this was with colleagues at the Waikato Management School and our study of sports organizations to unlock new language about how companies and individuals can operate continuously at their personal best. We were not satisfied with the existing body of management theory that was derived almost exclusively from... management. Sport offered a fertile landscape for new language and fresh metaphors. We called our book, and the method arising from it, Peak Performance. This introduced new phrases to the business arena such as the “Inspirational Dream” and the “Greatest Imaginable Challenge.” The company I lead, Saatchi & Saatchi, flows daily on dreams and challenges. With my colleagues Drs Mike Pratt and Clive Gilson, we turned Peak Performance into a multinational coaching programme. During the decade 2000-2009, in which AG Lafley led Procter & Gamble (and doubled its size), we ran Peak Performance workshops every quarter in Cincinnati and many other parts of the world. Language and stories fostered a sizeable export business and value creator.

My second attempt to leapfrog the atrophy of established practice focused on the subject of brand management. Procter & Gamble invented brands to create provocation. Early on, as a brand manager and sales director in Europe, the Middle East and North America, I had formed a simple view that the two elements that built business relationships with partners, retailers, consumers—involved a mix of Respect and Love. We developed a Love/Respect Axis (that is a killer app in the boardroom when making investment decisions) and some simple frameworks for creating products and experiences that people love rather than like or merely tolerate (and believe me, consumers are ruthless when it comes to sharing, or not sharing, their love). For me and for Saatchi & Saatchi, the introduction of Lovemarks was a galvanizing effect. We were immediately attracted to emotional territory—the hot zone of language focused on New Zealand. For too brief a time Saatchi & Saatchi held the New Zealand Tourism account as it moved to a single global message platform. Instinctively I felt that selling New Zealand as a single global message platform. Instinctively I felt that selling New Zealand as a single global message platform. Instinctively I felt that selling New Zealand as a single global message platform. Instinctively I felt that selling New Zealand as a single global message platform

Alan Webber, former editor of the Harvard Business Review and founder of Fast Company, once said to me that “if you change the language, you change the conversation.”
warrior princess Nancy Wake, industrial designer Joseph Sinel, inventor Ernest Godward, shearer Godfrey Bowen. Our digging produced a list of 400 incredible achievers, a shortlist of 100, and an actual output of about 40 short definitive biographies. We extended our storytelling to contemporary achievers in science, technology and medicine, business, film and the arts, fashion, style, wine and food and sport. Our filter was that our website would only source stories from international media. Over the decade nzedge.com published about 7,000 stories of New Zealanders who had achieved internationally. The motivation was a passionate belief that New Zealand has to be internationally focused in order to earn its living. Selling just to ourselves is a short course to disaster.

The second line of Edge activity was to explode the language around expatriation. So little thought had been directed towards the very large group of New Zealanders who had physically left. Official policy seemed to be to forget about them. This seemed criminal: about 25 per cent of our university graduates go overseas and seemingly we don’t care. Language kicked in. Our back-of-the-envelope figures put our overseas population at about a million. This galvanized attention. We spoke about there being another million New Zealanders across a number of Northern Hemisphere countries. The models for mapping the economic benefits of the diaspora have been well developed—for example by the Australian Treasury (which quantified the GDP value of its own million-strong overseas population) and by the Lowy Institute in Sydney.

New Zealand diaspora specialist Professor Kerr Inkston and Kaye Thorn write on its impact and potential elsewhere in this issue of The University of Auckland Business Review.

I have made the journey back across the Pacific to my Auckland home and office about 80 times in the 14 years I have been CEO of Saatchi & Saatchi. New Zealand is a critical part of my intellectual and operational infrastructure. I believe in Edge theory and I live it to the max. What I see in the newspapers, magazines and television programmes here is an abundance of ideas, designs, products, styles, tastes, innovations, software, hard science and applied research. The scenery is nice but the brainware is incredible. With it, however—and here scale does matter—is a flintiness in our approach, a thin capitalization of almost everything, and a reluctance bordering on ignorance to engage and invest in the business of selling. As business people, we have been suspicious of promoting ourselves (advertising is seen as “lipstick”, conferences as “talkfests” and overseas travel as “junkets”), of competing (our sports attitude has not translated to business) and of making long-term partnerships (we are commitment averse). We are reported as having the second highest rate of anxiety disorders in the world. And our economic literacy is low. For the 2005 Knowledge Wave conference, I presented a survey of 105 university-educated people who were asked a single question: what is the GDP of New Zealand? Only one person knew and few claimed even to have any clue. It is little wonder that so many billions of dollars in life savings have gone down the tubes in the finance-company meltdown.

Add to this the 21st century version of “she’ll be right”. An Australian journalist visiting Christchurch for the second All Blacks-Wallabies test match of 2010 identified various transport and logistics problems he felt needed to be addressed before the 2011 Rugby World Cup (this was before the earthquakes took care of the issue). Being Australian he did not hold back, but spoke of the Kiwi “gunna do” culture—the obvious implication being that we don’t follow through or finish the job. The past three All Black World Cup outings showed this. I was appointed to the board of Team New Zealand which had a boat that sank, broke and busted. We have to admit to ourselves that New Zealand needs to address several reality gaps before world-changing becomes pervasive. (The 2010 New Zealand Institute Report A goal is not a strategy: Focusing efforts to improve New Zealand’s prosperity notes that since the 1980s New Zealand’s dominant economic strategy has been economic liberalisation, but that this has not resulted in better labour productivity, in fact quite the reverse. “Persistent underperformance” is the finding, which leads me to conclude that our challenge is “emotional liberalisation”—unleashing attitudes and action. We have been stuck in a “getting things done” mode rather
Peter Blake filtered every decision by "does it make the boat go faster?" We need this approach to our overseas sales effort.

Two other deadly manifestations of "gunna do" are our performance on Leak Building Syndrome—you know that a problem is mega when the word 'syndrome' is involved—and our rates of incarceration. Apart from the personal heartache of homeowners, leaky buildings are cost-

And that a country as bright and sparkly as New Zealand allows its imprisonment rate to worsen defies me. The cost of people offending, the administration of justice, and the lock-up of thousands of people (both new- and repeat-offenders) is astronomical. The joke about Australia being founded by convicts has been turned on us. Australia imprisons one-third fewer people per capita than New Zealand. The Government now does regional EVA analyses on the construction of new prisons and these prisons feature in design and architecture journals. Corrections is on its way to become the largest Gov-

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Exceptionalism

Frameworks for making things happen

Execution

I advocate that all Government departments activate 100 day planning cycles, that the key de-

Ple who do well. I believe that every success story breeds another winner, shines another light, inspires another success. Let's match this with realism and frank discussions about what we need to do better, where we are kidding ourselves, and what we need to eliminate.

Expansion

Add another million. There is debate from time to time about the optimal size of the New Zealand population should be (countries with similar land areas such as Japan, Italy and the UK will be looking on in amusement). New statistics point to Australia's significant economic lead over New Zealand coming not simply from digging up its continent and shipping it to China, but from a greater immigration flow. New Zealand had something of a boom but it has fallen away, and so too have many drivers of growth. I am a marketer and I want more people to sell to. Exporting is one way—and the removal of New Zealand's price advantage as a result of currency appreciation puts the focus where it should be, on the quality of the idea, not on its low cost. Importing people is another. We don't mind sharing our land with more than five million belching, excreting cows and 30-odd million sheep, but we are less happy about welcoming more people.

East

China. I have spoken about our three most important trading theatres as the 3As: Australia, America, Asia. Indisputably, China is our most important future partner. There are numerous ways New Zealand will and does trade with China. Fonterra says the value of the Chinese dairy market will more than triple in the next 10 years to become the biggest in the world. The melamine-in-the-milk crisis in 2008 should be an incredible learning experience. There are all sorts of possibilities. I watched an intriguing video of the launch last year in Beijing of Gungho Pizzas, brainchild of New Zealand entrepreneurs John O’Loghlen and Jade Gray and inspired by Rewi Alley. Putting aside a discus-

Express

New Zealand's formal set-piece international presence is grossly under-done for an export econ-

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mental: what we stand for, what we will do, and the spirit in which we will do it. I am looking to the Prime Minister, John Key, to deliver the inspiration and direction. His post has the mana and I believe he has the moxie to go beyond doing things right, and doing the right things, and lead us to a better place. Losing is a habit. So is winning. A favorite philosopher of mine is the American football coach Vince Lombardi. He was an irresistible force of nature. "Winning is not a sometime thing; it’s an all the time thing. You don’t win once in a while; you don’t do things right once in a while; you do them right all the time. Winning is a habit," he believed.

I am frequently criticized by New Zealanders for being enthusiastic (from the Greek enthusiasm to remove inhibitions and artificial societal constraints, liberating the individual to return to a more natural and primal state”). Undeterred, I am plugging on with my school of New Zealand “exceptionalism” in the face of national characteristics of contentedness and casualness. Vince Lombardi again: "I firmly believe that any man’s finest hour, the greatest fulfillment of all that he holds dear, is that moment when he has worked his heart out in a good cause and lies exhausted on the field of battle—victorious."

It is somewhat of a Rube that New Zealand succeeds on the world stage. At one end we have a very few corporates like Fonterra and Air New Zealand doing it well on the world stage (with decades of build behind them), a gnarly group of innovators who have built hundred million dollar companies, and a very large number of individuals and startups who are out striving to conquer Everest every day.

I believe that business thrives on dreams rather than missions, on stories rather than studies. I have read the learned studies on New Zealand’s prosperity and nod my head, but my heart really pounds when some crazy bastard has an idea to sail a boat faster than the billionaires or to make a movie that will change our world. Exceptionalism from the edge will always triumph over incrementalism from the centre. Kiwi Gung Ho!

**KEY TAKE-OUTS**

- Economic liberalisation has not lifted labour productivity. Fixing New Zealand’s persistent underperformance means switching from ‘getting things done’ mode to ‘making things happen’.

- Success stories are powerful motivators. But inspiration must be matched by frank discussions about what can be done better and what should be eliminated or abandoned.

- New Zealand companies need to create more ‘touchpoints’ for global consumers to experience their products and services.
ARGUING that it would improve productivity and raise living standards, the Government has proposed removing about 7,000 hectares of land from Schedule 4 restrictions on mining and firming-up estimates of mineral resources on conservation land.
PREDICTABLY, many New Zealanders object to the Government’s superficial assessment of economic benefits, likely environmental impacts and the erosion of New Zealand’s clean, green image.

This adverse response is unsurprising as decisions should be based on an assessment of all relevant benefits and costs, including environmental costs.

While the Schedule 4 proposal was clearly unacceptable, it does not follow that there should be no discussion on how best to manage New Zealand’s mineral wealth. Taking into account environmental values, New Zealand must decide what development of mineral resources is appropriate, and what business models should be used. Mineral extraction already occurs, and the current Government clearly anticipates more, having granted an offshore oil exploration permit to the Brazilian-headquartered transnational Petrobras. Given its cost, can we be confident that such activity will be managed to deliver the greatest benefits for New Zealand? This question is important because New Zealand has a shallow capital market, and in addition to owning minerals Government also controls significant strategic assets in the form of State-Owned Enterprises (SOEs).

Considering how best to manage New Zealand’s mineral resources does not mean that we should rely on mineral wealth to reverse New Zealand’s slide down the OECD per capita income rankings—mineral development alone is unlikely to deliver an economic step-change. Nevertheless, it is possible that better management of New Zealand’s mineral resources can help increase the country’s prosperity. Economic models in the 1960s and ’70s largely discounted the potential contribution of minerals to growth (these models failed to consider technological change and the market pricing of scarcity). Later, OPEC’s interventions in the market triggered an obsession with minerals. The reality likely lies somewhere in-between: new technologies, along with increasing demand and scarcity, will increase the potential for mineral wealth to contribute to New Zealand’s economic growth while protecting the environment—but only if we manage the opportunity carefully. Even then, more than minerals will be needed to create a step-change in New Zealand’s economic performance, given that mineral resources are finite and that mineral extraction in itself is low in the chain of value-added production.

Mineral production in New Zealand

NEW ZEALAND is a relatively small player in the global market for minerals and oil and it will continue to be a price taker. In value terms, however, oil remains New Zealand’s third most significant export, and as a small open economy, the country’s prosperity is tied to the value of its exports.

Figure 1 shows the percentage contribution of mining, petroleum, and chemical-manufacturing sectors to GDP declining from around 3 per cent in 1988 to approximately 2.5 per cent in 2008. The value of mineral fuel exports, as a percentage of merchandise exports, increased from 3 per cent in 2000 to 7 per cent in 2008, dropping back to 5 per cent in 2009. In 2009 the value of exported oil was NZ$2.8 b, ranking behind only dairy and beef exports. Obviously, big hikes in oil prices have had an effect; but so would any future reversal.

Oil is a Crown-owned resource. Oil production peaked in the late 1990s, then decreased through to 2006 before peaking again in 2008. Historically, natural gas condensate from the Maui field, off the Taranaki coast, dominated production. With the Tui field, also off Taranaki, coming into production, crude oil now accounts for around 70 per cent of production.

A likely near-term scenario is that the price of oil will increase to around US$100 per barrel as the world economy recovers from the great recession. But this is by no means certain. Potentially, there is a large amount of new oil and much global effort is aimed at improving energy efficiency. The key point on oil prices is that we can expect great, and frequent, volatility. Clearly, high prices will encourage exploration in the Arctic and basins in the Southern Hemisphere. Given that 96 per cent of its territory is under water, quantifying New Zealand’s oil and gas resources is difficult. Onshore and offshore Taranaki has only been moderately explored and the vast majority of New Zealand’s territory remains entirely unexplored. The exploration permit granted to Petrobras covers more than 12,000 km² in water depths ranging from coastal shallows to 3,000 m. To put this in perspective, BP’s Deepwater Horizon oil rig in the Gulf of Mexico was drilling in 1,500 m of water.

Coal production in New Zealand increased from 60 peta joules (PJs) in 1989 to 150 PJs in 2007. In the North Island, coal is used in electricity generation, steel manufacturing, and other industrial uses. Higher-quality South Island coal is exported. Currently about half of the coal produced is exported. Low-quality lignite coals in Otago and Southland comprise New Zealand’s largest known energy resource. The lignite resource, which in energy terms is 20 times that of the Maui gas field, offers the opportunity to develop a petrochemical industry producing fuels and industrial chemicals.
Government Involvement

GOVERNMENT is an important player in the mineral extraction industries, through property right creation and management, licensing and royalties, SOEs, tax expenditures, and environmental regulation.

For minerals to be extracted and sold, ownership of the resource must first be established, but this is not always straightforward. The Crown owns the petroleum resource, coal seam gas, gold, silver, and uranium. Other minerals, including coal, may be owned by the Crown, by the landowner, or by another party quite independent of the owner of surface land rights. For example, in the case of non-nationalised minerals held under private title—such as iron sand—a developer need only obtain access through private contract with the land owner. In contrast, if the Crown owned the iron sand resource, a developer must follow procedures set and administered by government.

Mineral development requires a significant commitment of capital, typically asset specific. For example, a new oil production platform could cost up to US $750 m. Investors therefore require property rights of sufficient quality and duration to recover capital costs and make a return on investment. New Zealand can offer investors a stable political climate, an effective legal system, and a relatively stable fiscal regime. The structure of property rights associated with Crown-owned minerals is of relatively high quality. However, a poorly thought out oil regime, requiring constant modification, would create uncertainty in the minds of potential investors. Table 1 describes the prospecting, exploration, and mining rights that the Crown can grant developers. Exploration and mining rights are exclusive and protect a permit holder’s investment. All three right types are transferable, allowing rights to gravitate to developers who can add the most value to the resource.

Irrespective of whether a developer obtains the prospecting, exploration, or mining rights to a mineral resource from a private person, the Crown, or by arrangement with both the Crown and private persons, the developer must also generally obtain land use consents. These consents are summarized in Table 2.

The Crown has a right to charge royalties with respect to Crown-owned resources. Petroleum royalty rates are either: an ad valorem royalty of 5 per cent applied to net revenue derived from sale, or 20 per cent accounting profit royalty, where profit is determined after allowing for direct and indirect costs. Royalties also apply to other minerals, including coal, recovered from Crown-owned land. Non-nationalised minerals recovered from private land do not attract a royalty and are subject to the contractual arrangement entered into with the landowner.

Solid Energy is the SOE focused on extracting non-renewable energy resources. Solid Energy mines coal in the Waikato and West Coast of the South Island, and is the largest coal mining company in New Zealand. About half of the mined coal is exported, the balance being used by domestic industry for electricity generation, steel manufacturing and other activities. Solid Energy is currently focusing its attention on developing the huge lignite resources in Southland. Table 3 summarizes Solid Energy’s recent financial performance and position.

The government extends industry-specific tax breaks to the mineral and petroleum mining industries. The economic equivalent of government outlay spending, these tax breaks relate to tax deductions for exploration and development expenditure. The Treasury does not currently publish cost estimates for these tax breaks.

Most would agree that development should operate within appropriate property rights and safety standards. The large proportion of New Zealand’s territory that is under water highlights the importance of minimising adverse environmental impacts. The damages arising from the explosion of the Deepwater Horizon oil rig and the subsequent massive oil spill are expected to exceed the 1989 Exxon Valdez incident in Alaska. Mounting a cleanup operation along New Zealand’s coastline, of the scale involved in the Gulf or Alaska, is well beyond the country’s existing capacity. It is also clear that an environmental disaster would damage New Zealand’s image and entail significant economic cost.

Currently, the key statute aimed at managing the natural environment in New Zealand is the Resource Management Act 1991, which combines previously scattered pieces of legislation. The government may also place conditions on permits granted under the Crown Minerals Act 1991, as it sees fit, including conditions to protect the environment. Both statutes require regard to be had to Treaty of Waitangi principles.
Business Models

MANY reasons can be offered for state involvement in resource industries, including a desire to secure an adequate share of the economic rent—through direct participation and/or through royalties and taxation, to control access to state-owned resources, and to ensure that environmental standards are met. The strongest reason for state involvement is the difficulty of ensuring that New Zealand secures an adequate share of the economic rent associated with resource depletion. What is the optimal balance between state and private sector involvement? In other words, what business model can be expected to yield maximum benefit for New Zealand, which currently uses the SOe and tax/royalty models? The experiences of other countries—such as we take Norway and the United Kingdom as examples—can offer insights.

Norway Statoil is an example of a state-owned enterprise (SOe) that currently uses the SOe and tax/royalty models. Norway's experience in offshore oil and gas development includes the following:

(i) explicit and consistent policy that focuses on long-term wealth management; (ii) limited political interference; (iii) the presence of a well-developed marine services sector providing a platform for developing the country’s offshore technological capacity; (iv) proximity to a large market; (v) a multi-dimensional package of policy tools used to develop the energy industry; and, (vi) an evolutionary approach to companies working in the resources field.

Shortly after the discovery of oil in the Norwegian sector of the continental shelf under the North Sea, BP announced discoveries of smaller oil and gas resources off the east coast of Scotland. Given the UK’s domestic needs, it soon became evident that the country would be an exporter for only a short time and that it needed to focus on discovery to maintain self-sufficiency. The major objectives of the UK government were to: (i) encourage exploration; (ii) become self-sufficient in oil; (iii) ensure oil companies did not reap excessive profits; and (iv) secure for British industry a greater share of the onshore and offshore supplies market.

The principal instruments of UK government policy were licensing, taxation, and state participation. Licenses were awarded by ministerial discretion, without payment of bonuses, as a means of attracting domestic developers. An ad valorem royalty of 12.5 per cent of production value was imposed to capture some of the economic rent. Petroleum taxes were imposed and variations in the rate were used to adjust the government’s share of revenues in the light of oil price developments. The Labour Government established the British National Oil Company (BNOC) in 1975 to participate in all projects with the aim of securing more understanding and control of oil production. Legal and financial impediments resulted in participation being limited mainly to the option to buy 51 per cent of production from each project. In 1982 its equity and operating interests were privatised by the Thatcher Government. The option to buy oil from producers was retained but began generating large losses when the price of oil declined, and the option was discontinued in 1985.

A key characteristic of the UK experience was that licenses were awarded freely and on generous terms in an effort to get exploration underway. With the global crisis of 1973-74, and a change in government, more direct participation was proposed. However, the cost was too great and focus turned to participation in control of the oil through the option arrangement. BP was majority owned by the state and it wasn’t until the Thatcher era that the British government sold its entire shareholding in the company.

The misdirected Schedule 4 proposal should not deter a more careful consideration of environmentally sound ways to manage effectively New Zealand’s mineral resources. Given the context outlined above, what should be the policy priorities toward that end? In addition to the pressing near-term need to review and improve extractive industry safety standards in the wake of the Pike River disaster—along with a mechanism to review and monitor those safety standards—we tentatively suggest that policymakers prioritise the following:

Review technology access and capability New and emerging technologies are crucial to the safe and environmentally-sound extraction of value from mineral resources. Policymakers should consider whether New Zealand is positioned to take advantage of those technologies.

South Island lignite resources are an example. Energy shocks in the late 1970s and early 1980s led to an interest in using the resource for transport fuels. At the time, South Africa was turning coal into transport fuels. Given the context outlined above, what should be the policy priorities toward that end? In addition to the pressing near-term need to review and improve extractive industry safety standards in the wake of the Pike River disaster—along with a mechanism to review and monitor those safety standards—we tentatively suggest that policymakers prioritise the following:

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fuels, so importing the technology into New Zealand was feasible. As it turned out, expectations over continued increases in the price of imported oil were not realised and development did not proceed. Technological change, coupled with rising energy prices, has now renewed interest in lignite development. Solid Energy recently announced that it will reassess the potential of technology to reduce the moisture content of Southland lignite. The potential economic benefits are immense. The size of these reserves is such that they could provide energy and feedstock for transport fuel and petrochemical needs for many years. However, without the adoption and development of new technologies to aid extraction and minimise environmental damage, the costs could be prohibitive.

New Zealand typically employs extractive technologies developed overseas. Increasing attention is being paid to the adverse impacts of mineral development, and we can expect to see innovations designed to mitigate those impacts. But is New Zealand positioned to take advantage of those technologies? Can SOEs and the private sector players obtain and use the latest extractive technologies developed elsewhere? Does New Zealand have the research and skills base needed to adapt, develop, and implement new and emerging extractive technologies locally? If not, policy options for addressing any lack should be considered.

Consider business models

To best manage its mineral resources, New Zealand must meet business challenges as well as technological ones. If Petrobras discovers oil, how should New Zealand participate in its development? Is New Zealand enterprise and government equipped to successfully work with a massive international oil corporation? Policy makers should start work on these questions in advance of any such discovery. They should also identify what can be learned from the country’s experience with SOEs and royalties, and what can be learned from overseas business models. Some business models and modes of state participation may be better suited than others to address environmental concerns. In other countries, the approach has typically been to leave environmental concerns to separate regulation (such as the RMA) rather than to consider how business models might be designed to mitigate environmental risks. Is this necessarily the way that New Zealand should go?

Consider value-added pathways

New Zealand’s economy is already heavily concentrated in primary industry. But the potential value of extractive industries is not just in the jobs and value created directly, but also in the potential for the industry to be used as a stepping stone to higher value-added activities. Choices about how to do mineral extraction activities in New Zealand should therefore be made with long-term pathways to sustainable higher value-added activities in mind.

Policymakers should therefore try to identify how value can be added domestically to mineral extractive activities, and how such activities might facilitate value-added activity in other sectors. For example, over time New Zealand may be able to develop expertise at creating and exporting environmentally responsible methods of mineral extraction instead of importing the technology. Or, it may be possible for the creation of local supplies of relatively environmentally low-impact fuel resources and chemical products to reduce the carbon footprint of our agricultural sector, thereby increasing New Zealand’s comparative advantage as a producer of food products with a favourable environmental pedigree.

Not only must such pathways be identified and their feasibility assessed, but the opportunity costs of taking those routes, as opposed to others that might lead to higher value-added production in New Zealand, must also be assessed.

Answers to these questions should shape New Zealand’s approach to managing its mineral resources, including key choices such as what types of minerals, if any, are targeted for development, and how New Zealand interacts with foreign suppliers of capital and expertise in conducting any such development.

There is no obvious right model, or framework, that can be taken off the shelf. New Zealand will need to develop a business model, or models, to suit its own situation. Importantly, New Zealand needs to develop the capacity to negotiate successfully with early investors.

Better management of New Zealand’s mineral resources has the potential to help increase New Zealand’s economic performance while safeguarding the environment. But far from being a simple exercise in digging or piping money from the ground, complex policy choices are required to enable New Zealand to best access and use extractive technologies that protect the environment, create business models that deliver value to the country as a whole, and leverage mineral wealth to help create industries and jobs higher up the value-added chain.

KEY TAKE-OUTS

- Mineral resources alone will not reverse New Zealand’s economic decline, but new technologies, increased demand and scarcity are boosting their earnings potential.
- Policy models must be developed that enable the country as a whole to benefit from mineral resources, including a push to create industries and jobs higher up the value chain.
- Emerging technologies are crucial to the environmentally-sound extraction of minerals and are likely to increase the worth of some, such as Southland lignite.

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Leadership is crucial to thriving amid uncertainty, but fostering it means letting go of outdated notions.

“Anyone can hold the helm when the sea is calm.”
—Publilius Syrus

MORE than two thousand years after these words were written, their relevance has been reinforced in a world characterised by unprecedented change, uncertainty and complexity. Breathtaking advances in technology, prodigious changes in social dynamics and attitudes, heightened consumer expectations, perplexing ethical dilemmas and grave environmental concerns are among the headline issues inducing this contextual change.
LEADERSHIP matters most when the course to be followed is unclear and with the “sea” now anything but calm, “holding the helm” has become much more demanding. Add the lethal whims of nature such as the Boxing Day tsunami, Hurricane Katrina and the earthquakes in Haiti, Japan and Christchurch, along with man-made crises such as the recent global financial meltdown and the Gulf oil spill and the result is a potent cocktail of turbulence and uncertainty.

As the stakes have increased, and with solutions fewer and harder to find, the focus on leadership has intensified. In politics, business, education, public service, science, sport, the arts, the media and the not-for-profit sector, there is an unrelenting call for more, and better, leadership.

This call for effective leadership is most likely to be answered if we first step back to reflect on, and understand, the substance rather than the form of leadership. Leadership is often depicted as a divinely-inspired gift accessible only to those with a charismatic disposition, positional authority or specialist expertise—and preferably a combination of all three. Hovering in the organisational mist is the question: “are leaders born rather than made?”

The prevailing view of those working at the intersection of leadership research and teaching is that leadership can be learned. The ‘leaders-are-born’ notion is now largely regarded as a fiction and the welcome news is that most, rather than just the favoured few, can access leadership.

It is important to be aware that the more recent contextual shifts associated with a litany of massive global corporate scandals—typified by disturbing self-interest, unbridled greed and a virtual ethical collapse—have had a significant impact on the concept of leadership, thrusting it into an uncomfortable transition. Not only is leadership moving from the more familiar, but unlikely ‘hero-leader’ model to a more relational one; it is also moving to significantly higher standards of ethical practice and accountability.

In this more contemporary relational model the multiplier effect on performance is generated through having a shared mindset and aspiration, high levels of intrinsic motivation and an unshakable (ethically-based) shared trust.

Research published in 2007 by the acknowledged leaders in this field, Bruce Avolio and Fred Luthans, unearthed evidence that it is authentic leaders who create the powerful effect that results in higher levels of performance and achievement.

Authentic leaders have high levels of self-awareness, a transparent and consistent link between their expressed purpose (and values) and their actions, a profound sense of ethics and widely respected integrity and courage. In the context of authentic leadership, integrity is interpreted as not merely knowing the difference between right and wrong, but fighting for what is right independent of risk to self. The essence of this interpretation is perhaps best captured by Martin Luther King, one of the more widely known global authentic leaders, who said: “On some positions cowardice asks the question, ‘is it safe?’ Expediency asks the question ‘is it politic?’ Vainity asks the question ‘is it popular?’ But conscience asks the question ‘is it the right thing to do?’”

Authentic leaders have a grounded self-belief and a powerful sense of hope and resilience. They are optimists and, most critically, are able to foster all of these capacities in those around them. In an environment of authentic leadership, leaders and followers raise one another to higher levels of inspiration, motivation, creativity, performance and achievement. Regrettably, the opposite happens in a milieu of inauthenticity.

Are managers more right than real?

OF SERIOUS concern are the results from recent (2007) research, led by Lester Levy at the University of Auckland Business School’s New Zealand Leadership Institute, into the authentic leadership of New Zealand managers. Using a large, nationally representative sample of almost 1,000 working adults, this study revealed that the New Zealand managers who are considered to be authentic leaders are greatly outnumbered by those who are not. Only 37.4 per cent of New Zealand managers at all levels were judged as frequently, if not always, displaying authentic leadership behaviours, whilst 62.6 per cent were deemed to display these behaviours rarely, if at all. It is an alarming result.

Closer examination of the data suggests a worrying tendency of New Zealand managers to be less likely to encourage or accept points of view that are different from their own. They appear to have a strong need to be right, coupled with a distorted sense of self and an unwillingness to change. The behavioural elements that manifest as being valued highly by New Zealand managers are not strongly relational in nature. For example, the New Zealand leader appears more likely to value analysis of data over careful listening to different points of view, before making decisions.

The results of this study suggest that the typical New Zealand manager has an unwelcome tendency towards a dogmatic disposition, which is often expressed as an unwillingness to admit mistakes or to consider other perspectives that might challenge their own paradigms.

Only 39.5 per cent of the participants in the study were assessed as having high levels of confidence, optimism, hope and resilience. These four components—collectively described as ‘psychological capital’—unite to form a con-
stellation of inspiring, positive and motivational behaviours that lead to superior performance. The study reveals the psychological capital of the New Zealand workforce to be disturbingly low, and if not tackled with urgency, the outlook for improved New Zealand productivity looks bleak.

Psychological capital is a compelling opportunity for enhancing both organisational performance and profitability, as it is a reliable resource in effecting significantly greater workforce effectiveness. Its responsiveness to intervention, at relatively low cost, heralds it as an appealing option for human resource development.

Another interesting and somber finding of the New Zealand authenticity study was that hope and optimism, the two factors that relate most closely to a sense of possibility or aspiration, were the factors that ranked the lowest. It appears that in an environment of low authenticity, optimism and confidence may suffer the most, with an inevitable and significant detrimental effect on workforce motivation and performance. We know from the 2003 research of the most cited living psychologist, Albert Bandura, and his equally eminent and pioneering colleague Edwin Locke that confidence is very strongly linked to motivation and work performance. The New Zealand authenticity study suggests that it is a fragile capacity.

In ambiguous and challenging environments optimistic people react differently to pessimists in that they are more receptive to new ideas and workplace change and are therefore more constructive and valuable in what is now clearly a very fast-moving and uncertain world.

The New Zealand authenticity study’s leadership impact results provided the final piece of a consistent picture. When authenticity in management is low, psychological capital within in the workforce is correspondingly low. As a result, there is an emergence of workforce disengagement, lack of alignment, lack of commitment and little to no propensity toward innovation.

Ultimately, leadership is about creating a sense of possibility and making a real difference for the better. This is unlikely to be achieved with the disconnected, misaligned, apathetic and risk-averse workforce, that arises from what this study reveals to be the over-managed and under-led environment that exists in far too many organisations.

Are we pre-programmed to (only) manage?

If Leadership offers such rich potential for boosting organisational performance, why not answer the call for more and better leadership by simply devoting the necessary focus, activity and resources to fix this problem? Well, it is not that simple. Captured within the disquieting relationship between management and leadership is an idiosyncrasy that makes developing and enacting leadership more difficult than any of us would like.

The work of leadership differs from the work of management, as was underscored in 1999 by John Kotter, one of the foremost authorities on the subject. Kotter describes leadership and management as distinctive, yet “both are necessary for success in an increasingly complex and volatile environment.”

The relationship between management and leadership has been embedded in the literature for decades, and the nature of that relationship has in turn been thought of in terms of inherent differences, complementarity and, more recently, interdependence. The traditional frame of reference regarding the relationship is one of distinctive and contrasting personal and positional capacities, although two fresh perspectives on this relationship present the difference in terms of approach, forethought and circumstances.

Harvard-based leadership expert Ron Heifetz, known for his seminal work during the past two decades on the practice and teaching of leadership, interprets management as the domain of known problems able to be solved through proven solutions (‘technical work’) and leadership as the preserve of uncertain problems requiring novel solutions (‘adaptive work’). The founding editor of the journal Leadership, Keith Grint of Warwick Business School, is even clearer in arguing that management and leadership represent a predilection for power, and a sense of ease with uncertainty, respectively.

Leadership matters, but not in the traditional, disembodied manner described by the insightful research of Mats Alvesson, one of the world’s foremost researchers into managerial and leadership processes. His research with Hugh Willmott in 2002 has unearthed the fact that although managers frame their position and persona in unequivocal leadership terms, when asked to give a reason for their choice of leadership, the tendency is for much of their rationale to evaporate. It turns out to be difficult for them to differentiate leadership from management. Given that a leadership persona appears to endorse an executive with greater value, cachet and gravitas than a management one, it is quite predictable that executives will effortlessly identify with the former, aspiring to be leaders even though they may not fully understand how to do so.

Theory-building research undertaken in New Zealand by Brigid Carroll and Lester Levy on a sample of senior and middle managers and...
published in 2008 in the journal *Organization*, revealed the manager persona to be a default persona. Typically, when organisational challenges and responsibilities are encountered, this default persona is routinely and effortlessly reverted to, independent of the gran-diloquent and ubiquitous leadership talk identified by Alvesson and Willmott. Carroll and Levy argue that this virtually automatic defaulting back to managing has critical implications for leadership thinking and, more importantly practice—perhaps identifying the underlying reason why so many organisations are over-managed and under-led.

In drawing attention to the pivotal role the manager persona plays in the evaporation of leadership, this research has the potential to contribute new insight and dynamism to the concept of leadership, leadership development and, most critically, to practicing managers committed to growing their leadership capacity and impact.

Additionally, this research reveals the importance of not seeing the concept of default in solely inauspicious terms. The management default position offers what Carroll and Levy describe as “a fall-back position, a well known repertoire of assumptions, activities and processes, and automatic ‘cover’ that could be considered vital as one experiments with more emergent approaches such as leadership”.

In a similar fashion to Heifetz and Grint, this empirical finding proposes that defaulting to an established and stable persona and set of practices like those relating to management is not troublesome if done in a calculated manner. On the other hand, Carroll and Levy warn that a default position can be a problem, “if one gravitates there too readily, automatically and unconsciously.” Many managers are caught in precisely this awkward situation, embracing leadership talk “without moving away from a management point of reference.”

Given that management is the default or automatic option, as Carroll and Levy propose, it follows that any leadership orientation, action or response is one that must be intentionally chosen, repeatedly. Both Heifetz (1994) and Grint (2005) remind us that the leadership approach is the most counter-cultural, counterintuitive and potentially fraught of the models to choose from. Given that management is the most familiar with, and to overcome, deeply embedded patterns becomes possible. This is important, given that if management is often an automatic default option it follows that more and better leadership only becomes possible by securing practices that “disrupt and re-route such a tendency”.

Researchers such as David Day, Paul Illes and David Preece have stressed the difference between management training and leadership development, suggesting that management training might degrade leadership development. The approach proposed by Carroll and Levy focuses on the relationship between management and leadership, rather than segregating skill or knowledge-building in one or the other. They raise the somewhat incongruous suggestion that effective leadership may best be developed alongside, and linked to, better management training.

Many current leadership development programmes will feel challenged by this notion of the interdependence of management training and leadership development. However, Carroll and Levy believe that the ultimate promise of managers who can move flexibly and purposively between management and leadership modes must surely generate substantive hope for innovative and successful organisational change.
Are leadership competencies simply a caricature?

THE FACT that we live in turbulent times is discomforting, as is the strident and unremitting call for more and better leadership. These feelings are somewhat counterbalanced by the welcome news that leadership is accessible to anyone possessing adequate intrinsic motivation, and that the most successful relational basis for leadership is authenticity not charisma. The nascent information about the management default mechanism is at the same time disturbing and reassuring—you can almost hear the managers’ chorus: “It is not only me who finds the consistent enactment of leadership difficult—what a relief”.

Leadership does matter. More, and better, leadership is essential. Leadership can be learned. Leadership is very hard to do (at least consistently over time). Why, then, would so many organisations and their managers compound difficulties by worshipping at the altar of leadership competencies?

There is no problem in understanding the appeal, and relevance, of competency models to technical and managerial work, but the self-evident extension of the competency model into the leadership realm is particularly problematic, inappropriate and misplaced. It has been challenged in New Zealand by the research of Brigid Carroll, Lester Levy and David Richmond on a sample of senior managers across the corporate, professional and not-for-profit sectors. The findings were published in a 2008 article in the journal Leadership. The article was re-published in 2011 as part of a Sage multivolume set titled Leadership, which focuses on the major works of leadership from 1947 – 2009.

Carroll, Levy and Richmond’s findings reveal that despite the ubiquity of the competency approach to leadership development and practice within organisations, there is an astonishing lack of empirical evidence to support it. Along with the distinguished researchers Jonathan Gosling and Richard Bolden at the University of Exeter’s Center for Leadership Studies, Carroll, Levy and Richmond concluded that many of the assumptions underlying the leadership competency model do not hold true when subjected to vigorous scrutiny. One of the more obvious and compelling weaknesses of the application of competency models to leadership is that they fundamentally ignore followers and context—two of the staples of leadership—instead conveying the impression they are consequential. Moreover, this reductionist model effectively calls on managers to surrender their uniqueness, which is difficult to understand as unique-ness is in point of fact the glide path to leadership.

Carroll, Levy and Richmond argue that the ubiquity of competencies in the current organisational mainstream acts as a restraint rather than a facilitator of superior organisational performance. They offer the notion of ‘leadership as practice’ as being more aligned with what practitioners actually require. A practice approach is positioned as the direct opposite of competency logic, being intrinsically relational, collective and privileging lived experience. It would be impossible, for example, to create the critical capacity for improvisation—adaptive capacity—or for courage through the competency model, but it is entirely possible to do this in the practice model by harnessing the power of being experimental, experiential and reflective.

Will the weight of dependence on, and investment in, leadership competencies by so many organisations blind them to the drawbacks of the competency model in the leadership domain? Furthermore, will the challenge by Carroll, Levy and Richmond to the competency paradigm draw a reciprocal challenge?

An aphorism by the Danish poet Piet Hein offers a fitting answer: “Problems worthy of attack prove their worth by hitting back.”

KEY TAKE-OUTS

- Leadership can be learned. The idea that leaders are “born not made” has been disproved, meaning the pool of potential leaders is larger than once thought.
- Many managers fail because they embrace leadership “talk” but keep a management mindset. To succeed, a leadership orientation must be chosen intentionally and repeatedly.
- Organisations wanting to hone leaders must pay attention to followers and context and value experimentation, experience and reflection.
MEETING OF THE BORED OR BOARD MEETING?