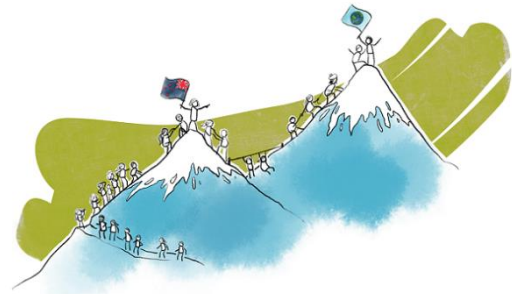


Insights from Māori frontier firms

April 2021



Frontier firms are vital to lifting national productivity and wellbeing

The Productivity Commission has published its final inquiry report into how to lift the performance of New Zealand's most productive ("frontier") firms. The report concludes that exporting specialised, distinctive products at scale is the best way to lift the productivity of New Zealand's frontier firms, and improve their contribution to national living standards and wellbeing.

Innovation is central to this proposition. The Commission found that the innovation system is not currently working well for actual or potential frontier firms. For example, the links between researchers and industry are generally poor, and research is too focused on "science excellence" rather than on impact and meeting the needs of industry. The Commission recommends upgrading New Zealand's innovation ecosystems, and focusing investments in areas where New Zealand has strengths and competitive advantages.

Māori firms have unique features that support innovation

The Māori economy exhibits many of the characteristics needed for firms to innovate, grow and support improved wellbeing. Figures from Stats NZ show that employment in Māori authorities and SMEs has been growing faster than in the wider economy. Māori authorities and SMEs are more likely to export, and have higher rates of innovation and R&D, than other New Zealand firms.

Features of Māori firms can help spur innovation



Research for the inquiry by Mill and Millin (2021) found that Māori frontier firms are able to leverage features of their business to create opportunities for innovation and growth. For example, the need of Māori firms to serve multiple bottom lines (such as commercial, environmental, social and cultural objectives) can be a strong driver of ambition, which can also flow through to expectations on suppliers. Further, high shareholder ambition, together with a long-term view, can spur innovation and experimentation, provided the underlying assets are not put at risk.

Māori values help differentiate Māori goods and services and provide added brand value overseas. The values also closely align with the growth in consumer demand for products with strong environmental and social credentials. This presents growth opportunities for kaupapa Māori firms. Common values and features also help bring Māori firms together around shared goals. Formal and informal networks among Māori firms are important mechanisms for diffusing knowledge, exploring innovations and enabling collaboration.

Success breeds success

The successes of Māori frontier firms build their confidence and ambition, and can help light the way for other Māori firms. For example, the Tawapata South Incorporation is a Māori entity that runs Onenui Station, a 10 000 acre farming block on the Māhia Peninsula. Tawapata South formed a partnership with Rocket Lab, setting aside land for Rocket Lab to use as its launch site. A multiple bottom lines approach played an instrumental role in developing this partnership. The success of the partnership has built the confidence of Tawapata South's committee and owners. It has led to further opportunities for the farm's business, including conservation initiatives, infrastructure developments and R&D with a neighbouring farm to identify agricultural innovations.

Learning from Māori firms

Māori firms also offer valuable lessons for other New Zealand firms. Taking a long-term view and managing multiple bottom lines do not need to be traded off against innovation and productivity. Rather, they can be complementary. Long investment horizons are important for supporting experimentation and innovation, and long-term value creation. This contrasts with a short-term focus on financial performance and shareholder returns that can dominate the focus of company boards and management. Further, innovation is key to serving multiple bottom lines, as innovative solutions are required to solve many of the environmental and social challenges facing New Zealand.

Fostering Māori frontier firms

Despite their successes, Māori firms face barriers and challenges that are constraining their potential. The Government should act to reduce these, to unlock the potential of current and budding Māori frontier firms, and help the Crown better meet its Treaty obligations.

- The Government should collaborate with Māori to explore and take practical steps to further reform Te Ture Whenua Māori Act 1993. The overarching goal should be to allow for more land use and development while recognising the importance of retaining Māori land in the hands of its owners and their whānau and hapū. The Government should also improve the coordination of government services and supports to Māori landowners for land development purposes.
- Government procurement processes offer potential for stimulating Māori business growth. The new 5% target for the number of contracts for public services awarded to Māori businesses is a good start but needs to be supplemented with support to build the capability of both suppliers and procuring agencies.
- Mātauranga Māori and Māori brand distinctiveness are significant assets that require adequate legal protections and processes. The Government should prioritise and accelerate actions to protect mātauranga Māori and intellectual property.
- Inquiry participants expressed a desire for the Government to support a Māori-led approach to optimising the Māori business ecosystem, to better promote productivity, innovation and growth in the Māori economy. To give effect to this, the Government should provide support and resourcing for a Hui Taumata (national Māori business summit) of iwi and Māori business stakeholder organisations. The purpose of the Hui Taumata would be to formulate actions for improving the Māori business ecosystem, and develop ideas for how the Government and Māori business networks can better work together.