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NZ Inc: Supporting international business growth

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New Zealand Asia Institute

Enhancing New Zealand's understanding of and engagement with Asia

The New Zealand Asia Institute (NZAI) undertakes research focusing on engagement with Asia, provides a forum for informed debate, and offers a bridge to Asia-related expertise and research within the University of Auckland.

The Institute was established in 1995 as a response to the growing importance of Asia to New Zealand politically, economically and culturally.

As a research institute of the University of Auckland Business School, NZAI draws on the wide body of knowledge available in the Business School and the university community.

NZAI engages widely with corporate, government and related sectors.

Further information on the NZAI and its research is available at www.nzai.ac.nz

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About this report

This report describes what NZ Inc is and what it does. The aim is to identify the value added by the constellation of business and government actors that together make up NZ Inc, as well as to suggest some areas of risk and opportunities for more efficient, effective use of resources.

The picture presented here was formed through research and informal opportunities for engagement undertaken in my capacity as Director of the New Zealand Asia Institute between 2016 and 2021.

The principal sources of information on which this report relies are 36 extended interviews with businesspeople and former officials. I have also drawn, in a more general way, on many informal interactions, observations and conversations. Other sources that have informed this report are websites and newsletters of business associations and government agencies, company media releases, local media, and the published findings of two long-running research projects hosted at the New Zealand Asia Institute and led by Benjamin Fath, Antje Fiedler and Hugh Whittaker. I have also learned from research on New Zealand Trade and Enterprise by my former PhD student, Nicholas Borroz.

I am grateful to all those who generously gave their time and made this research possible. The individuals interviewed for this project are not identified by name. They are people with a diverse set of experiences: company founders and executives with both large and small companies across different sectors; they include those who are currently in business and those whose memories of business-government relations stretch back over decades. Although most interviewees are people with private sector backgrounds, several former senior officials were hugely important for providing vital perspective on the public sector as it has changed over time. I thank all these people for being willing to share their stories and insights. I also acknowledge the generosity of the Matthew S. Abel Charitable Trust, which made possible my time as Director of the New Zealand Asia Institute. The New Zealand Asia Institute has been superbly supported by its Strategic Advisory Board, which provided much advice and practical help.

All errors of fact or interpretation are my responsibility. The conclusions presented here should not be taken as those of the individuals and organizations thanked or mentioned in this report.

Executive summary

NZ Inc refers to the system that supports business growth and internationalization in New Zealand. The rationale for such a system rests on the idea that business growth can be deliberately nurtured through concerted action and support. Rather than leaving it all to individual firms operating in the market, there is a case for deliberate coordination and even subsidy, given the challenges of small size and geographic distance facing New Zealand companies.

NZ Inc actors and relationships link companies, business associations and public sector agencies. Their collective achievements are significant, as testified by the many executives and business owners who expressed strong appreciation for help and advice they received through NZ Inc networks. Many describe close, cordial and productive relationships that help resolve the challenges of establishing and growing a business in offshore markets.

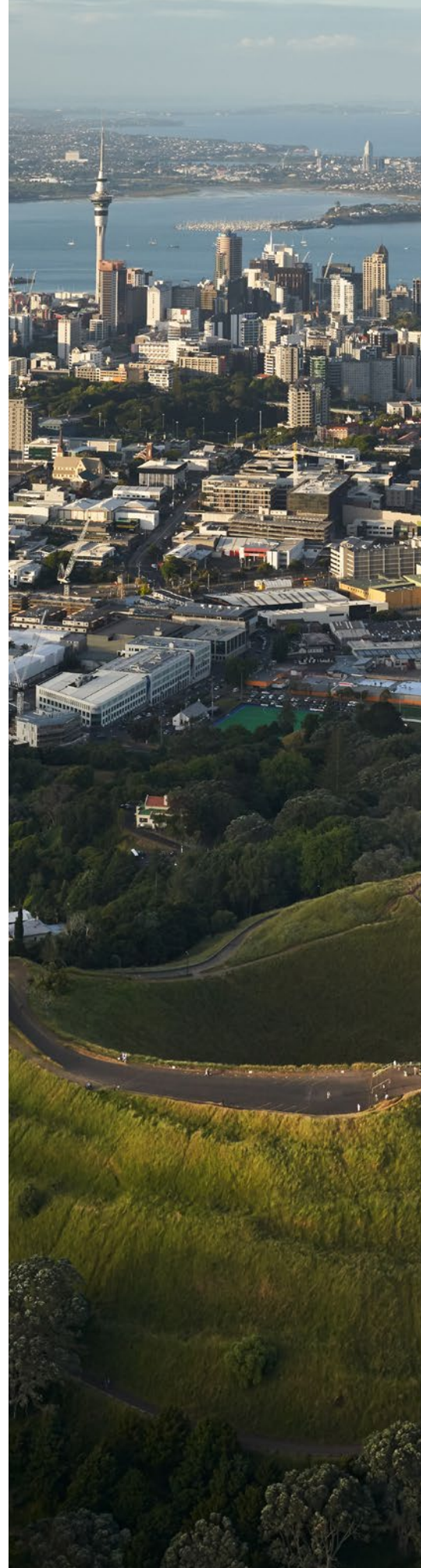
There are also gaps and tensions in the NZ Inc landscape. Interviewees frequently identified problems relating to:

- Onerous paperwork and compliance requirements
- Fragmentation and the multiplicity of sources of information
- Difficulties absorbing information provided
- Failure to fully realize opportunities to collaborate in order to achieve economies of scale or reduce transaction costs

While there are many individual stories of firm-level success and growth in new markets, overall, New Zealand's export performance has declined over the last 20 years, as measured by both a lower share of exports as a proportion of GDP and continued reliance on a fairly narrow set of commodity exports.

We could do better. Achieving more effective, efficient coordination to support international business growth will require businesses and government to work together more cooperatively. If the taxpayer-funded support currently directed to NZ Inc is to serve a strategic purpose rather than simply being a subsidy, it will require more strategic direction rather than micro-level monitoring. This may require a shift in mindset. As one executive noted, some businesspeople still want to 'paddle their own waka' rather than work together. This can act as a great spur to entrepreneurship, but may also result in doing things the hard way. There is, however, clearly a strong desire to work cooperatively where this serves common purposes. The significant public investment in supporting business growth shows New Zealand has well and truly abandoned any commitment to hands-off market liberalism.

Fragmentation and political pluralism, particularly in a government representing multiple, divergent constituencies, create more entrenched obstacles to bringing business and government together more productively. Several voices expressed disillusionment and frustration with government policy in the current moment. More optimistically, others spoke of pathways for achieving less adversarial engagement and mechanisms for consultation. Fully realizing the potential of such pathways remains a challenge.



1. What is NZ Inc?

NZ Inc is a flexible term that captures something important about the system that supports business growth and internationalization in New Zealand. Who is part of NZ Inc changes depending on context. The constant element underpinning NZ Inc is the idea that business growth can be deliberately nurtured through concerted action and support.

The dominant understanding of what NZ Inc is comes from – and refers to – the state sector agencies with a mandate to support business growth and internationalization.¹ Although members of the business community express a variety of opinions on what NZ Inc is (including ‘no idea’ and ‘corporate New Zealand’), the term is most often used to describe the government agencies that form an ‘ecosystem’ supporting business growth. Some agencies and individuals recognize that NZ Inc is more than this. They see NZ Inc as describing cooperative relationships between and among government and business players. Thus New Zealand Trade and Enterprise (NZTE), the primary agency tasked with supporting international business growth, describes NZ Inc as ‘a government ecosystem to support exporters.’² Its graphic representation of the ecosystem includes the private sector business association, Export NZ, and the publicly-supported business networking organization Kea. NZTE and the Ministry of Foreign Affairs and Trade (MFAT) are the lead public sector agencies tasked with supporting business growth internationally, while Callaghan Innovation and the Ministry of Business, Innovation and Employment (MBIE), along with their subsidiary agencies or initiatives, provide the backbone of what government support for business growth exists. Table 1 lists some of the other players frequently referred to in connection with NZ Inc, but is not exhaustive. At the outer limit, the term sometimes stretches to include the entire galaxy of for-profit private sector advisory firms, government organizations and government-funded support entities, along with hundreds of private sector businesses organizations.

Table 1: Key NZ Inc actors

Public sector	Publicly-funded	Business Associations	For-profit advisory
NZTE (New Zealand Trade and Enterprise)	ANZF (Asia New Zealand Foundation)	ExportNZ	Accounting firms
MFAT (Ministry of Foreign Affairs and Trade)	CAPEs (Centres for Asia Pacific Excellence)	Industry associations (e.g. Dairy NZ, NZTech)	Banks
Callaghan Innovation	Universities	Business councils specific to geographic regions or countries (e.g. Japan-NZ Business Council)	Consultancy firms
MBIE (Ministry of Business, Innovation and Employment)	Crown Research Institutes	Other business associations (e.g. EMA, Chambers of Commerce)	Law firms
MPI (Ministry for Primary Industries)	Kea ³		
Export Credit Office (Treasury)	Venture capital funds		
Education NZ	Scale-Up NZ ⁴		
Tourism NZ			
Customs Service			
Te Puni Kōkiri (Ministry of Maori Development)			
NZ Story ⁵			

¹ For example, MFAT’s *Briefing to the Incoming Minister* in 2020 on the ‘NZ Inc offshore footprint.’

² New Zealand Trade and Enterprise, ‘Exporting with NZTE’ at <https://www.nzte.govt.nz/page/exporting-with-nzte>, accessed 13 September 2021.

³ Kea lists public sector agencies and a state-owned enterprise at the bottom of its main website page: MFAT, NZTE, MBIE, Auckland Unlimited (an Auckland Council Organisation), The University of Auckland, Air New Zealand. Two other organisations are included in this line-up (KMPG and DLA Piper). At <https://www.keanewzealand.com/about-us/>.

⁴ Scale-UP NZ <https://www.scaleup.nz/>, ‘is a free platform you can use to navigate New Zealand’s business and innovation ecosystem. Use it to find and connect with collaborators and investors, track recent deals and investments, search for key players by sector or business stage, and explore up-to-date market data.’ It is an initiative of Callaghan Innovation.

⁵ NZ Story is funded by six agencies (NZTE, MFAT, Education New Zealand (ENZ), Tourism New Zealand (TNZ), Te Puni Kōkiri and MPI), and also receives Crown support. Whilst housed within NZTE to ensure operational efficiency, NZ Story is governed by an independent advisory board. NZTE *Briefing for the Incoming Minister*, 2020: 15-16.

NZ Inc is more than a list of entities. At its most effective, it captures the relationships among businesses, organized groups and public sector agencies. MFAT and NZTE frequently refer to the need for cooperation among NZ Inc agencies and (implicitly suggesting the private sector falls outside the term) with the private sector. NZTE, for example, describes itself as having ‘a key role in raising issues and facilitating information between companies and NZ Inc agencies.’⁶

Cooperation is central to the concept from which NZ Inc derives, which is Japan Inc. This term, popularized along with the rise of Japan as an industrial power and business actor on the world stage, captured ‘the belief that Japan faces the world as a unified entity.’⁷ The capacity for coordinated action within and between public and private sectors was a central feature of the Japanese economy in its high-growth period. It is also visible in the other East Asian ‘developmental’ states such as Taiwan, South Korea and Singapore. Various descriptions as ‘networked’ or ‘coordinated’ economies, East Asian and European analogues of Japan Inc are characterized by dense ties and habits of cooperation both among business players and between business and government.⁸ As well as accelerating domestic industrialization, the

institutions underpinning these coordinated economies have also steered and supported international business growth through exports and outward investment. Although changing with the evolution of global production networks, both private sector coordination and activist state support beyond the border remain significant.⁹

This element of cooperation is recalled by a former senior official, who recalls that the term NZ Inc first appeared ‘in the late 1980s or the early 1990s’ to describe: ‘*the notion of closer engagement between the business community – the export community – and the government as a whole.. I think it was a realization that Singapore Inc and Japan Inc and Korea Inc were exerting more commercial power through their model than we were. And even if we weren’t going to have command economies – because after all Rogernomics had taken us away from a command economy – we needed to be “Inc”.*’

The rest of this report presents some of the highlights of this attempt to be “Inc”. It also shows some of the gaps and tensions when it comes to coordination among the elements of NZ Inc, as well as reconciling significant government activity within a context that favours, in principle, a liberal market economy.

⁶ NZTE *Briefing for the Incoming Minister*, 2020: 15.

⁷ Pempel 1987. Pempel traces the origins of the term to a U.S. government report on the government-business relationship in Japan published in 1972.

⁸ The academic literatures on East Asia’s ‘developmental’ states and European coordinated market economies, as well as revisionist versions of both, dates from Chalmers Johnson’s 1982 seminal *MITI and the Japanese Miracle* and work by David Soskise and Peter Hall on varieties of capitalism. Influential contributions to both literatures include Orru et al. 1997; Evans 1995; Weiss 1995; Haggard 2018.

⁹ Works include Yeung 2016; Chu 2021; Hamilton-Hart and Yeung 2021.

2. What is NZ Inc For?

The primary purpose of NZ Inc is not to regulate business activity but to support it.¹⁰ Some NZ Inc agencies, such as the Ministry for Primary Industries and MBIE, have a regulatory role, but NZ Inc as an ecosystem is intended to nurture business growth in a more positive sense.

One might wonder why this is at all necessary in the context of a market economy. NZTE’s official mission is to support competitive firms to become more competitive, to grow ‘better, bigger, faster’ for the good of New Zealand. Why not just leave companies alone to get on with the tasks of raising finance, developing their skills and transacting with clients? The intuitive answer is that the particular challenges facing New Zealand companies are such that leaving them entirely to their own devices will mean that they will not fully take advantage of opportunities for growth and diversification. Interviews, case studies and other research on New Zealand businesses consistently show that New Zealand business growth in international markets is impeded by problems of distance, lack of scale, and (more controversially) lack of access to finance. New Zealand companies are called on to compete against rivals that enjoy a variety of advantages, in contexts that are unfamiliar and often opaque.

Many of those interviewed for this project felt that overcoming these challenges called for deliberate support through NZ Inc, whether or not they used the term. As put by one, ‘*We need to behave coherently and cohesively if we are to achieve big domestic national goals or big external national goals.*’ Many interviewees mentioned collaboration as a means of overcoming problems of small scale and distance from markets. As one executive put it, ‘*I am very much of the thought process that we are a very small country and the only way we are going to succeed on the world stage is by working*

together.’ Or in the words of one chief executive, the ‘*biggest challenge for a small company is time and money.*’ He was well aware of the importance of local presence in offshore markets to organize sales teams, engage directly with customers, understand local conditions and monitor distributors. But the extreme small size of many companies meant that ‘putting human resource into local presence’ was a critical challenge. Other research on New Zealand companies engaging abroad has shown that, while there are plenty of successes, many either fail to go far because of limited resources, or do so in ways that leave them vulnerable.¹¹

There are several theoretical rationales for deliberate attempts to nurture business growth. One type of justification relates to interventions that provide market-creating functions (Mazzucato 2011). Although we often refer to markets as functioning ‘freely’ without deliberate coordination, they are in fact complex institutions with several prerequisites: for security of property rights and contract enforcement, for proximity between buyers and sellers, and for the emergence of producers able to respond to price signals. Sometimes, private solutions to these problems develop, but this is not always the case, creating scope for deliberate ‘marketcraft’ by states (Vogel 2018). The most fundamental institutional prerequisites for market creation – the rule of law and property rights protection – are obviously not the concern of the NZ Inc agencies and are in general well-provided in this country. The areas where there might be a theoretical case for deliberate market-creation in the New Zealand context relate to capital market development, geographic distance from major markets and the very small size of most New Zealand companies.

¹⁰ Regulation intended to fix market failures arising from information asymmetries, ensure competition, and reduce negative externalities has dominated government policy towards business in ‘regulatory states’ such as New Zealand and the United Kingdom (Moran 2003). Regulatory states in this sense emerged alongside the adoption of liberalization and privatization from the 1980s, which saw the state shift ‘from rowing to steering’. While often described as deregulatory or neoliberal, the move to ‘freer markets’ also meant ‘more rules’ (Vogel 1998).

¹¹ Fath, Fiedler & Whittaker 2017; Fiedler, Fath & Whittaker 2021.

A second set of arguments for intervention can be described as ‘market-fixing’ or providing solutions to market failures (Mazzucato 2011, 2016). For business development (as opposed to regulation), an important market failure relates to the supply of public or club goods. These are products or services with positive externalities – benefits that are not fully captured by the parties to a transaction and which are therefore typically under-supplied by the market. Education and training are typical examples. Another area of potential market failure relates to the under-supply of information: on product quality or credit-worthiness, for example. Although market solutions to information gaps may develop (in the form of rating agencies or online buyer feedback, for example), this does not always occur, particularly for firms venturing outside of their home market. The aim of interventions to address this type of market failure is in a sense quite modest, even if execution is challenging: the aim is not to replace the market mechanism, but to ‘get prices right’ in cases where, for some identifiable reason, markets are mispricing risk.

The third rationale for intervention is far more ambitious and can be described as ‘getting prices wrong’ – to deliberately distort market signals in order to engineer the creation of industrial capacity or steer market activity in ways that would not be predicted on the basis of underlying factor endowments.¹² Often associated with widely-discredited industrial policy interventions that aimed to grow ‘infant industries’ through subsidies and protection, the debate over the merits of introducing deliberate distortions in order to overcome barriers to entry and learning remains live, both in the debate over evolving East Asian developmentalism and over examples from the United States and Europe, where intervention is far from rare. While the successes and costs of such initiatives remain contested, one finding is fairly clear: deliberately creating rents in order to grow industrial or technological capacity carries high risks. If it can succeed at all, it requires specific institutional capacities to provide monitoring and discipline, along with non-collusive cooperation between business and government.

In practice, these rationales often blur into each other and the underlying problem can be hard to identify. The high cost of credit, for example, may not be a sign that financial markets are insufficiently developed or that markets are miss-pricing risk, but rather that they are accurately doing so. In the case of the NZ Inc ecosystem, explicit rationales for intervention are rarely provided and most programmes appear to blend a variety of economic justifications. To simplify analysis, the discussion here breaks them down into two major categories: those which provide subsidies and those which provide something that cannot be acquired through the market.

Subsidies are fairly easy to identify and conceptualize. They may be financial (in the form of grants, lending or co-investment), or in-kind (such as the provision of advice or services). Subsidies reduce the cost of goods, finance or services that could in principle be acquired through the market. The justification for providing the subsidy may conceivably fall into any of the three broad categories described above: market-creating, market-fixing or market-distorting.

Non-market interventions provide control and coordination, which yield advantages when the transaction costs of market exchange are high. Transaction costs are ubiquitous: the time spent finding out about a product or supplier, making comparisons of cost and quality, negotiating contracts and enforcing the completion of such contracts, formal or informal. Such

costs are often minor enough not to impede market transactions. Under specific conditions, however, they can be large enough to make some degree of control or coordination more efficient than relying on arms-length market exchange. The theory of the firm as essentially a coordinating mechanism that brings transactions off the market and under the hierarchical control of the firm is underpinned by the notion of transaction costs as the primary determinant of firm size and extent, of ‘make or buy’ decisions that determine the firm’s boundaries.¹³

Control and coordination functions can be supplied by firms, networks or other forms of association. Rather than being a simple dichotomy between ‘make’ (within the firm) or ‘buy’ (on the open market), firms represent one end of a spectrum running from hierarchy to arms-length, spot market exchanges. In practice, a whole variety of intermediate forms of governance or coordination exist: from joint ventures and inter-firm partnerships, to long-term contracting arrangements and relationship-based exchanges embedded in social networks. These are most often described in the business world simply as ‘partnerships’ and can be seen across a range of business functions that make up the value chain or production network for many goods and services.

Control and coordination carry costs in themselves, so it is worth specifying the conditions that make them efficient. Following Oliver Williamson’s contributions to transaction cost economics, we can identify three major conditions:

- uncertainty, or challenges of measuring and monitoring;
- asset-specificity or idiosyncrasy, when parties are required to make investments specific to the transaction between them, for which there are few or no other buyers (or providers);
- recurrence or iterated transactions over time, which call for adjustments to the initial agreement as conditions change.

These in turn will vary with both product characteristics and the broader institutional environment in which the transaction takes place. Transactions involving standardized goods are generally most efficiently conducted on an arms-length market basis. Goods that require specific investments in physical or human capital are less likely to clear the market on an arms-length basis. Transactions that take place in institutional settings that provide safeguards against fraud or coercion are more likely to be market-based, whereas transactions in contexts where public institutional safeguards are limited are more likely to require some form of coordinating safeguard.

Non-market coordinating functions could fall into either the market-creating or market-fixing categories described above. Potentially, many of these functions can be supplied by private actors and do not require the involvement of government: economic history and the study of comparative economic institutions furnishes us with many examples of private sector coordination. Sometimes such coordinating institutions are entirely informal and evolve relatively spontaneously. However, because coordination itself is costly and risky, it may not arise spontaneously even when it would be efficient.

The challenge for the NZ Inc ecosystem is to direct either subsidies or coordination functions to the specific gaps and areas where spontaneous or market-based transactions fall short.

¹² The phrase ‘getting prices wrong’ was used by Alice Amsden (1989) in her analysis of South Korea’s rapid industrialization, which relied on large-scale interventions.

¹³ Ronald Coase contributed seminal work in the transaction cost economics tradition. Significant refinements come from Oliver Williamson and others who have extended his insights. Useful compilations are Williamson 1996 and Buckley and Michie 1996.

3. What does NZ Inc do?

The NZ Inc ecosystem supplies both subsidies and coordination to support New Zealand companies. These are described here, along with assessments of their benefits by companies that accessed a mixture of these supports.

Subsidies and direct support

Much of what the public sector NZ Inc agencies do comes in the form of subsidies, whether financial or in-kind. Financial support directed specifically to international business growth primarily comes from NZTE’s International Growth Fund (IGF). Soon after it started accepting applications at the end of 2009, NZTE wrote that the fund was created, ‘so that NZTE can better support high growth businesses to build the skills, connections and scale to successfully operate in international markets’ (NZTE 2010: p. 6). In 2015, it was described as investing ‘up to \$30 million annually’, with ‘approved 50/50 co-funding grants totalling \$127.3 million for 336 targeted projects, in partnership with 282 businesses.’¹⁴ In its annual reports, NZTE shows appropriation funding for the IGF at a slightly increased level of between \$30 million and \$35 million over 2016-2019, with co-investment now on a 40-60 basis.

Callaghan Innovation grants and investment from government venture capital funds are the other main sources of public sector financial support for growing New Zealand companies.¹⁵ Treasury’s Export Credit Office offers insurance guarantees as alternative to accessing such services through the private market, which in some cases will not deal with small or ad hoc guarantees.

NZTE and the other NZ Inc agencies provide substantial in-kind support to businesses to support their international growth. In addition to NZTE’s IGF funding, NZTE also supports companies with their own capital raising efforts. The operational costs to run an agency that maintained around 600 staff pre-Covid was around \$200 million in 2019-20, including allocations for special events. Its resourcing and staffing levels appear to have been relatively stable since a restructuring in 2008-09.¹⁶ In 2020, its budget and staffing increased significantly in response to the Covid-19 pandemic, when

NZTE expanded both the range of services offered and the number of firms receiving individualized support. As part of the government’s trade recovery work across the NZ Inc agencies, NZTE increased the number of its tier-1 ‘focus’ companies from 700 to 1400.

MFAT’s budget and staffing are considerably larger, but its mandate is broader than business support. Although many interviewees believed that NZ Inc had only modest resourcing, expenditures specifically for internationalization are actually not that low in comparative perspective for a country of 5 million. NZTE’s nearest counterpart in the ‘developmental’ state of Singapore, Enterprise Singapore (ESG), actually has a similar-sized budget and post-Covid staffing (1000 people, with annual operating expenditure of around S\$300 million), taking into account that ESG includes within its organizational scope a much wider range of functions than NZTE, being responsible for domestic productivity, standards and assurance initiatives as well as international business support.¹⁷

Table 2 summarizes NZ Inc subsidy-type support for international business growth. They are subsidies because market supply is readily available: there are many private providers of information, advice, training and business services that can and do provide the same services that the public sector NZ Inc agencies provide.

If a subsidy is strategically market-creating, fixing or distorting in dynamically efficient ways, it may be efficient in the long term. There is also a prima facie case that some subsidies offer static efficiency gains. Table 2 indicates the types support that probably offer such gains. In the case of centralized provision of information, the same product can be provided to multiple companies at zero marginal cost, so the overall cost is lower than it would be if each company individually paid private providers. Criteria-based R&D incentives (as opposed to individually-evaluated R&D grants) also likely offer efficiency gains through lower transaction costs, although the dynamic effects remain to be evaluated.

Table 2. Support for international business growth: subsidies

Type	Form	Provider	Efficiency gains
‘1 to many’	Market briefs	MFAT, NZTE	✓
	Tariff finder	MFAT	✓
	Exporter tools	NZTE	✓
	Interactive exporter workshops	ExportNZ, NZTE, CAPEs (subsidised)	✗
	Other information	NZTE, MFAT, CAPEs, Universities, ExportNZ, business associations	✓
	Other group capacity development (languages, educational courses)	Universities, private providers (publicly subsidised)	✗
‘1 to 1’	Market research	NZTE	✗
	Advisory services	NZTE	✗
	Other business services	NZTE	✗
	International Growth Fund	NZTE	✗
	R&D grants	Callaghan	✗
	R&D incentives	Callaghan	✓
	Export credit guarantees	Treasury	✗
	Internships	CAPE, ANZF	✗

¹⁴ Press release, ‘NZTE International Growth Fund changes following evaluation.’ 7 May 2015 <https://www.beehive.govt.nz/release/nz-te-international-growth-fund-changes-following-evaluation>

¹⁵ Public sector venture capital funding exists in New Zealand but is beyond the scope of this report. It would count as a subsidy to the extent it provides companies with access to finance at lower cost than they would be able to secure from alternative sources. MBIE provides a summary of business support by different government agencies at <https://www.mbie.govt.nz/business-and-employment/business/support-for-business/business-capability/>

¹⁶ Figures for 2006-2009 provided in NZTE 2010. Figures for later years are in successive Annual Reports of NZTE.

¹⁷ Enterprise Singapore, *Annual Report 2020-2021*. Borroz 2021 compares NZTE and ESG.

Table 3. Support for business growth: control or coordination

Type	Form	Provider
Indirect	Economic diplomacy (government to government) – trade agreements, regulatory cooperation	MFAT, MPI
'1 to 1'	Introductions, reputational services	NZTE, MFAT
	Diplomatic problem-solving (interventions with foreign governments)	MFAT, NZTE
'1 to many'	Networking (with central coordinator)	ExportNZ, NZTE, business associations, Callaghan
	Structured collaboration (with central broker)	NZTE, Scale-Up
	Collective brand-building	NZ Story, Tourism NZ, Education NZ
Collaborative	Collective lobbying, government engagement	Business associations
	Trade shows, joint business delegations	NZTE, business associations, MFAT
	Shared resources: facilities, logistics	Individual companies, NZTE
	Business partnerships	Individual companies

Coordination and control services

Table 3 summarizes NZ Inc support that provides some kind of control or coordination function. There is no market supply for these functions. Some can only be provided through government authority or intervention. For example, trade agreements, other treaties and regulatory agreements are inherently governmental.¹⁸ Similarly, when MFAT or other government actors intervene with a foreign government on behalf of a New Zealand company, their ability to do rests on their public status. Although private lobbyists and 'fixers' may be thought to provide similar functions for a price, there is no transparent, legal market supply of such services.

Several of the support functions listed in table 3 are provided by private sector organizations through deliberate, nonmarket efforts at coordination. Sometimes, the coordination involves cooperation between public and private sector organizations. For example, trade shows or business fora involving New Zealand companies are often coordinated and partially financed by government agencies, but involve close cooperation with business associations and individual companies. Business partnerships, whether long-term supply arrangements, joint-ventures or other forms of cooperation, are commonly brokered without any public sector involvement. Although parties to such arrangements tend to think of them as market-based, if they provide efficiency gains it is because they offer a degree of nonmarket coordination or safeguards. The benefits arising from relational contracting exist precisely in the circumstances when purely arms-length market contracting would fail to clear the market. As discussed in the next section, New Zealand companies can run into problems when they treat business relationships as being based on 'trust' rather than providing safeguards.

Many of the executives and entrepreneurs interviewed for this project valued the support they gained through NZ Inc. Those that were NZTE's 'focus customers' – the firms receiving individualized support in the form of advice, bespoke market research and facilitation services – all spoke warmly of their engagement with NZTE. The benefits they describe come in different forms and in many cases demonstrate very close relationships:

'We actually worked with NZTE on an international growth fund grant which was great in terms of the investment we received from NZTE, but probably more beneficial was the rigorous process we had to go through to achieve that grant and that is the model that we have then taken and used.'

'You need to find out what the cost of living is, and what prices are like and what [supplies] cost in that country, what the hourly rate is and things like that. Trade and Enterprise have been marvellous help with those sort of things.'

'NZTE have got big teams in China. Members of our team have done the Accelerate China Course through NZTE and that's immersive.. brilliant and most of the companies who have been successful in China have done that course. Then we are constantly working with the Market Managers who have

got that local market knowledge.. and so our China Manager is really linked in with them. They have made some of our key introductions.. So it's huge. The resource within NZTE is massive and we basically developed our strategy alongside them.'

'[NZTE advice] made a very valuable contribution to our business – very valuable – we are much better today because of their input than we would have been without them.'

'We treat that person [the NZTE business manager assigned to the company] as part of our team. She knows – there is nothing she cannot know and she actually will debate with us on some of our decisions which I think is really good. She still makes us think about what might be but also extends support in delivering some of the solutions.'

'We have a lot of support from NZTE... for a long time they were not keen on supporting us. It was only after much showing them that our sales were growing and we are here for good. I understand they have their own criteria and so eventually they put us in one of the customer bid focus groups and they have been very supportive – excellent – in terms of identifying ways they can help us with our business and our exports and our strategies.'

'I work very closely with NZTE in all the markets - in all our markets - so I have got a very close relationship with them... They basically came to me and said we have got an opportunity which we are looking for a strong NZ company to step into. Is this something you would like to look at? ...As a result I have had some amazing opportunities through them and certainly they have been a huge asset to us, as a business... 'They have got people there that understand culture, language, they are embedded. So they have got the relationships with other businesses. I am not based there. So if I want to understand what the competition is, they have got all that knowledge. If trends come up - changes in pricing - things like that - they will send me photos.. I honestly cannot speak highly enough of that relationship because I can't be in those markets constantly and something will happen and sometimes your distributor may not want you to know, and it will come through [NZTE].'

One start-up company aiming to disrupt a particular industry area, described NZTE support in these terms: *'It's amazing. We are humbled, seriously, humbled by NZTE. ... they recognise us as being innovative and unusual. [This industry] in NZ is not a comfortable place except when you start working with NZTE and NZTE is so supportive. So they gave us a great document to help us with our compliance to work with... having that embrace from a government institution, it's amazing.'*

These and other interviewees reporting positively on NZTE support were from both large and small companies. Even large companies that relied extensively on independently-established business partners in some cases also made use of local NZTE officials for information on host country regulations and other issues.

¹⁸ Governments sometimes contract private advisors to conduct negotiations, and frequently outsource discrete parts of the supporting analysis. But the resulting agreements only have force because they commit governments to act in accordance with them. Private transnational regulation and standard-setting is extensive, but largely voluntary. In contrast, companies cannot choose whether to comply with government regulations and mandated standards.

Leveraging group or governmental capacities

Other NZ Inc services provide things that cannot be acquired through the market. One frequently-mentioned benefit of engagement with NZ Inc is engaging in tradeshows and offshore business delegations. These are typically coordinated by business associations but the costs and much of the itinerary are often supported by the public sector NZ Inc agencies. The benefits go beyond the direct subsidy. As one interviewee put it, *'they will take a site and invite NZ companies to participate where for us, it might have been uneconomical for us to attend ourselves in our own right, but we can plug into those types of things. So that's quite a useful way of networking and understanding each market a little bit more. We have also done some government delegations, some trade delegations up into a number of those countries. That also gives you the opportunity to learn about the market more and meet the right people that have also got the same challenges and sometimes you can find mutually workable solutions.'*

Many interviewees pointed to the benefits of shared platforms overseas facilitated through NZ Inc, including the New Zealand branding that came with working with an offshore post. Using the High Commission or embassy premises, many believed, was not just about having a venue, but being able to showcase New Zealand products collectively and gain from the established 'NZ story' marketing.

The efficiency gains and dynamic benefits of collaboration are recognized by many NZ Inc players. NZTE dedicates some funding and human resource specifically for this task. As viewed by a company founder who worked with NZTE and other agencies on one such initiative, *'it is so important to work with NZ Inc rather than relying on a middleman to assist company by company.'* The need was to create 'a whole ecosystem' through which New Zealand companies engage with offshore locations. Although only one of the companies interviewed for this project had actually obtained funding specifically for collaborative projects overseas, other types of informal networking support were recognized.

One of the ways NZTE and other NZ Inc agencies have played a coordinating role is through facilitating the all-important process of finding the right business partner overseas. This relies not just on knowing who is in the market, but knowing reputations and local status, matched to conditions on the ground. Some companies recognized there was no real substitute for having a local presence themselves, but still saw value in the NZ Inc role. One described NZTE's Business Development Managers as 'the matchmakers' along with the Trade Commissioners and Beachhead advisors. Another senior executive at a small and relatively new company described the establishment of major partnership with a foreign firm as partly good fortune, but NZTE and other NZ Inc agencies had played a critical role in bringing them together. This included both the good offices of a business association, as well as NZTE funding for an initial trade mission and Callaghan support for R&D.

In some cases, interviewees recognized that the ability to engage with a public provider of advisory and problem-solving services had value because it was not based on a market transaction. One noted, for example, *'We have never used consultants for that kind of thing.. we never knew how to instruct them for a start.'* This points to a significant potential for market failures in the purchase of advice generally, but particularly overseas: there is an inherent asymmetry in information between the purchaser and seller of advice, which suggests an efficient role for nonmarket sources of information.

Fostering relationships by providing some kind of credibility assurance can run productively in both directions. A former diplomat noted that he had responded positively to a request to arrange a New Zealand business delegation's itinerary in a foreign country because he knew the business leader involved: *'[he] was a strong personality, he knew exactly what he wanted to achieve. And I also knew that he was in close consultation with the government about what he wanted to achieve and that he had if he said we'll get a New Zealand delegation to come to [the country] and it will be a senior delegation, then that delegation would come. So I was on very solid ground and going to industry players [in that country] and saying, we've got this delegation coming.. their side could see that it was a person of absolute credibility in New Zealand.'*

Nonmarket advice, knowledge-sharing and brokering of partnerships is of course also the province of private sector business associations. The value, potentially, is that a formal and visible organizational structure provides greater accessibility for New Zealand companies – the ones that may initially

at least lack serendipitous friendships and contacts of their own. As one interviewee with a deep connection to the private sector ExportNZ, this is exactly what the association was for:

It's "exporters helping exporters" – put your hand up and say you want some help and with the local business community around here, it's amazing – the brotherhood. All different sorts of things that people want to know, things like how do you do this and how do you do that. People are happy to help. Not many people aren't happy to help.'

Another interviewee saw value in business association conferences and events, in people getting to know each other. *'You rub shoulders with people that are trying to do pretty much what you're doing, and nearly always you'll find someone who's done it before so they can share knowledge.. the networking that goes at lunchtime and after at the end, over a drink is probably as important as the forum itself.'* More focused events involving those with shared interests could bring 'years of experience' into the room. The benefits were spelled out further by another entrepreneur: *'You meet others and you develop a relationship trust relationship with fellow businesses in the industry, you would likely find that some of the businesses that you now have relationship with have already been established in certain markets overseas for a long time. And they could actually share the contact. They share insights on how to get into that market share contacts and relationship and market that you would take a number of years to develop.'*

Collaboration can mean more than providing informal advice and information-sharing. It is also a way of overcoming problems of scale. One executive described how this had worked when they had initially ventured into one overseas market: *'We didn't have the critical mass to be able to just set it up, so we partnered with some other NZ companies and took on board a bundle of NZ products that fitted that same end-use customers.. That gave us the right amount of critical mass both to have some revenue down there to pay for our fixed cost but also it gave us the ability to ship containers which were full. We became their agents.. So we asked for them to support us with marketing, to support us on the training of your staff, etc. and in some instances with the terms as well. All those sort of things made it work for us.'* Several others also noted the importance of 'critical mass' and the potential for sharing resources to achieve this: when it worked, it could be much cheaper to do things together.

Some interviewees found their peers ready to support each other. *'Another thing I like about NZ companies is that they are quite willing to share and to collaborate. So there is quite a lot of knowledge sharing.'* Some saw great potential in working together. *'Coalitions and things like that are where I think businesses are going... you bring different people and different businesses together you also bring this skillset and that knowledge, contacts. It's the only way NZ can succeed especially from a marketing point of view. We just do not have the weight of that dollar to make our marketing spread.'*

Involvement with formal business associations was also viewed by some interviewees as offering traditional benefits in terms of combined advocacy. Thus as well as gaining the 'benefit of a being visible in the industry... Having awareness of who's doing what, what the industry wide challenges are', working with a formal association also meant *'being able to combine individual voices into one industry voice that is very strong to the government.. Presenting the industry to the public to gain public support for the industry. So once you're part of a collective, there's a bunch of things that you can do that that you yourself, one individual company cannot.'*

Leveraging governmental status

Many interviewees were able to recall instances when New Zealand officials abroad had provided useful introductions and status that was based on their governmental status. The examples given reinforce the scope for nonmarket interactions, in that officials were leveraging their public role to provide something that a private advisory firm could not. One executive noted that *'some of our ambassadors are incredibly talented, capable, impressive people' whose governmental contacts were often valuable. Sometimes, diplomatic or ministerial intercessions with a foreign government were able to provide crucial support when encountering obstruction. [interview 2]* While not an everyday need, large companies were just as likely to find such services useful. As put by one executive, offshore posts provided crucial access to foreign governments, *'who hold enormous sway over the business landscape.. NZTE are our doorway. They have people on the ground [in] a*

number of other places and we are very well connected with that team. They do a fabulous job for us.'

In many foreign contexts, governments play a much larger role in the economy than in New Zealand and, even when this is sometimes resented by the local business sector, officials may still have high prestige. One New Zealand executive recognized this, saying that *'There's no doubt that having the ambassador in the room or having the trade commissioner in the room just gives you a level of gravitas that's very hard to do as an individual businessman.. the perception was probably incorrect, but we were then seen to have the backing of the New Zealand government.'*

From the point of view of former senior officials interviewed for this project, this leverage of official contacts was seen as part of the job, based explicitly on taking a broader perspective from that of an individual firm: *'You've got to be very careful not to stray into doing the company's business. That's for them to decide. I think the role of the Foreign Ministry is to help identify the right contacts for the New Zealand company.. that's the job of the ambassador or the high commissioner, their job is to be out and about and to know where New Zealand strengths are and to know what the New Zealand government's policy is, and to be thinking where the opportunities lie.. For the big sort of national interest type economic policy issues, it's probably going to be the ambassador's responsibility to prepare the ground, because no single company is going to carry the investment for you to see that sort of win, when there is a clear New Zealand national interest in developing a relationship.'*

Overall, most companies that engage with NZ Inc view the ecosystem positively. The contribution of New Zealand's economic diplomacy – particularly trade agreements and the pursuit of better market access rules (and implementation of those rules) – is often taken for granted. To the extent that trade rules are stable, the access enabled by New Zealand's trade negotiators forms a crucial, but somewhat invisible, part of the landscape in which businesses operate. While not always front-of-mind, market access rules are of course essential for exporters. While there is always room for debate over the content of any particular inter-governmental agreement, the government resources dedicated to achieving better access or more favourable regulatory standards constitute a core public sector area of work for which there is no substitute.

The subsidy element of what NZ Inc does, in contrast, represents a substitution of public for potential private expenditure. Not surprisingly, firms that enjoyed access to NZ Inc financial or in-kind subsidies appreciated them. This was particularly the case for those receiving the highest level of NZTE support. As discussed below, it remains an open question whether the subsidies represent value for money for the New Zealand taxpayer.

The coordinating and control functions provided by NZ Inc were viewed positively by many interviewees. The value of different types of coordination is a persistent theme running across interviews and other research on the international growth of New Zealand companies. The examples, although anecdotal, are consistent with theories suggesting these kinds of arrangements can reduce transaction costs and provide safeguards that enable businesses to develop in markets where they would otherwise struggle. While it is possible to over-invest in coordination, this was an area that several interviewees recognized as relatively under-developed. This and other limitations of NZ Inc are discussed in the next section.

4. What NZ Inc does less well

It is difficult to assess the net benefits arising from NZ Inc activity and expenditure. The firms that received the most significant subsidies, in the form of International Growth Fund or individualized services from NZTE, certainly appreciated them, but we do not know how much difference the subsidies made. The benefits observed by the recipients are not the relevant yardstick. It seems to be the case that most of NZTE's 'focus' companies have done well and put the support they received to good use. The question, however, is whether they would have done as well without NZTE support, given that most services were available through the market.

Answering this question is beyond the scope of this report, as it would require either a matched dataset or a strong counterfactual model, neither of which is readily available. It does not appear to be a question asked by NZTE itself, at least insofar as publicly-released material suggests. In a detailed report to parliament in 2010, NZTE describes the monitoring and performance targets that both the companies receiving support and NZTE itself were subject to. NZTE data suggests that firms receiving support generally meet their export, revenue and other growth targets, but does not appear to assess how well they might have been expected to do in the absence of this public sector support.¹⁹ It is inherently difficult to make the call, particularly as NZTE makes it a point to support firms that are already 'competitive' (Borroz 2021). One interviewee with decades of international business experience observed that when he'd been with a large company with revenues in the hundreds of millions, 'We got all sorts of support from NZTE, although this company could pay for its own R&D.' In contrast, a start-up company he had been involved with got almost nothing: 'because we don't qualify for their fast whatever it is.. I think NZTE's mandate is to look after those big companies. And I know they would say it's around bang for buck, but I would argue that those big companies will do it anyway. They've got the resources to do it.'

Although focused support from NZTE has been directed at some of New Zealand's largest and most established companies, there are many examples of relatively new and small companies that receive individualized support from NZTE. But one might expect competitive, promising firms with good business plans to do well regardless of public support. Many high-performing companies report either no engagement or minimal contact with any part of NZ Inc.²⁰

A high-level observation is that New Zealand's ratio of exports to GDP has overall declined from a high point of nearly 36% of GDP in 2000 to 27% of GDP in 2019.²¹ Although there are many company-level success stories of diversification into higher-technology or value-added products, overall the export mix remains dominated by commodities and (until Covid) tourism. An 'export complexity' assessment hosted at Harvard University put New Zealand at 49th out of 133 countries in 2019, a decline from 33rd in 1995. Of our higher-complexity exports, ICT exports fell from 5.11% of total exports in 2000 to 3.05% in 2019.²² Exports have of course grown significantly in raw terms over this time, and it is possible that the ratios would look worse without the support offered by NZ Inc.

Although the counterfactuals are almost impossible to prove, the reported experiences of NZ Inc players suggest some the ecosystem has some weak points.

Red tape and fragmentation

Although most companies receiving individualized support had no complaints, others reported onerous paperwork and compliance requirements associated with either Callaghan Innovation grant funding or NZTE finance. Some of the comments included:

'It would have been easier to earn the money ourselves.'

'Hideous to the point we gave up.'

'The paperwork really was not accessible and seemed to go beyond what was reasonable or necessary. Pitching to venture capitalists is quicker.'

'The language requirements, for migrant businesspeople, are really daunting.'

'I'm a very practical person and I find bureaucracy really hard work.. They just frustrate the hell out of me and I end up doing it myself.'

According to one source, when the government attempted to be more entrepreneurial, it was in ways that made it difficult for outsiders: 'We learnt in our dealings with [one government initiative] that unless you were connected with the right people, you weren't in. So there's an official structure and there is the people that really make things happen and they're not necessarily the same.'

Fragmentation and the multiplicity of sources of information were a problem for several interviewees. One, for example, although reporting very good relationships with several NZ Inc agencies, noted that 'there is a little bit of disconnect between them – they are not entirely sure what each of them are doing.. they agreed they should meet and coordinate more often.'

Another thought that several NZ Inc agencies could be combined, which would result in operational lower costs for delivery and lower costs (in terms of time) for companies seeking support: 'At the moment, it is like, how do you know which is which? I remember one document that I actually received from a private enterprise that tells me how many incubation or ecosystem organization are available out there. But it's definitely not in the public arena.'

'There's some really good people in some of these organizations, really good. And I think they try and complement each other [but] I don't know, just they've all got different KPI's – it does not make for a productive team.'

Fragmentation also recognized on the private sector side, with very large number of industry and business associations. One former senior executive with long experience with different organizations said there had at times been moves to consolidate some of them, but it had not proceeded 'People want to get their particular issues focused on.'

Lack of absorptive capacity

The '1 to many' services provided by NZ Inc agencies are efficient and scalable at low cost, because they essentially involve disseminating information. The limitation is that this is often relatively low-impact. The problem reported by many companies did not relate to the quality of the information, but that it was not specific enough to justify the time spent trying to absorb it.

This problem is compounded by the proliferation of information sources, both coming through NZ Inc channels and the wider world of LinkedIn, newsfeeds, private newsletters, consultancy reports and business media. Despite attempts to consolidate and link across the different NZ Inc players, they remain scattered. Accessing information is not low-cost in terms of time and effort. This is particularly the case for small companies, which find it difficult to spare the human resource to attend seminars, networking events or keep abreast of online information.

In informal conversations, several exporters were blunter about the limitations of much of the information disseminated by NZ Inc: it was simply not relevant enough, not only because it was not specific to their particular

¹⁹ The report itself (NZTE 2010) is striking for the level detail NZTE was required to furnish – down to every single, individually itemized and costed business trip taken by staff in the preceding 4 years.

²⁰ This in itself is neither surprising nor suggestive of any limitation in how NZ Inc functions.

²¹ Based on World Bank data <https://data.worldbank.org/indicator/NE.EXP.GNFS.ZS?locations=NZ>

²² Atlas of Economic Complexity <https://atlas.cid.harvard.edu/countries/166>

firm or industry, but because the speakers on the platform were often not the people they most needed to hear from. Some believed it would be more useful, for example, to hear from Chinese officials on the issue of changing Chinese regulatory requirements, rather than New Zealand officials or businesspeople. Although rarely mentioned directly, there seems to be a pervasive under-utilisation of the knowledge held by migrant entrepreneurs.

Another problem identified by some interviewees was that while many government officials in offshore posts were helpful and smart, often their knowledge base and connections were shallow. Most were in their positions for only a few years, hence unable to develop the depth of knowledge, deep relationships and language skills that were really necessary – especially in places where ‘relationships are everything.’

Coordination: nice in theory, but..

Although the coordination functions of NZ Inc are highly valued, they are also under-developed. The limitation runs across both government cooperation with businesses, and cooperation among businesses themselves. There are many points of contact, and most of the time relationships are cordial. Networking events are frequent and popular. The limitation is that collaboration of the kind that yields strategic gains is relatively rare – or at any rate, opportunities for such collaboration often go unfulfilled.

Although, as discussed in Box 1, some elements of the picture have changed over time, in other respect the problem is not new. A former public sector official recalled the offshore networking of NZ Inc in the past: *‘They had the NZ Business Council in [country] and once a month they would meet for cheap booze at the High Commission .. the Trade Commissioner would buy the grog duty free and it was made available either free or 50c a can or something. After a while.. I said to these guys look, what we have got here is a NZ Business Council but all it is is a social gathering. If you want to get the support and the resources of the High Commission behind you, you had better start doing something that reflects what we might expect from a ‘business council’. One of the first things he’d wanted the Council to do was engage with local businesspeople. As he saw it, some New Zealand members were receptive, but ‘some of the members of the NZ Business Council were very nasty about it – very unpleasant. They wanted to tell me to get the hell out of the place – it’s no business of mine as a public servant. But once you start threatening reduced access to alcohol ... people feel as though they had better listen for a while.’*

Even when companies participate enthusiastically, the networking that dominates much of the non-subsidy NZ Inc activity often yields diffuse gains and consequently some are reluctant to invest much in it. Many report meeting useful connections and picking up valuable information, but quite often they find it hard to pin down rewards, or acknowledge the gains are limited. Even strong proponents of active collaboration among New Zealand companies saw limitations in business association activity as currently structured: *‘I think we need to see value in [business associations]. But if it is just basically attending a meeting once a month and there is no value in it, why are we there?’ There needs to be an actual value, a way of commercialising the connections.. as a business you are putting your time in and there is a value to that and you need to see a return after that and if it is just going for drinks and basically just meeting some nice people, it is not necessarily the best use of my time.’*

One executive recalled ad hoc cooperation with other New Zealand companies to share shipping and other costs. While he saw it working sometimes, it was often impeded, in his view, by two features of the corporate landscape. One was the gap in size between small companies like his own and the large New Zealand companies: *‘they have kind got their own things running and there’s not as much crossover relevance because there is such a gap of size.’* Whereas when it came to working with other small companies, *‘it comes down to time. To get a cohesive strategy going you actually need to put a lot of energy into it and I think everyone is so tapped out on free attention, that it quite difficult to do that.. focusing on your own thing is seen as an easier option.’*

Another company founder and executive with experience in several companies, both in New Zealand and overseas, believed New Zealand companies needed to focus more on practical collaboration that reduced business costs by sharing fixed costs – citing the Food Bowl as a successful example. But at the same time, he recognized this was rare, because often

New Zealand companies were unwilling to share information and at times they did not stick with their commitments to collective efforts: *‘People don’t show up. They went somewhere else.’*

For some, working with others in formal associations was somewhat peripheral. An executive from a medium-sized company noted that ‘we are involved with trade associations and supplier associations and all these sorts of things’, but gave an example of collaboration with others in the same industry that was for charity.

Several interviewees saw an underlying attitudinal or cultural resistance to collaboration. One interviewee referred to *‘the kiwi DIY mentality.. because they believe that they can learn to do it and they don’t trust partners to do it with.’* This was often engrained in company DNA, part of spirit of innovation and desire for control, independent problem-solving – and a common motivation for setting up their own business in the first place. A cultural tendency to strive for independence *‘[is] what we have got to fight everyday, because we know that we have this default tendency to not collaborate.’* While some were hopeful that this could be overcome, others were not. Commenting on the potential gains from collaboration in the form of sharing resources: *‘I’ve seen zero evidence.. doesn’t mean it doesn’t exist. I’ve just never seen it. The problem is the penchant of Kiwis wanting to paddle their own waka.’*

Sometimes, the smallness of New Zealand’s business world seems to hamper cooperation, particularly among rivals. As one former senior executive put it, sometimes *‘people have been too envious of us to want to partner with us.’* He and others also noted the obstacles to cooperation arising from divergent objectives, different standards for execution and different time horizons. One senior executive with decades of experience with a large company recalled an instance several years ago when he had seen an opportunity in a strategic collaboration among New Zealand players in his industry, but his attempts to collaborate were rebuffed *‘they didn’t want to know about it.’* The highly successful company he helmed was instead built with foreign partner. While jealousy or lack of ambition might have been behind this reluctance to work together, he also believed some New Zealand exporting companies were not really wanting to invest in deep understanding of offshore markets or ways of raising productivity and quality – they were looking, in some cases, for quick sales.

Distance from government and connections with industry peers vary a lot by sector. One executive from the tech sector recalled very little sharing of information or support early in the 1990s, *‘We just had to figure things out as we went along.’* He noted this had changed over time. Others from new or emerging sectors noted they lacked the depth of connection with government and consequently did not enjoy the same consideration as established sectors.

Almost all interviewees believed that collaboration was at least potentially valuable. To the extent it failed to materialize, this was something they regretted. This suggests that failures to cooperate are not deeply culturally-rooted, but arise from the transaction costs and cooperation dilemmas inherent to organizing. This captures a rationale for strategic interventions by the public sector. In the view of one senior executive with long experience in both large and small companies, productive collaboration often did not occur *‘because somebody needs to sit in the middle of it’* to convene different actors. Even when they had a shared interest, the organizing costs of bringing different groups together could be prohibitive: *‘If you’re talking about a couple of companies working together, it’s easy. You go and have a coffee with somebody you them like you either bond and have a rapport or you don’t. And if you do, then it’s relatively easy to then move forward together. That’s not New Zealand Inc. That’s just a couple of companies working together. New Zealand Inc to me is more sector based.. [but] it doesn’t happen at all.’*

A former executive with decades of experience noted the difficulties of sustaining private organization, citing the business networking group Kea as an example. *‘It was a public good and whilst you should be able to find lots of people to support it -- because it’s so good --where it required just doing it on a goodwill basis it was hard to get money.’* In the end, he said, many of those who did contribute to collective efforts did so on a goodwill basis, because *‘they want to give back to the community.. but, you know, basically if you’re running a company, you’ve got a duty of care to your shareholders.’*

Although not a limitation of NZ Inc – we should expect that much business activity is most efficiently conducted independently – it is worth noting that

many companies interviewed reported minimal or no engagement with NZ Inc, whether that term was used or not. Many companies form their own partnerships and identify the sources of advice they need independently. For others, engagement was 'nice' but peripheral. One chief executive with a significant presence in China described his relationship with NZTE as being more often about his staff helping them, but 'they do introduce us to customers. Back here not so much. They send us reports and surveys.' Others described serendipitous personal connections in overseas markets as providing the crucial partnerships, with several noting how they had been 'lucky' to be able to leverage friendships and personal networks, whether from their own previous roles or connections via former employees.

One chief executive who had established an overseas subsidiary noted that, for a small company such as his own, 'The critical question is Do we have as trusted partner there – a local who is able to run that business for us?' In his case, local connections were formed entirely outside of both the expatriate NZ network and anything that could be called NZ Inc. This was not uncommon, and did not imply any ill-will. As one company founder put it, when she had established her subsidiary overseas, there had not been many other New Zealanders there. Now there were more, 'We share stories and we might talk about who we deal with' but the company did not really use New Zealand connections. 'We had been in country for many years before we even knocked on the door of the High Commission.'

5. Could We Do Better?

NZ Inc does a lot with relatively modest resources. Many relationships are flourishing and exports proved resilient in the face of unprecedented pandemic-related disruption in 2020 and 2021. There is commitment on the part of officials in the public sector NZ Inc agencies and private business associations to work together to promote export growth and business resilience. The NZ Inc crisis response in 2020 and 2021 included many remarkable feats of logistics organization, adaptation and execution of new tasks. This could not have been achieved without a foundation of organizational capacity and established channels of communication.

The limitations and criticisms of NZ Inc expressed in this report need to be put in context. Not only is there much that is going well, the potential to do 'better' only exists if it fits the conditions of this country. You can only work with what you've got. This section discusses some of what we have got: the factors that both enable and limit the way NZ Inc works.

Prevailing ideas

At least on the surface, prevailing ideas set limits on the ambition and scope of NZ Inc. Since the liberalizing reforms of the 1980s and 1990s, governments have been unwilling to step openly into industrial policy. Many accounts refer to the influence of these reforms and "neoliberal" ideas in New Zealand. Yet it is clear that New Zealand economic policy over the last twenty years has strayed significantly from any pristine ideal of being hands-off or limited to enforcing competition and market functioning. The existence of NZTE and the mandate to support business growth in the other NZ Inc agencies is based on the idea that there is a legitimate role for government in supporting, as opposed to regulating, business. The mindset that matters is thus not whether the government should support business, but how.

The predominant ethos in the NZ Inc agencies is one that attempts to preserve a market orientation. This is deeply-etched in NZTE (Borroz 2021), which has an orientation to service, not steering. NZTE consistently refers to the companies it supports as 'clients' or 'customers', despite the obvious fact that they are not clients: they do not pay for NZTE's services, and the nonmarket nature of the interaction provides the entire rationale for NZTE's existence.²³

This orientation is also evident in an organizational ethos that values private sector skills and experience. The average tenure of an NZTE staff member was 4 years in 2010. For each of the preceding four years staff turnover saw around 20% of total staff leave the organization. Both of these things were explicitly noted as not problematic in NZTE's report to parliament (NZTE 2010). This makes sense if the aim is to deliver the kinds of service that firms might acquire from private providers, but simultaneously brings the subsidy element to the fore. This might, as noted above, still be efficient if market failures (most plausibly in the form of information asymmetry) makes on-market purchasing of advice and business services inefficient.

Since 2009, NZTE has required its Growth Fund 'clients' to 'demonstrate wider economic benefits beyond themselves' in their application for funding (NZTE 2010: 8). Although this speaks to a role that goes beyond subsidy, it also underlines the unwillingness of the agency to set a strategy. In a strategic transaction, the party providing the funding would have a clear idea of what they wanted to achieve and whether any given proposal served that end.

Several interviewees with decades of experience recognized an entrenched reluctance to take on active industrial policy of the sort seen in countries such as Singapore or Israel. One former senior official noted that, '*there have been various times when industry policy like that has held a bit of sway. I think Mike Moore – if you pushed him – would have had a vision of that kind of highly active industry policy with the government using various powers and instruments to shape a sector.*' But this ambition, he believed, could not proceed given the prevailing sway towards deregulation and getting government out of business. Behind this, New Zealand lacked the habits and mindsets for more strategic collaboration between business and government that he saw as 'hardwired' in places such as Japan, Korea and Taiwan. '*They understood that way of doing things. In New Zealand, I don't think that space, that purposeful conversation, is as easy to accomplish. Despite the "only one degree of separation" and pretty socially cohesive nature [of New Zealanders], actually there is quite a bit of rugged individualism... And you know, if you go up to Auckland, there is a healthy suspicion of the government coming in and saying, hey, let's join things up more. There is a lot of belief, I think, that the right role for the government is as a facilitator*

²³ In contrast, Singapore's equivalent agency never uses the term to describe the companies it supports: in its public reports and other material, they are most often 'enterprises'. The word 'customer' is reserved for those who buy goods or services from these enterprises.

and not a partner.. while there are sometimes moves to work together more strategically, there is an instinct on both sides that the “business of business is business” and the “business of government is government” and they are not the same thing.’

A former official saw a lack of deep collaboration among private sector firms as ‘part of the cultural make-up. He recalled a time when he wanted a group of firms to collaborate to deliver an offshore aid project, but they ‘found it very hard to cooperate’ since they were sensitive to being competitors. ‘It was a difficult task for them to take on. And again, I suppose that reflects the fact that even though the companies we have operating offshore are relatively small, they each have their own culture and small or large it is bloody hard to change that culture or to open up.’

The idea that business growth is best supported by nurturing and unleashing individual entrepreneurial spirit is influential. The fact that the country’s official innovation agency – Callaghan Innovation – is named after one individual is perhaps symbolic. The agency itself makes this ethos explicit. It chose, for example, to introduce its presentation to an NZ Inc function with a quote from Sir Paul Callaghan: ‘One hundred inspired New Zealand entrepreneurs can turn this country around. This is the challenge for us all.’²⁴

To the extent that this mindset prevails, it is one that steers support for businesses in ways that seek to empower individual entrepreneurs to pursue their own purposes, with the hope that wider benefits will flow from this business-led innovation and growth. This mindset differs sharply from one that sees efficiencies and dynamic gains arising from the collective corralling of resources for a shared strategic purpose.

There is a limit, however, to explanations based on mindset or prevailing ideas. Ideas in circulation represent a range of beliefs and many of those interviewed for this project clearly believed that more deliberate coordination, at least to some degree, would be desirable. For those wishing to move in that direction the question is whether New Zealand is structurally and politically equipped to do so.

Structure

Both public and private sector organizations are structurally fragmented in New Zealand. To the extent that there are efficiency gains from centralization and coordination, this creates an obstacle to delivering more cohesive, consistent policy or achieving higher levels of inter-firm collaboration.

One widely-noted problem is that there is a long list of actors, many with overlapping functions, involved in the delivery of NZ Inc activity. This in itself increases the transaction costs of information discovery and coordination.

A second structural issue lies in the way the different organizations relate to each other. All recognize a need to coordinate and share information, yet the mechanisms for doing this are mostly ad hoc and relationships tend to be held by individuals rather than at the organizational level. In the public sector, a variety of inter-organizational agreements setting out the ways they will work together have existed, in the recollection of former senior officials, for decades. Yet there is a sense that, even when collaboration and ‘staying in touch’ works well, it is transitory and often needs to be remade with each generation or turnover in staff.

A former senior official noted that it had been his aim to achieve a vision of NZ Inc as ‘the coherence of the whole-of-government offshore footprint.’ He recognized, however, that the agencies were not connected structurally back in New Zealand. And when it came to cooperation with and support for business, the government wavered on how to deliver this. ‘The truth is, depending upon on what the industry was – the dairy industry, the horticulture industry, the fisheries industry – actually we have been prepared at times to actually take some quite big steps towards an Asian style industry policy. Quite a directive and forceful posture sometimes. But it’s not enduring, it’s not driven by law, it’s not even driven by administrative structure. ... It’s not embedded in the state.’

Structures that might give strategic direction are diffuse in New Zealand, despite minute monitoring across the public sector. Agencies spend a great deal of time recording their delivery of key performance indicators, but this micro-level monitoring does not endow the activity with strategic coherence. The record in other managerial public sectors shows that intensive monitoring

of performance against targets is often divorced from purpose (Hood 2006, 2010). The direction that in other systems of government is provided by a tight ministerial structure is spread over many players in New Zealand. Table 4 sets out a structural comparison with Singapore.

Table 4: Government structure: New Zealand and Singapore

	Singapore	New Zealand
Ministers*	20	26
Ministerial portfolios**	26	52
Ministries/ departments	16	32
Statutory boards, authorities, crown agencies, non-public service departments	59 All formally operate under a Ministry	71 Most do not formally operate under the authority of any Ministry
Research & tertiary institutes, Crown entity companies (not including SOEs/GLCs)	11 Many have clear reporting lines to a Ministry	38 Report to a funding agency, but structure is intended to ensure operational autonomy
Other	8 Organs of state (Courts, Palace, Parliamentary offices, other)	28++ (Including RBNZ, Trusts, functional councils, Schedule 4A companies, Offices of Parliament.)

Notes

*Ministers: New Zealand total includes 4 outside cabinet and 2 cooperation.

**Ministerial portfolios: total excludes ‘second ministers’ (Singapore) and ‘associate ministers’ (New Zealand).

The proliferation of ministerial portfolios in New Zealand is striking. It is noteworthy that these portfolios are in many cases unstable: they are invented and dropped according to the political priorities of different governments. They do not correspond well with organizational capacity to implement policy. In Singapore, the total of 26 ministerial portfolios has remained largely constant, and includes 3 portfolios that have explicitly coordinating roles. With the exception of the Deputy Prime Minister, the Coordinating Ministers and the Minister of Muslim Affairs, all Singaporean ministerial portfolios correspond with one ministry, and one ministry only. In contrast, many New Zealand ministerial portfolios either do not relate to any ministry or are linked to parts of multiple ministries. In noticeable contrast to many other government systems, supporting trade is structurally divorced from supporting industry: we have a Ministry of Foreign Affairs and Trade, not a Ministry of Trade and Industry. Unlike the structural integration of support for international business and other business productivity, training and accreditation functions brought together in Enterprise Singapore, in New Zealand these functions are spread over multiple agencies.

Not only does New Zealand have twice the number of ministries or government departments as Singapore, many other public sector or crown agencies are structurally more free-floating. All Singaporean statutory authorities are formally overseen by one ministry and only one ministry. Although many in practice have a broad degree of operational autonomy, the connection with a single ministry (which reports in turn to a single minister) is clear.

This fragmentation allows for many pockets of excellence. But it also makes it harder for government to develop and implement a cohesive set of policies for business growth and internationalization. It also makes it harder for business to engage collectively or for broader purposes. As one executive put it, ‘Government is so fragmented and the engagement in government and industry is also very siloed.’

The New Zealand private sector is also more fragmented than those in

²⁴ Presentation, MFAT roadshow, Auckland, 22 May 2021.

countries with deep traditions of industry collaboration through formal and informal groups. Despite the existence of Business New Zealand, which groups a number of business associations under its umbrella (including ExportNZ), some interviewees felt that New Zealand lacked a traditional peak association to aggregate the interests of the business sector. Instead, New Zealand has many separate business associations operating in different industries, taking a membership-based view. One advocate of greater private sector coordination noted that *'the traditional industry organization model in New Zealand often does not work. Even with a common advocacy association, often members don't speak to each other.'* This of course should not be taken as a generalization about the role of business associations. As described above, many companies found them highly valuable as vehicles for sharing information, networking and collective lobbying.

Pluralism: between capture and isolation

New Zealand's political architecture is pluralist. Different groups engage with government and the political process for their own purposes. Governments accept or reject their overtures according to ideology and expedience. Strong legal institutions and reasonable transparency, along with democratic accountability, put limits on collusion, political capture and outright corruption. While the system works in many respects, pluralism makes it difficult to adopt higher levels of (non-collusive) coordination and (non-corrupt) strategic cooperation between business and government. A classic comparative account of state structures and industrial policy showed that ambitious economic policy in pluralist systems such as the U.K. was often overwhelmed by particularistic interests, which were able to demand carve-outs and special favours (Katzenstein 1978). In such systems, when governments do act independently of special interests, they are typically unable to make business policy work: they do not hold the trust of the business actors whose cooperation they ultimately need.

The countries that appear, at least for periods of time, to have successfully trod the line between capture and abusive government not only have cohesive, centralized and disciplined public sectors, but also relatively high levels of cohesion and organization within the private sector. Broad-based, institutionalized cooperation between business and government in these countries is also underpinned by political systems that incentivise participants to take longer-term and broader views of their interests. In contrast, New Zealand's established systems and modes of political engagement work to encourage shorter and narrower views. While the 3-year electoral cycle certainly does not help, the pluralism of the New Zealand system is embedded in other ways. This section offers a few observations about the ways pluralism sets limits on a more strategic approach to business growth.

1. Governments formed out of an assemblage of different interests are inherently prone to pursuing divergent objectives, a feature that has been amplified by both the shift to proportional representation and the breakdown of traditional political cleavages into 'multi-elite politics.'²⁵ Even when not inherently in tension, the multiplicity of objectives and constituencies creates distraction and diversion of effort.
2. Systems for policy consultation in New Zealand are typically structured on the basis of group or individual representation. Each party is brought into the room explicitly to represent their own interests or special agenda. When the process is narrowly-constructed, it is open to charges of capture and undue influence by vested interests.²⁶ When multiple stakeholders are brought into the room, the process can become crippled. This can lead to nothing much happening, or – when a government has a solid enough parliamentary majority and feels sufficiently motivated – with policy imposed without (or ignoring) consultation. Either way, disappointment and disillusionment follow.
3. A pluralistic political system in New Zealand combines with a legal and regulatory culture that emphasizes formal policy and legal rules. This is not unique to New Zealand, but marks a trend across the English-speaking world, where ostensibly pro-market liberalization has been delivered through ever-lengthening rulebooks, with both primary law and secondary regulation becoming ever more complex. This creates

a legal landscape where attempts to change one part of the system frequently run up against both procedural and substantive legal roadblocks. Not only does government often seem to have its own hands tied, but businesses also end up spending a great deal of time and effort on compliance. One interviewee captured what seems to be a widespread mood: *'You spend so much time going through so much process, dancing around a legal minefield, you lose the time to be able to drive performance and build a team that is really motivated.'*

Many of those interviewed for this project touched upon these themes in different ways, all pointing for scope for more decisive, strategic action by government, working in cooperation with the business sector. A few examples illustrate the range of perspectives:

A chief executive with experience as an investor in East Asia expressed some frustration about the planning and consultation processes he encountered in New Zealand. In his view, when there was a clear business case for an investment project, a more strategic government would provide the necessary infrastructure, permits and other collective goods required, rather than leaving it to individual private businesses to reinvent the wheel for themselves each time.

One entrepreneur with extensive overseas experience described NZTE and other government agencies as failing to lead, citing both the Singaporean and Israeli way as offering lessons. *'NZ Inc is too conservative. We need bolder initiatives, leadership, more investment in a particular sector, with goals and coordination, including taking care of education and training... [NZ Inc] could take a leadership position, because if you created an industry, people will follow that. Private enterprise will jump, and that creates a long term industrial effect for New Zealand. ... it's the mindset of the togetherness.. [what we need is] 'all the parties agree on this, let's build New Zealand as an innovative country. Not a committee, not a working group, but have some agencies with ministerial input, with a good group of people that work on it, not just a working group, because working group is periodic. You can produce 1000 reports, but not action ones.'*

Even with entrepreneurs with good connections and knowledge of government reported a sometimes frustrating lack of fit with funding criteria and priorities of the NZ Inc agencies:

'I really like the people we work with and Callaghan and NZTE – but we don't get a lot of introductions or opportunities.' He also cited a lack of funding: *'When an international company is prepared to contract a NZ company to do R&D, especially long-term frontier stuff, the government should support that because other countries do this. They really do help their companies work with the bigger players. NZ has to do that and yet we don't tend to. I think that's a model that needs to change.. we should be co-funding.'*

Several interviews from both public and private sectors saw a lack of strategic vision on the part of political leadership, particularly when it came to addressing underlying problems such as education and skills. *'The education sector should be the first priority... Part of our problem is that we don't get anywhere near to being nationalists.'* A senior business figure with extensive connections in both industry and government over many years recounted an incident that speaks to a lack of clarity on the part of the government. He described being asked to organize a major business-government event: *'I said "Exactly what do you want?" and [was told], "Well, I don't know; perhaps you know better what we want."* Others expressed the need for a strategy, beyond a vision. *'What we've got at the moment is a vision [for a particular industry]. We don't have a strategy.'*

Several interviewees underlined the need for a clear sense of national interest, although the potential pitfalls of capture were more recognized by public sector officials of an earlier generation. A former ambassador noted: *'I think you need to be careful and that if you're helping a company, you're mindful of the national interest, rather than the interest of a particular company. So if you're doing it for one company and a competitor, you have to be mindful, you know, that you need to do the same for the competitor. So you just need to be careful about that, that you are to serve in the national interest.'* Another former senior diplomat reinforced this, drawing a line between national and company interests: *'I think MFAT's view institutionally*

²⁵ The changing composition of both left and right-aligned parties is charted by Thomas Piketty and collaborators. On the emergence of multi-elite politics in New Zealand see Gethin 2021.

²⁶ The role of vested interests in New Zealand is the subject of a special issue of *Political Quarterly* in 2021, Vol. 17, Issue 2.

would be that there is a point beyond which we can't have the tail of a company, or business's corporate objectives and interests, wag the dog of our entire relationship with another country. Some previous political leaders have drawn the line differently, so I can understand why there would be people who would say, at times, government agencies may have gone too far to advance a specific interest of a specific company, as distinct to the interest of a sector of NZ business. For MFAT, we are here to create an environment in which NZ businesses (plural) can, if they are good enough, operate... Of course, in a crisis, the Ambassador and the diplomats have to get involved because if the problem isn't properly managed it's a political problem, with consequences for the whole relationship.'

Although many companies described their working relationships with the NZ Inc agencies as pleasant and productive, when turning to the more political level of engagement with government over policy, views were very varied. Whether the experience was positive seemed to rest on individual circumstances and timing, as well as the political colour of the government of the day. One executive with decades of experience viewed collaboration with governments at both political and agency level as productive, a 'quid pro quo.' However, 'penetrating government departments is quite difficult unless you can do it through the Minister.. But we get enormous help. We just have to ask for it in the right sort of way.'

Depending on political conditions, the relationship can be fraught. Another chief executive leading a very large company described the government some years ago as 'really not helpful' and a ministerial decision as pulling the rug from under them at the last minute. 'They didn't want to talk to us, even though you tried to make approaches to government.'

One senior executive with decades of experience in New Zealand and overseas, while seeing the potential value in greater direction and strategic coordination in both government and private sector, had come to the conclusion that in New Zealand the general problem with government initiatives is that: 'Their ability to make it happen is zero. There's a lot of disillusionment in business around the role government could and doesn't play.. I reckon I could point you to 20 people who would tell you exactly the same story of disillusionment. It's just better to do it yourself. Just get out there and walk the pavement. After the 1980s they became so hands off that it was go do it yourself. The rhetoric has shifted since then, but they give the rhetoric and then nothing happens again and again and again. In fact, they destroy existing capacities through restructuring and policy shifts. It's becoming very clear that they have no idea what the end game looks like. No idea at all.'

Unfortunately, this perception is not an isolated one. Another observer with decades of experience in business believed that although there is great scope for business-government collaboration, 'At the moment now it's probably as bad as I've ever seen it... there's a lot of people who wanted to be helpful, but they've been pushed away.. There is enormous frustration.'

A more productive pathway for interaction on policy issues requires a shift in established patterns of engagement. A company founder with extensive connections across many parts of government described how this pathway had evolved in his own sector: 'Traditional associations tend to be more adversarial, you know, they tend to position themselves for advocacy and they can be a bit more adversarial with government, whereas we are trying to be more collaborative. We aim to change the model, to give government representatives equal membership with the rest of the industry participants, you know, as part of the industry association. So government has a seat on the board of each of these industry associations, an equal seat at the board. So government gets to see and hear everything that's going on in the industry without industry having to take an adversarial stance to communicate. So there's no advocacy, there's more sharing and collaborating.'

Having both industry and government at the table also, he noted, helps engagement: 'It makes it an attractive table.' The prerequisite, as he saw it, was to bring the industry together. 'Then when we've got a single voice, we can focus on spending time over a number of years engaging with government. I'd like to see government and industry connect more, connect the dots and work more together, as opposed to in silos. Also, an element of community, I think is important to bring that in. There's a genuine desire to work with each other for mutual benefit and also for the wider benefit of New Zealand. And that's the culture that we've built, which has taken probably 15 years to develop.' He acknowledged other sectors were somewhat bitter about their interaction with government at the policy level, but remained hopeful: 'Once you understand, it can be better. That's why it's important for businesses to join these working groups, industry working groups that are working with government, because they learn about that. They learn how to inform government as opposed to demanding government do something and getting disillusioned. It's a game of knowledge and understanding and patience.'

Box: A More Cohesive Past?

Several interviewees whose experience stretched back to the 1970s recalled a different landscape for business-government cooperation in the past. No-one wished to return to the era of centralized control. Nonetheless, examples of coordination from this era show a capacity for achieving economies of scale and strategic purpose. This was, for example, found in some offshore aid-financed projects involving engineering and professional service firms, in which private sector executives recalled working well with their peers (and domestic competitors) overseas, with the support of the government. Viewed from the public sector, former senior officials recalled that, as well as the foreign ministry, the push for export diversification that began in the 1970s involved the active involvement of the Department of Public Works, the Department of Trade and Industry and the Forest Service – all no longer in existence.

Reflecting on the distance and disillusionment that periodically characterizes the business-government relationship at the political level in the present, some interviewees observed that the liberalizing revolution of the 1980s changed the underlying social fabric linking business and government: *'In those days many of the companies and corporates had head offices in Wellington, because the government was so powerful...So there was a lot of interaction at all sorts of levels, coming from the Prime Minister down to the heads of the departments, and also Cabinet ministers and their private secretaries. So there was a lot of informal transfer of knowledge. It kept people aware of what they were trying to do and what the problems were.'* As well as explicitly work-related interactions, the social atmosphere was shared: *'There would be all the typical events – sporting events, even sports teams, various opening events, the operas and many other things. People would meet outside of the work environment and that would help build a friendly relationship.'*

Viewed from the public sector, the fine balance in the relationship required officials to hold to a sense of national interest. One recalled: *'Back then, there was a certain amount of suspicion of the private sector agenda and how much money they might be trying to make out of the aid programme. By the same token, within the private sector there was a certain suspicion of the role of the public sector advisors. Our goal was to make sure that we delivered the best quality, relevant aid. We met regularly with members of individual private sector firms and representatives [of industry associations].. and to my delight, most were friendly and easy to work with. It was in our interest that the private sector perform well. It was in our interest to listen to them.'* Nonetheless, *'you had to remember that you are representing the taxpayer in this whole exercise, first and foremost – how their money is spent. You are representing the government of the day, in terms of how they want to see the money spent and managed.'*

Another business leader reflected on the legacy of 'harsh' liberalizing reforms of 1980s and 1990s: *'But that's the divide that has occurred. So business is now over here and bureaucrats and governments over there.'* He noted the change in the public sector: *'Business is fun. Dealing with bureaucrats is not fun. You spend a lot of your life at work, it has to be enjoyable. I think it has become less so for those in the public service, since thirty years ago.'*

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