

# Power in the Provinces



Economic development in New Zealand's regions

Will Samuel

Trip undertaken in 2015

Report date: February 2016

## Acknowledgements

It is incredibly hard to do acknowledgements justice, but here's my attempt for the record.

First, **Winston Churchill Memorial Trust** for the honour and privilege of the fellowship.

It wasn't until I was into the trip that I fully appreciated what Winston Churchill was aiming to achieve in world peace and greater international understanding. We have similar problems in different contexts and nothing can beat human connection. This wasn't just an intensive 6 week trip but a year worth of planning and another 6 months sorting the chaos into some form of useful simplicity (including this report). As time consuming as it is, this type of research rather than a formal qualification has been just what I've needed at this stage of my life.

My employer **Taupo District Council**, in particular CEO Rob Williams. None of this would be possible without your support and encouragement

The **Bay of Connections**, for supporting me to look at aquaculture opportunities which have potential for New Zealand.

**Networks in New Zealand** for ideas, information and connections here and abroad.

**Hosts** on the trip. Words can't describe the hospitality I received, the inspiration and knowledge imparted. I am forever indebted to you for your time, knowledge and hosting - until you visit New Zealand!

Finally, and most importantly to **my wife and kids** who were encouraging and inspiring every step of the way. Thank you to **my parents**, my **parent's-in-law** and our **friends** for your support.

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# 1. Executive Summary

If New Zealanders want a step change in our long term economic performance we have to do things differently. Not a ‘big bang’ change but a more comprehensive and long term approach to economic development that focuses not just on national and regional levels, but at a local level. We have the opportunity to embrace ‘cities and regions’.

Collecting and utilising data with technology to report and interpret key metrics is the platform for understanding and implementing this change. Armed with this information and knowledge locations can focus on 10 key areas including starting with a clear strategy focused on their local strengths. Numerous activities are available to implement including infrastructure, business environment, industry development, education & workforce, investment & financing, promotion and location specific tools.

The most important factor in all of this is ‘how?’, or in other words, the people. The nature of economic development involves collaboration not just with several people or organisations but many. Economic development at all levels involves innovation and taking a long term view than spans decades and years not months and weeks. Whilst the mandate may assumed to be a public sector one or for particular locations to own, we need to embrace collective responsibility at all levels of Government, private sector, universities and non-Government organisations. The question is, who will lead?

## 2. Introduction

### Purpose

The purpose of the research was to understand how locations outside cities can grow their economies. These locations are also described as as provincial, rural, or small towns so these terms are used interchangeably throughout the report. With future predictions showing continued rapid technology change and projected population decline - are the regions doomed? Is there a silver bullet to achieving growth or is it pointless and should we shut places down?

### Significance of study

#### The provinces - a key export earner

The Government's focus in the Business Growth Agenda is on increasing exports as a percentage of GDP from 30% to 40%, which is effectively doubling the value of exports. In this context, the provinces play an important role for New Zealand which largely exports primary products. The six largest product export earners (dairy, meat, wood, petrochemicals, fish, fruit and nuts) accounting for 54% of product exports (NZ Story, 2014). Exports at a local level are very difficult to report so in the absence of this data based on the above statistics it is fair to assume that the actual creation of the primary exports is largely in the provinces where they are produced as opposed to cities. From a services perspective, the largest services export earner (tourism) accounts for 49% of services exports (NZ Story, 2014) which is split across both cities and provinces.

However looking at employment shares by industry - primary and goods production has dropped from 55% of employment to approximately 25% whilst the services sector has grown from 45% to 75% (Eaqub, 2014). So while the volume and value of these products and services are growing, the employment in some industries is decreasing. Any future increase in exports will come from both the product and service sectors and arguably it is easier to add more value to existing exports, notwithstanding the need for more diversification in exports. Either way both cities and the regions have an integral part contribution to make to New Zealand's economic future.

#### Cities or provinces or both?

Coverage of the regions and what will happen to them in future has been increasing in profile in for several years. This was perhaps started by 'Zombie Towns' termed by Eaquib, S (2014) and since then there has been an increase in related research. This includes A Global Perspective on Localism (New Zealand Initiative, 2013), In the Zone: Creating a toolbox for regional prosperity (New Zealand Initiative, 2015), The Demographic Forces Shaping New Zealand's Future (National Institute of Demographic and Economic Analysis, 2013) and Mobilising the Regions (Local Government New Zealand, 2015). The topic is often the source of various media articles, including coverage of elections, Government budgets, impact of primary prices and immigration, among others. Regional growth studies have recently been developed for only three of New Zealand's sixteen regions (Ministry of Business, Innovation and Employment), with most regions continuing to undertaking economic development in various ways.

At the same time there has been an arguably larger focus on cities in New Zealand. This has primarily been centred on Auckland as New Zealand's largest city and only 'super city', main business centre, with regular coverage for high profile topics such as immigration, traffic congestion and house prices. Christchurch, New Zealand's second largest city has also understandably had a large national focus on rebuilding the city following the earthquakes in 2011.

Population drift away from regions towards cities is predicted to continue in New Zealand. Medium projections indicate that 26 Territorial Authorities (39%) will be smaller in 2043 than in 2013 (Jackson, 2014). This is not an isolated trend in New Zealand, it is prevalent globally. The percentage of people living in urban areas has grown from 30% in 1950 to 54% in 2014, with projections of 66% by 2050 (United Nations, 2014). McKinsey (2011) reports that 60% of global GDP is generated by 600 urban centres.

### Change is the only constant

As cliché as it is - change is happening faster than ever before. The change is different to how local economies have grown previously and now there is no guarantee of growth. The nature of work is changing with technology and automation increasing productivity but reducing employment in manufacturing such as dairy or wood. Disruption of industries is happening swiftly and having noticeable effects. For

example, online shopping is affecting traditional “bricks and mortar” retail whilst the rise of online travel websites and apps such as Uber are providing more choice for travellers compared to traditional options and channels.

Regional community issues highlighted in the media has perhaps raised the consciousness of the regions in New Zealanders minds. But the question is - what do we do with the regions?

## **Project questions**

The research addressed the following broad questions:

- What economic development activities can be undertaken, particularly in provincial locations?
- What are the “secrets to success” or lessons learned?
- What enables or hinders economic growth?
- What key performance indicators are used to measure success?
- Are there any theories, research or empirical evidence used?



## Method

### Long list

Building on the contacts made prior to receiving the fellowship, several hundred thought leaders and high performers across public, private, non-Government organisations and education organisations were identified via the internet, networking and LinkedIn.

Searches were then narrowed based on the best fit with the research along with suitability and timing with itinerary.

### Shortlist

Approximately 120 people were approached, with half the people accepting resulting in 60 meetings. These meetings were confirmed again when travel was underway, often 1-2 weeks prior to arriving at locations.

### Visits

Visits were in a mix of urban and provincial locations which enabled different perspectives, connecting with a range of thought leaders and spending time on the ground in more provincial locations. Visits with people ranged from 30 minutes to multi-day hosting, and noticeably there was not one cancellation. Several people took time from their holidays/leave to spend time with me (as it was Northern Hemisphere summer) which was very humbling.

Visits involved semi-structured conversations. Based on conversation trials conducted before embarking on travels I realised the best way was for people to talk about what

they do because this tended to answer a number of the questions I had and also offer up background information or perspectives that would not have been covered by a structured questionnaire led by me. This was then followed up with structured questions if required (please refer to Appendix One - Questionnaire). Many hosts supplied books, publications, plans, reports and research to the tune of over 5kg. In return for their hospitality hosts were given a montage of Taupo District showcasing images of major industries and scenic locations. Post visit, hosts were followed up with a thank you note and referenced in my daily blog. People I visited have also had the opportunity to comment and input to this report.

## 3. Conclusions and Recommendations

### 3.1 Economic development is considerably more established internationally

From the range of locations visited in three continents it is clear that New Zealand is lagging in almost all aspects of economic development. This is even more true in New Zealand for provincial locations which lag behind cities as smaller regions lack the resources and knowledge.

There is little assistance in New Zealand for provincial locations compared to international initiatives. Offshore, some initiatives are mandated by law - such as Rural Development Initiatives in Oregon, which was formed by legislation in 1991 to help rural communities grapple with economic downturn. Many of the locations visited have been going for decades, e.g. Mid-Columbia Economic Development District since 1969, the Paper Province since 1999, the Suzhou Singapore Industrial Park since 1994. This history provides institutional knowledge and lessons that can only be developed with time and focus. It is hard to find similar examples of collaboration, tenure, scale and impact in New Zealand.

Internationally there are numerous examples of considerable ownership in provincial development in all sectors, which are covered in the following conclusions. Whilst the lag in economic development might be a product of New Zealand's young age as a

country, the impact of inaction is potentially large and may be being masked by our independent spirit, laid back lifestyle, or complacency because New Zealand's economy has "performed well in recent years, and well-being is high" (OECD, 2015). However the NZ Treasury (2015) provides a more sobering assessment: "New Zealand's average GDP per capita growth for the last six decades has been poorer than all other OECD countries. In order to maintain New Zealand's living standards we need to materially narrow the income gap between New Zealand and the most advanced economies. For a country of New Zealand's size, much of this growth will need to be driven by strong export performance as reflected in tradable sector growth".

### **Recommendation**

**New Zealand can develop a more comprehensive approach to economic development, with particular focus on specific local activities, provincial locations and underperforming communities. This should be supported by Government taking more of an outside-in approach to provincial development, support for research and education from the tertiary sector, more private sector buy-in and local ownership.**

The following conclusions explore each of these opportunities in more detail, including data, metrics, activities, local, and the "how".

### 3.2 Data - vital and more powerful when paired with technology

Data is absolutely critical for providing analysis and insight to inform decision making and track progress for both public and private sectors. Web based interactive information is now the minimum standard. The United States was exemplary with a range of sources contributing to excellent quality data available online including:

- Government and university partnership, e.g. <http://www.clustermapping.us> - data on industry clusters and regional business environments in the U.S. to promote economic growth and national competitiveness
- private sector, e.g. [www.bestplaces.net](http://www.bestplaces.net) - demographics, preferences, and the selection of "Best Places" to live, work, or retire.
- non-Government, e.g. <http://www.youreconomy.org> - data on business establishments, jobs and sales from a State level down to community over time.  
<http://www.statsamerica.org/> - comprehensive economic data.

In the European Union, the Cluster Observatory (<http://www.clusterobservatory.eu/>) offers similar levels of data and analysis whilst it was evident metrics are tracked in China (Suzhou and Shaoxing Industrial Parks). There is an increasing availability of smart data (e.g. pedestrian counting cameras, wifi) and big data combined with geospatial or infographics can contribute to better insight.

The closest similarly readily available information in New Zealand is the regional economic activity report for 15 regions and does not drill down to the 67 levels below on

key metrics. A noticeable international trend is the Government using partnerships with universities or non-Government organisations to deliver online data services.

### **Recommendation**

**New Zealand needs to provide more specific local data leveraging easy to use technology in partnership with all levels of Government, non-Government organisations, universities and the technology sector.**

### **3.3 Metrics - understanding and using metrics enables insight to inform action**

Closely linked to the previous point about data is the use of metrics. Metrics refer to the measures of success or key performance indicators. In my observation, international locations understand and utilise metrics better because the data is more readily available and they can then apply the insight from knowledge and skills from long standing and well founded economic development activities. New Zealand could better utilise the work of NZ Treasury's Higher Living Standards to improve the understanding of metrics at a local level and then implement actions based on this insight.

Metrics often involve a number of complicated economics and statistics collected by multiple sources which are then reported to varying degrees by the media. This can make it problematic to understand all the metrics, how they link together and contribute to economic performance. Less well known but important metrics such as business

survival rates can receive less media coverage than higher profile but less important measures such as business confidence. A good example of this is the work by the late Sir Paul Callaghan whose work 'A place where talent wants to live' increased the visibility of metrics such as revenue per full time equivalent for different industries. The MIT Regional Entrepreneurship Acceleration Program (which New Zealand was briefly involved in) is an international example that measures lower profile but important innovation and entrepreneurship indicators such as domestic patents and research and development expenditure.

### **Recommendation**

**Develop at a clearer understanding of metrics at all levels (national, regional, local) with buy-in from public, private and non Government organisations.**

**Improve understanding about classifications of metrics into primary (most important), secondary (important) and indicators (less important). 'Data / metrics' on page 84 of Appendix Three outlines examples of how locations can better classify economic metrics.**

### **3.4 Activities - broad range of tools available**

There are no silver bullets, instead a significant number of solutions or tools available for any range of situations. The challenge is not in the lack of options, but in deciding what to utilise based on the context. A number of models or theories were evident (e.g. incentives, growth, entrepreneurship, workforce development, clusters, enterprise

zones) or ways of implementing change (e.g. Strategic Doing). Locations were predominately using a range of tools which were then often tailored to their local context. A number were location specific, as addressed in the next section.

Focusing on one activity, perspective or lever is not enough. Economies are “systems” with a number of dimensions and the parts needs to be understood in relation to the whole (pages 22-24 in Appendix Three). Interventions are often complex in nature, location dependant and take a significant amount of time. Change in one area affects another both expectedly or unexpectedly.

Following the research trip I have developed a framework covering 10 key areas that locations need to focus on when undertaking economic development. All areas need attention, particularly how they relate and connect because a weakness in one area can affect all other areas.

Figure 1: Multiple Solutions - 10 key areas





What does a connected and functioning local economy look like?

The following blog post was inspired by the best example I observed which links all the areas of an economy together, Special Economic Zones: Suzhou Industrial Park and Suzhou New District. Whilst not comprehensive it ties a number of elements of how successful local economies can work.

Start with whatever industry(s) your region is good at and create an open environment with good infrastructure. Make it simple for businesses to operate and work with local Government to develop a long term vision which changes along the way. Do the boring but highly important collection and reporting of the data that matters – not just GDP and employment but the really grunty stuff like number of patents created and percentage of exports. Use this data to not only guide decision making but to actively attract businesses and capital – both domestic and foreign. Add more value to products and services. This grows profits which creates higher wages, both of which create more taxes (aka business wins – Government wins). Higher wages attract more talent which requires universities to provide training, and colleges to feed in to the universities, ditto for primary schools...who teach kids about business (and civics!) all the way through. Well connected universities spin out more research and alongside this people develop ideas which turn into intellectual property. These ideas require investment of all shapes and sizes generating work for support industries (lawyers, accountants, banks, advisors). While this pipeline of new business is growing, look after existing businesses. The challenge is to then grow and scale business and so the cycle spirals upwards.

<https://willsamuel.com/2015/07/23/development-zone-ecosystem/>, July 23, 2015.

How could this work in New Zealand? The key is to ensure that all areas are connected (not operating in isolation) and then adjusted for local context.



## **Recommendation**

**Locations (local government, economic development agencies, communities, private sector) need to pay attention to the 10 key areas and over 50 actions which are demonstrated in the Action Toolkit in Appendix Two. Three are most critical for provincial locations:**

- **Strategy and Action - focusing on where key strengths are and can be.**
- **Data and Metrics - measurement, collection and insight.**
- **Relationships (with people) - which are covered in the 'How?' section later.**

**The remaining 7 areas are the range of activities and tools available.**

### **3.5 Local - Focus on “bottom up” and location specific**

What was evident from visits to all the countries was the considerable focus on local, “bottom up” and location specific initiatives from all sectors:

- Government, e.g. US Economic Development Administration’s work annual funding nearly 400 regions to develop Comprehensive Economic Development Strategies or programs for ‘Economically distressed communities’, the European Union cluster project supporting regions and industries or China’s numerous special economic zones.
- The use of non-Government organisations or private foundations to achieve outcomes and act as an intermediary between the public and private sectors. e.g. Forge Columbus for civic innovation, the work by Corporation for Enterprise

Development in creating economic opportunity to alleviate poverty or workforce development boards such as Worksystems.

- Universities such as Harvard, MIT, Purdue, Stanford all have faculties on regional development or similar, whilst many Universities are heavily involved in economic development in their respective locations in Sweden and China.
- Private sector are often engaged collaborative projects such as banks with the Community Reinvestment Act which enables companies like Working Solutions to provide micro-loans or enabling long term prosperity in communities they operate in such as Agracel's focus on Agurb® communities.

### **Recommendation**

**More central Government attention on local (as opposed to national or regional) economic development would enable better insight and decisions for all New Zealand communities. At the same time, local economies need to lead their economic development. Ownership is needed for provincial development at all levels of Government private sector, universities and non-Government organisations. The focus should be 'cities and regions' rather than 'cities or regions'.**

### **3.6 How? People, people, people**

The conclusions and recommendations above ultimately require talented and engaged people to implement. Or as Jim Collins (Collins, J., 2001) outlines in the book Good to

Great, 'first who, then what'. In the Boomtown USA book Jack Schultz (Schultz, J., 2004) undertook a 'Good to Great' type analysis where 15,800 small communities were analysed and narrowed to 1,300, then 397 and finally the 100 top in America. What was the difference? It wasn't a piece of infrastructure, a location or a resource. The 7 ½ keys to success all rely on people. During the trip, three themes emerged of people enabling growth in provincial locations - collaboration, innovation and long term view.

### 3.6.1 Collaboration

No one was achieving anything in isolation. In fact, rather than one or two organisations collaborating, some of the best examples were of shared commitment from multiple organisations - all layers of Government, private sector, non Government and education. The scale at which collaboration was undertaken was impressive and possible through the mindset of people. Interactions are "people to people" not "organisation to organisation". There was not one mention of the word 'structure'. Smaller locations can leverage their advantages of having easier access to people and being of a size where action can be quicker which can offset lack financial resources or knowledge.

### **Recommendation**

**More collaboration in economic development activities is needed, both within and across sectors. An understanding of how well New Zealand undertakes collaboration and where it could improve may assist.**

### 3.6.2 Innovation

The activities outlined in the Actions toolkit (Appendix Two) and blog were all created from an insight, experiment or trying to solve a problem. Time and time again visits showcased innovation from people at a range of organisations and sectors having an appetite for risk, accepting failure as part of life and continually learning lessons.

#### **Recommendation**

**More innovation and risk taking in economic development should be encouraged with learnings shared between locations and sectors.**

### 3.6.3 Long term view

Economies are built over decades and it takes time and persistence for outcomes to occur. Results are usually longer than political cycles or job tenures, yet short to medium terms impacts can undermine the long term and commitment required. A shift to a more long term view with continuous improvement would deliver better results for the provinces and all of New Zealand.

#### **Recommendation**

**Government of all levels need a clear strategy, methodology and long term commitment to local economic development, the activities available and how these impact at a local level.**

## 4. Key learnings

### Key experiences in your journey and the value of the experience

As outlined earlier the end to end process of Winston Churchill fellowship has been over 18 months. During this time I've learned the importance of planning, hard work and resilience. The topic, itinerary planning, travel and making sense of it all have stretched me yet making it through this shows me I can make it through anything. Blogging was a double edged sword - it was a huge commitment but it helped me reflect, embedded the learnings and made writing the report considerably easier. We are at our most productive when we think and create rather than consume and react. I hope to undertake trips of a similar nature but smaller duration more regularly.

Interacting with so many people has injected new ideas, challenged me to walk the talk and up the ante on collaboration, be more ambitious and embrace unexpected opportunities. Several examples of chance include meeting the Nevada Governor or meeting Johan in the US and then organising to meet in Sweden a week later.

### How am I using and applying learnings?

I will apply my learnings into my current role as CEO of the Central Economic Development Agency through the framework and actions I can directly influence and partnering with organisations who can influence other outcomes (Government, non-Government, private sector and education). I'm continuing to blog, albeit it not as frequently! I've presented to a number of organisations and will spend the rest of 2016

sharing the experience with people in a range of sectors. This will include the people I met with prior to departure and new people/organisations identified since then. I hope this contributes to a better future for provincial NZ.



## 5. Appendix

### Appendix One - Questionnaire

#### Person and Organisation overview

- Name, Gender, Job title, Organisation, Employees, Turnover, Sector/Industry, Location
- Tell us about what your organisation does?
- What do you do?
- What are your Key Performance Indicators or measures of success?
- What are the three most important things to get right in doing your job?
- Secret to your success?
- What doesn't work? What lessons have you learned?
- Do you use any theory or model in your work?
- Do you have any research or empirical evidence that shows what works/what doesn't?

#### General

- How are local economies changing?
- What do you think are the best ways to enable and support local economic growth?
- What are the things that hinder local economic growth?

#### Small vs big locations

- What advantages and disadvantages of smaller locations (regions/provinces)?
- What advantages and disadvantages weaknesses do smaller locations (regions/provinces) have over big cities?
- How could advantages of smaller locations (regions/provinces) be exploited more?

#### Location specific

- Main industries in your local economy?
- Challenges for your local economy?
- Advantages / Opportunities for your local economy?

#### General

- How can we collaborate?
- Anything else?

## Appendix Two - Actions toolkit

Attached.

## Appendix Three - Supporting presentation

Attached.

## Appendix Four - Visits

Please see page 7 of presentation (Appendix Three) and the blog

([www.willsamuel.com](http://www.willsamuel.com)) for a daily breakdown.

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# Power in the Provinces

*Winston Churchill  
Fellowship Presentation*

Will Samuel

# Introductions

- Father of two young kids...
  - Their future: what will they do and where?
- GM - Business Development & Improvement / Chief Digital Officer
  - Business Development
  - Events
  - Property
  - Digital Innovation
  - IT
- Trustee - Taupo Pathways
- Member - Institute of Directors
- Blog - [www.willsamuel.com](http://www.willsamuel.com)



# Winston Churchill Fellowship

- Trust established 1965
- For world peace and greater international understanding
- Fellowships awarded for:
  - intensive research
  - travel outside of New Zealand
  - up to 3 months
- Open to all New Zealanders
  - 14 selected in 2015



# Acknowledgements

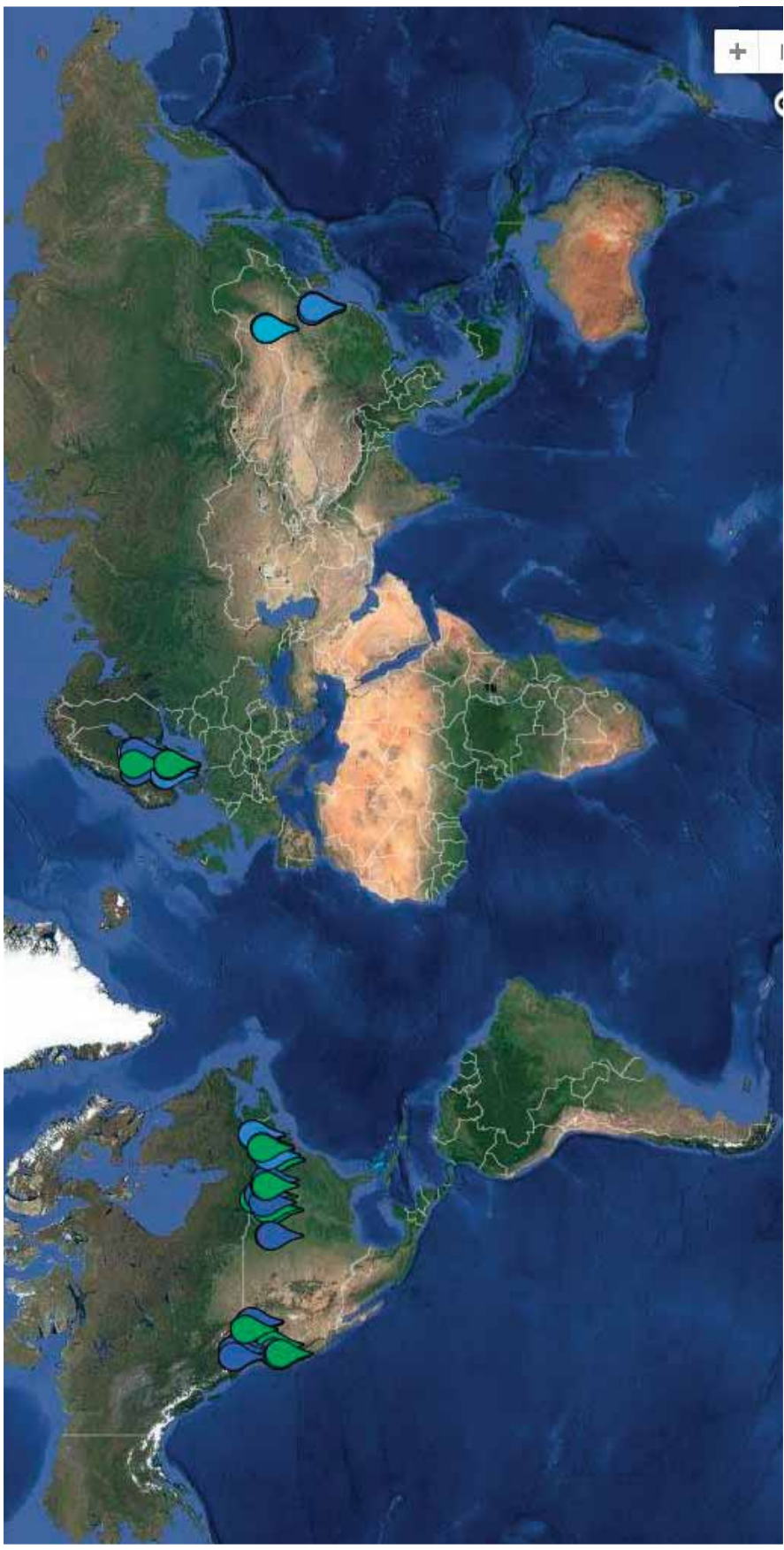
- Winston Churchill Memorial Trust
- Taupo District Council (my employer)
- Bay of Connections
- NZ networks
  - Ideas, research, connections
- Hosts on the trip
  - Ideas/IP referenced are attributed completely to organisations noted
- Family & friends

# Research summary

- **Focus: Economic development**
  - How do locations outside cities grow?
  - Regional, provincial, rural, small town, etc
- **Over 50 organisations in 3 continents – 6 weeks over June/July 2015**
  - 11 flights (5 overnight), 24 beds, 6500 km of driving, countless trains/buses/taxis
  - Average day: 6am-11pm
  - Work: Meetings, immersion in locations, 35 blog posts
  - Travel: Car, fly, train, bus, walk
  - Basics - Eat, sleep, family/friends, run
- **Locations: US, Sweden, Denmark, China**
- **Perspectives: Private, NGO and public**



# Where - Geography





Private sector

Non-Profit / NGO

# Who - Organisations\*



Public sector

Research & Education

\*For complete list, please see [blog of visits](#)

# Executive Summary

- Why?
  - The provinces are important!
- How is NZ doing?
  - Report Card = B. “OK but could do better”
- What can we do?
  - No silver bullet
  - Multiple solutions - all interconnected
- How can we do it?
  - People!

## Why - what's the problem?

- The need for a focus on the regions has been well publicised for several years

**NZ has zombie towns that need to close –  
economist**

**Region rues lack of Budget help**

**Project Auckland: Fast growth needs more fixes**

- But what are we doing? Is it enough?

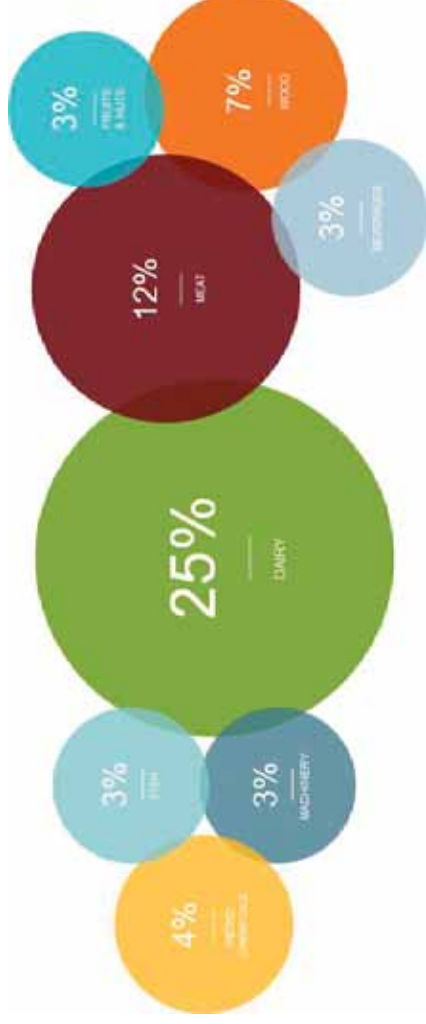
# Why - what's the problem? Summary

- In the past
  - Provinces have accounted for most of product exports and primary production
  - Economic growth has occurred naturally with little deliberate focus
- Now that has changed
  - Population decline (from aging and people moving to cities)
  - Work is changing with more technology/automation resulting in less employment
  - Service economy can be based anywhere
- How do we respond?
  - Doing what we have always done will not suffice
  - Interventions are needed which are often complex in nature, location dependant and take a significant amount of time

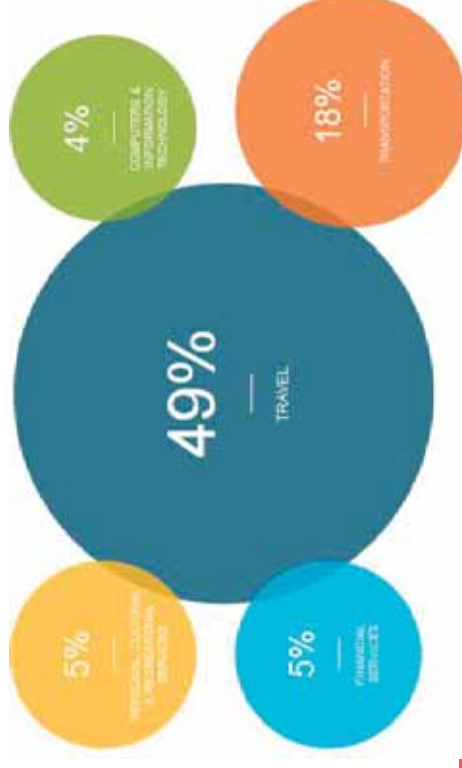
# Why - what's the problem? In detail

- The provinces are important
  - Can't report exports as a % of GDP by location
  - Yet at a country level it appears exports are generated in the provinces (see over)
- Population decline and aging
  - Medium case projections indicate that 26 TA's (39%) will be smaller in 2043 than in 2013
    - New Zealand Royal Society Marsden Fund project "The sub-national mechanisms of the ending of population growth – towards a theory of depopulation"
- Obsession with cities
  - Auckland - "Super"
  - Hamilton - southern most suburb of Auckland
  - Wellington - the centre of government
  - Christchurch - rebuild focus (understandably so)
- The nature of work is changing
  - Technology and automation - e.g. manufacturing and primary production require less people
  - Disruption and speed of change - e.g. online shopping effect on retail
- Economic development
  - Fledgling industry in NZ - young in application and not well understood

# NZ Exports - Products and Services



Products



Services

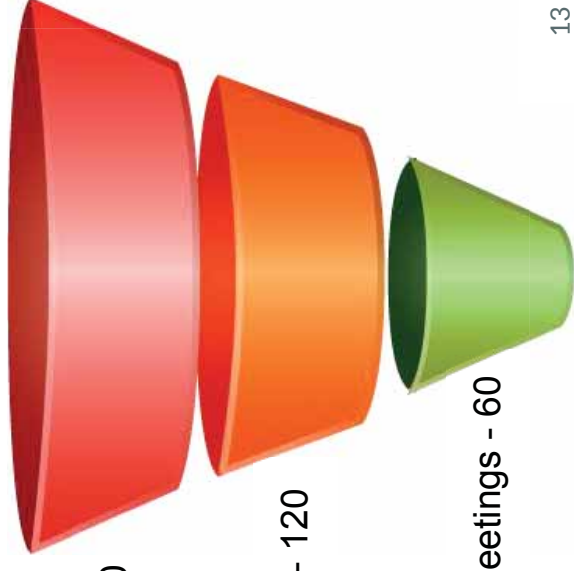
# Method

1. Identified thought leaders / high performers
  - Mix of urban and provincial locations
2. Approached **120 organisations** via email/LinkedIn for visit
  - 50% success rate
  - Confirmed closer to visit and once on road
3. **60 organisations** visited
  - Ranged from 30min to 4 hours
  - Not one cancellation!
4. Follow up
  - Thanks
  - Blog
  - Further information

Long list - 200

Approaches - 120

Meetings - 60



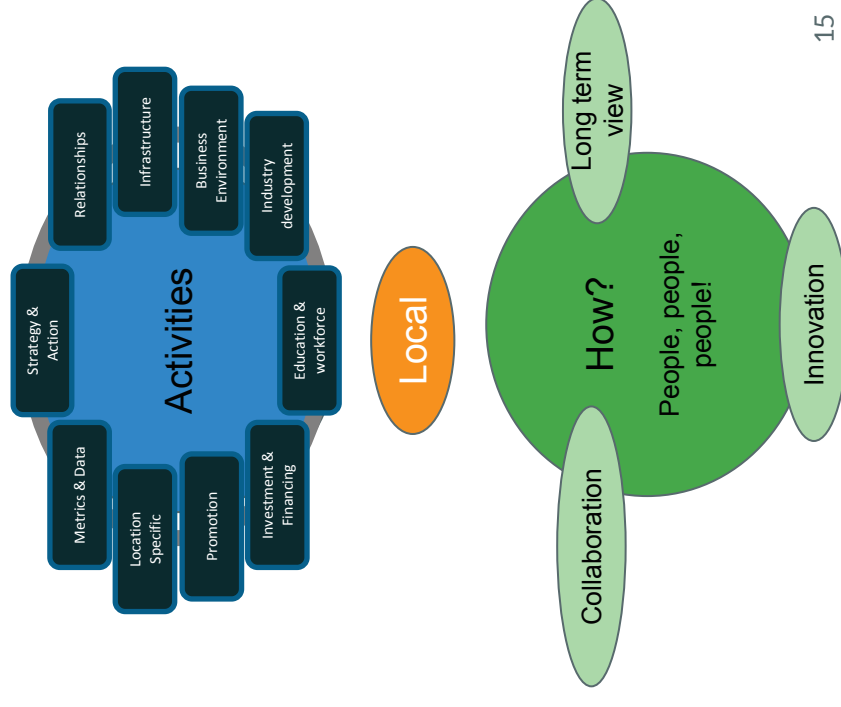


# What and Questions

- Conversations
  - Enable people to talk about what they do
    - Gave excellent overview and background often not covered by questions
  - Followed by structured questions if required
  - A number gave considerable information - books, strategic plans, reports, financials
- Project addressed the following questions:
  - Key Performance Indicators, secrets to success, lessons learned
  - Use of theory, research or empirical evidence
  - Local economies - how changing, what enables/hinders, advantages/disadvantages
  - Location specific - main industries, challenges, opportunities
  - Refer to Appendix “Full Questionnaire” for full questions

# Solutions / Recommendations

- What
  - Economic development - comprehensive
  - Data - local with technology
  - Metrics - understanding and use
  - Activities - multiple solutions
  - Local - “bottom up” and location specific
- How
  - Collaboration - wide range of sectors
  - Innovation - risk appetite, failure, learning
  - Long term view - decades and persistence
- Themes
  - People - the difference a few people can make
  - Ownership - government and private sector
  - Reinvention - adapt or decline
  - Resilient - diversified and future focused



# Conclusions & Recommendations

- **Economic development is considerably more established internationally**
- **More comprehensive approach**
  - Specific local activities
  - Provincial locations
  - Underperforming communities
- **Supported by:**
  - Government
  - Research and education from the tertiary sector
  - Private sector buy-in
  - Local ownership

# Conclusions & Recommendations

- **Data - vital and more powerful when paired with technology**
- More specific local data
- Easy to use technology
- In partnership with all levels of government, non-government organisations, universities and the technology sector.

# Conclusions & Recommendations

- **Metrics - understanding and using metrics enables insight to inform action**
- **Clearer understanding of metrics at all levels**
  - National, regional, local
  - Buy-in from public, private and non government organisations.
- **Improve understanding about classifications of metrics into**
  - Primary
  - Secondary
  - Indicators

# Conclusions & Recommendations

- **Activities - broad range of tools available**
- **10 areas**
- **Three are most critical for provincial locations:**
  - Strategy and Action - focusing on where key strengths are and can be.
  - Data and Metrics - measurement, collection and insight.
  - Relationships (with people) - which are covered in the 'How?' section later.
- **Over 50 actions**

# Conclusions & Recommendations

- **Local - Focus on “bottom up” and location specific**
- More attention on local economic development
- Local economies need to lead their economic development.
- **Ownership**
  - all levels of government
  - private sector
  - universities
  - non-government organisations
- Focus should be ‘cities and regions’ rather than ‘cities or regions’

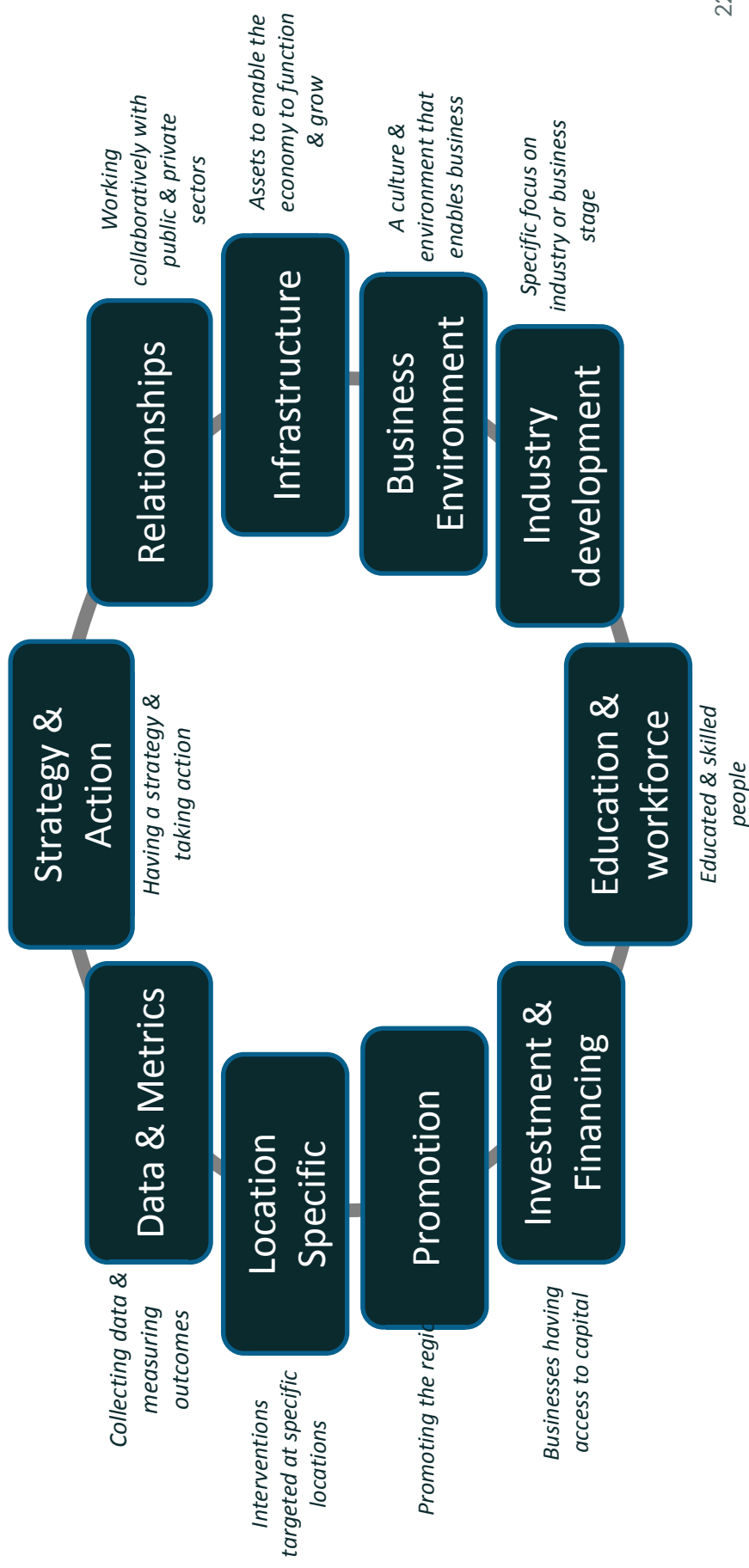
# Recommendation - What?

- Beware the silver bullet!
- Instead focus on a range of solutions and how they relate and connect
- A weakness in one area can affect all other areas



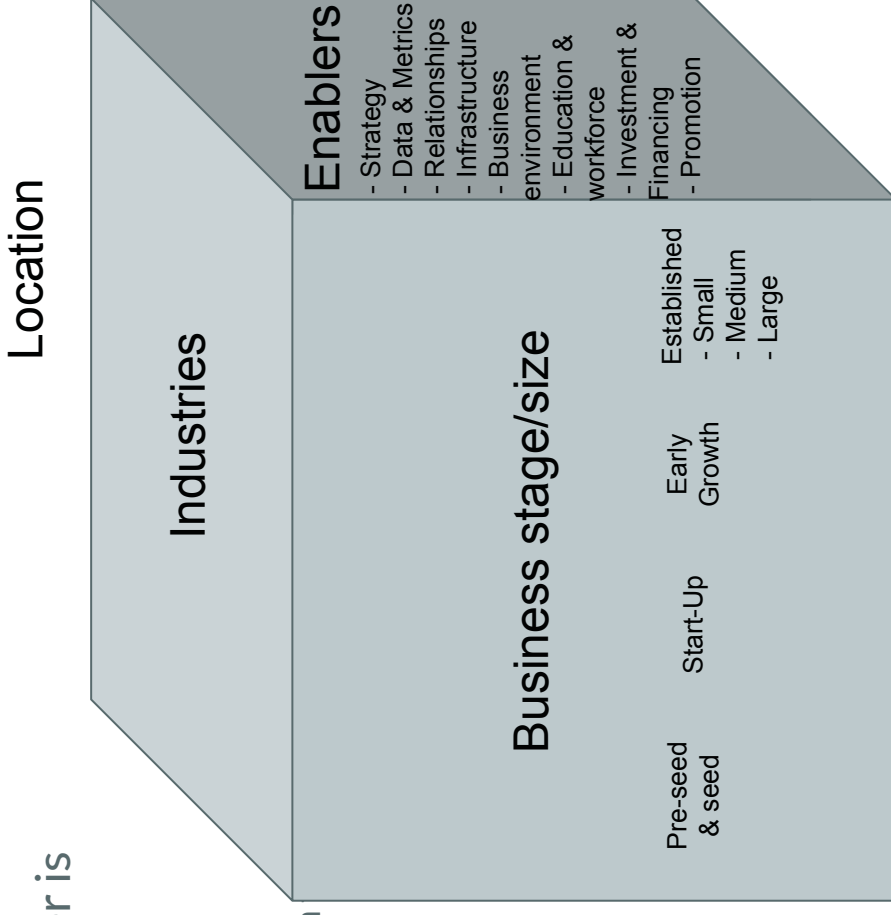


# Recommendation - Multiple solutions

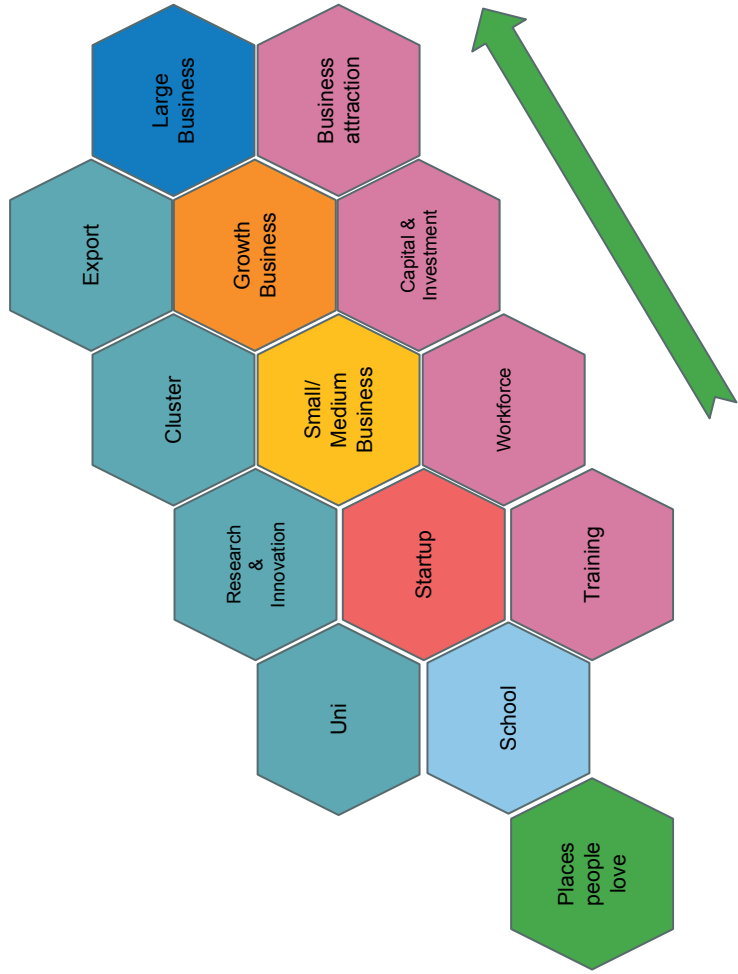


# Or put another way – Different dimensions

- Focusing on one perspective or lever is not enough
- Systems thinking
  - Economies are “systems”
  - Need to understand the parts in relation to the whole
- Change in one area affects another
  - Expectedly or unexpectedly



# Connectivity



# Great example of multiple solutions – China & Special Economic Zones

- Certain geographic areas into a more market focused economies and to act as a controlled test bed of policies
  - Investing, taxation, trading, quotas, customs and labour regulations.
- Huge focus on Foreign Direct Investment (FDI)
  - Enable homegrown industry to develop around the the foreign companies.
- All areas of the economy to enable development are connected

# Multiple solutions - How?

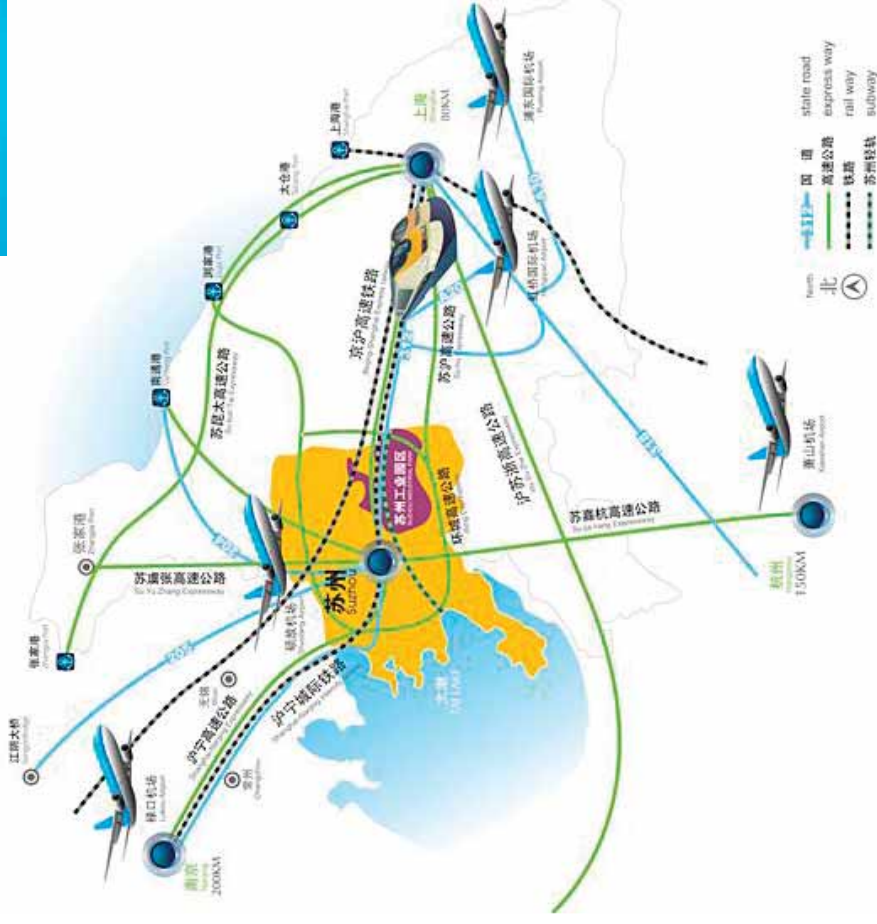


- Singapore and China project - 20 years
    - 486 Singaporean companies with total investment of USD \$12b US dollars (2013)
    - USD \$2.71 b - Total import and export value between SIP and Singapore (2013)
  - Four stages of development over decades
  - Involvement from a wide range of people - all connected
    - Refer to example in 'Relationships' later
  - Results
    - SIP's GDP had grown to 190 billion yuan
    - Public budget income risen to 20.7 billion yuan
    - Total import and export of 80.5 billion US dollars
    - FDI of 24.8 billion dollars
    - Total domestic and foreign investment of 130.5 billion dollars
- The Stage of Planning
- The Stage of Foundation-laying
- The Stage of Accelerated Development
- The Stage of Transformation & Upgrading

# Multiple solutions - How?



- 288 square km



# Multiple solutions - How?



Before



金鸡湖西 (建设前面貌)  
West of Jinji Lake (before construction)

After



金鸡湖西 (今貌)  
West of Jinji Lake (today)

# Multiple solutions - How?



Before



After





# Multiple solutions - China gets it

“Start with whatever industry(s) your region is good at and create an open environment with good infrastructure. Make it simple for businesses to operate and work with local government to develop a long term vision which changes along the way. Do the boring but highly important collection and reporting of the data that matters - not just GDP and employment but the really grunty stuff like number of patents created and percentage of exports. Use this data to not only guide decision making but to actively attract businesses and capital - both domestic and foreign. Add more value to products and services. This grows profits which creates higher wages, both of which create more taxes (aka business wins - government wins). Higher wages attract more talent which requires universities to provide training, and colleges to feed in to the universities, ditto for primary schools...who teach kids about business (and civics!) all the way through. Well connected universities spin out more research and alongside this people develop ideas which turn into intellectual property. These ideas require investment of all shapes and sizes generating work for support industries (lawyers, accountants, banks, advisors). While this pipeline of new business is growing, look after existing businesses. The challenge is to then grow and scale business and so the cycle spirals upwards.”

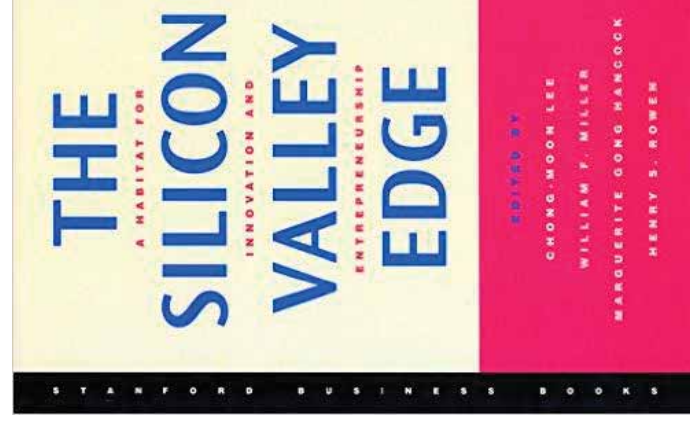
Will Samuel blog

# Strategy & Actions

- **What:** Having a strategy (& taking action)
- **Who:** Each Region/District/Place
- **Key Areas:** Relevant strategy that is simple to understand
- **Opportunities:**
  - Have a strategy
  - Great execution
  - Metrics (covered later)
  - Buy in / collaboration

# Strategy – “Let’s be like Silicon Valley”

- Don’t!
- Be original
  - Find the unique value proposition
  - Make it dynamic over time, i.e. it will change
  - Balance competition with being complimentary
    - Source: Margeurite Gong Hancock



# Strategy and Action - Reno example

- Excellent example of a simple one page plan covering five key areas of economic development and the change in focus over time periods



		EDAWN'S FOCUS	
	Fiscal Years 2012 - 2015	↑	Fiscal Years 2016 - 2018
Attraction	QUANTITY of Jobs Primary Quality of Jobs Secondary	↑	QUALITY of Jobs Primary Quantity of Jobs Secondary
Retention	Inventory of Primary Companies	↑	Prepare and Help Companies with Change
Entrepreneurship	Grow Infrastructure to Foster Entrepreneurial Development	↑	Mentor, Support and Attract Entrepreneurs to the Region
Community	Brand Reno-Sparks	↑	Brand Reno-Sparks & Revitalize Downtown
Workforce	Assess Needs of Employers	↑	Coordinate the Region to Meet Employers' Workforce Needs

# Relationships

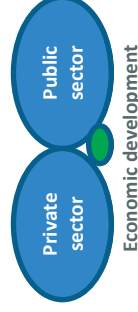
- **What:** Working collaboratively with public & private sectors
- **Who:** Depends on organisation - both public and private
- **Key Areas:** For a local Council:
  - International
  - National
  - Regional
  - Local
  - Business
  - Iwi
  - Education
- **Opportunities:**
  - Collaboration. Do we know how to collaborate? With who?

# Relationships

- For economic development to be successful, many organisations with different competing agendas need to be working together (aka collaboration)
- The more organisations involved the greater the potential for better outcomes but it can also take longer and requires commitment to collaboration
- How successful is NZ at collaboration? Are we negatively impacted by:
  - “Do it Yourself number 8 wire” mindset?
  - Free market thinking - just leave it be?
  - Centralised government?

# Economic Development Relationships

- Just some of the relationships in economic development - numerous & complex



## Support Services

- Banks
  - Investors
  - Accountants
  - Lawyers
  - Consultants
  - Suppliers
- ## Investors
- NZ Venture Investment Fund
  - Superfund
  - Kiwisaver funds
  - NZX
  - Angels
  - High Net Worth
  - International

## Universities (+Commercialisation arms)

- AUT
- Auckland University
- Waikato
- Wairariki
- WINTEC
- EBOP Polytech
- Massey
- Victoria
- Lincoln
- Otago

## Crown Research Institutes

- GNS Science
- Scion
- Ag Research
- Landcare

## Sector Organisations

- Federated Farmers

## Business location

- Existing
- New
- Outside region

## Businesses

- Owners
- Managers
- Investors
- Entrepreneurs

## Māori

- Iwi
- Hapu
- Land Trusts

## National organisations

- Icehouse ([www.3000.org.nz](http://www.3000.org.nz))
- Kea
- NZ Institute
- Better by Design
- Pure Advantage
- Knowledge Bank
- Kiwinet (Uni commercialisation)

## Regional Organisations

- Bay of Connections (Bay of Plenty)
- Collaboration Bay of Plenty (COBOP)
- EDA's (Priority 1, Grow Rotorua, Toi-EDA)
- Waikato and BOP Councils

## Local Organisations

- Enterprise Great Lake Taupō
- Taupō Chamber of Commerce
- Town Centre Taupo
- Taupō District Council
- Lakes District Health Board





# Infrastructure

- **What:** Assets to enable the economy to function & grow
- **Who:** Predominately Government/Councils, some private sector
- **Key Areas:** All Infrastructure
  - Water
  - Wastewater
  - Air
  - Transport - Road, public transport, Rail, Airport, Airlines,
  - Digital government
  - Broadband/Fibre
  - Wifi
  - Venues
  - Destination Management

# Infrastructure

- **Opportunities:**
  - “Infrastructure” is changing
    - Wifi is the now the norm
    - Digital government is lagging compared to private sector, e.g. Air NZ, Xero
    - Fibre gives massive opportunities - yet NZ utilisation is only 16.4%
  - **Airports**
    - Shift to big hubs leaving smaller centres isolated
    - Small centres - low cost carriers or alternative uses
  - **What infrastructure will enable growth?**
    - NZ’s roading investment is decades too late...what will self driving cars do?
    - What infrastructure should we be investing in now to unlock future growth - drones, EVs?

# Infrastructure - roading & public transport

- Interstates in US and bullet trains in China enable fast travel through countries



# Infrastructure - Electric Vehicles (EV's)

- Tesla - significantly changing manufacturing, technology, energy usage, refueling



- Nevada Electric Highway - trying to encourage rural/remote locations to provide charging stations



# Infrastructure - Digital Government

- Wifi is now the norm and amount consumed will exponentially increase
- Ability to interact and transact online and mobile is the minimum standard



# Business Environment

- **What:** A culture & environment that enables business
- **Who:** Primary
- **Key Areas:** Application of policy/rules
  - Overall business climate
  - Services to assist people through development
  - Regulation - building, resource consents, liquor, health
- **Opportunities:**
  - Business climate measures
  - Technology

# Business Environment + Technology

- Best Places takes data about people and places to enable people to find the “Best Places” to live, work, or retire.

The screenshot displays the website [www.bestplaces.net](http://www.bestplaces.net). The header features the logo "sperling's BEST PLACES" and a navigation menu with links for "Home Page", "Best Places Quiz", "Find a Place", "City Rankings", "Research Tools", and "Top Lists". A "Log In" button is also present. The main content area is titled "Find Your Best Place To Live" and includes a search input field with a "Search" button. Below the search field, there are links for "Popular Places" (Portland, OR; Miami, FL; Austin, TX) and "Ask Bert Sperling For The Best Place To Live" (Denver, CO; Provo, UT; Oakland, CA). A sidebar on the right contains a "Find A Place" map and social media icons for Facebook, Twitter, and Google+. The background image shows a person in winter gear standing on a snowy mountain slope.

# Industry Development

- **What:** Specific focus on industry or business stage
- **Who:** Government, business and support sector
- **Key Areas:** Business stage, size, industry
  - Entrepreneurship
  - Small Business
  - Attraction
  - Capability building
  - Specific Industry
  - Events
- **Opportunities:**
  - All areas in more locations
  - Opportunity for locations to be innovative and develop solutions to problems



# Industry Development - Entrepreneurship



- Private foundation - assets of \$100m
- Set up to “champion the entrepreneurial spirit”
- Economic Gardening
  - “Grow from within” strategy targeting existing growth companies and offering them critical strategic information that is customized to their needs.
  - Originated in Littleton, Colorado. During the 20-year period Littleton practiced Economic Gardening, jobs grew from 15,000 to 30,000, and sales tax revenue more than tripled from \$6M to \$21M without any recruiting, incentives or tax rebates.
- Critical strategic information that is customized to their needs - four key areas:
  1. Strategic market research
  2. Geographic information systems
  3. Search engine optimization
  4. Social media marketing

# Industry Development - Entrepreneurship

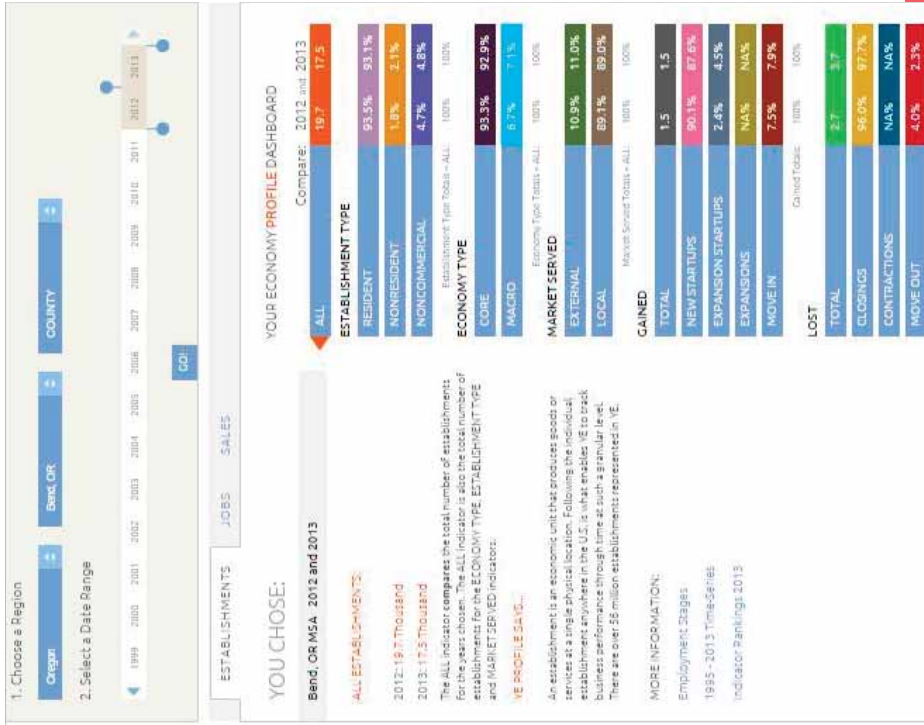
- Second stage companies are “powerhouses when it comes to job creation and revenue growth”



## United States 1995-2012



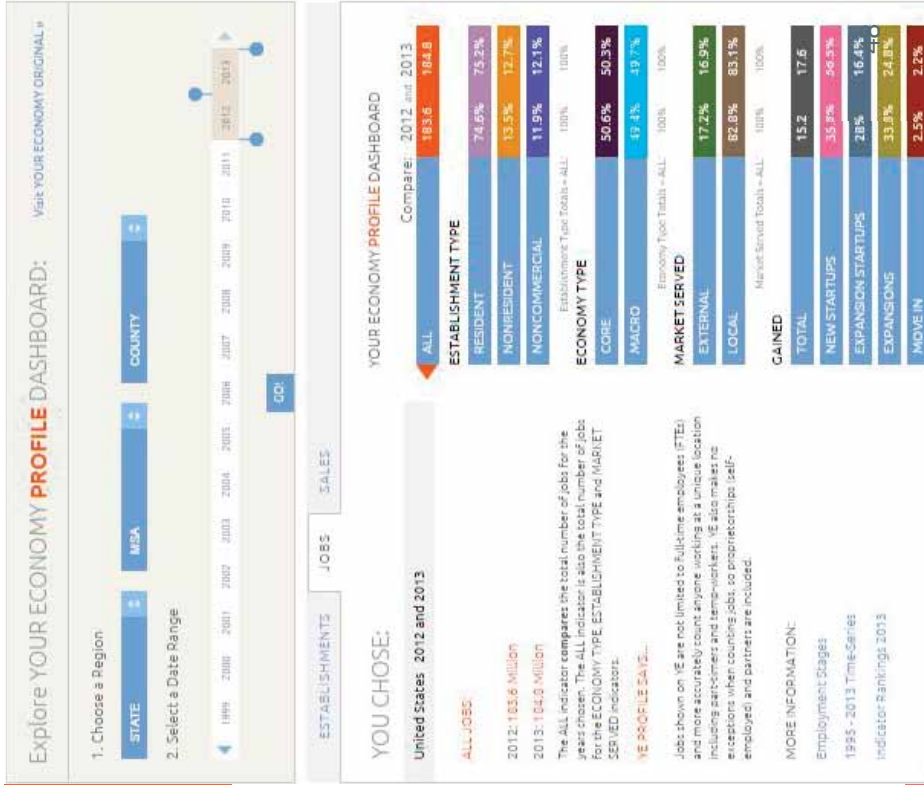
# Entrepreneurship + Technology + Metrics



Edward Lowe Foundation supports the Your Economy (YE) Website.

Allows users to analyze business activity from the community level, to the state level, and across the country. YE tracks the performance of more than 56 million U.S. businesses from 2013 back through 1995, providing detailed information about jobs, sales and establishments.

Source: [youreconomy.org](http://youreconomy.org)



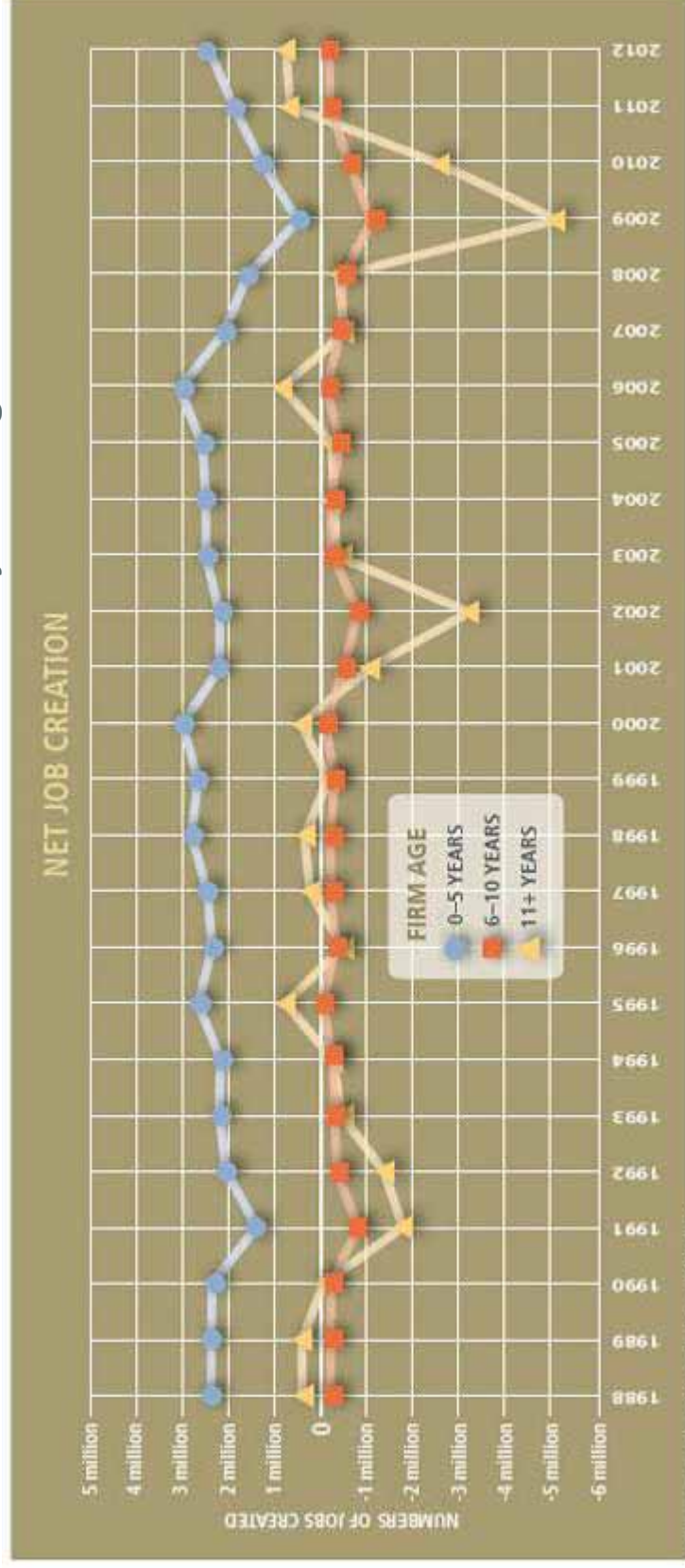
# Industry Development - Entrepreneurship

Ewing Marion  
**KAUFFMAN**  
Foundation

- Among the largest private foundations in the United States
- Asset base of approximately \$2 billion
  - Educational achievement
    - youth prepared to succeed in college will go on to lead productive, economically independent lives. In carrying out Mr. Kauffman's legacy, our education work focuses on access to high quality public school options and postsecondary opportunities intended to improve academic and life outcomes for lower income urban students in Kansas City.
  - Entrepreneurial success
    - 0-5 year old companies + talent = main source of job growth.
  - Kansas City

# Industry Development - Entrepreneurship

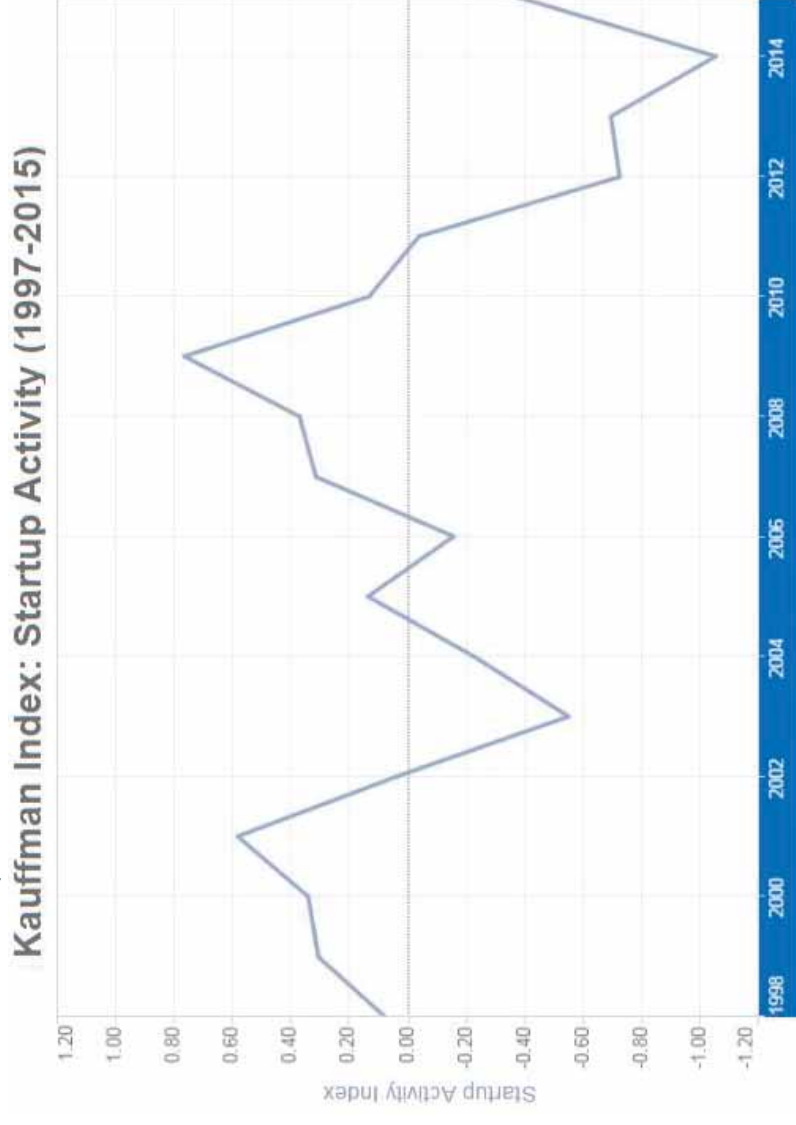
- Kauffman Foundation - which firms create the jobs? Age of firms matters!



SOURCE: U.S. CENSUS BUREAU BUSINESS DYNAMICS STATISTICS

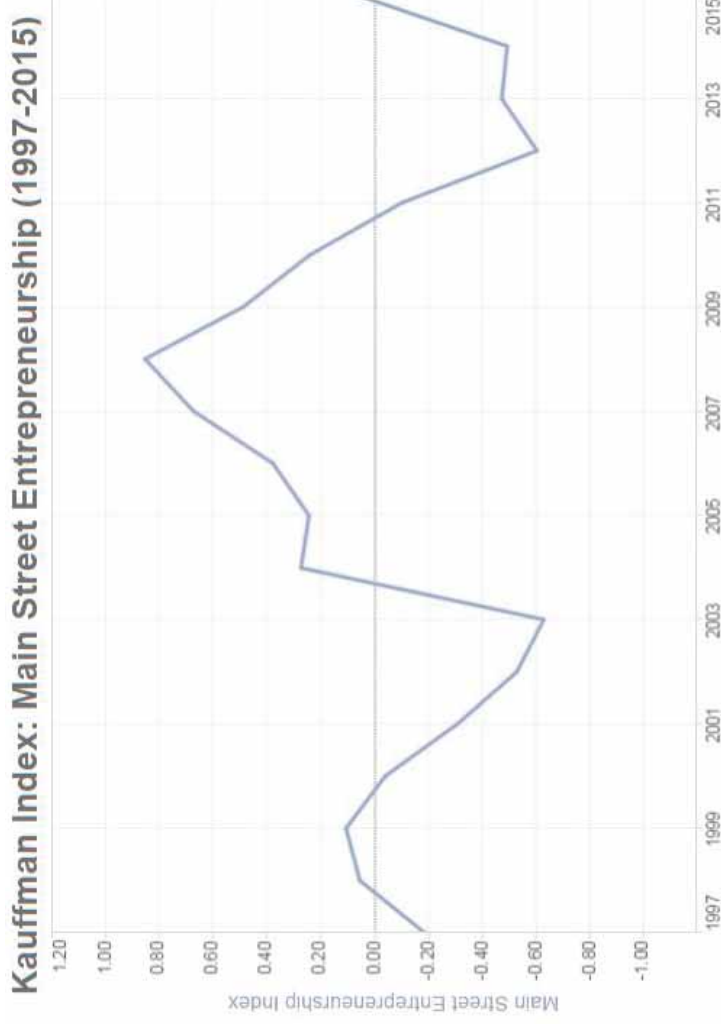
# Industry Development - Entrepreneurship

- The Kauffman Index: Startup Activity measures business startup activity (i.e., new venture creation)



# Industry Development - Entrepreneurship

- The Kauffman Index: Main Street Entrepreneurship measures established small business activity – focusing on businesses more than five years old with less than fifty employees



# Industry Development - Entrepreneurship

- What do we know...
  - Kauffman Foundation = new and young companies
  - Edward Lowe Foundation = second-stage entrepreneurs
  - Large companies lose jobs
- Entrepreneurs **and** young companies create jobs
- Is entrepreneurship important?
  - YES!
  - Do we understand this?
  - Do we monitor/measure it?



# Industry Development - Attraction

- Incentives and subsidies major industries in the US, EU and China
- Has created a whole industry related to economic development called “site selection” that commercialises corporate real estate, facility planning, location analysis and foreign direct investment
- **BUT...**
- Incentives are a zero sum game
  - “Overwhelming evidence that state and local tax incentives are having little to no positive effect on promoting real economic growth”
    - Source: Dan Levine (Oxford Economics), Incentives and the Interstate Competition for Jobs, Site Selection magazine, November 2010
- Focus on competitive advantages
  - Strategy
  - Promotion - brand
  - Non-financial incentives

# Industry Development - Attraction

- Example of incentives commercialisation

**C2ER** State Business Incentives Database  
HOME PROGRAMS ABOUT MEDIA LOG IN

Welcome to the State Business Incentives Database!  
Your one stop resource for information about incentive programs in all 50 states

**Incentive Programs Currently Offered in Each State, by Number of Programs**

**Number of Programs in the U.S.: 1,994**  
Top 5 Program Types in the U.S. (by Number of Programs)

Program Type	Number of Programs
Tax credit	~400
Grant	~350
Loan/Loan Participation	~300
Tax exemption	~200
Other	~144

**New programs enacted since 2014:**

- Alabama Jobs Act
- Alabama Veterans and Targeted Counties Act
- Renewable Energy Investment and Production for Self-Consumption by Manufacturers Tax Credit
- Utility Relief for International Operations Centers
- Manufacturing and Research & Development Equipment Exemption
- New Employment Credit
- Commercial Historic Preservation Tax Credit

# Industry Development - Clusters

- A **cluster** is a regional concentration of related industries, capturing important linkages and spillovers of technology, skills, and knowledge **that cut across firms and industries.**
- Clusters = Related Industries + Proximity + Linkages
  - Source - Cluster Mapping, Harvard and MIT

## Traded vs Local Industries: How Does it Matter?

### Local Industries

- Serve almost exclusively the **local** market
- **Little exposure** to cross-regional competition
- Important for **jobs**, but lower wages; **growth potential limited** by size of the local market



### Traded Industries

- Serve **national** and **global** markets
- **Exposed to competition** from other regions and nations
- Critical for **prosperity** through higher wages, productivity, and research-driven innovation; growth potential set by the global market



## **Empirical Evidence on Clusters**

### **Strong Clusters Drive Economic Performance**

- Presence of **strong clusters**
- **Breadth** of industries within a cluster
- Strength in **related clusters**
- Presence of a region's clusters in **neighboring regions**

- **Job growth**
- Higher **wages**
- Higher **patenting rates**
- Greater **new business** formation, growth and survival
- **Resilience** in downturns

- Build on the region's **existing** and **emerging** clusters rather than chase hot fields
- Economic diversification occurs **within clusters** and **across related clusters**

Source: "Clusters and the Great Recession" by Mercedes Delgado, Michael E. Porter, and Scott Stern (2014); "Clusters, Convergence, and Economic Performance" by Mercedes Delgado, Michael E. Porter, and Scott Stern (2012); "Cluster and Entrepreneurship" by Mercedes Delgado, Michael E. Porter, and Scott Stern (2010); "The Economic Performance of Regions" by Michael E. Porter (2003)

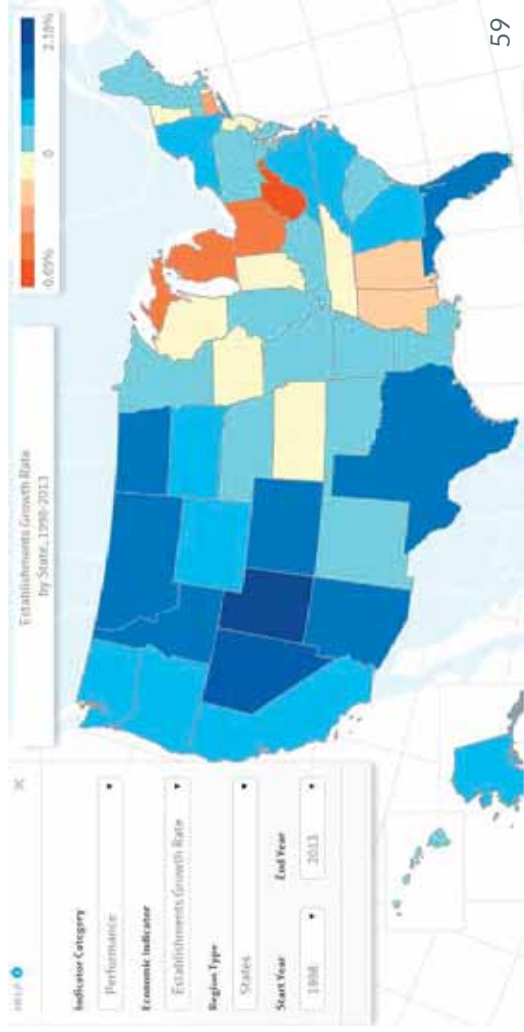
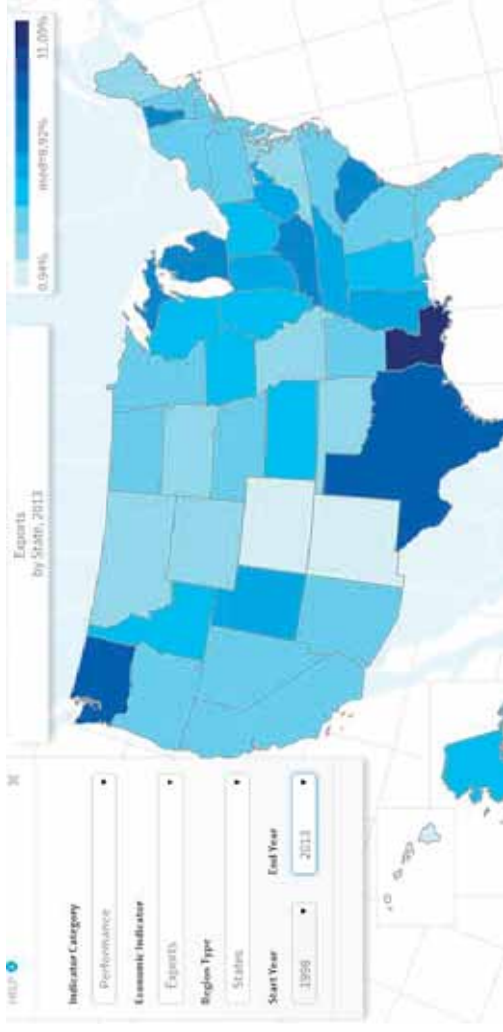
2014003—US Cluster Mapping Launch Event—v17

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Copyright 2014 © Professor Michael E. Porter

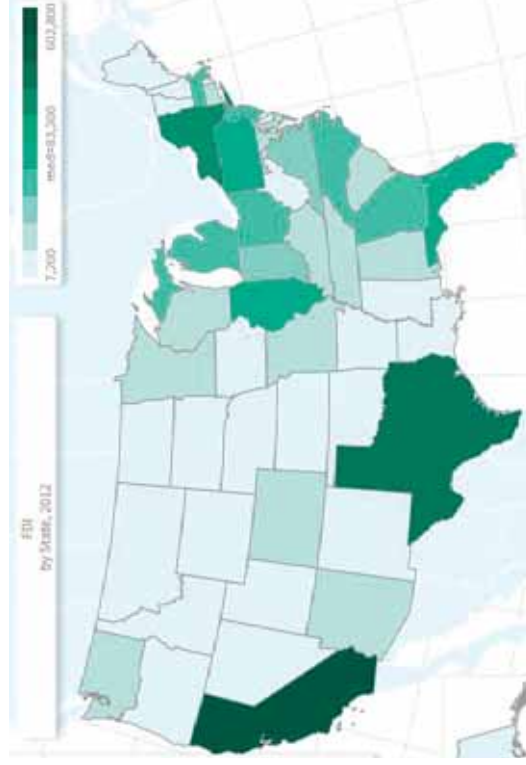
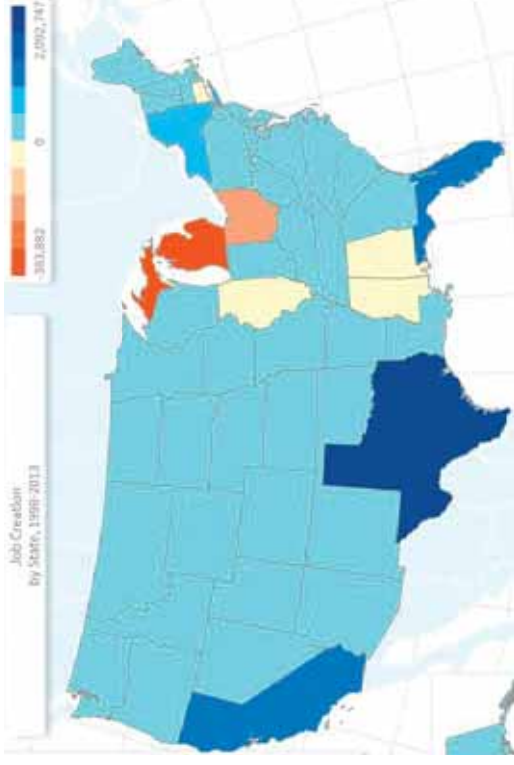
# Cluster Mapping

- Able to drill in on key metrics for each state over different time periods.
- In these examples
  - Exports
  - Establishments Growth Rate



# Cluster Mapping

- Able to see link between different levers and causal links
- In these examples (1998-2013)
  - FDI
  - Patents
  - Job Creation



# Industry Development - Aquaculture

- Twin Falls, Idaho Aquaculture Industry
  - Over 115 farms
  - Industry is an anomaly created by entrepreneurs
    - #1 trout producing state in US
      - 75% of domestic production
      - 42m pounds / 19m kg
    - Tilapia
    - Sturgeon (including Caviar)
    - Others – Tropical, frogs, alligators
  - Natural resources
  - Water = 15 degrees year round, oxygenated, pathogen free, good minerals
  - Ecosystem = business, government, research, education
- US has 12% exports as a % of GDP vs NZ 30%



# Industry Development - Fish, frogs & caviar

- All these present opportunities for freshwater aquaculture in NZ



Trout



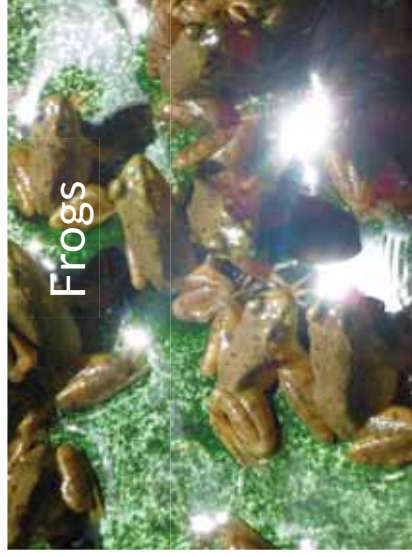
Sturgeon



Tilapia



Caviar



Frogs

# Industry Development - Wood Processing



- Sweden in 2000
  - ICT is “new economy”, heavy industry “old economy” will go
  - Government - how to remove heavy industry?
- NB
  - It takes 75-100 years to grow trees in Sweden
  - Ownership mixture of forests
    - half small lots (200,000 owners!)
    - half split between large companies and government
  - Very little vertical integration
  - Almost all wood processed onshore (+ some imports)
- Problem
  - 7 main companies had burning platform - how to source workforce
  - Undertook statistical analysis - couldn't find forestry industry!

# Industry Development - Wood Processing



- Outcomes
  - 2007-11 - companies had ten times higher growth vs companies in County of Värmland
  - 2007-11 - number of employees increased by 2% vs decrease of 5% in County of Värmland
  - More than 200 companies employing over 12,000 people
  - Industry connected with Government, University, Research
- How?
  - Cluster identity and attractiveness
    - changing perceptions through marketing
    - educating and empowering teachers
    - integrating University and research and developing their own school
  - Innovation and R&D
  - Business development
    - e.g. Companies leveraging off each others export contacts, sharing space at tradeshow

# Industry Development - Wood Processing



- Karlstad - home of the Paper Province



# Industry Development - Geothermal

Bread

LAUGARVATN  
**fontana**  
Geothermal Baths



Vegetables



# Industry Development - Beef



- Started in 1986 as Oregon Country Beef
  - 14 ranches, now ~100 ranches
  - a better way to deliver the naturally raised beef products that consumers wanted
  - a better way for ranchers to remain economically and environmentally sustainable.
- Sound familiar?



# Industry development = Tourism + Food

- Bornholm
- Island the size of Lake Taupo has 60 food producers working collaboratively
- Niche food is high value, enhances the tourism experience plus export potential



# Education & Workforce

- **What:** Educated & skilled people
- **Who:** Government
- **Key Areas:** Education at all levels + workforce development
  - Primary & secondary
  - University
  - Workforce development
  - Business training
  - Research
- **Opportunities:**
  - Workforce development



# Education & Workforce



- US Public Workforce Investment system
  - Workforce Investment Boards created from legislation
  - Every community must have one
- Worksystems - Workforce investment board for the City of Portland, Multnomah and Washington Counties
- Goals:
  - The regional workforce system is aligned, provides integrated services, and makes efficient use of resources to achieve better outcomes for businesses and job seekers
  - **Workers** have the skills they need to fill current and emerging, high-wage, high-demand jobs
  - **Youth** have the academic and core competencies required by employers
  - **Employers** have the skilled workers they need to remain competitive

# Education & Workforce



- **Activities**
  - **Business Investments:** We understand the needs of business and provide a link between a skilled workforce and industry demand.
  - **Adult Investments:** We coordinate workforce programs that help people improve their skills and advance their careers.
  - **Youth Investments:** We invest in organizations that help young people become college and career ready
- **Results**
  - Training investments generate **\$5.17 in taxable income for every \$1 spent**

# Education & Workforce



- Understanding future industry demand
- Developing a workforce to meet that demand
- US
  - By 2020 = 1 million more computer programming jobs in the U.S. than workers to fill them
- Oregon
  - 10,000 of those will be in the Portland metro region
- Code Oregon
  - It pays (well!) to code
  - Median annual wage for computer programmers was \$74,280



# Education & Workforce

- We don't need to wait until we have a skills shortage or for people to retrain as adults
- What would happen if we started earlier?
  - e.g. Boise, Idaho - 'Spring into code' for young learners

**Library!**

## SPRING INTO CODE 2015

### Intro to Computer Science for K-5

Young learners are invited to a series of five (5) computer science sessions. Join us Fridays or Saturdays, for as many classes as you are able to attend, and gather more knowledge in the process!

Presented by Boise Public Library and Panucation at the Main Library on the following dates and times:

<b>Week 1</b>	4/10 (F), 4:30 - 5:30 PM
	4/11 (S), 10:30 - 11:30 AM
<b>Week 2</b>	4/24 (F), 4:30 - 5:30 PM
	4/25 (S), 10:30 - 11:30 AM
<b>Week 3</b>	5/1 (F), 4:30 - 5:30 PM
	5/2 (S), 1:30 - 2:30 PM
<b>Week 4</b>	5/8 (F), 4:30 - 5:30 PM
	5/9 (S), 3:30 - 4:30 PM
<b>Week 5</b>	5/15 (F), 4:30 - 5:30 PM
	5/16 (S), 10:30 - 11:30 AM

Register at [www.Panucation.com](http://www.Panucation.com)



**Main Library**  
711 S. Canal Blvd  
Boise, ID 83726  
Phone: (208) 333-4400  
TDD: (208) 333-4400

**Library at Cole & Vinick**  
2337 W. Union Rd.  
Boise, ID 83718  
Phone: (208) 333-4400  
TDD: (208) 333-4400

**Library at Collier**  
424 W. State St.  
Boise, ID 83725  
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**Library at Hillcrest**  
5248 W. Overland Rd.  
Boise, ID 83720  
Phone: (208) 333-4400  
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**Boise Public Library**  
www.boisepubliclibrary.org

**Panucation**  
Project Learning Tree and Learning Technology

**C O D E**

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# Education & Workforce



- CEO (Creating Entrepreneurial Opportunities) program:
  - Is funded by business investors
  - Is open to high school juniors and seniors
  - Selects students through a rigorous application process
  - Serves students from public and private high schools
  - Meets for 90 minutes each day
  - Provides 2 high school credits
  - Utilizes area businesses as classrooms
  - Visits dozens of area businesses each year
  - Hosts 50-60 guest speakers each year
  - Emphasizes 21st century Learning skills
  - Provides the opportunity for each student to start their own business
  - Provides a mentor from the business community for each CEO student
  - Hosts an annual trade show to showcase student businesses

# Investment & Financing

- **What:** Businesses having access to capital
- **Who:** finance,
- **Key Areas:** Funding for all business stages
  - Workspace / Connections
  - High Net Worth Attraction
  - Venture Capital
  - Micro financing
- **Opportunities:**
  - All!

# Investment & Financing

## Kiwi Landing Pad

- Sometimes it's as simple as office space and connected people
- Kiwi Landing Pad
  - Workspace for NZ companies to 'land' on West Coast of US
  - Like-minded companies in one space (export, tech)
  - Connecting International High Net Worth with NZ investment opportunities



# Investment & Financing



- The problem
  - Nearly 2/3s of small businesses with revenue under \$5m are rejected for bank loans
  - Lack of access to funding is most common reason why people don't start business
  - Women and minority are under-represented in business ownership
- Micro financing
  - \$22k average loan size
  - 97% repayment rate
- Education
  - Training, resources, mentoring, pro bono
- Diversity
  - 55% women
  - 46% minority
  - 86% low or moderate income



# Promotion

- **What:** Promoting the region
- **Who:** Public & private
- **Key Areas:** Education at all levels + workforce development
  - Branding / value proposition
  - Tourism
  - Marketing
  - Visitor centres
- **Opportunities:**
  - Branding / value proposition

# Promotion - Branding...little things matter

- Know your value proposition and then live it!
- What do number plates say about a place?



# Location specific

- **What:** Interventions targeted at specific locations
- **Who:** Government
- **Key Areas:** Range of location initiatives
  - Mainstreet
  - Planning & Zoning
  - Land availability
  - Land availability - residential
  - Rural / Small centre focus
- **Opportunities:**
  - Rural / small centre focus

# Location specific



- Formed by Oregon legislation in 1991
- Help rural communities to grapple with economic downturn
- Range of services / programs
  - >350 communities
  - 6000 leaders
  - \$2.5m budget p.a.



# Location specific



- Rural locations have advantages in costs, workforce availability and work ethic
- Agracel mission:
  - *To be the premier provider of development services to Agurb® communities, facilitating and retaining manufacturing and hi-tech jobs, resulting in a strong portfolio of buildings, thus creating long-term value for our stakeholders.*
- Agurb defined
  - *Ag-urb® (ag urb), n., prospering rural towns with a tie to agriculture, a location outside a Metropolitan Statistical Area (MSA), experiencing growth in population, and/or employment that is sparked by vision kindled by strong leadership and stoked with a can do attitude keeping the fire of growth burning bright.*
- 10 million sf (~1m sqm) of industrial space in 17 states

# Measurement

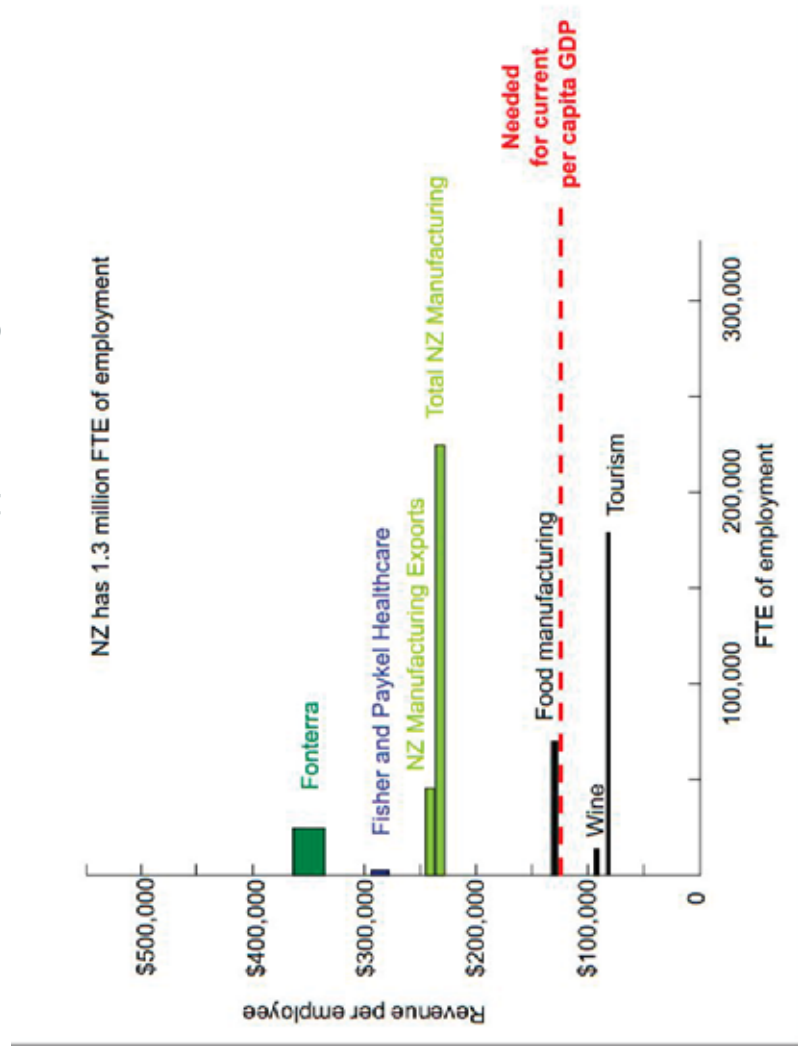
- **What:** Measuring outcomes with a long term focus
- **Who:** Everyone (see over)
- **Key Areas:** Metrics / data for analysis and insight
- **Opportunities:**
  - How to separate what is important, what is noise, what underpins key metrics?
  - Multiple sources make collection and insight difficult
  - Requires long term focus and commitment
  - Change/impact usually is longer than political cycles or job tenures
  - Increasing availability of smart data

# Data & Metrics

<b>Primary</b> <i>Most important</i> <i>Long term focus</i>	<ul style="list-style-type: none"> <li>Jobs - number/creation, un/employment, wage growth</li> <li>GDP – total, growth, per capita, industry, exports as a %</li> <li>Income - average, median, household &amp; growth</li> <li>Businesses – number and growth</li> <li>Population - total, by age, projected population growth</li> </ul>	<b>Source</b>
<b>Secondary</b> <i>Underpins long term</i> <i>Reported less often</i>	<ul style="list-style-type: none"> <li>Education - 18-year-olds attaining min. NCEA L2 or equivalent, \$ Invested in University Startups,</li> <li>Innovation - patents, published papers, STEM graduates, Gross R&amp;D expenditure, intellectual property protection</li> <li>Entrepreneurship - businesses started, early stage entrepreneurship, venture capital investments, number of days to start business, business starts and survival, high-growth firms</li> </ul>	<ul style="list-style-type: none"> <li>- Economists</li> <li>- Consultants</li> <li>- Marketview</li> <li>- MBE</li> <li>- NZTE</li> <li>- Callaghan Innovation</li> <li>- MFAT</li> <li>- Tourism NZ</li> <li>- Tourism industry</li> <li>- Stats NZ</li> <li>- NIDEA</li> <li>- Ministry of Education</li> <li>- Universities</li> </ul>
<b>Indicators</b> <i>Less important</i> <i>Reported regularly</i>	<ul style="list-style-type: none"> <li>Construction - residential and non-residential (\$, # and change)</li> <li>Residential land/housing and commercial land/buildings (\$, # and change)</li> <li>Resource and building consents (\$, # and change)</li> <li>Housing - affordability, rents</li> <li>Retail - spend, volume, by industry, vacancy rates</li> <li>Tourism - Visitor nights (commercial and non-commercial), average length of stay and spend</li> <li>Consumer confidence</li> <li>Price indexes - commodities, exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>- CRI's</li> <li>- Industry organisations</li> <li>- Banks</li> <li>- Regional Councils</li> <li>- Council</li> <li>- EGLT</li> <li>- DGLT</li> <li>- TCT</li> </ul>

# Important metrics we never hear about

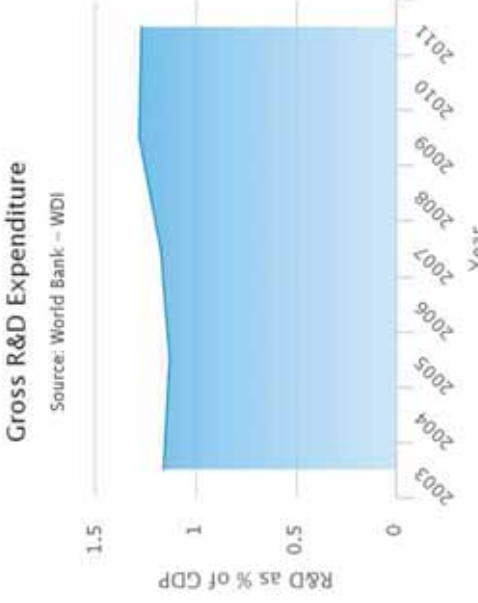
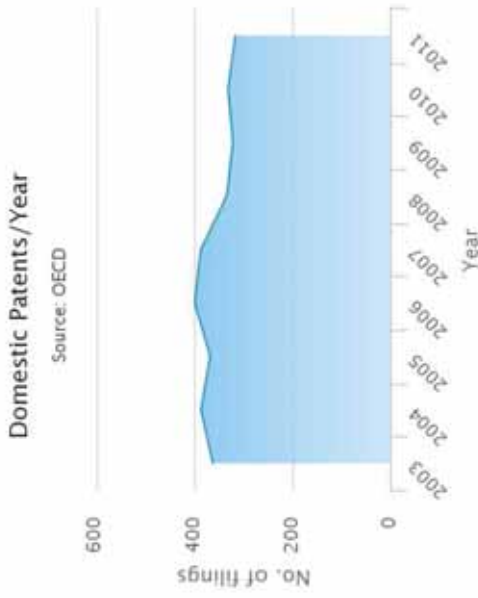
- Sir Paul Callaghan - 'A place where talent wants to live'
  - Why don't we hear more about these types of insight?



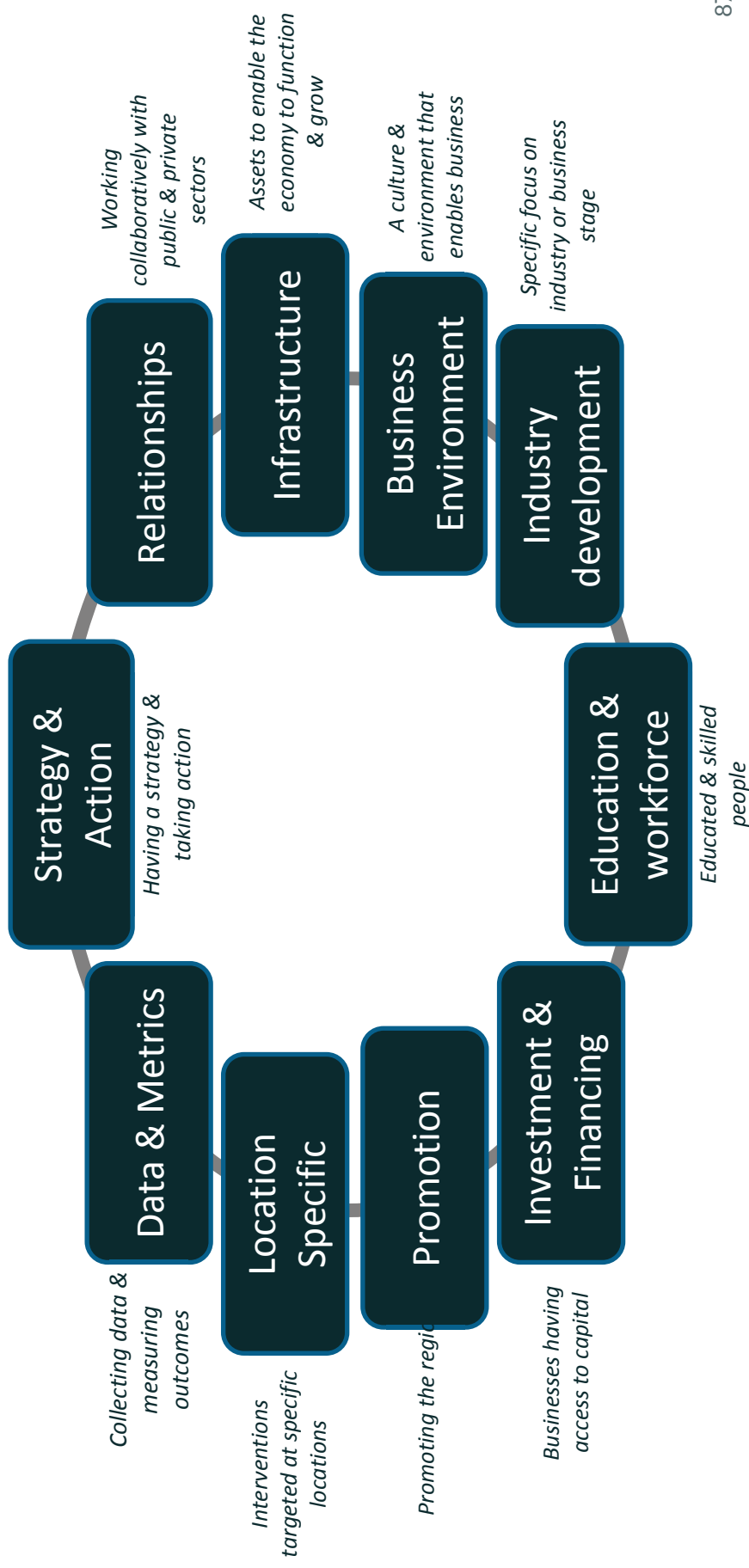


# Important metrics we never hear about

- Let's define: (Marguerite Gong Hancock - ex SPRIE):
  - **Innovation:** disruptive technology and business model innovation
  - **Entrepreneurship:** start, grow and scale
- Both are buzzwords we hear a lot about, BUT
  - How good are we really at innovation and entrepreneurship?
  - Are we measuring the right things?



# Multiple solutions - all interconnected

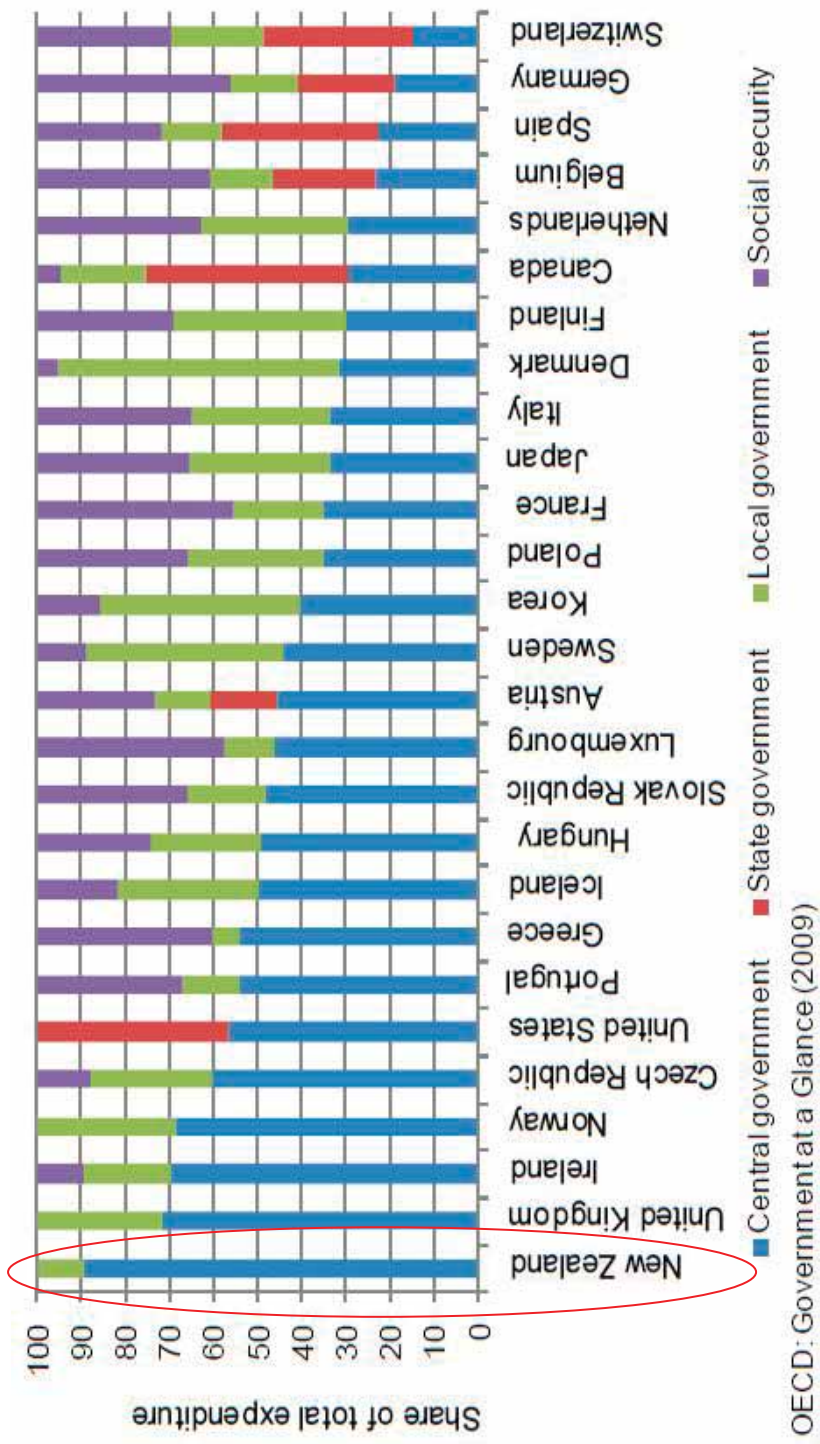


# Local

- Keep it local
  - Context is everything
  - Do what is right for your location. Forget structure and focus on people.
  - When you see something reported elsewhere - is it relevant to your location or at all anymore?

# Keep it local!

- 30 per cent of member state public spending is controlled by local government on average, but in New Zealand that figure stands at 11 per cent (OECD)



# Local - a private sector example



**Brian Gaynor's Opinion**

Investment columnist for the NZ Herald

Email Brian

## Fonterra's answer - get out of the big smoke

5:00 AM Saturday Jul 25, 2015

15 comments

Best of Business Analysis

Brian Gaynor on business



Having its main office in Auckland is a big part of the dairy giant's problem.

### Fonterra

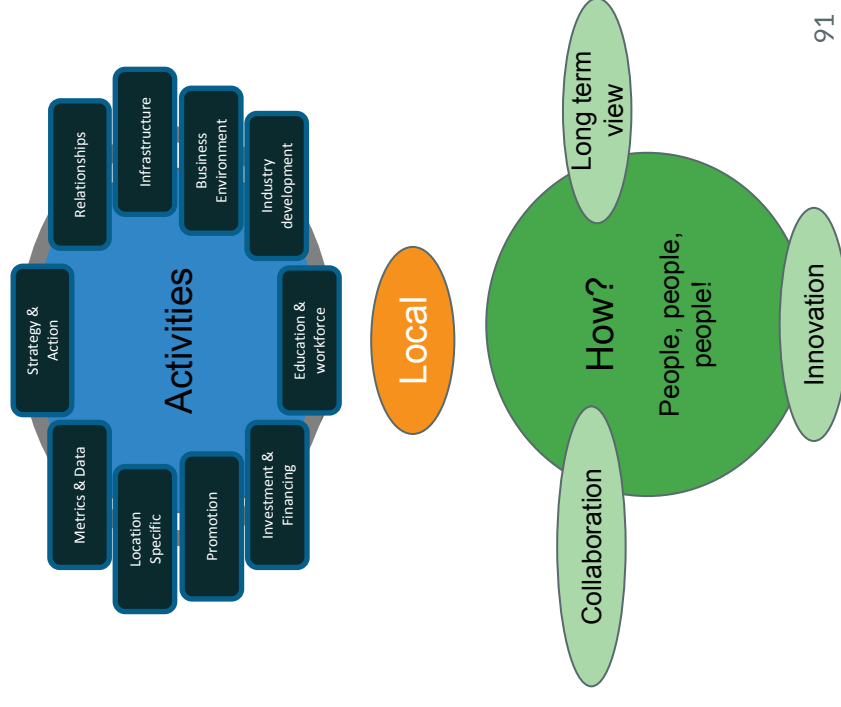
Financial year	NZ milk solids collected (Million kg)	Milk price \$/kg	Revenue (\$b) Total	Revenue (\$b) Consumer	Staff	Staff paid \$100,000+
2014	1584	8.40	\$22.3b	\$4.5b	18,200	4176
2013	1463	5.84	\$18.6b	\$4.7b	17,500	4245
2012	1493	6.08	\$19.8b	\$4.9b	17,300	3956
2011	1346	7.60	\$19.9b	\$5.2b	16,800	3502
2010	1286	6.10	\$16.7b	\$4.9b	15,800	2785
2009	1281	4.72	\$16.0b	\$5.0b	15,600	2547
2008	1192	7.59	\$19.5b	\$5.2b	15,900	1772
2007	1246	3.87	\$13.7b	\$3.9b	16,400	1486
2006	1210	3.85	\$13.0b	\$3.8b	17,400	1371

Herald graphic

1. Commodity not valued-added consumer products
2. Commodity growth from 71% to 80% of revenue
3. Growth in cost structure
4. Offices should be in rural areas where salaries and costs are lower.
5. Could decentralisation give innovation opportunities?
  - o Closer to farmers - more accountability
  - o Local brands
  - o Food and tourism intersection

# Solutions / Recommendations

- What
  - Economic development - comprehensive
  - Data - local with technology
  - Metrics - understanding and use
  - Activities - multiple solutions
  - Local - “bottom up” and location specific
- How
  - Collaboration - wide range of sectors
  - Innovation - risk appetite, failure, learning
  - Long term view - decades and persistence
- Themes
  - People - the difference a few people can make
  - Ownership - government and private sector
  - Reinvention - adapt or decline
  - Resilient - diversified and future focused

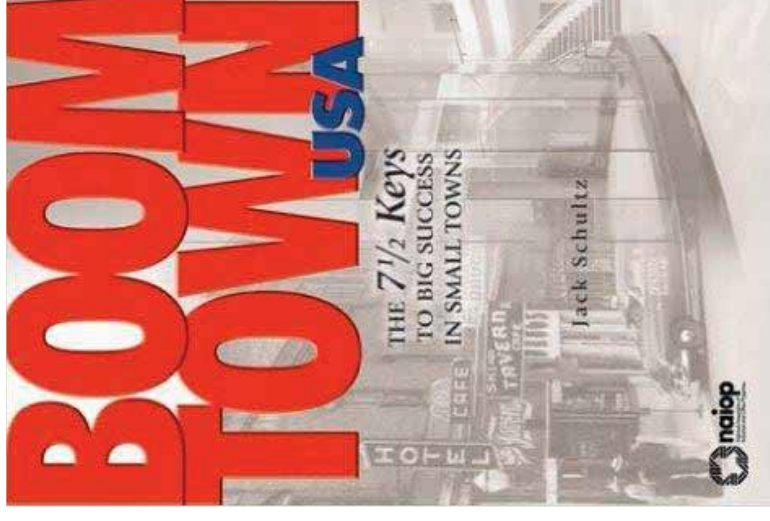


# How?

- Innovation
  - Foster creativity & risk taking
  - We need to encourage more appetite for risk in solving problems
  - Numerous examples of places making their own future

# Innovation example

1. Adopt a "can do" attitude;
  2. Shape their vision;
  3. Leverage their resources;
  4. Raise up strong leaders;
  5. Encourage an entrepreneurial approach;
  6. Maintain local control;
  7. Build their brand; and
- 7½. Embrace the teeter-totter factor...Small shift to have positive or negative impact





# How?

- Collaboration - private and public sector
  - People and culture development
  - Use smaller size to connect people easier and get things done faster
  - Hunt out and support key people
  - Is there a way to measure quantify community buy-in?

# Collaboration



- “Strategic Doing” is about creating open networks and collaboration

- Cognitive framing and appreciate inquiry

- Communities either “get it” or don’t

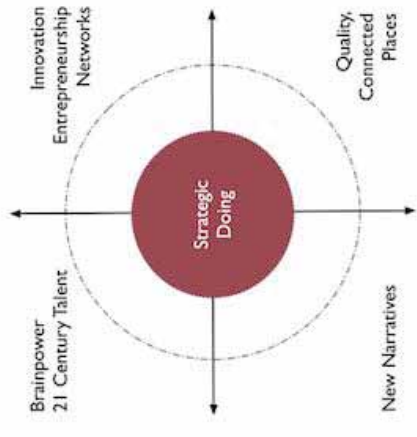
- Giving people tools to act, can’t force feed

- Focus areas

- Need 21st Century skills and brainpower
- Convert brainpower into wealth through entrepreneurship & innovation
- Create quality connected places because people are mobile and can choose
- New narratives - where are the hidden assets?
- Have a platform to convert simple strategy

- Agile process

- borrowed from software development - complex work where no one can tell anyone what to do
- Short development cycles rather than lengthy strategic plans

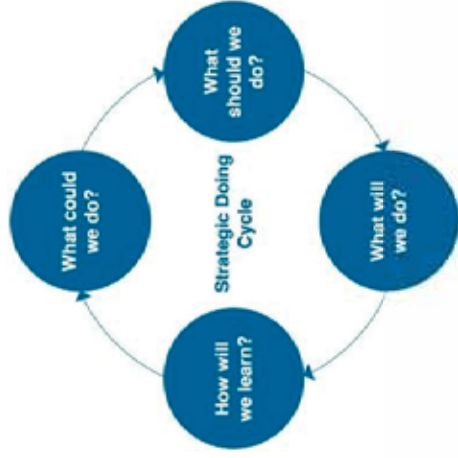


# Collaboration



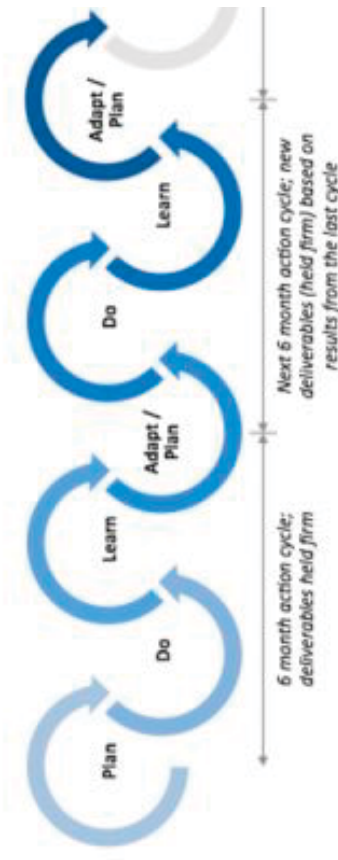
- 4 questions - What “could, should, will we do?”, then “what have we learned?”
- Short development cycles - 30 days
- Enables building trust and capacity at scale so can walk away

Strategic Doing is simple, but not easy...It takes discipline, focus and practice



As the teams answer these questions, they generate all the components of a Strategic Action Plan

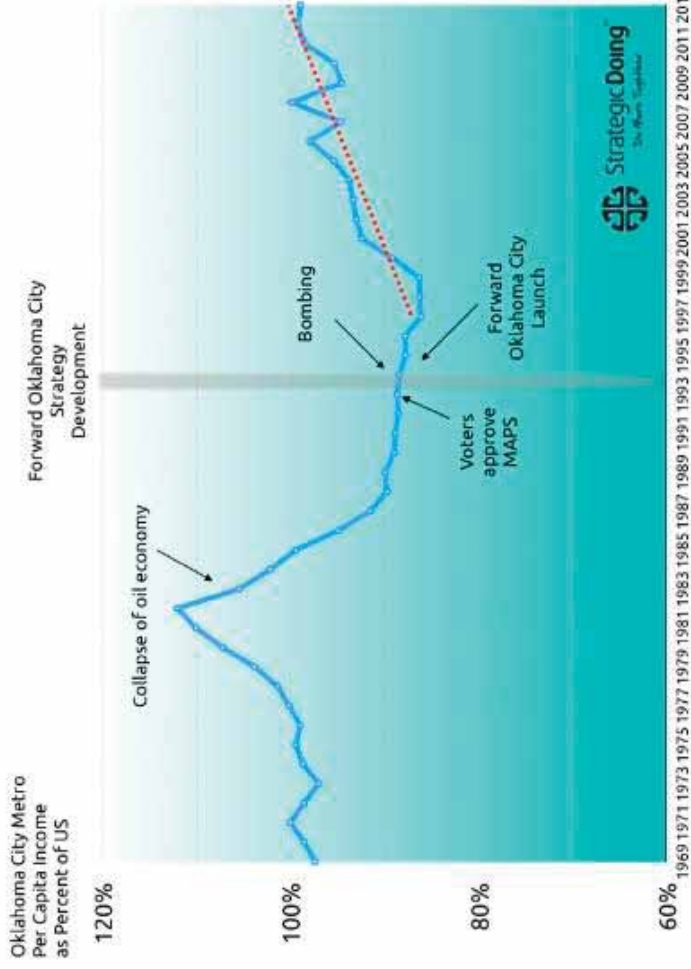
## Strategic Doing



# Collaboration



**With an agile approach to strategy, we transformed the region's economy**

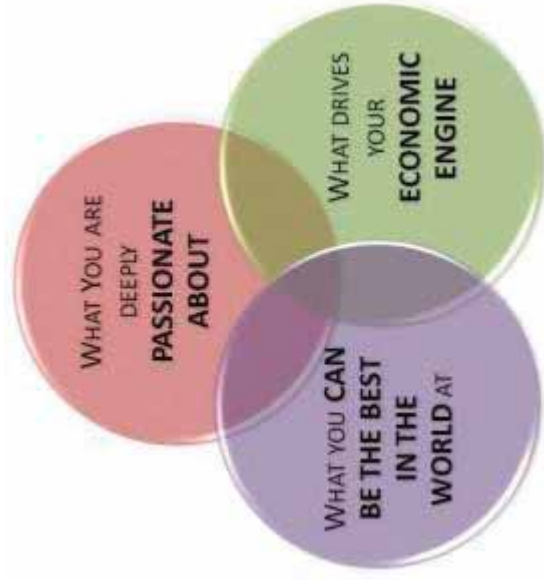
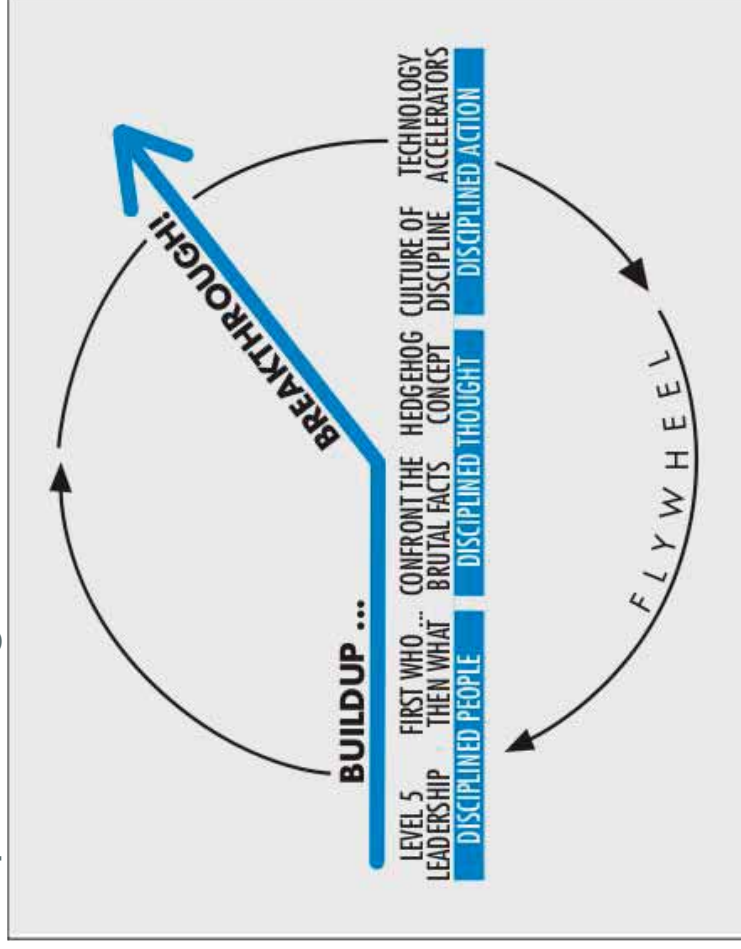


# How?

- Long term view
  - Economic development takes a long time
  - Do we have the knowledge and patience?

# How? Applying 'Good to Great'

- Can we apply 'Good to great' concept from organisations into economies?



# The Provinces - do they have a future?

- The future is bright where we live...if we make it!
- What can we do?
  - **Economic development** - comprehensive
  - **Data** - local with technology
  - **Metrics** - understanding and use
  - **Activities** - multiple solutions
  - **Local** - “bottom up” and location specific
- **How**
  - **Collaboration** - wide range of sectors
  - **Innovation** - risk appetite, failure, learning
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**Thank you and Questions**



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