

The Crow's Nest Forum: A discussion with Dr Andy West



Do you think COVID- 19 will change New Zealand's start-up sector?

Certainly, for New Zealand it will change it and change it for the better. Because our economy, for the 15 years prior to this, was running on basically commoditised space. We commoditised the low population density by bringing in a very significant number of immigrants every year. We had very major population growth driven off that immigration. On top of that, we were bringing in a very fast growing number of tourists. And there was also an ever increasing number of international students going to universities and, more recently, to secondary schools. When that pump got turned off what remained in the economy was basically our primary industries - which is still our biggest merchandise component by a long way - but also manufactured goods and services. And I think we're going to see a real kick up in that latter area. Partly because I don't think there's any alternative. In the next two years nobody knows if there'll be a vaccine for COVID-19. If there isn't, then it's particularly difficult for New Zealand. And even if there is a vaccine, we may be a long way down the queue to get hold of it. In the meantime, to keep our economy going, I think we have to add another string to the bow. Conveniently, this has all just happened at the time when we were starting to introduce a moderate amount of venture capital into the economy, led by the government. But I think we need to now see that accentuated very greatly.

What advice do you have for small and medium-sized businesses right now?

For the next year at least, cash is king. Conserve your cash. If you're looking for capital, it's about a year after any major event unfolds that capital is generally at its scarcest. I think you've got to be going for that capital now if that's what you want.

You also might expect some trade barriers to get re-erected if things are difficult in other economies. We might find that the free trade movement takes quite a few steps backwards. With technology, if companies in another country want it, because it's going to make them much more effective, and you've got something unique, they'll find a way of getting it. They may not want your meat or your milk or your timber or even your wine, heaven forbid, but they'll probably want your technology. So, I think if you're in the line of business I'm in you've got to look after your cash, get capital investment early if you can, and absolutely maintain an international focus.

Do you think boards or senior management teams need to change the way they think about innovation?

Yes, I think they do. If you look at New Zealand overall, it spends about 1.3 percent of its gross domestic product on research and development. That is a very low sum in international terms. So you can go into South Korea which is spending about 4 percent, which is high. Go to countries like Singapore or others, they are probably spending about 3 percent. We are a very long way off the pace. If we're going down a more creative, knowledge based route, if that's what we end up doing, not only are we going to need boards of directors to be thinking about innovation and technology, but also, much more importantly, they need to be thinking about how to change the culture of their companies and organisations. And particularly about how that culture can empower entrepreneurial, innovative behaviour.

Do you think our innovation ecosystem in New Zealand is better today than it was five years ago?

I've got mixed views about that. I think if you look at the commercialisation space we are gradually getting better. However, when you've only set 1.3 percent of GDP aside for research and development for 30 or 40 years, your economic strategy is fundamentally not about knowledge. It can't be. And so to be honest, if we're really going to change, to me the litmus test coming out of COVID-19 will be around what path we choose to take. We either open up mass immigration again, use that to drive our economy and say we don't care about productivity growth. Or we could say that we do care about productivity growth and we're going to show that by doing two things: we're really going to ramp up investment in research and development, using the government to lead the private sector. And we're going to ramp up investment in the arts too, because that's equally creative. By doing those two things, we're going to try and drive a different society and a different economy. We've never done it before. I mean, we've been through a depression and two world wars and we never did it and they were much bigger hits than the one we're taking right now. But I'd love to think that we would.

[For more from Andy West, including why he thinks aiming to maintain the status quo could put a lot of companies in a very dangerous position, listen to the podcast here.](#)