

NZST Class 5 Overview (March 7, 2016)

Topic: Investing in Your Comparative Advantage

Overview: How firms increase resilience in increasingly volatile environments

Mercedes Delgado: Lecture on NZ economy, competitiveness and ICT sector

Julius Tapper: Lecture on iDiplomats Experience

News Brief:

- Callaghan Innovation Board appointments announced (3 new board members elected)
- NZ = #3 of Freest Economies for Entrepreneurs -measured by regulation and rule of law
- Former trade minister says “stop praising the TPP and look for bugs”
- Some NZ entrepreneurs find more success with funding in Silicon Value but maintain offices in NZ. However, NZ investors put a higher share of wealth into the startups than their american counterparts
- Commission find that tertiary education is overspending and under-producing outcomes

Professor Delgado Lecture:

- Firm’s ability to compete influenced by where the firm is located, mainly due to the attributes of each specific location
- Competitiveness based on long-run productivity
- Diamond Model (Porter): Assessing the Quality of the business Environment through four factors: Context for Firm Strategy and Rivalry, Factor (Input) Conditions, Demand Conditions and Related and Supporting Industries
- NZ Competitiveness (rank 9th) → GDP per Potential Worker (rank 26th)
- Improvement is based on improvement of skills (microeconomic). NZ has done a great job on advancing microeconomic factors but there is still space for improvement
- Firms are facing increasing shocks, how do we increase resilience?
- Christchurch specialized in ICT sector - collaboration between firms increased post EQ
- Sophistication of management practices matter in disaster recovery

Julius Tapper on iDiplomats experience in Kenya:

- Kenya issues very very few patents - looked at what Kenya is doing to address the innovation challenge. Celebrating successful startups and spread those stories.
- Looking at a huge gap and how to structurally address those gaps? One approach is to benchmark with an advanced innovation hub (e.g. Israel) to understand where to go and how to promote innovation

Cata

Mercedes Delgado

ICT sector and Nz

Location, natural disaster and

Firm competitiveness

What countries needs to have to recover from shocks - e.g. Earthquake

What determines competitiveness? **Location and attributes (of the location)** that are going to influences how countries compete.

Diamond Framework

Context for Firm Strategy and Rivalry, Factor (Input) Conditions, Demand Conditions and Related and Supporting Industries

What is competitiveness? firms are able to compete in their regions and globally that are able to contribute in long-run productivity of their regions.

The determinants of National Competitiveness:

- Microeconomic Competitiveness: Quality of the National Business Environment (Diamond Framework), State of Cluster Development and Sophistication of Company Operations and Strategy.
- Macroeconomic Competitiveness: Sound Monetary and Fiscal Policies and Human Development and Effective Public Institutions.

How NZ is doing?

Nz Competitiveness Profile 2015

- Microeconomic: NZ has space for improvements
- Macroeconomic: It is good

NZ vs other countries:

Number 9 in the Index Rank (overall)

Many types of shocks, which make firms to have volatility - and how they recover they measure how the countries react.

Example of Christchurch's earthquake

Large shock that has a large economic dislocation

How do I know that there is a cluster in Christchurch? ICT needs to be greater than 1.

Importance of ICT to NZ

Results Overview NZ

1. The Risk Management Effect:
2. Increased Inter-firm Collaborations: Increased among the cluster because of several factors:
 - a. Share spaces for example, and they find out that it is better to collaborate
3. Recovery Products: Products that helps the recovery of local customers
 - a. Reconstruction sites
 - b. Data security

Conclusion and Next Steps

Sophistication of management practices matter in disaster recovery

Some firms can benefit from a disaster: Recovery Products

Institution for collaborations in clusters play an important role in sharing the risk and facilitating collaboration among their members (E.g. EPIC)

Leadership is important in time of crisis (EPIC)

Julius:

- What makes a place really innovative?

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