

# Entrepreneurship in New Zealand

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## ABSTRACT

New Zealand is a country split in two by the North Island and the South Island. The population is over 3,700,000 where 83% are urban dwellers, Auckland being their largest city having almost a third of the population living there. While the island used to be made of Maori descendants, it has become largely populated by Europeans making up 80%. Due to the culture shifts it has pushed the natives into poverty and segregation. Many of the people were ghettoized, and has caused a backlash. Many of the Maori youth get into racial conflicts with anyone not like them. There are major Maori gangs that continue to use violence to separate them from everyone else. New Zealand has the resources to grow into a strong culture, but their economy is heavily relying on international trade. The majority of their economy is also built on the service industry, making up 63% of it, because it has such a large tourist attraction. Other industries are exporting dairy, meat, fish and fruit and recently processed foods. New Zealand used to be one of the top economies when it came to providing sustainability for its people, but has recently seen a disparity gap among their classes. Many regions in New Zealand have become lopsided with their share of the country's GDP. In the North Island you can see Auckland is on top with 35.3% of the national GDP where as places like Gisborne and Hawke's Bay barely make up for over 3% of the GDP. "Social enterprise, a hybrid structure and emerging fourth sector, is accelerating in response to market turbulence. It is propelled by reduced government spending, pressure for interventions that demonstrate results, growing social consciousness by financial investors and a new generation of talented social entrepreneurs." Young people particularly turn to this, constantly looking to make social change. This paper explores the impact that social change could have on New Zealand's economy and infrastructure. It lays the groundwork for an entrepreneurial New Zealand with a social emphasis. In doing so, the paper explores the country's economy and the role that various demographics – various ages, various genders, various races and ethnicities can play in expanding the economy

**Keywords:** Entrepreneurship, GDP, New Zealand

## 1. INTRODUCTION

To introduce New Zealand, it is a country split in two by the North Island and the South Island. The population is over 3,700,000 where 83% are urban dwellers, Auckland being their largest city having almost a third of the population living there. While the island used to be made of Maori descendants, it has become largely populated by Europeans making up 80%. Due to the culture shifts it has pushed the natives into poverty and segregation. Many of the people were ghettoized, and has caused a backlash. Many of the Maori youth get into racial conflicts with anyone not like them. There are major Maori gangs that continue to use violence to separate them from everyone else.<sup>1</sup>

## 2. ECONOMY

New Zealand has the resources to grow into a strong culture, but their economy is heavily relying on international trade. The majority of their economy is also built on the service industry, making up 63% of it, because it has such a large tourist attraction.<sup>2</sup> Other industries are exporting dairy, meat, fish and fruit and recently processed foods.<sup>3</sup> New Zealand used to be one of the top economies when it came to providing sustainability for its people, but has recently seen a disparity gap among their classes. Many regions in New Zealand have become lopsided with their share of the country's GDP. In the North Island you can see Auckland is on top with 35.3% of the national GDP where as places like Gisborne and Hawke's Bay barely make up for over 3% of the GDP.

1 Every Culture, New Zealand

2 "New Zealand in Profile 2014: Economy"

3 Every Culture, New Zealand

New Zealand has one of the lowest unemployment rates of out all the developed countries, yet much of the population is living in poverty making it the 23<sup>rd</sup> poorest countries of the major 26.<sup>4,5</sup>

Region (position on map) ⇄	GDP (2013, NZ\$ million) ⇄	Share of national GDP ⇄	GDP per capita (NZ\$, 2013) <sup>[1]</sup> ⇄
Northland (1)	5,562	2.6%	35,068
Auckland (2)	74,746	35.3%	49,217
Waikato (3)	17,935	8.5%	42,868
Bay of Plenty (4)	11,174	5.3%	40,236
Gisborne (5)	1,613	0.8%	34,472
Hawke's Bay (6)	6,050	2.9%	39,035
Taranaki (7)	8,200	3.9%	74,341
Manawatu-Wanganui (8)	8,534	4.0%	36,688
Wellington (9)	28,472	13.5%	57,941
<b>North Island</b>	<b>162,286</b>	<b>76.7%</b>	<b>47,612</b>
Tasman / Nelson (10 / 11) <sup>[2]</sup>	3,795	1.8%	39,863
Marlborough (12)	2,032	1.0%	44,357
West Coast (13)	1,535	0.7%	46,793
Canterbury (14) <sup>[3]</sup>	27,843	13.2%	49,447
Otago (15)	9,147	4.3%	43,086
Southland (16)	5,001	2.4%	52,701
<b>South Island</b>	<b>49,353</b>	<b>23.3%</b>	<b>47,269</b>
<b>New Zealand</b>	<b>211,639</b>	<b>100%</b>	<b>47,532</b>

### 3. GLOBAL IMPACT VISA

This is a scary scenario for a country like New Zealand, they once were known for being the most accommodating countries for their people, but now they are facing huge wage gaps and known for their corruption. They need a major change in their economy to help turn things around for them. Being a country that heavily relies on their service industries to build their GDP is partly causing this wage gap. Having most of your employment opportunities be working in the service industry does not provide the ability to financially grow. It doesn't help either that New Zealand is one of the most expensive places to live. The Government needs to make a change amongst themselves but also with in the diversity of employment options. Michael Woodhouse announced the Global Impact Visa (GIV) that is suppose to bring migrant entrepreneurs into the region. "I meet many overseas business people who, whilst they may not qualify for immigration under the existing criteria for immigration, could well have the potential to bring exciting business ideas for development if given the opportunity". "Over the years I have led business delegations to China and have also hosted many business people not only from China but also from many other countries such as USA, Europe and other Asian countries. One common theme I've noticed is that many of what I would call potential 'up and comers' are younger business people who don't quite meet current criteria but who have the drive, initiatives and innovative ideas for exciting businesses that could have a significant impact on the regional business infrastructure if given the opportunity". People who are accepted by the GIV will be given a three year visa and then will be given residence if they have shown an impact in the region with their innovation.<sup>6</sup>

### 4. A NEED FOR SOCIAL ENTERPRISE

As I stated before, New Zealand is in a tough place right now with a corrupt government and a large disparity gap. Many of their children are living in poverty as well as being subjected to gangs and violence. The people need to work among themselves to make things right for them. Mary Jo Kaplan writes about how the whole aspect of business and government run to be efficient and cost-effective, but it can sometimes forget about the needs of the people. "Social enterprise, a hybrid structure and emerging fourth sector, is accelerating in response to market turbulence. It is propelled by reduced government spending, pressure for interventions that demonstrate results, growing social consciousness by financial investors and a new generation of talented social entrepreneurs." Young people particularly turn to this, constantly looking to make social change. With the amount of kids who are facing such a tough upbringing in a struggling economy will turn to social enterprise in hopes of fixing what they had to experience in their life. The core values of social enterprise are<sup>7</sup>

4 "NZ's child poverty rate one of highest".

5 "Regional Gross Domestic Product: Year ended March 2013"

6 Scoop Business, Bill Findlater

7 Mary Jo Kaplan's values of what social enterprise is.

1. Intent – the fundamental purpose is to address a social or environmental problem, often focusing on the root of a market or system failure rather than the symptom. This purpose is set out in governing documents.
2. Business model – employ business models, skills and tools to develop products and services traded in the marketplace.
3. Profits – reinvest profits to advance the social purpose, as distinguished from standard businesses that are structured to earn profits for owner or shareholder values.
4. Ownership and control – a controlling stake should be held in the interest of the social or environmental mission. This criterion is becoming increasingly complicated because of evolving models of investment based on equity and shareholding.
5. Accountability and transparency – legal forms and requirements vary. Transparent reporting for financial, social and environmental results is essential.
6. Scale – aim to scale what works through growth or replication.

In a country that is facing issues like New Zealand this could be a great opportunity for young individuals who want to see change as well as having the capacity to build their own business. The major idea of this is to face major international challenges like poverty, climate change and sustainable development as well as more nation and local challenges like unemployment and crime in communities.<sup>8</sup> We faced one of the worst economic downturns since the Great Depression, and countries like New Zealand struggle with sustainability and get hit especially hard when we are in a global recession. Developing their local economies are sure ways of fighting these challenges. Build a stronger economy will decrease the disparity gap and create opportunities for individuals so they do not have to resort to crime and bad business practices. There is a three phase process that will need to be followed that will take around three to four years; Scoping and relationship building, educating and enthusing and innovating and development.<sup>9</sup>

## 5. WHAT IS ENTREPRENEURSHIP?

Entrepreneurship can be defined in many different ways, Schumpeter's considers it to be those who create new combinations, new markets, products, or distribution systems, while Kirzner says that entrepreneurs are those who are better able to utilize information in a way that allows them to discover opportunities that others may not. For men and women to be able to make a change they need to have a community that helps back them up and is able to give them the opportunity. New Zealand women entrepreneurs make up 30% of the work force, cultural bias can lower this number though.<sup>10</sup> Entrepreneurship isn't so much of a thing that people can just do now a day. We need to teach the people in the communities to give them a stronger understanding of what they need to understand when starting a business. Developing a community with the knowledge with create a high number of entrepreneurs they have ever growing their economy.

## 6. CONCLUSION

New Zealand needs to see some change to help the people of their community. They are a developed nation who has the potential to grow but they are help back by a corrupt government and increasing poverty. The people need to make this change themselves, they have a defining factor that can push them to make the changes themselves through making the community better on their own. Having more people start their own businesses with the want to help their community can give them the change they want to see. It will build their economy and help them be able to afford the expensive cost of living for New Zealand.

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8 SIERC, Pg. 350

9 SIERC, Pg. 335

10 ET&P, Pg. 585 - 586