



SUBMISSION TO MBIE 'LONG TERM INSIGHTS BRIEFING' CONSULTATION
The future of business for Aotearoa New Zealand
Opportunities and implications for productivity and wellbeing

August 2021

1. What could the 'future of business' look like? What opportunities or implications are there in these future states?

The Creative & Cultural sector could in many ways already be seen as signalling what a progressive, productive, inclusive, and sustainable 'future of business' might look like.

Aotearoa's Creative & Cultural businesses:

- **Produce wider outcomes than monetary returns** through helping to solve society's problems, with positive and proven impacts on health, social harmony, and the built and natural environment - and by representing our distinct and

inclusive national identity. Most creative businesses are started with a vision beyond profitability, and the values of many creative businesses can be closely aligned with the Māori values of kotahitanga, manaakitanga, and kaitiakitanga.

- **Enrich the lives of all New Zealanders** through knowledge-based creative and cultural products and services, expressing our diverse stories of people and place. The competitive advantage of creative businesses is in their originality, and ability to connect emotionally with an audience. In disruptive times, people turn to creativity and culture to express themselves, to connect with others, and to improve their mental health and wellbeing.

Mātauranga Māori is our difference in the world, and creativity is inherent in the daily lives and industry of tangata whenua and tangata moana.

- **Are early adopters of new technologies and rapid adaptors to change.** Many creative businesses are 'born digital' and are leading the development of emerging technologies such as Artificial Intelligence (AI), Augmented and Virtual Reality (AR/VR), computer simulations, and blockchain to identify and deliver solutions across business and society.

Creative technology businesses have largely thrived during the COVID-19 pandemic, and are transforming many other sectors such as education and healthcare.

- **Generate high value jobs and outputs** – not only in the creative industries, but in every sector. The average annual earnings per employee in the New Zealand games industry in 2020 was \$433,000.¹
- **Foster the skills and talent we will need** to confidently face the Future of Work – creative roles are predicted to be less susceptible than many others to being automated out of existence.² Creatives often don't see the boundaries between tech, creativity, and finding solutions to social, environmental and economic issues.
- **Have the potential to rapidly grow scale and productivity** without requiring a concomitant increase in inputs.
- **Attract international investment to Aotearoa.** International investors in digital startups and – especially - media companies are increasingly operating globally and investing in countries with a reputation for creativity like New Zealand. Our film sector attracts over \$1 billion in foreign spending annually and our video games industry has attracted over half a billion in foreign investment in the last three years.
- **Generally have a low environmental impact.** Many creative products are produced, marketed and distributed digitally. Achieving carbon zero will only be possible with the help of creative innovation.
- **Export weightlessly and with few barriers to global markets.** Creative IP-based digital products and services overcome distance, withstand international

disruptions, and are not affected by most other traditional trade barriers to access a global market.

- **Many creative businesses and workers are not constrained by location** and can operate remotely – supporting regional economic development, and supplying global customers and audiences.

Around the world, advanced economies are looking to their Creative & Cultural sectors, and particularly their Creative Technology businesses, as leading drivers of the future wellbeing of business and society.

In the UK where the Creative & Cultural Sector has been prioritised for growth since 2014 via an industry-government partnership:

- The sector contributed £115.9bn per year (2019) and was growing at more than five times the rate of the overall economy. 3.5 million jobs were dependent on the sector.³
- It is predicted that the sector will generate 300,000 more jobs and an additional £28bn in GVA by 2025.⁴
- Nearly one billion pounds of venture capital (VC) investment was raised by UK Creative Tech companies last year, representing around 9% of total VC funding into tech in the country, and doubling over the last four years.⁵

Finland, with a population similar to New Zealand, has an interactive games sector worth \$3.8 billion annually – 25 times the size of ours. Finland led the world in government support for its interactive media industry with the Finnish Funding Agency for Innovation and Technology (TEKES) directly investing €75 million between 1995 and 2017. Its industry now accounts for six percent of worldwide mobile game revenues and employment grew from 1,800 in 2012 to 3,200 people in 2018.

In 2020 European Union President Ursula von der Leyen commissioned the New European Bauhaus Initiative to reimagine sustainable and higher quality of living via building a bridge between science and technology and the Creative & Cultural sector.

The best way to create value in the 21st century is to connect creativity with technology – Steve Jobs, Apple.

Creativity will increasingly be the defining human talent...it's the one thing machines won't be able to do – Tom Hulme, Google Ventures.

In 2016 NZIER valued the New Zealand Creative & Cultural sector at **\$17.5bn**, **employing 131,000 New Zealanders**, one third of whom worked in creative roles outside the sector. However, occupation codes have not for many years kept pace with the new roles the sector generates, and this is further complicated by the high incidence of self-employment and portfolio careers in the sector.

According to the University of Toronto's Martin Prosperity Institute, in 2015 New Zealand was the third most creative country in the world.

Since the 2001 Knowledge Wave conference and subsequent 2019 NZ government report *From the Knowledge Wave to the Digital Age*, the Creative & Cultural sector has been identified as having the core competencies needed to drive success across the New Zealand economy.

The Productivity Commission's 2021 report on *Frontier Firms* highlights the need for New Zealand to diversify its economy, noting:

*Focus areas should reflect existing and emerging strengths and capabilities. They may not align with standard industry classifications; but instead span a range of industries (eg. **creative**), include upstream and downstream industries (eg. biotechnologies that depend on a supply of primary products) or cover technologies that are used across different parts of the economy (eg. **digital technologies**). In New Zealand's case, primary industries and **weightless industries** are logical places to look.*

The potential of the Creative & Cultural sector is however yet to be addressed in a concerted, coordinated and inclusive industry-government strategy that encompasses the entire Creative & Cultural ecosystem and harnesses its multiple benefits for wellbeing. The planned Creative Industry Transformation Plan was indefinitely delayed in 2020.

There is an un-tapped opportunity for the Creative & Cultural sector to make a greater contribution to future business and social problem-solving for Aotearoa. Leveraging the sector's beneficial characteristics as a driver of all facets of wellbeing, and its inherent ingenuity and adaptability, will be achieved by government extending greater understanding, recognition and support in a partnership with industry. Realising this opportunity will require fit-for-purpose strategy and policy backed with reliable evidence and insights.

2. What changes and trends are likely to be important for shaping 'the future of business'?

Rapid change will mean that the strategies and skills employed by all businesses will need to be more flexible and agile than ever before. In 2016 Forbes predicted that the top three skills required to thrive in the Fourth Industrial Revolution were Complex Problem Solving, Critical Thinking and Creativity – all of which are inherent in successful creative businesses.

In his 2020 book 'The New New Zealand' Distinguished Professor Paul Spoonley says: *In 2030 there may be six million of us. One and a half million of us will live overseas. We will be clustered in Auckland, dependent on migration and worried about a shortage of workers.*

Businesses and people in the Cultural & Creative sector have the potential to provide positive solutions to the following changes and trends:

Demographic shifts locally & globally

According to Professor Spoonley, in Aotearoa (and many other parts of the world), we will be older – populations with more time on their hands who can be expected to increase demand for a wide variety of content and experiences.

Despite many high income countries including Aotearoa experiencing an end to natural population growth (due to declining fertility and ageing), our population will grow and be even more diverse as New Zealand's demand for skills and talent rises, and New Zealand becomes an increasingly attractive place to live in the global context. These 'new' New Zealanders will seek creative products, information and entertainment reflecting a range of cultures and lifestyles.

Unless we can rapidly develop our knowledge economy, and businesses that are able to work remotely in our regions, our non-urban populations will shrink. This will result in further growth in Auckland – and a demand for the city to provide a higher quality of life, including in the built environment and the experiences it can offer.

Climate Change

For Aotearoa to transition to a zero carbon economy it will need to diversify its economic output – especially what and how we trade with the rest of the world. We are already seeing consumer trends towards buying local and a slowing consumption of many consumer goods, but an increasing consumption of digital content and experiences.

New Zealand has never fully addressed the opportunity to build its low-carbon Creative & Cultural economy, as a driver of economic diversification.

Honouring Te Tiriti o Waitangi

As Aotearoa seeks to honour its obligations under Te Tiriti, and businesses look to find greater balance between social and economic objectives, there is a need to enable Māori to retain sovereignty of their unique IP, and to support Māori to develop their cultural expressions into businesses.

New gatekeepers of trade

Increasingly digital trade is not controlled by nations but by major global technological platforms – representing both opportunities and threats to our Creative & Cultural exports.

The opportunity is in the rising international demand for original creative content and experiences to meet the needs of both mass and niche global markets. The threats are that the platforms largely operate beyond the jurisdiction of New Zealand legislation, in the lack of transparency in their business models, and in their increasingly exclusive control of personal data derived from their users and audiences.

Design-led Innovation and R&D

Current Government R&D funding and tax incentives focus on scientific uncertainty and technological stretch. However, these are only one form of value creation and innovation and do not support creative IP R&D. They are also not well-aligned with digital and software product invention.

Redefinition of work

Automation, globalisation and the impacts of climate change will redefine how people work. We will see more portfolio careers, the monetisation of 'side hustles', and the skills needed over a working life will change.

Our education and training system will need to place less emphasis on the traditional 'employer/employee' relationship, and on 'career outcomes' primarily related to earnings and job tenure.

Education will need to encompass individual learning needs, and allow for the greater development of creative and cultural competencies to meet demand for skills and talent.

For many years government investment in the New Zealand education system has been weighted towards STEM subjects. This is at odds with a growing international recognition and move to a STEAM approach (adding the Arts to STEM) that delivers better outcomes for student learning and for their futures. A 2020 Forbes article⁶ summarises why STEAM is essential for our future:

"Since we don't yet know what jobs will look like as we progress further into the 21st century, it makes sense to educate our children with the skills and capacity to think outside the box with creative solutions. This is something a STEAM education can effectively prepare them to do."

The relationship of arts to innovation has a long history, with obvious examples such as Leonardo Da Vinci, whose many scientific discoveries benefited greatly from his artistic interests, and vice versa. Research by NESTA⁷ – the National Endowment for Science, Technology and the Arts – in the UK has found that companies that use arts and science skills are more likely to grow in the future, are 8% more productive and more likely to produce radical innovations. NESTA compared the employment and sales growth of firms that employed only arts skills, only STEM skills, and arts & STEM skills combined. The combination of arts and STEM skills delivers the best company performance. These findings are reinforced by a report released by the World Economic Forum⁸ on the 21st Century skills that employers are looking for in their workforce. One of the four core competencies needed is creativity and one of the required foundation literacies is cultural literacy.

A recent government initiative – Creatives in Schools – is beginning to produce evidence for the Ministry of Education and Manatū Taonga of the outcomes that could be achieved for all students and our future workforce if our education system had the arts and creativity embedded within it.

Consumer trends

Creative & Cultural businesses are ahead of the curve in responding to trends in consumer demand which are likely to increasingly impact other sectors:

- Interactivity and immersion
- Subscription models
- Microtransactions and freemium models
- Bespoke, limited-edition and one-off products including digital products, such as NFTs⁹ (and customisation of physical goods will increase with the greater uptake of 3D printing), and services
- Local craft/artisan-produced

Increased leisure time

In 'developed' economies there will be a greater number of non-working people and a shift in 'work time' will result in an increase in leisure time, driving greater demand for creative content and experiences. Urban growth will also increase pressure for more 'liveable' cities – well-designed environments offering a wide variety of cultural offerings.

The role of government

We are aware that Minister Robertson has recognised that the structure of government must be modernised to meet the complex multi-generational challenges Aotearoa is facing, and that he is planning the trial of a 'clusters' approach from 2022 with the Justice and Natural Resources sectors. Government capability and capacity is a critical component of the country's success. As we have seen with the COVID response, the work effort of multiple agencies is needed to deliver the outcomes we need.

WeCreate's experience tells us that the role of government as an enabler of industry should start with a mandate for agencies to collaborate and work together and with business, as Minister Robertson has proposed. Currently, agencies are mostly siloed into their respective areas of work (and funded by Treasury to operate this way) and seem to only connect through the vision of a few individuals.

More productive and useful government engagement and partnering with industry needs to be underpinned by the use of technology in all government agencies. One example of this is that there is no CRM or cross-government mapping tool for policy work. We have experienced situations where an agency engaging with WeCreate has only found out about another agency's work programme through their involvement with our organisation. This has a direct impact on business, as well as government's productivity and ability to work and respond in a fast-moving world in an agile way.

On regulation, it is critical that government systems and processes keep up with a rapidly developing world. Changes in digital technologies and our use of them will move much faster than the regulation needed to ensure protection for New Zealanders and New Zealand businesses.

3. Are you aware of New Zealand businesses rethinking their role and purpose, or developing new business models? Please provide these examples with any insights on the opportunities and implications that arise.

Most creative and cultural businesses already have a role and purpose beyond monetary return (although this should not be perceived as lessening their need and right to earn from their work as other businesses do). Creatives are often the first to offer innovative solutions and provide comfort in a crisis, as we have seen during COVID-19, and at other times of national and international adversity. There are multiple businesses across the sector that can be looked to for role models and case studies. Just a few examples are:

[GRINDING GEAR GAMES](#) – give away their PC video game 'Path of Exile' for free, so far to over 50 million players worldwide. They operate an innovative freemium business model where the free content grows a large audience, which is then

monetised by selling optional microtransactions that customise and personalise the game experience. The game earns over \$100m annually and over 150 people are currently working on a sequel.

KIWA DIGITAL – Kiwa brands itself ‘the world’s best cultural creative agency’. Among its offerings are the digitisation of content for indigenous communities, and cultural competency toolkits for businesses and governments.

SUNSHINE BOOKS - has the mission of ‘Teaching the World to Read’, and has sold millions of print and digital books around the globe over three generations, including providing unique digital literacy solutions to developing countries and teacher training.

METIA – this Māori-led studio produces interactive games which teach Te Reo and highlight Mātauranga Māori, alongside creating other award-winning IP such as a self-help e-therapy tool for young people.

GREENSTONE TV APPRENTICESHIPS VEGAS – in a 2020 partnership with the Ministry of Social Development and Te Ara Mahi, this Rotorua-based action thriller provided twenty previously out-of-work rangatahi with training and apprenticeships through a custom-made programme.

Business models in the sector are often Business to Consumer, increasingly distributed via a digital platform. As outlined in ‘Consumer Trends’ above, many of the models employed by Creative & Cultural businesses are now being adopted by other sectors.

WeCreate would be happy to produce more detailed case studies and facilitate introductions to leading Creative & Cultural businesses to help inform this Briefing.

4. Which of the case study themes do you think the Briefing should consider?

As described in ‘The Role of Government’ above, COVID-19 has proven that a more horizontal and connected approach is required of government to face the issues challenging Aotearoa and the globe. In our view the proposed themes cannot be considered in isolation from one another, but rather they should form part of a holistic ‘vision’ of what Aotearoa would like its Future of Business to look like.

Stakeholder capitalism
Māori business
Pacific business
Social/purpose-driven enterprises
Circular business
Advanced digital business

Other themes that should be considered:

We strongly recommend that case studies be produced of Intellectual Property-based businesses in the Creative & Cultural sector - for the reasons outlined in our response to Question 1.

5. How far into the future should the Briefing consider? (Min 10 years)

We can be certain that the rate of change in the world will continue to be exponentially faster, and it will not wait for people and governments, therefore reviewing and refreshing this Briefing should be undertaken on a continuous basis. Systems need to be developed for government to work in partnership with stakeholders to ensure that policy and legislation respond to the future outcomes New Zealanders and their businesses want to achieve.

The Future of Business Briefing should form part of a suite of a 'living' Briefings to inform government policy and legislation.

FURTHER INFORMATION:

There are multiple reports available locally and internationally which provide evidence and insights on the power of the Creative & Cultural sector to shape inclusive economic growth and social wellbeing – a selection of links are provided below, and we would be happy to assist with providing further information:

[WeCreate Action Plan 2019](#)

[NZ Screen Sector Strategy 2030](#)

[Interactive Aotearoa 2019](#)

[The Value of Design to New Zealand 2017](#)

[Creative UK 2021](#)

[The World Bank and UNESCO - Cities Culture Creativity 2020](#)

IN CONCLUSION

One of WeCreate's core roles is to facilitate dialogue between the sector and government.

We would welcome the opportunity to arrange for the MBIE Long Term Insights Briefing Team to meet with future-focussed leaders from Creative & Cultural businesses

'We know [the arts and creativity] make an economic contribution and we know it's essential to our wellbeing and our lives. Now we, as a government, can play a role in that. We can play a role in it by creating the ecosystem in which the creative sector can thrive.'

Rt Hon Jacinda Ardern, Te Auaha, Wellington, February 2018.

WeCreate - BACKGROUND

WeCreate is the alliance comprising forty of Aotearoa's major creative industry associations and organisations (representing 30,000+ Kiwi creators, support people, and creative businesses), which was founded in 2014 to propel growth in the sector and increase its contribution to New Zealand's economic wellbeing.

In 2016 WeCreate commissioned NZIER to produce a valuation of the creative sector which estimated its contribution to GDP at \$17.5bn and employment at 131,000 people – one third of whom work outside the creative industries.

Between 2017 and 2019 WeCreate undertook extensive consultation across the sector, via hui and specific working groups (some of which are ongoing), resulting in a primary objective of partnering with government in a pan-Ministerial approach to an Action Plan to boost economic development and growth in the sector. A draft Action Plan was delivered to government in March 2019, and the sector was delighted to learn that it would be included in MBIE's Industry Transformation Plan programme from 2020.

A strategic partnership between the UK creative sector and government saw their creative industries grow five times faster than the average rate of the UK economy (pre-COVID) and increase their contribution to GVA by 60.5% in eight years.

The development of the WeCreate Action Plan included officials from MBIE, MCH, MFAT, NZTE, MoE, Stats NZ, and Callaghan Innovation. Regular hui were held to connect these Ministries and agencies with industry, and with each other, in a more 'joined-up' approach to the sector.

Alongside the sector-level Action Plan, WeCreate has been closely connected to the development of the Interactive Aotearoa report, the Screen Sector Strategy, and a variety of regional creative industries and arts strategies – all of which share strong similarities of intent and make recommendations to maximise opportunities and solve issues, which could be most effectively addressed in a pan-sector approach.

With the advent of COVID-19, WeCreate consulted its Members & Friends on the impacts of the pandemic on their industries, and adapted the Action Plan to a Recovery and Renewal Plan, to address the immediate needs of the sector and lay the foundations for the ITP. The Recovery & Renewal Plan was delivered to Ministers in early April 2020.

In late July 2020, WeCreate was informed by MBIE and MCH that the Industry Transformation Plan for the creative sector would not be progressing for the foreseeable future, in light of the significant Budget 2020 investment made by government to support the Arts, Culture and Heritage Sector through its recovery from COVID-19.

WeCreate's current work-streams on behalf of the sector include:

- On-going liaison with government departments relevant to the economic development of the sector – including MBIE, MCH, MoE, MFAT, NZTE, NZ Story, MSD, Stats NZ, Callaghan Innovation.
- Working closely with NZ Tech/MBIE on the creative tech aspects of the Digital Industry Transformation Plan, and the NZ Tech & Innovation Story.
- Advising MCH on the development of a new measurement model for the sector.
- Participating in the Review of the Copyright Act from a sector-level perspective.

- Participating in the Reference Group for the design of the Workforce Development Councils in the Reform of Vocational Education, liaising between industry and the Toi Mai WDC, and liaising with central and local government on several other projects related to skills, capability and business development.
- Providing industry advice and connections to MFAT (including APEC/ABAC) regarding current and forthcoming trade negotiations and development of policy on digital trade.
- Providing industry advice and connections to the Productivity Commission in respect of its 'Frontier Firms' enquiry.
- On-going liaison with other strategic work in, or relevant to, the sector including the Screen Sector Strategy, Interactive Aotearoa, Te Taumata Toi a Iwi, Create Auckland 2030 and other regional arts/creative strategies – all of which have many commonalities with WeCreate's Action Plan.
- On-going liaison with CreaTer – the alliance of creative tertiary educators.

WeCreate's Members and Friends are:

Advertising & Illustrative Photographers Assn	APRA AMCOS NZ
Auckland Unlimited (formerly ATEED/RFA)	Australia & NZ Screen Association
Christian Copyright Licensing International	Commercial Communications Council
Copyright Licensing NZ	Creative NZ
Design Assembly	Designco
Directors & Editors Guild NZ	Equity NZ
Home Entertainment Association NZ	Independent Music NZ
Interactive Games & Entertainment Assn	Mindful Fashion NZ
Motion Picture Distributors Association	Music Managers Forum NZ
NZ Comedy Trust	NZ Film Commission
NZ Game Developers Association	NZ Institute of Architects
NZ Institute of Professional Photography	NZ Music Commission
NZ On Air	NZ Society of Authors
NZ Writers Guild	Playmarket
Print Media Copyright Agency	Publishers Association of NZ
Recorded Music NZ	SAE Institute
Screen Industry Guild Aotearoa NZ	Script to Screen
Screenrights	Sky Network Television

Screen Production and Development Association

The Creative Thinking Project

TVNZ

Weta Group

¹ NZ Games Developers survey 2020.

² NESTA/The Creative Industries Federation UK, 2018.

³ UK Department for Digital, Culture, Media & Sport, 2019.

⁴ Oxford Economics for the Creative UK Group, 2021.

⁵ The CreaTech Report, 2021.

⁶ [We Need STEAM, Not STEM Education, To Prepare Our Kids For The 4th Industrial Revolution \(forbes.com\)](https://www.forbes.com)

⁷ [Businesses boasting art and science skills grow 8% faster | Nesta](https://www.nesta.org.uk)

⁸ [What Is An NFT? How Do NFTs Work? – Forbes Advisor](https://www.forbes.com)

⁹ There is no government agency for the creative sector. WeCreate's government engagement involves multiple parts of MBIE along with MFAT, NZTE, MCH, MoE, TEC, Callaghan, and StatsNZ.