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Do SMEs need foreign investment - the great debate

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The Great Debate



There was drama, there was laughter, there were hoots and catcalls.

There was even a hunting knife pulled out by Swazi owner Davey Hughes who cut through a slab of meat to demonstrate foreign investors wanting their pound of flesh as part of his spirited argument in Auckland last night against Kiwi companies needing foreign investment to grow offshore.

Hughes was part of a four-man team that included New Zealand First leader Winston Peters, former NZX boss Mark Weldon and Obo owner Simon Barnett taking part in the Great Debate (a Fairfax event sponsored by Grant Thornton, ANZ and Hesketh Henry) aimed at publicly debating issues affecting Kiwi small-to-medium enterprises.

Despite the theatrics it was the opposition team - small business champion Tenby Powell, Icehouse CEO Andy Hamilton, Rex Bionics CEO Helen Robinson and Massey University's professor of international business Usha Haley - who won the moot.

The winners were decided by crowd reaction, though adjudicator Rod Oram had to make the final call as it was a fairly even response - reflecting the wider polarising of public opinion around foreign direct investment.

Hughes is an international hunter and conservationist who is a strong advocate of New Zealand-made and runs his apparel company out of Levin. He argued New Zealand companies needed to control their own destiny rather than letting themselves be plundered by foreign investors.

"They come like wolves in the night but like Shylock, they have their price. They want their pound of flesh," he said holding aloft the beef roast he'd cut through with his big hunting knife (we presume it was Kiwi made).

He argued Kiwi companies need low interest tax rates for exporting and government procurement from New Zealand providers and a more commercially-focused KiwiBank rather than foreign investment.

Barnett, whose hockey goal-keeping equipment was used by 70 per cent of the goalkeepers at the recent London Olympics, said the better option to raise capital for company growth was for that company to make money through a sound business model and reinvest the profits.

It was about providing quality products so you could dominate a global niche and make good margins that enabled

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you to make money, Barnett said.

"When you have committed people the profit arrives, the money arrives, somehow. Commitment is linked to ownership and owning our own destiny does matter."

On the team arguing for the benefits of foreign investment, Helen Robinson, who runs Rex Bionics, said there were three points in favour of bringing in outside investors - market access, knowledge transfer and the size of the pie.

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The right foreign investors could bring access to bigger markets and networks offshore than Kiwi companies can manage on their own, they transfer their experience and knowledge of those markets, and they can provide the funding that helps a company grow much larger than it can through what it can earn in a small domestic economy, she said.

"FDI provides Kiwi companies the capital and knowhow to export successfully and maximise their potential offshore," she argued.

Andy Hamilton, CEO of incubator the Icehouse, cited a couple of examples of successful FDI - biotech darling Lanzatech and accounting software company Xero.

In the case of Lanzatech, American clean tech investor Vinod Khosla had helped transform the management team and grown the company faster than it would have without that investment, Hamilton said.

He claimed that as a result Lanzatech would eventually become to New Zealand, what Nokia was to Finland.

In another example, he said Xero's Rod Drury had told him of spending just half a day with US investor Peter Thiel whose insight and valuable advice had, he estimated, advanced the company's US entry by five years.

Hamilton said New Zealand needed to 3,000 internationally capable and successful organisations in order to get back into the top half of the OECD.

"We need to be smart and use our heads when taking that investment and what terms we take it on. We have to be confident about our place in the world."

What both teams did agree on was that there was both good and bad foreign direct investment.

Powell said there was a need to have a better defined strategy around FDI but it had more positives than negatives. He said the country had been polarised around the sale of farmland but acquisition of land by offshore investors accounted for just 1 per cent of FDI.

"We have to define what that regime for New Zealand companies should be but if we continue on this path, past experience has shown that New Zealand will continue to lag behind".

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MrBean #1 02:43 pm Aug 29 2012

Very good debate, the best I have attended so far organized by you. I thought Professor Haley was the best of the lot--she was the only one with any substance. The rest was just theater and irrelevance.

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