

# Origins and opportunity: 150 years of New Zealand entrepreneurship

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## ABSTRACT

*In this examination of New Zealand entrepreneurship in the period 1840 to 1990, we document the origins of New Zealand entrepreneurs, and explore the differences between New Zealand, UK, and United States entrepreneurial history. Historical data is further analysed to depict the rise of alternative entrepreneurial growth strategies and the evolution of industry and financing structures, unique to the New Zealand business environment.*

**Keywords:** entrepreneurship; New Zealand; business history; origins

François Crouzet's (1982) book, *The First Industrialists: The Problem of Origins*, was an important addition to a debate that has continued in economic history for many years: Who are the enterprising class? What are their origins? Using systematic analysis of 226 founders of large industrial firms in Britain between 1750 and 1850, Crouzet dissected the 'rags-to-riches' myth of the self-made man where one rises from abject poverty to a lofty position of wealth, popularized through works such as *Self-Help* by Samuel Smiles (1859). Through examining the social and occupational origins of pioneers on a more systematic basis, Crouzet demonstrates that very few industrial founders were from the lowest orders of society. Instead, the origins of most were firmly in the middle classes, where the acceleration of industrial and economic growth produced by the Industrial Revolution, permitted them the opportunity to

pursue greater levels of upward mobility. Crouzet's work brought a new level of precision to previous accounts of entrepreneurship in Britain, aiding our understanding of the entrepreneurial class. However, what of other countries and territories? What can origins-type research tell us about the pattern of entrepreneurship in these places?

In this paper, we make a contribution to this international research stream from a New Zealand perspective, using a case analysis of 178 entrepreneurs. Collectively, the business careers of these entrepreneurs span approximately 150 years of New Zealand history, from annexation as a British Colony in 1840 until the 1990s. Because of this, the article also addresses an obvious gap in existing New Zealand historical research as concerns the entrepreneur.

While contemporary interest in the New Zealand entrepreneur is well-documented from

obstacles to internationalization (Chetty 2003), and financial and regulatory requirements (McMillan 2004; Frederick 2004) to issues of industry (Spiller & Erakovic 2004; de Bruin 2005) and ethnicity (Zhu, Frederick & Walker 2004), little research has been undertaken on the historical profile and economic behaviour of the New Zealand entrepreneur in the 19<sup>th</sup> and early 20<sup>th</sup> centuries (Ville 2000; Hunter & Morrow 2006). Was the background of the New Zealand entrepreneur different from that identified by Crouzet and others? Are their patterns of enterprise unique?

This article is structured in three parts. Part 1 offers a brief literature review of origins research considering both UK and United States research on the origins of the entrepreneurial class as well as research done on the nature of New Zealand entrepreneurship. In Part 2 we examine the methodology adopted for the study, considering some of the particular problems inherent in undertaking historical research on entrepreneurship, particularly within the New Zealand context. Part 3 presents the findings of an analysis of 178 New Zealand entrepreneurs in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. We consider these as two cohorts. Splitting the sample by century provides opportunity to make comparisons between the nature of 19<sup>th</sup> century and early 20<sup>th</sup> century New Zealand entrepreneurship, and extend existing research (Hunter 2005). We suggest that while there are some clear similarities across both centuries as regards New Zealand entrepreneurship—such as use of personal capital, use of networks, and the proliferation of family businesses—there are also differences concerning the outward orientation of entrepreneurs, the influence of foreign-born entrepreneurs, strategy, and firm structure. Overall, we suggest that while New Zealand firm structure and entrepreneurship more closely resembles the British model of personal and family capitalism (Rose 1993), some characteristics of New Zealand entrepreneurship appear unique to the New Zealand economic and social context.

## REVIEW OF ORIGINS RESEARCH

### Early UK and US Research

Early research on the origins of the entrepreneurial class examined the family and educational background of the business elite in the United States (Mills 1945; Miller 1949). Miller (1949) for example, examined the biographical accounts of 190 American business leaders from the first decade of the twentieth century sourced from records such as the *Dictionary of American Biography* and the *National Cyclopaedia of American Biography*. Examining migrant status, birthplace, religious background, family occupation, education, and the age at which they commenced skilled work, Miller found that most among the business elite were American-born; 80 per cent had either fathers in business or professional fathers; 95 per cent were from upper/middle class families. Successful businessmen, it seemed, were from the upper-echelons of society. However, what should be noted is that neither Mills nor Miller examined entrepreneurs in a Schumpeterian (1947) sense. The business elite, for the purposes of their research, was company presidents and board chairmen. In Miller's study, for example, 174 men held approximately 2720 business directorships. Similar results emerged from Berghoff and Möller's (1994) study of 1328 English and 1324 German business entrepreneurs and business elite between 1870 and 1914. This, too, included professional company managers in the sample. Like Mills and Miller, Berghoff and Möller (1994) found that the business elite were consistently from upper middle class origins, well educated, and active in political life.

Important differences emerge, however, when researchers concentrate on the entrepreneurial class comprising owner-managers, founder-entrepreneurs, and those transforming an existing enterprise beyond its original confines. In the United States, for example, Sarachek (1978; 1980), examining the biographical records of 187 American and 139 Jewish-American nineteenth-century entrepreneurs found little evidence for a

Horatio Alger 'rags-to-riches' myth. Instead, entrepreneurs often had supportive fathers, and 38 per cent came from families where the father already owned a business. Entrepreneurs were typically not from professional families. They were frequently middle-order children, who commenced work early in life.

Honeyman's (1982) research found similar patterns in the UK context. Examining the origins of lead mining entrepreneurs, cotton spinners, and Nottingham lace manufacturers during the Industrial Revolution, Honeyman found that very few were from the lowest orders of society. Instead, recurring themes among self-made industrialists were modest origins, gradual upward mobility within a single industry, and the ability to capitalise on skills and learned abilities. Honeyman also found that partnerships were frequent, reinforcing Chapman's (1967) work on entrepreneurs in Midland cotton spinning firms during the industrial revolution.

The earlier work of economist Alfred Marshall (1910) emphasised the picture of middle-class origin. Marshall noted the recurring instance of the 'small-man' rising to start a firm. The roots of this, suggested Marshall, were in the industrial trades where the progression from worker to foreman, to self-employed owner manager, was evident. Erickson (1959) made a similar observation in her examination of steel and hosiery entrepreneurs of the British industrial revolution. Marshall observed that many of these early entrepreneurs were able to eventually challenge the market dominance of larger, more established enterprises, a process the economist, Joseph Schumpeter, would later describe as 'creative destruction' (Schumpeter 1947).

## NEW ZEALAND ORIGINS RESEARCH

'Origins' research, and more broadly, research on historical entrepreneurship in New Zealand is less well-developed than in the United States and United Kingdom. In New Zealand, historical research on the origins of the entrepreneurial class has not been the subject of any systematic analy-

sis, although it is implied or embedded in some business histories (Jones 1994; Gardner 1992). Stone's (1973) survey of Auckland business networks captures classic themes in entrepreneurship, including the important role of networks and association in venture activity (Casson 2003), and the risk-taking persona of the entrepreneur (noted as early as the 18<sup>th</sup> century; Cantillon, 1759). Stone's account suggests an aggressive, speculative, colonial appetite toward entrepreneurship, tempered by structural change in the colonial economy through the onset of the 1880s depression.

Though he does not deal explicitly with the question of origins, a dominant theme in the work of Ville (2000) has been the development of New Zealand and Australian entrepreneurship. His examination of the stock and station agent industry demonstrates the entrepreneurial function agents performed in the market as a source for finance, farm supplies, business advice, insurance, stock, auctioneering, land sales (Ville 2000). More recent work on corporate development has also emphasised the role of the entrepreneur in Australasian economic progress (Ville and Boyce 2002; Fleming, Merrett & Ville 2004).

For other scholars, the entrepreneur has emerged in alternative guises. Hamer, for example, discusses the role of the 'town booster' in the nineteenth-century town (Hamer 1979). Boosters—influential town patriarchs, usually with extensive business connections—were able to direct and influence the development of a town. Some might suggest, in the fragile framework of colonial life that the booster might determine whether or not the town succeeded at all. Such boosters, however, were not all New Zealand entrepreneurs in the classic sense of that term.

A more direct investigation of the origins of the New Zealand entrepreneurial class may be seen in the work of McAloon (2002). Studying the probate records of over 1000 Canterbury and Otago wealth-holders, McAloon found that, in stark contrast to Eldred-Grigg's (1980) assertions regarding Canterbury gentry, the concept of a

'gentrified' lifestyle was misleading. Instead, humbler origins and continued industry characterised the Otago and Canterbury rich. McAloon concluded that in Canterbury wealth generated from farming activities dominated; whereas in Otago, urban wealth predominated and more fortunes were made in trade and manufacturing rather than in farming. Like UK studies on entrepreneurship in the early industrial revolution, McAloon's work suggests an economy where a dynamic mix of opportunities were seized by people of lower-middle class origins who were able to extract a degree of economic power and social status they had not previously enjoyed. McAloon's study is limited to a regional elite rather New Zealand entrepreneurs, *per se*, leaving unanswered the questions that we began with: what are the origins of New Zealand entrepreneurship and is the New Zealand entrepreneurial history distinctive in its origins, strategies and requirements?

## THE STUDY

The study broadly considered New Zealand entrepreneurs who were active in commercial ventures at some point between 1840 and 1990. After collecting an initial sample of over 700 names following an exhaustive search of New Zealand biographical dictionaries, company histories, biographies, newspaper articles, and company archives, screening questions were applied to ensure that the study investigated entrepreneurs, and not 'business elite' or company managers. Using the definitions of Knight (1921) who stressed both proprietorship and responsibility for decision taking in his definition of entrepreneurship, and Schumpeter (1947), who stressed the innovative and generative aspects of the entrepreneurial function (creating a firm through innovation-led economic advance), the following were applied:

- 1) Did this person have an ownership stake in the firm they were involved in?
- 2) Did they have responsibility for making decisions regarding the firm's activities and direction?

- 3) Did they have to accept the financial consequences, good or bad, of those decisions?
- 4) Were they innovatively expanding the firm beyond its original confines?

This procedure led to a sample of 178 New Zealand entrepreneurs (170 men and 8 women), engaged in commercial activities in New Zealand during the period 1840 to 1990. The sample was non random. This was clearly a limitation; however, it is a dilemma that hampers all 'origins' researchers dealing with historical information. For any study to occur plausible candidates must first be identified, which can itself be a challenging task (Crouzet 1985). Once potential candidates for study are selected, sufficient data must exist on each person so as to enable meaningful research. Unfortunately, given the fragmentary nature of historical records, this is not always possible (Honeyman 1982). As a result, the historian's craft becomes one of dealing carefully and fully with what evidence is available to pursue a useful course of study.

Once assembled, the final sample of 178 entrepreneurs was then split into two groups (nineteenth century and twentieth century entrepreneurs), allowing us to isolate the interaction of historical developments and influences in these two centuries as well as entrepreneurial origins. This posed a further methodological challenge as not all entrepreneurs fell discretely into one century or the other. To overcome this problem we adopted Miller's (1949) approach, using the age of 35 to split the sample. As such, entrepreneurs over 35 in 1899 were put into the twentieth century sample and those under 35 were placed in the nineteenth century sample. The logic behind this approach is that entrepreneurs are grouped into appropriate historical periods based on their age of economic influence not just year of birth. This generated a group of 102 nineteenth-century entrepreneurs, and 76 twentieth-century entrepreneurs. Like Crouzet (1985), we analysed both samples using basic statistical methods.

In sum, this data set provides some initial

insights into the characteristics and behaviours of the historical New Zealand entrepreneur as a useful starting point for further research on the historical profile and characteristics on New Zealand entrepreneurship.

## ORIGINS OF NEW ZEALAND ENTREPRENEURS

### Family Background

From the analysis of the data in this study, it appeared that the New Zealand entrepreneur did not emerge from the working classes, or the labouring classes; neither from primarily the professional classes, or families where the father was an executive. Instead, almost half of the entrepreneurs come from the lower-middle-class and middle-class families of self-employed business owners, where the family environment is already characterised by enterprise, risk, self-employment, and a non-standard career path. As a result, from a young age these entrepreneurs have been socialised into the norms and patterns of commercial life (Cassis 2005). In addition to what capital advantages might be provided through access to existing family resources, the latent entrepreneur already has first-hand experience of judgement and decision-making processes through the commercial activities of their father-entrepreneur (Marshall 1910).

The lowest percentage of nineteenth-century and twentieth-century New Zealand entrepreneurs came from families where the father was either an executive (1 per cent nineteenth century; 1.3 per cent twentieth century) or a professional (nineteenth century, 2.9; twentieth century, 2.6). Excluding the other and unknown categories, this is in line with international studies, such as that of Sarachek (the results of which are shown in Table 1, Columns 5 and 6). Here, the lowest percentage of American non-Jewish nineteenth and twentieth century entrepreneurs also came from homes where the father was an executive (though the American sample showed a higher level of professionals (NZ study, 2.6 per cent; American, 12.2 per cent).

Farming fathers was the second largest percentage across both Sarachek's study (28.9 per cent) and in the New Zealand twentieth-century study (26.3 per cent). Interestingly, among the nineteenth-century New Zealand entrepreneurs, farming was a less-frequent background (14.7 per cent) for entrepreneurial activities, possibly due to the more visible rural/urban divide in this period and less-intensive pastoral activities in operation. Across all categories of New Zealand entrepreneurs, those whose father is himself an owner of a business, appears as the dominant family background of the entrepreneurial class (NZ nineteenth-century, 38.2

TABLE 1: OCCUPATION OF ENTREPRENEURS' FATHERS

Father's Occupations	NZ 19th-Century Entrepreneurs	As Percentage	NZ 20th-Century Entrepreneurs	As Percentage	Sarachek (Non-Jewish)	As Percentage
Workers	4	3.9	3	3.9	10	5.6
Skilled Workers	20	19.6	7	9.2	22	12.2
Farmers	15	14.7	20	26.3	52	28.9
Professionals	3	2.9	2	2.6	22	12.2
Owners of Businesses	39	38.2	36	47.4	68	37.8
Minor Executives	1	1.0	1	1.3	5	2.8
Major Executives	0	0.0	0	0.0	0	0
Other	8	7.8	1	1.3	1	0.6
Unknown	12	11.8	6	7.9	0	0
Total	102	100	76	100	180	100

per cent; NZ twentieth-century, 47.4; Sarachek, 37.8). The frequency with which this occurs among entrepreneurs is disproportionate to this occupation's showing in the broader population—possibly double the proportion of self-employed and small-business owners evident in New Zealand's occupational structure in the early part of the twentieth century as suggested by Olssen's examination of social structures in Caversham between 1880 and 1920 (Olssen 1995).

### Education

Is the entrepreneur well educated? Cassis (1997) in his examination of European business elite in the twentieth century has shown that among French, German, and British business elite, the French appear the most educated (88 per cent of French business leaders had university or higher education in the 1920s) followed by the German and then the British. Berghoff and Möller (1994) support this, arguing German entrepreneurs showed a greater degree of higher education than their British counterparts. What is evident from the New Zealand research is that though large numbers obtained a qualification, unlike the Europeans, this was typically not a university qualification. Of the nineteenth-century New Zealand entrepreneurs, 36 obtained a trade or university qualification as part of their social and educational background. Yet, of these only 1 was a degree qualification; 35 obtained a trade qualification in a particular industry—such as, drapery, engineering, construction, printing—which often contributed significant knowledge in the formation of their later enterprise. Equally, among twentieth-century New Zealand entrepreneurs, an even greater number (48.7 per cent) obtained a degree or trade qualification. Though the number was higher among this group for university degrees (8 entrepreneurs) the bulk (33 entrepreneurs) again had a trade background, supporting the strong skill base evident in other accounts of New Zealand society (Olssen 1995).

### Immigrants

Perhaps the most noticeable variation among the origins of nineteenth and twentieth century New Zealand entrepreneurs was the number of immigrants. Certainly, the end of the nineteenth century was characterised by significant migratory wave, largely from Europe to North America and British colonies (Hatton and Williamson 1998). New Zealand and Australia received sizeable numbers of migrants, with immigration the dominant source of population increase in New Zealand until 1878 (Borrie 1991). Because of the large number of migrants in the New Zealand population *a priori*, one would anticipate large numbers of immigrants among the entrepreneurial class in nineteenth-century New Zealand. Yet, in the sample collected, they accounted for 89.2 per cent of all entrepreneurs; far in excess of their representation in the New Zealand population, which was 54 per cent by 1881.

Similarly, though the numbers are smaller, immigrant entrepreneurs still account for a sizeable proportion of the twentieth-century sample of entrepreneurs. While 38.2 per cent of entrepreneurs in the sample were immigrants, this is still significantly more than their representation in the general population (24 per cent in 1926). Some, such as English-born Val Barfoot, founder of the real estate firm Barfoot and Thompson, immigrated to New Zealand in the migratory peak after the First World War. Similarly, the founder of United Empire Box Company, Sir James Doig, which at its height employed over 3000 people in 40 factories across Australia and New Zealand in the 1970s, immigrated to New Zealand in 1938, after a career in the merchant navy.

Across both nineteenth and twentieth century samples of entrepreneurs the largest group of immigrants came from UK consisting 52 per cent of the overall study (76 per cent of the total immigrants; 54 English, 28 Scottish, 11 Irish). Outside this dominant group a number of different ethnic groups were represented. Eight immigrant entrepreneurs originated from Australia; there were also seven Jewish entrepreneurs, four

Chinese, one Dutch, two Lebanese, two Danes and two Germans. The impact of non-UK immigrant entrepreneurs warrants further detailed research. Although UK migrants appear a distinctive force—and clearly large numbers entered entrepreneurial pursuits—other nationalities, though not represented in large number in the population, have proved pivotal to the successful establishment of whole industries, such as Dalmatian and Lebanese families in the New Zealand wine industry.

But why, in general, do immigrants appear in such large numbers among the entrepreneurial class, accounting for half the entrepreneurs in this study? A number of scholars offer suggestions as to why this might be the case. Godley and Casson (2005) for example, argue that migrants can be driven by a strong desire to restore family fortunes (if depleted in their home country), or perhaps turn to entrepreneurial activity in response to economic discrimination. Equally, the entrepreneurial migrant may feel less constrained by cultural norms in their adopted country and find they are able to make use of valuable social networks from their home country in the entrepreneurial process (Hunter & Wilson 2003). Clearly, too, some migrants have valuable clan connections overseas and entrepreneurial activity initially supports family business for further migrants from the respective clan and extended family networks. In short, immigrant New Zealand entrepreneurs, for a number of reasons have figured, and continue to figure, highly in the New Zealand story of entrepreneurship. Some, such as German-born retailer, Bendix Hallenstein; English-born publisher, Alfred Reed; Scottish-born automotive entrepreneur, Charles Todd; Chinese-born founder of the Foodtown supermarket chain, Tom Ah Chee; Australian-born retailer and founder of McKenzies department stores, John McKenzie, have demonstrated through their commercial success that immigrant status apparently holds little disadvantage (and may indeed be an advantage), in the entrepreneurial decision-making process.

## Experience

Further, though an early start to an entrepreneurial career is consistent with a mythical rags-to-riches approach, the average age at which New Zealand entrepreneurs across both centuries started their first venture was 27, indicating that, on average, these entrepreneurs had been in the workforce for 12 years prior to their first business venture. Cassis (1995) found similar in his analysis of European founder-entrepreneurs; 80 percent having commenced their first venture before the age of 30.

Given that Casson (2003) suggests entrepreneurs make judgements and decisions based on imperfect information, commencing a firm on the basis of 12 years experience and often-detailed industry knowledge gave New Zealand entrepreneurs a relative advantage. In short, risk was moderated somewhat by industry experience prior to new venture formation.

Overall, it appears that, like their overseas counterparts, New Zealand entrepreneurs typically did not come from wealthy families, or the working classes, but emerged from lower-middle class and middle-class backgrounds, often where the father is himself an entrepreneur. In addition, this research shows that New Zealand has a strong heritage of immigrant entrepreneurship. Furthermore, it is apparent that while New Zealand entrepreneurs make use of their trade skills and commercial experience, higher education, like their European counterparts, is not extensively represented.

However, research on the origins of the entrepreneurial class tells us little about the process of wealth creation that then followed. How did these entrepreneurs function in the economy? Where did they source their capital? What firm structures did they adopt? How did they exploit business opportunity? The previous international studies cited in this research, which have examined the origins of the entrepreneurial class, have not concerned themselves with these questions (Cassis 2005, is a limited exception). Yet, an extension of the methodology used can reveal these characteristics as well.

## OPPORTUNITY AND GROWTH

In addition to investigating the origins of the entrepreneurs, further data was gathered on their sources of capital, firm formation patterns, organisational structure, and business strategy. In particular, we investigated the firm growth and financing strategies in the emerging New Zealand economy, to extend the understanding of New Zealand's emergent structures for entrepreneurial development.

### Firm Formation Patterns

Among nineteenth-century entrepreneurs, the most frequent reason New Zealand entrepreneurs started their first venture was an opportunity to commence an enterprise with a partner in the same industry they were presently working in (25.5 per cent). A similar proportion (18.6 per

cent) commenced a new enterprise – without a partner – in their existing industry (Table 2).

Overall, 44.1 per cent of nineteenth-century New Zealand entrepreneurs saw an opportunity arising in the same industry they were working in that was presently under-exploited or un-exploited, and then, either by themselves, or with a group of people, created an enterprise to pursue this opportunity. This included such entrepreneurs as William Dawson commencing James Speight and Co. Dunedin brewery in 1878, with fellow brewers, James Speight and Charles Greenslade, or the Court brothers, who commenced their Auckland drapery business in 1889.

Industry experience of this sort assisted entrepreneurs in their decision making processes in three ways: firstly, because of their experience they might recognise potential opportunity where

**TABLE 2: INITIAL ENTREPRENEURIAL OPPORTUNITY**

Description	NZ 19th-Century entrepreneurs		NZ 20th-Century entrepreneurs		Combined	
	Number	Percentage	Number	Percentage	Number	Percentage
Complementary partners (working in same industry/ complementary skills)	26	25.5	13	17.1	39	21.9
Individualist - saw an opportunity in an industry already working in and pursued it alone	19	18.6	12	15.8	31	17.4
Determined self-employed (includes those who set up on own account, in a business outside present industry)	14	13.7	11	14.5	25	14.0
Opportunity in industry with established partner (someone with existing business/capital)	12	11.8	16	21.1	28	15.7
Natural extension of trade (move from apprentice to starting up own account)	11	10.8	5	6.6	16	9.0
Partners self-starting - all new to industry	8	7.8	11	14.5	19	10.7
Adverse circumstances - death of a spouse/illness/unemployment/clear dissatisfaction	8	7.8	3	3.9	11	6.2
Opportunity to buy firm working in	4	3.9	5	6.6	9	5.1
Total	102	100	76	100	178	100

others without such knowledge might overlook it; secondly, their industry experience helped them to estimate the potential value of an opportunity and whether it was likely worth pursuing or not. Finally, industry experience acted to mitigate risk. In many cases, entrepreneurs had more than a decade's experience in an industry for pursuing a new venture opportunity, meaning that they already had knowledge of industry structures, seasonal variations, products, competitors, suppliers, and commercial contracts. Someone acting without this knowledge, would either not spot the opportunity in the first instance, or approach the opportunity with a far higher level of risk because of their lack of insight.

In each century, individuals or partners working in the same industry who spotted an opportunity then pursued it, or equally, those joining an established partner then acting to transform their enterprise, counted as the top three reasons for commencing a venture (though the rank order alters). In each of these instances, risk appeared to reduce because of either accumulated human or social capital (accumulated industry knowledge and contacts) or through access to established financial and physical capital of a partner already in business (which is then subsequently transformed through the actions of the entrepreneur). The start of Foodtown supermarkets in New Zealand in 1958, illustrates this first point. Spurred on by Tom Ah Chee who perceived a international move to supermarket shopping in the United States, three fruiterers, Ah Chee, Norman Kent, and John Brown sold their Auckland fruit shops and pooled resources to commence New Zealand's first supermarket in Otahuhu. Though there was always incumbent risk, combined, the three had extensive industry knowledge with which they could judge the *a priori* value of the opportunity and mitigate risk. Further, their in-depth industry knowledge enabled them to successfully transplant an innovation from one market (North America) to another (New Zealand). Though small by contemporary standards, when it opened in 1958,

customer response was so overwhelming to the retail innovation, store doors had to be locked to control the flow of shoppers in and out of the supermarket.

### Sources of Capital

The capital that entrepreneurs use toward enterprise might be roughly categorised into start-up capital (funds used to commence a new venture) and growth capital (funds used to expand a venture once established). Within each category a number of different sources might conceivably be drawn upon for commercial enterprise, such as personal savings, family wealth, or borrowed funds from a lending institution. For the present study, we firstly isolated the particular type of capital each entrepreneur used to commence their first venture, then considered the type of capital used by the entrepreneur to expand their enterprise. The results of this analysis are shown in Table 3 which describes seven different types of start-up capital and six different types of growth capital along with the corresponding incidence of each type among nineteenth and twentieth century entrepreneurs. Some patterns are observable from the data.

As Table 3 highlights, throughout the nineteenth and twentieth centuries the savings of an entrepreneur was a dominant source of venture finance (nineteenth century, 42.2 per cent; twentieth century, 40.8 per cent). This emphasised both the small scale of many start-ups, and the use of capital-economising techniques by entrepreneurs to overcome financial barriers to entry. Techniques for minimising capital requirements included premises leased or rented rather than purchased, plant and equipment leased, premises shared with other producers, initial supplies taken on sale or return, goods taken on extended terms with the supplier, and so on. Throughout the period studied, entrepreneurs used creative means like this to overcome immediate shortages in start-up capital, suggesting that substantial capital was not a necessary precursor for the establishment of a firm.

**TABLE 3: SOURCES OF CAPITAL: START-UP AND GROWTH**

Source of Start-up Capital	NZ 19th-Century entrepreneurs		NZ 20th-Century entrepreneurs		Combined	
	Number	Percentage	Number	Percentage	Number	Percentage
Family-backed (inheritance, family wealth)	13	12.7	20	26.3	33	18.5
Savings of Entrepreneur	43	42.2	31	40.8	74	41.6
All partners contribute funds	35	34.3	15	19.7	50	28.1
Established partner's funds	9	8.8	6	7.9	15	8.4
Public Company Float	0	0.0	0	0.0	0	0.0
Private Company Float	0	0.0	1	1.3	1	0.6
Borrowed funds	2	2.0	3	3.9	5	2.8
<b>Total</b>	<b>102</b>	<b>100</b>	<b>76</b>	<b>100</b>	<b>178</b>	<b>100</b>
<b>Sources of Growth Capital</b>						
Reinvested profits - cashflow supports growth	60	58.8	36	47.4	96	53.9
Public Company Float	4	3.9	16	21.1	20	11.2
Sold significant ownership stake in business to grow	3	2.9	2	2.6	5	2.8
Developed and sold businesses	2	2.0	1	1.3	3	1.7
Took in additional partners with new capital (includes mergers)	31	30.4	17	22.4	48	27.0
Borrowed funds	2	2.0	4	5.3	6	3.4
<b>Total</b>	<b>102</b>	<b>100</b>	<b>76</b>	<b>100</b>	<b>178</b>	<b>100</b>

The founder of PDL, Sir Robertson Stewart, illustrates this point for the twentieth century. Having transformed the firm he had worked as an employee in over the past ten years, Stewart was anxious to purchase the company from its present owner and maximise its further potential. However, Stewart had no accumulated capital of his own, so paid his own savings of £80 toward the purchase price of £195,000, and financed the rest by mortgaging the assets of the firm he had just purchased.

Equally apparent in the nineteenth century was all partners contributing funds (34.3 per cent). For example, the founding of James Speight and Co. involved each partner contributing toward the £500 required in working capital to rent premises and establish a brewery, in direct competition with other, larger Dunedin brewers.

Such financing was also apparent in the twentieth century, but interestingly, not as highly-ranked

among the survey group as the use of family wealth. This accounted for 26.3 per cent of all first start-ups in the twentieth century, yet only 12.7 per cent of nineteenth century. One explanation for this more than 100 per cent increase seems to be an increase in entrepreneurs joining family businesses as their first introduction into new venture activity. Their source of capital in this instance was clearly already provided through the family firm, the founder having established a base of financial assets. The new family member joining the family firm could be counted as an entrepreneur for two important reasons: firstly, they assumed the rights and responsibilities of proprietorship, as they were allocated a portion of ownership in the family firm; secondly, their actions as an entrepreneur would significantly transform the enterprise into a dramatically different economic entity. Far from passive additions, they were expansion-orientated, often through the adoption of some innovation.

In this vein, retailer Percy Sargood joined the existing family firm in Australia, before immigrating to New Zealand in 1891 to establish his own New Zealand operation. Margarine manufacturer George Abel was similar, having worked in partnership with his brother in Australia producing margarine, before starting his own works in Auckland in 1920. Paint and paper retailer, David Levene, also illustrates this pattern. Though he commenced work in his father's paint and paper shop early in life, Levene is accorded entrepreneurship status when he assumes the overall direction of the firm, and with it a shareholding in 1952. From here onwards, the history of the single-store Levene family business takes a radically different turn with David Levene's adoption of drive-in stores, account sales, and progressive branch expansion. In each of these cases, the initial financial requirements of new enterprise are satisfied through access to family capital.

Part of the explanation for the increase in the use of family capital is also suggested by earlier statistics. Those entrepreneurs who had a father in business made up a larger portion of the entrepreneurs in the twentieth century in comparison to the nineteenth century. What can be observed then, is the increased skills and networks of the household in which self-employment has already been pursued for a generation or more. Secondly, we would suggest that it is also in part, symptomatic of the natural development of the New Zealand economy. In the nineteenth-century more of the basic amenities and commercial services had to be first established by first and second-wave entrepreneurs. There was pressing need in the colonial economy (as population expanded rapidly), to provide firms and institutions to service the demands of a spatially dispersed and expanding population. As a result, due to geographical barriers and limited communication infrastructure, there was a proliferation of small firms across many industries. Brewing was one example of this (Jones and Paul 1991).

For a number of firms then, as second and third generation family members enter the family

enterprise, the opportunity existed for an innovator to leverage existing family capital and revitalise the firm through innovation-led change. This was observable in the case of David Levene, profiled above, as well as Sir Thomas Clark, who assumed control of the fourth-generation family brick and tile works, the Amalgamated Brick and Tile Company in the 1960s, expanding that enterprise into the diversified business group, Ceramco. Similarly, Sir Patrick Goodman, who initially assumed the leadership of the family's small fourth-generation Nelson bakery in 1952, expanded this into the national chain, Quality Bakers, then in to the international conglomerate, Goodman Fielder Wattie in the 1980s.

### Organisation Structure

When examining the differences between the sources of start-up capital and growth capital for New Zealand entrepreneurs, several key themes are apparent. Firstly, the absence of publicly-raised capital to fund the first venture of an entrepreneur is striking. No entrepreneur in either century used this mechanism for his or her first start up. Instead, small-scale start-up in an industry that the entrepreneur is already acquainted with was a more typical pattern of venture formation. Why was this the case? One interpretation is to view this from a decision-making perspective on risk. To engage in a public float for the *first* venture – while possibly raising considerable capital – would be a high-risk strategy for the *un-tested* entrepreneur, exposing them to heightened financial risk as well as possible market rejection for their particular product or service. Instead, the historical data suggests that entrepreneurs acted to minimise risk through gathering available – if imperfect – information, enacting low-cost entry strategies, leveraging social and human capital, maximising family resources, and accumulating industry knowledge. As a result, where the observer would see risk, the entrepreneur did not, through their ability to make an informed judgement regarding over the nature of the opportunity (Casson 2003).

Angus Tait, the founder of Tait Industries, a multinational manufacturer and distributor of mobile radio technology, illustrates this. With a background in radar technology from his wartime experience with the RAF, Tait had access to information that others did not, and was well placed to make an informed decision to enter the two-way radio market in 1949, despite the presence of significant overseas competition in the form of Pye Electronics. Tait was insulated against excessive risk by starting the firm on a small-scale; however, his considerable industry knowledge enabled him to pursue technology-led innovation, which he continued in his subsequent enterprises. By the mid-1960s, the firm had grown to 100 employees.

The most frequently used source of funds for business expansion across both the nineteenth and twentieth centuries was reinvested profits (nineteenth century, 58.8 per cent; twentieth century, 47.4 per cent). We would suggest that this was indicative of several factors. In the nineteenth century, New Zealand had limited capital markets for commercial finance, and one could argue that as a result personal capital was used in the absence of alternative forms. However, by the twentieth century, as Grant (1997) shows in his account of the New Zealand stock exchange, this was no longer the case. How then, can the desire by entrepreneurs to use their own profits for growth be explained? Lifecycle models of firm expansion (Churchill and Lewis 1983; Greiner 1972) suggest a gradual and steady growth in the life of a firm, with few discontinuous leaps. Greiner (1972), in particular, accents the developmental aspects of firm growth as the entrepreneur must adjust and learn to manage a growing enterprise. We would suggest that this, in part, also explains entrepreneurs using reinvested profits to fund expansion, sequentially developing financial and managerial skills as the firm increases in size and complexity. In short, an entrepreneur's capability to successfully manage a larger firm develops in tandem with the expansion of the firm. Though there will always be some firms

that develop rapidly, such growth has its own pressures and can place extraneous demands on the entrepreneur and their firm (Catlin & Matthews 2002). Such an interpretation offers a part explanation for the collapse of the JBL Group in the 1970s, the highly-diversified business of Northland brothers, Jim, Kevin, and Vaughan Jeffs. Commenced in 1965, by the time of its failure in 1972, the over-leveraged firm had investments in New Zealand, Japan, and Australia on a scale beyond the capacity of the founders to manage. Though there was clear financial mis-management, raising market capital was not as pressing concern for the entrepreneurs as adequately controlling a rapidly growing enterprise.

Perhaps the clearest difference in the sources of the growth capital for nineteenth century and twentieth century entrepreneurs was in the use of publicly-raised funds for commercial expansion. Though it only impacted 21.1 per cent of the New Zealand entrepreneurs in the 20<sup>th</sup> century (increasing from only 3.9 per cent in the nineteenth century) this financing pattern reflects the use of alternative capital markets by New Zealand entrepreneurs, and the increasing maturity of those capital markets themselves (Grant 1997). Equally, it can be observed that access to public funds does not automatically correlate with size or success of the firm. Some, such as the La Grouw family, founders of Lockwood homes, have purposely avoided public listing, instead funding their 2500-strong firm through reinvested profits. Equally, Auckland's largest real estate agency, Barfoot and Thompson - with 1500 staff - has remained in private family control, as has multinational mobile radio manufacturer, Tait Electronics, now run by a private Trust.

### **Business Strategy**

Table 4 describes the various business strategies employed by New Zealand entrepreneurs. Business strategy in this sense relates to the dominant means by which an enterprise expanded and developed its presence in a market. For example,

TABLE 4: BUSINESS STRATEGY

Description	NZ 19th-Century entrepreneurs		NZ 20th-Century entrepreneurs		Combined	
	Number	Percentage	Number	Percentage	Number	Percentage
Pursued growth through acquisition	40	39.2	38	50.0	78	43.8
Pursued growth through founding additional enterprises	67	65.7	59	77.6	126	70.8
Used Horizontal Integration	65	63.7	54	71.1	119	66.9
Used Vertical Integration	39	38.2	44	57.9	83	46.6
Diversified business interests	23	22.5	26	34.2	49	27.5
Expanded Internationally	3	2.9	16	21.1	19	10.7

when expanding the scale of their enterprises through adding other firms to their existing business unit, entrepreneurs in both centuries showed a preference for founding additional firms themselves (nineteenth century, 65.7 per cent; twentieth century, 77.6 per cent), as opposed to acquiring firms that were already in existence. This appeared to show some variation across the two centuries, however, business growth by acquisition was a stronger feature of twentieth century commercial practice than nineteenth century (nineteenth century, 39.2 per cent; twentieth century, 50 per cent). This aligns well with what we know of the changing industrial structure between the centuries. Jones and Paul (1991) in their analysis of the merger waves apparent in the New Zealand brewing industry in the early twentieth century demonstrate how increased communication and better infrastructure made the operation of national industries increasingly feasible and consequently mergers and acquisitions in the brewing industry increased from the 1920s. Likewise, merger waves were also apparent in the twentieth century in the newspaper industry (Morrow 2005), banking, and the accounting profession (Morley 2005), as firms and entrepreneurs sought to extract market share through predatory tactics (Cassis 1997).

Vertical integration strategies were particularly evident in the building industry, including the notable example of Fletcher Construction under Sir James Fletcher. Residential house builders,

Lockwood Group (now La Grouw) have also exploited supply chain advantages through ownership of milling activities, design, and construction services.

Diversification, though a popular corporate business strategy, was not highly prevalent among the entrepreneurial class (nineteenth century, 22.5 per cent; twentieth century, 34.4 per cent). This may in part be due to the increased exposure to risk for the entrepreneur through activities where he/she may not have in-depth knowledge. Angus Tait (previously mentioned) developed his initial firm, A.M. Tait, into a 100-strong enterprise in the 1960s, but was placed into receivership in 1968, largely due to a diversification strategy (television set manufacture and retailing) which spread the assets and capabilities of the firm too thinly. Reformed in 1968, Tait Electronics thereafter pursued a focused business strategy.

Perhaps the clearest change in business strategy between the nineteenth and twentieth century entrepreneurs was the degree of internationalisation (defined as establishing branches and or productive factories in overseas locations, as well as exporting to overseas markets). Only a few nineteenth-century entrepreneurs, such as Joseph Nathan (Glaxo), had a determined international orientation to establish offices and operations offshore. Nineteenth-century entrepreneurs were more concerned with growing internal demand. This did not mean that exporting was not a focus, as clearly the meat processing industry,

timber industry, and mining were major exporters during this period. However, in the twentieth century, entrepreneurs in larger numbers appeared to show a determination to expand internationally. Clearly, there has been a sizeable increase in FDI by New Zealand firms in the period post the 1984 financial and market deregulation. However, this did not mean that the period prior to these reforms was absent of such activity. Instead, New Zealand entrepreneurs pursued innovation, even in some cases, overseas expansion, within the regulatory framework in place during the years of New Zealand's protected economy (1938–1984).

In this light, we can consider such figures as Sir Robertson Stewart and the multi-national expansion of PDL electronics that took place during the era of protectionism; as did Gallagher's internationalisation in electric fence products; Butland Industries in dairy products, UEB's considerable expansion in packaging manufacture, John Inglis Wright in advertising, Malcolm McConnell in construction; and the Interlock Group (Ron Davis), and Trigon Plastics (Bill Foreman). While it is admitted that none of these industries were as important to New Zealand's export earnings as the meat industry, forestry industry, or the dairy industry during this period, nevertheless, they were still entrepreneurs who had pursued overseas expansion under the 'rules' of protectionism, prior to the more international and deregulated period after New Zealand's 1984 economic reforms. Moreover, this result suggests a tempering of the thesis forward by Singleton (2005) recently about the lack of New Zealand entrepreneurship in the post-war decades. Singleton argues that Fisher and Paykel appear singularly as an example of industrial success, however, as the list above suggests, other New Zealand entrepreneurs also developed firms on the basis of innovation then expanded their operations internationally. Would they have been more successful without protectionism? Perhaps, but the historical record reveals that protectionism did not kill off New Zealand entrepreneur-

ship—even international entrepreneurship—and the decades of protectionism were not unequivocally New Zealand's 'dark ages' in terms of entrepreneurial activity.

## CONCLUSION

This research adapts international methodologies for the study of historical entrepreneurship to investigate the patterns of New Zealand enterprise in the nineteenth and twentieth centuries. In comparison to the large-scale studies of American and British entrepreneurial origins, the New Zealand 'entrepreneurial class' were more like their British counterparts (Crouzet 1985; Honeyman 1982; Cassis 2005), arising from lower-middle class and middle-class commercial backgrounds, and using their commercial skills and networks to advantage in a start-up. Consistent with earlier research on the impact of historical migration on New Zealand entrepreneurship (Hunter & Wilson 2003), immigrants appear over-represented in the entrepreneurial profile compared to their representation in the general population. Although their backgrounds varied, many came with skills that proved useful in the creation of a business enterprise. Others, maintained links—clan, business and religious—to their home countries and were able to use this to advantage in establishing and conducting trade.

Like the origins of UK and United States entrepreneurs, farming backgrounds do not figure highly in the origins of New Zealand's entrepreneurial class. Though there have been some notable New Zealand entrepreneurs of agricultural background, more commonly, entrepreneurs came from families outside the farming industry where the father was often involved in commercial pursuits. Explaining this difference, especially in respect of New Zealand's strong farming heritage will require further research. It may be, for example, that urban areas working as concentrations of commercial, financial, and economic activity, served as a more natural springboard or gravitating point for those inclined to entrepreneurial activity.

Consistent with McMillan's (2004) operationalization of 'creative destruction', New Zealand entrepreneurs were engaged in multiple start-ups, with a wide range of growth strategies, from acquisition to intrapreneurial takeovers. Growth was exponential and New Zealand entrepreneurs were involved in internationalisation (export, branch networks, and FDI), before, during, and after the period of protectionism, though clearly with a broader emphasis on FDI in the period post the 1984 government reforms. Measuring the success of some of these ventures is difficult—though some have grown to sizeable proportions, many, including one of New Zealand's earliest successful international firms (Joseph Nathan and Glaxo) are now in international ownership. In such cases the merit of the innovative business venture was visibly proven—holding New Zealand ownership on the periphery of the world exchange economy has proved more difficult.

This was accompanied throughout the twentieth century with rapid development not only of entrepreneurial infrastructure in the form of more sophisticated forms of finance, but of unique and innovative approaches to the financing of new ventures and their growth, consistent with recent observations of New Zealand investment structures (Frederick & Bygrave 2004) and more contemporary theories of entrepreneurial development (Gartner 1985; Shane 2003) and with the institutional perspective of co-evolution of infrastructure and strategy (Carney & Gedajlovic 2002).

The 178 entrepreneurs investigated in this study (representing 665 enterprises) allow unique insights into the development of entrepreneurship in New Zealand, and the evolution of an entrepreneurial culture over time. Moreover, additional information can be extracted from origins type research to further our knowledge of the entrepreneurship process. By examining historical profiles, we can see similarities to the historical roots of enterprise in Europe, but also observe some apparent differences in the New Zealand context. The development of new infrastructure, and the inno-

vations that transpired in the face of relatively poor capital infrastructure, compounded by distance, gave rise to a flexible and innovative entrepreneurial class that overcame significant obstacles to flourish, grow and, in some cases, internationalise their ventures from New Zealand. This underscores the importance of innovation in entrepreneurial form that has characterised New Zealand's economic development over the past two centuries, and which underpins its economic aspirations in the 21<sup>st</sup> century.

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