

AUDIT | TAX | ADVISORY

# MĀORI BUSINESS

SURVEY REPORT | 2019

**BDO**

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# FOREWORD

## Tēnā koutou katoa, ka nui te mihi ki a Kylee mō tēnei rīpoata rangahau o tatau nga pakihi Māori i te Tairāwhiti.

It is timely for this research piece conducted by BDO, Māori economic prosperity is increasing in knots and many Māori businesses are in this acceleration. Tairāwhiti like many of the regions is rich in large Māori businesses; Whangara Farms, Mangatu Incorporation, Wi Pere Trust and the burgeoning Mānuka honey industry just to name a few.

I have always heard that environment and people are important to Māori businesses and this research reinforces the notion of kaitiakitanga. Being profitable is also important and I have seen profits being saved by Māori to buy more land to develop into sustainable farms. Strategically some are buying in other regions to minimise industry risks. Māori horticulture is coming into its own with expansion into kiwifruit, apples, and viticulture. However, most have a challenge to face with water allocation which is an issue for Māori land owners and Iwi.

Miro blueberries has started its first 4ha in Uawa on Māori owned land. I like the way Māori conduct their business, they take their time, they get the best information, and they appoint the best people for the roles in staff and in governance. They are intergenerational and ensure that they leave the land, business and assets in a better condition for their future

generations – whenua tuku ki a rātau tamariki mokopuna.

Māori don't regard ownership concepts like general title owners, Māori concepts are Kaitiakitanga, and Manaakitanga - looking after the people at the marae, the upkeep of the marae is vitally important, it is all about the community. Spiritual wellbeing is another important part of the mauri of the whenua, as karakia is part of the culture of Māori business.

Unfortunately there can be unconscious bias with the view that Māori fall short in having the knowhow to operate a successful business. They are wrong, Māori are very astute and careful when they invest in businesses, especially businesses with high capital inputs. This is evident in the above mentioned who employ the best people, use the best information so that they can also compare, reference and critique, to ensure best returns for their investment.

Māori are large players in NZ's economy, the wheels are in motion for big influences in all sectors of the national economy; they dominate the honey industry, the seafood industry and are right up there in farming. I foresee Māori regaining more of their land back from further purchases of key land holdings, building more wealth to support their tamariki into education and training.

**He aha te mea nui, he tāngata, he whenua, me te aroha ki tētahi ki tētahi.**

**Mauri ora ki te ao pakihi Māori, me hapai te motuhaketanga mō tō koutou tamariki mokopuna.**



**MENG FOON**

New Zealand Race Relations  
Commissioner

# OVERVIEW



**KYLEE POTAE**  
Head of Māori Business  
BDO New Zealand

“

**Keep striving for success, take time to celebrate milestones, and make sure you are surrounded by good people who help you lift your organisation to new heights.**

New Zealand's Iwi post-settlement era has brought remarkable changes that are having a significant economic impact at both regional and national levels. For some, this change is too little and not fast enough, while others are finding it overwhelming.

However, the Māori economy is more than Iwi business. It consists of Hapū-based entities, typically Ahuwhenua Trusts and Māori incorporations, which have been part of the landscape for many years. There is also the individual. Māori are involved in many companies across sectors that fall outside traditional definitions of Māori business.

As such, we decided to report on Māori in business instead of limiting ourselves to a specific industry. The common themes were the connected ideas of culture, cultural wellbeing, and cultural pride. This was not surprising given that Māori businesses tend to have collective-minded people, all wanting to foster and nurture sustainability with mokopuna outcomes in mind.

All business involves risk, especially if the goal is to lift performance and grow capital assets at a level that mokopuna will benefit from in the future. Essentially, this means conserving capital against inflation while providing sustainable growth. What is unique to Māori business is the fact that these objectives extend to protecting and preserving the environment and people. There's a key challenge here, as the foresight required to achieve these aims is continually challenged by external economic forces that force short-term thinking.

Having advisers and kaimahi that understand and support the business' direction is crucial. This strategic focus aligns with the Treasury's living standards framework, which in turn aligns with the Government's Wellbeing Budget. All of these initiatives aim to create a better Aotearoa in the long run.

We thank those who took the time to add to this conversation, and hope that you find this Report enlightening, as well as heartening as you see that your efforts are not in vain. The Report has shown that there is more togetherness and cohesion in the sector than it might seem at times. Keep striving for success, take time to celebrate milestones, and make sure you are surrounded by good people who help you lift your organisation to new heights.

# WHAT IS IMPORTANT TO THE MĀORI SECTOR?

## PRIORITY FACTORS

- ▶ Financial self-sufficiency
- ▶ Thriving personal and whānau wellbeing
- ▶ Drive and encourage innovative participation and service delivery initiatives
- ▶ Upgrade marae, bring whānau back to marae
- ▶ Asset growth, capacity growth, long term investment, business development
- ▶ Restore the mana of the whenua.

## WHAT DOES SUCCESS LOOK LIKE?

The top three keys to success are:

1. Happy and well whānau
2. Cultural wellbeing
3. Financial performance

Over 80% of our respondents said they have a strategic plan in place that outlines their goals and aspirations, which assumes these top 3 keys to success are a core focus.

This is a hugely positive indicator for the sector- codified strategies are proven to drive an entity's desired outcomes. Management need to regularly refer to the plan, and report on it incrementally during the year.

If your business is yet to implement its own strategic plan, we strongly urge that this becomes a priority.

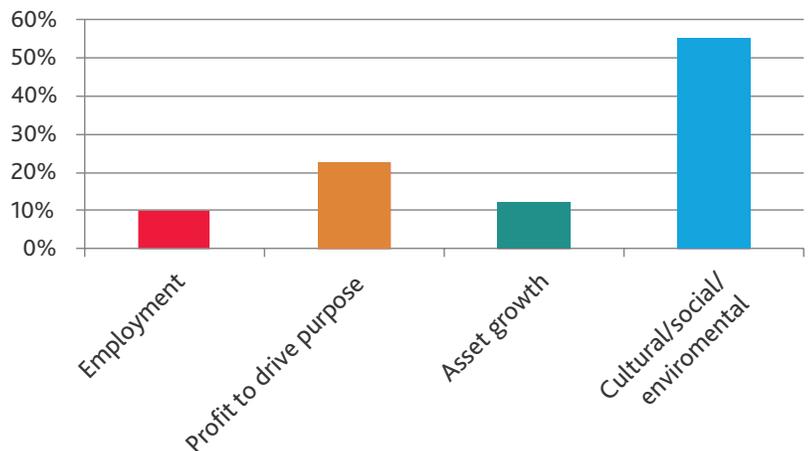
It was resoundingly clear that Māori businesses have a strong 'cultural, social, and environmental' purpose. Second to this they are income-oriented entities. However, these two purposes need to be better aligned.

Cultural, social and environmental outcomes require a long-term strategy, while turning a profit today, without reinvesting a portion of it, is a short-term focus. Indeed, the latter can even put the capital growth required for future planning at risk. Therefore, the entity needs to understand the value of the income, and make wise investment choices for now and the future.

Asset growth and employment came in as the least important factors in the Māori sector. Given what we've just discussed, this highlights the need for more understanding on the importance of asset growth for longer-term returns.

It was surprising that employment was such a low priority, especially as success often centred around a 'happy and well' whānau. Household income, while a crude measure, can be connected to wellness or wellbeing, and while we know money doesn't bring happiness, it does bring choices and options which contribute to wellbeing.

## WHAT DO YOU CONSIDER TO BE THE PRIMARY PURPOSE OF YOUR BUSINESS/ORGANISATION?



# WHAT IS THE SECTOR FOCUSING ON FOR THE NEXT FIVE YEARS TO ACHIEVE SUCCESS?

The key focus for the next five years can be summed up as 'growth of wealth and the people while prioritising sustainability to protect the environment'. A more granular snapshot is as follows;

- ▶ Marae that is alive and thriving, and people that are reconnecting
- ▶ People engaged in tertiary education
- ▶ Home ownership
- ▶ Fluent te reo Māori speakers
- ▶ Whānau wellbeing
- ▶ Whānau employment.

This reflects the balance in entities preferring to trade locally (57.73%) and those who aspire to trade globally (42.27%). There is a strong desire to attend to internally focussed challenges, with many understanding that growth of wealth will require offshore trading to achieve the end goal.

Ensuring the entity has the right advisers and mentors when cross-border trading is essential. Exporting is more easily said than done, and can be costly if not approached correctly.



**57.73%**  
Prefer to trade locally

**42.27%**  
Aspire to trade globally



## COLLABORATION

Collaboration is also vital and, with over 90% of relevant companies willing to work together, this is a serious strength of Māori business. While there are always challenges in such partnerships, the sector continues to trial such an approach in the hope of a long-term result. This idea also extends to foreign investor collaboration, with 56% of those surveyed open to going cross border if it brings a successful outcome for the business.

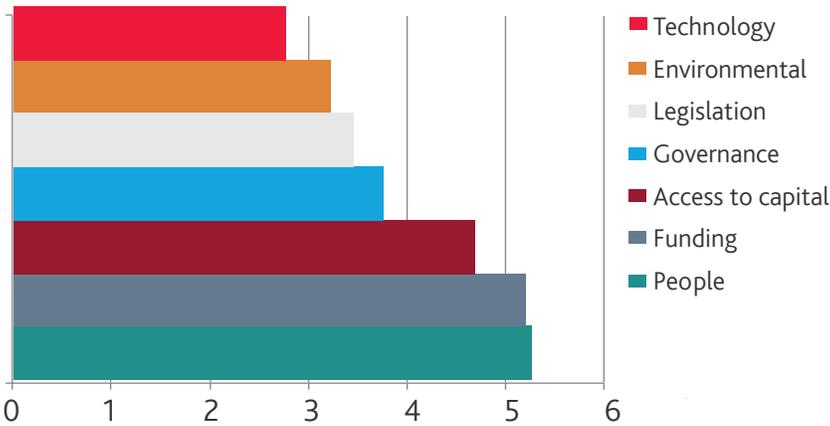


- ▶ *Share information*
- ▶ *Business partners to help balance our strengths and weaknesses*
- ▶ *Co-invest for the growth of Māori businesses*
- ▶ *Alignment of values and goals*
- ▶ *Opens export market opportunities*

# THE WERO

## (CHALLENGE)

### WHAT DO YOU SEE AS YOUR MAIN BARRIERS FOR ACHIEVING PLANNED OUTCOMES? (weighted ranking)



Having the right person in the right place at the right time is always a difficulty in business. This is exacerbated in a sector where those who inherently understand the entity and challenges are a minority in the marketplace. As a result, recruitment and retention is tough.

That said, the Government's investment in education was seen as an important and positive contribution to the personnel issues.

The funding and capital challenges are linked. A grasp of the best use of a finite resource (money) is imperative, and having knowledgeable advisers who can influence balanced capital growth decision making will pay dividends in the long run.

The respondents found that access to funding opened up avenues to resources and quality information for decision making, as well as growth opportunities. The majority were looking to Te Puni Kōkiri (TPK) for assistance along with other entities.

However, funding applications aren't always successful. Many involve lengthy processes that result in businesses withdrawing when requirements become too strenuous. Overall, 61% of our respondents did not feel supported by the Government, with one stating it was easier to 'just get on with business'.

Two approaches that will leave organisations well placed for funding applications include:

- ▶ Fine-tuning storytelling to effectively impart a message
- ▶ Reaching out for support - an external set of eyes will often add value to an application.

### ENTITIES OFFERING FUNDING

- ▶ Iwi organisations
- ▶ Poutama Trust
- ▶ Department of Conservation
- ▶ MBIE
- ▶ Ministry of Primary Industry
- ▶ Provincial Growth Fund
- ▶ Community Trusts
- ▶ Callaghan Innovation
- ▶ NZ Trade and Enterprise
- ▶ 1 Billion Trees
- ▶ Department of Internal Affairs
- ▶ Community Organisation Grants Scheme
- ▶ Gaming Trusts
- ▶ Te Mataawai
- ▶ Local government institutions

### TAX WORKING GROUP

The recent publication of The Tax Working Group recommendations created a media storm. Amongst the many recommendations, controversy was raised around proposed capital gains tax on Iwi assets, and the Māori authority tax rate.

Ultimately, commentary was toned down and the debate impeded by various other issues that came to light. However, it was interesting to find that our respondents were open to taking the conversation further if that meant equity was achieved, or at least placed at the heart of the pursuit of an inclusive economy.

# REPORTING

## THE NUMBERS AND BEYOND

Given the high level of social focus in the sector, it was surprising that over 39% of respondents do not report on social and cultural outcomes. This is partly due to an emphasis on compliance metrics resulting in the side lining of other areas.

Additionally, social and cultural areas can be harder to report on as the outcomes aren't always easily measurable. However, businesses must try harder here as this information can often make a difference when applying for funding. This is because showing alignment to the Treasury's living standards framework highlights the entity's ability to assist government in achieving their Wellbeing Budget targets.

Below is an example of triple bottom line reporting from Te Runanganui o Ngati Porou.

“  
**Over 39%**  
 of respondents do not report on social and cultural outcomes

### NGA WHAKATUTUKITANGA KEY ACHIEVEMENTS OF THE YEAR

2018 Census results released

**71,052**  
IDENTIFIED AS NGATI POROU

18.0% Auckland Region  
13.0% Waikato Region  
12.0% Bay of Plenty Region  
10.0% Waikangai Region  
47.0% Southland

Total TRONPnui Group Assets worth **\$206 million**  
5% increase from June 2013 to 2014

**\$636,219**  
DISTRIBUTED TO NGATI POROU MARAE

\$166,888 for capital works grants  
\$470,219 for annual income grants

**274 STAFF**  
employed across the TRONPnui Group

97% of all staff whakapapa to Ngati Porou

**80 NGATI POROU RANGATAHI**  
GRADUATED FROM ATAWHAI leadership and mentoring programme

**\$5,000**  
TRONPnui and Fulton Hogan scholarship awarded to Ngati Porou engineering student

**SIGNED**  
Waiapu Restoration Programme MOU and Crown-Ngati Porou Relationship Accord

**LAUNCHED**  
NATI 2DEGREES Partnership and Community Fund

**PURCHASED**  
3.2 HECTARE SITE OF FORMER GIBBORNE HOTEL TO ESTABLISH TETINI O POROU a multiple purpose community hub to deliver services for Ngati Porou

**HOSTED INAUGURAL**  
TAIRAWHITI MAORI AGRI-BUSINESS HUI

**LAUNCHED**  
NATI POWER SCHEME  
with Contact Energy

**SUPPORTED 30TH ANNIVERSARY OF**  
NGATA MEMORIAL LECTURES

**Celebrated 10th anniversary of**  
TE RANGITAWAEA FESTIVAL (aka Nati Awards)

**NGATI POROU COMMUNITY INITIATIVES**  
**SUPPORTED BY \$190,521**  
worth of sponsorship and grants

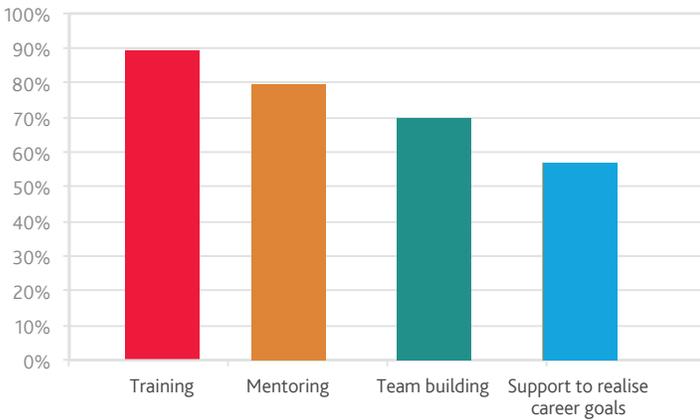
**ESTABLISHMENT OF KAITIAKITANGA DIVISION**  
WITHIN TRONPNUI  
with recruitment of Environmental Manager

**TE TOKA MAORI & PASIFIKA TRADES TRAINING PROGRAMME ESTABLISHED**  
A joint venture between TRONPNUI, EIT and Lincoln University

# GROWTH

## PEOPLE & CAPABILITY

### HOW DO YOU DEVELOP YOUR PEOPLE?



## DOES THE SECTOR CELEBRATE DIVERSITY?

**“** It is always a concern being a Māori organisation and being taken seriously when issues are raised.

The organisation has developed a core concepts training programme of which Unconscious Bias is a module for discussion.



A key sector challenge the report highlighted is the capabilities of people Māori businesses are recruiting. To combat this issue, companies and Iwi are investing money in training and mentoring. Undertaking a learning and development review could be fruitful to ensure the money is being spent wisely to best counter the ongoing challenges.

It was also noted that the recruitment strategy for most businesses aims to alleviate the capabilities problem by seeking candidates that show attributes including self-motivation, communication and relevant experience. These traits ensure that, with the right training and mentoring in place, businesses can achieve success.

Alongside capability, people capacity is also an issue. This refers to both an entity's capacity to employ, and the availability of the necessary personnel to fill various roles within a finite amount of time. Comments were made that areas of skill shortage were evident in Te Ao Māori, tech, finance, strategy, sales and marketing.

60% of respondents felt that their organisation was a safe place free from discrimination. However, the same group said this was not the case when engaging outside their entity. Some had sought out or set up businesses to ensure they were in an organisation that was supportive of Tikanga, Te Ao Māori, and te reo Māori.

This desire for inclusivity is a strength that organisations should highlight when recruiting. The new generation of employees is seeking a workplace environment where they can be themselves, while also contributing positively to social, environmental, and economic outcomes.

## ENVIRONMENTAL SUSTAINABILITY

Māori businesses are doing their bit for the environment, and over 85% include sustainability as an ongoing focus in their strategy. The two key actions taken are as simple as switching off unnecessary lighting and equipment, and recycling. Other initiatives include being conscientious purchasers and factoring the environment into investment decisions. It would be compelling to measure how such efforts impact the business financially, and what contribution Māori entities make to clean green New Zealand.

This is another area where Māori business is leading and is something that the wider economy could learn and benefit from.

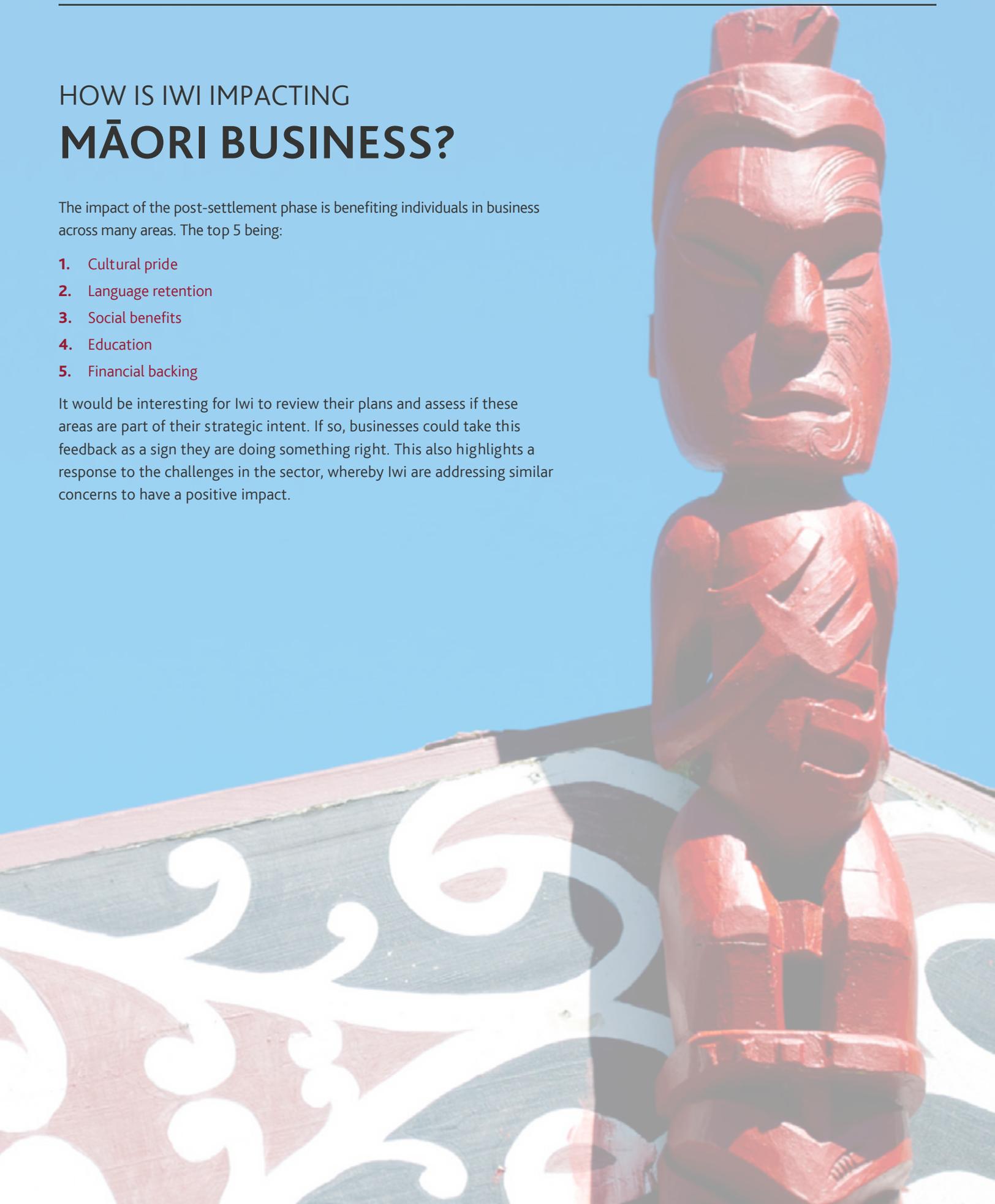


## HOW IS IWI IMPACTING MĀORI BUSINESS?

The impact of the post-settlement phase is benefiting individuals in business across many areas. The top 5 being:

1. Cultural pride
2. Language retention
3. Social benefits
4. Education
5. Financial backing

It would be interesting for Iwi to review their plans and assess if these areas are part of their strategic intent. If so, businesses could take this feedback as a sign they are doing something right. This also highlights a response to the challenges in the sector, whereby Iwi are addressing similar concerns to have a positive impact.

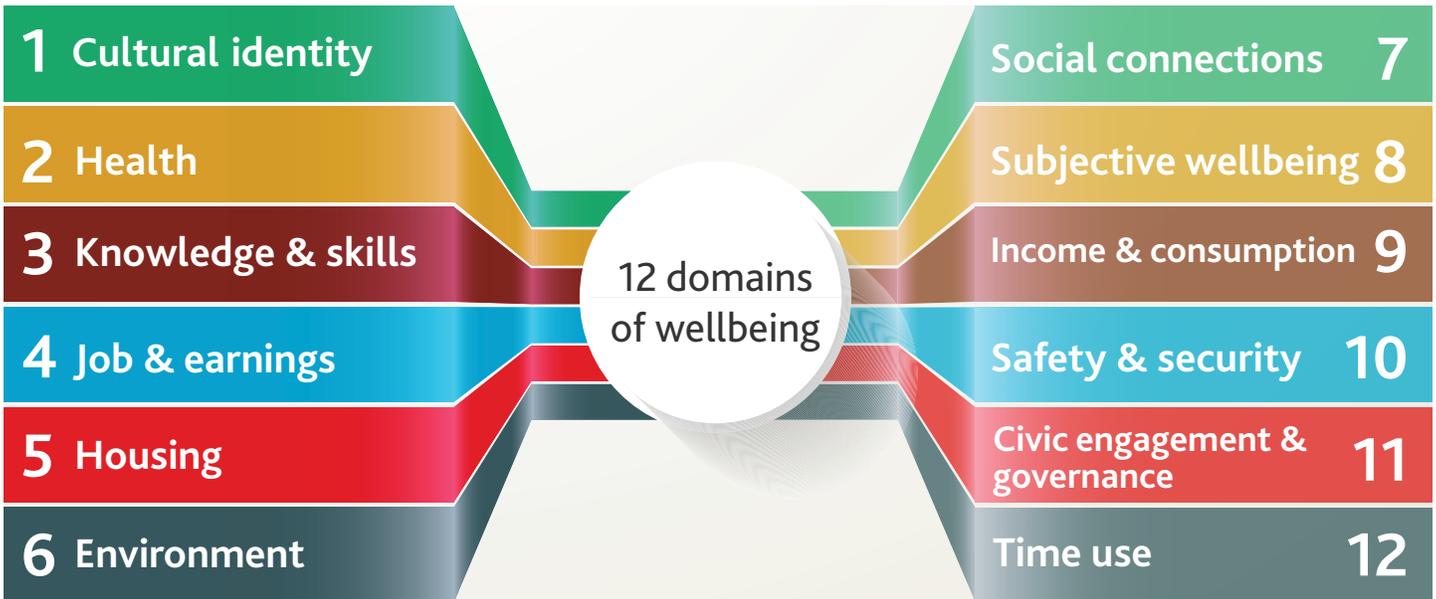


# IS THERE A PLACE FOR WELLBEING IN BUSINESS?

The Treasury has 12 domains of wellbeing which are at the heart of the Wellbeing Budget. We asked the sector what they viewed as the most important to assist with developing the Māori economy going forward. In order of importance, the responses are below.

A common thread through the feedback is how highly culture, cultural pride, and cultural wellbeing featured. The challenge going forward is to find a framework that can test and measure these objectives so entities can make positive decisions to benefit future generations.

For Māori business there is a connection between commerce and wellbeing, they are not mutually exclusive. In fact, the ecosystem of Māori business requires a bit of everything to achieve success. It is no surprise that the government is committed to improving its working relationships with Māori business. The shared focus on the people, planet and profits makes for a better Aotearoa.



# KEY MĀORI BUSINESS CONTACTS

## AND HOW THEY CAN HELP



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- ▶ Help you understand the value of your income, and assist in making wise choices for now and the future
- ▶ Develop and implement a strategic plan
- ▶ Provide advice if you are thinking of expanding your business to overseas markets
- ▶ Thinking of collaborating? Undertake a BDO Business Review to ensure all stakeholders are aligned
- ▶ A grasp of the best use of a finite resource (money) is imperative. Our BDO advisers can influence balanced capital growth decision making which will pay dividends in the long run
- ▶ Funding applications aren't always successful. Reaching out for support to fine tune your story telling can add value to an application
- ▶ Help reporting on social and cultural outcomes (triple bottom line reporting)
- ▶ Undertake a learning and development review to ensure you are investing correctly in
- ▶ training and mentoring
- ▶ Develop a framework that can test and measure your objectives so entities can make positive decisions to benefit future generations.



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**KERIKERI**

**WHANGAREI**

**AUCKLAND**

**TAURANGA**

**ROTORUA**

**GISBORNE**

**NEW PLYMOUTH**

**NAPIER**

**PALMERSTON NORTH**

**WELLINGTON**

**CHRISTCHURCH**

**INVERCARGILL**

**WAIKATO**

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