



# Ministry of Business, Innovation and Employment, Long-Term Insights Briefing 2022

Report of the Economic Development, Science and Innovation Committee

March 2023

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Chairperson

# Ministry of Business, Innovation and Employment, Long-Term Insights Briefing 2022

## Recommendation

The Economic Development, Science and Innovation Committee has considered a briefing from the Ministry of Business, Innovation and Employment, and recommends that the House take note of its report.

## Introduction: two trends that are re-shaping New Zealand businesses

On 31 October 2022 Hīkina Whakatutuki—the Ministry of Business, Innovation and Employment (MBIE) presented its first long-term insights briefing to the House. It was referred to this committee for consideration. The briefing is titled *The future of business for Aotearoa New Zealand: An exploration of two trends influencing productivity and wellbeing—purpose-led business and use of blockchain technology*.

In the briefing, the ministry focuses on two important trends that it believes will re-shape New Zealand's business landscape over the next 10 years. Stakeholders expressed particular interest in them during consultation. The trends are purpose-led business (where businesses balance profit with achieving wider social good) and blockchain technology.

The ministry notes that complex global trends such as climate change and technological change present challenges and opportunities for New Zealand. It discusses how business strategies and models are evolving in response, and how Government may need to adapt the regulatory framework for businesses accordingly. The ministry considers that blockchain and other types of decentralised and distributed ledger technologies (DLT) are a worthwhile subject of enquiry. This is particularly so given the exponential growth in data, and how little-understood the technology is.

The briefing is based on research and engagement that took place in 2021 and 2022. The ministry consulted business owners, industry leaders, entrepreneurs, academics, community representatives, regulators, government officials, rangatahi (youth), and members of the general public.

## About long-term insights briefings

The Public Service Act 2020 requires chief executives of government departments to develop and publish long-term insights briefings at least once every three years. The briefings must be produced independently of the relevant Minister, and the chief executive must consult the public on the subject matter of the report and a draft version.

The purpose of the briefings is to inform the public about medium- and long-term trends and future risks and opportunities facing New Zealand. The briefings should provide information, impartial analysis, and potential policy responses to the challenges identified in the briefing.

## **The ministry's main findings**

The ministry found that the future of business is likely to be made up of an increasingly diverse range of business models and organisational forms. Business structures that are common today are likely to persist, but values-oriented, networked, open, peer-to-peer and decentralised organisational forms are likely to proliferate. Businesses will need to respond to changing values, environmental pressures, and new technologies.

### **Purpose-led business**

The ministry believes that this movement towards new business models is likely to benefit the overall productivity and wellbeing of New Zealanders. It writes that the trend reflects the history of social responsibility among New Zealand businesses, particularly community-focused small businesses and Māori businesses, which tend to take an intergenerational view. The ministry found that young people are likely to play an important role in the rise of purpose-led business, since they are increasingly likely to expect businesses to look beyond profit.

### **Blockchain technology**

The ministry found that blockchain technology is increasingly being used in the financial sector and in supply chains to support secure transactions, traceability, and digital identity. Over the next 10 years, blockchain is likely to become embedded in systems across New Zealand. Its uses go beyond Bitcoin and other cryptocurrencies. They include growing “for good” applications that address social and environmental challenges, and use by iwi-owned or Māori businesses to support the security and provenance of supply chains, for example in fisheries and agriculture.

## **Possible policy responses to the briefing**

The briefing is not intended to recommend specific policy options, but to inform policy development and set out choices for Government. The Government can choose between maintaining a “watching brief” or taking a more active role in shaping the settings for new business models, including by developing a roadmap to guide businesses. The ministry suggested that the Government could consider various alternative strategies with a view to improving productivity and wellbeing in New Zealand. The options are not mutually exclusive, and could be combined in a way where one step builds on another.

### **Purpose-led business**

The ministry noted that, so far, government action in New Zealand has been limited regarding purpose-led business. Some countries have enacted laws introducing mandatory corporate philanthropy and mandatory governance structures, and making corporate social responsibility a duty of company directors. So far, the New Zealand Government has limited itself to awareness-raising, capacity-building, and the creation of incentives through procurement processes and taxation.

One option proposed by the ministry would be to proceed in a similar fashion, playing a supporting or enabling role by raising awareness and providing information for purpose-led businesses. A second would be to actively incentivise purpose-led business, providing finance through funding, grants, taxation, and other incentives. This approach would reward

businesses that contribute voluntarily to social problems and thereby meet government objectives. A third option would be to require businesses to contribute to wider social objectives, for example through legislation.

### **Blockchain technology**

The ministry observed that blockchain is a fast-moving technology, so any new work should carry out additional scoping to assess how the context and choices may have changed. Its report sets out a table of indicative effects on productivity and wellbeing of blockchain technology applications (including decentralised transactions, unalterable records, encrypted data, and smart contracts).

The first option suggested by the ministry is to maintain the status quo, in which Government regulates and sets broad settings. The second is to promote awareness and knowledge about blockchain technology to support timely and wise decisions, and innovation that acts on opportunities or risks. The third option is to take a more active role to enable blockchain technology to achieve government goals and to address social and economic challenges.

## **Our hearing with the Ministry of Business, Innovation and Employment**

We held a hearing with the ministry on 10 February 2023 to discuss its long-term insights briefing. The first of the two trends studied by the ministry—the rise of purpose-led business—was of particular interest to us, especially in how the changing attitudes and values of young people are expected to incentivise businesses to consider objectives other than profit. On the second trend—blockchain technology—we asked the ministry about the implications for cybersecurity and trust in business transactions, as well as the technology’s specific application in the form of cryptocurrencies.

### **More young people expect businesses to diversify their objectives**

The ministry’s briefing explores the role of young people in driving the rise of more purpose-led businesses. It notes that, increasingly, they seek from businesses not just a job or a wage, but a purpose and personal development opportunities as well. It describes young people as “tech natives” who care about the environment and society and who will demand that businesses change their approach. We are excited about the changing attitudes of young people, but wondered how government and society could nurture creative thinking in this area.

MBIE told us that purpose-led businesses span the spectrum from small charitable organisations to large-scale entities seeking to play a transformational role. It cited surveys indicating that some 70 percent of young people would change employers in order to work for an organisation that more closely aligned with their values, or where they could do more meaningful work. Similarly, roughly 60 percent of young people say they would pay more for a product that offered better environmental or social outcomes. As a result, investors are also encouraging businesses to look beyond profit. Consumer and investor demand, in turn, offers purpose-led businesses opportunities to increase their profits, attract and retain staff, and strengthen their resilience to financial crises.

Some of us wondered just how new it was for young people to take values into account when choosing their first employers. MBIE suggested that young people now take a range of factors into account when entering the workforce, from the ability to work from home to “altruistic motives” and volunteering opportunities. However, it remained to be seen how these motives may themselves change over time.

### **Purpose-led businesses could help to implement government policy**

We note that even though the for-profit, shareholder-value-oriented model remains predominant, purpose-led businesses have already existed in New Zealand for some time. However, this model is becoming more common and better-resourced internationally. At the same time, the scale of global challenges such as climate change is such that Government alone cannot meet them.

The ministry was interested in how businesses, especially as they evolve, might contribute to government objectives. It discussed the possibility of assembling Government, businesses, communities, iwi, and others to consider how they could respond to great challenges together. Officials described this as moving from a “market failure” model to a “market-shaping” or “mission economy” model, citing the work of economist Mariana Mazzucato.

### **Government may be able to work with businesses to implement change, but should not stand in the way of innovation**

The ministry writes that one of the Government’s options is to take a more active role in managing changes to business, by shaping the settings for new business models to enable them to meet society’s objectives. Government may choose to play a more active role if it feels that businesses are not evolving quickly enough to meet great challenges to society. The ministry’s report raises the possibility of Government drawing up a roadmap to guide businesses. We asked MBIE to comment on this possibility.

MBIE told us that one of the questions for the Government in considering a roadmap or blueprint is to what extent it should assist business with change, and to what extent it should “get out of the way” and allow business to evolve of its own accord. This part of our discussion reminded us of the Companies (Directors Duties) Amendment Bill, a Member’s bill that is currently before this committee. Both touch on the question of whether the Government should act simply as a backstop, or rather actively promote the diversification of business objectives.

### **Blockchain technology brings both challenges and opportunities to business, society, and government**

Blockchain technology creates possibilities for existing businesses to lift their productivity, but it also enables new types of business—not all of them beneficial to New Zealanders. We asked the ministry how it was responding to public apprehension about the growth of the digital economy, the rise of cryptocurrencies and non-fungible tokens (NFTs), and the decline of physical currency and in-person business transactions. We heard that small businesses, too, are concerned about sharing information online, particularly of a proprietary or commercially sensitive nature, and about the risks that cryptocurrencies could pose to their businesses.

In late 2020, the Government introduced the Digital Boost programme to help small New Zealand businesses to acquire the skills and equipment to operate online during the pandemic. MBIE told us that crypto- and digital currencies and their possibilities were discussed in consultations with stakeholders. They noted that there are about 7,000 cryptocurrencies in the world at present, with more likely to come into existence. The Reserve Bank of New Zealand is exploring the possibility of creating its own digital currency. However, the ministry's focus is on blockchain technology generally, rather than specific applications such as cryptocurrencies.

We were interested in how the ministry could help businesses to mitigate cyber risks, including those coming from abroad, given that many businesses do not have the systems or capacity to defend themselves from cyber attacks. We heard that the ministry is working with other government departments to educate large New Zealand businesses and the Institute of Directors about their vulnerability to international cyber security threats. The key partners are the Department of Internal Affairs, the Department of the Prime Minister and Cabinet, and the Government Communications Security Bureau.

Encouraging businesses to store data in the cloud is one of the objectives of the Digital Boost programme. MBIE noted that digital cloud platforms provide additional security for businesses, and that many attacks could be prevented by businesses ensuring that they were using the latest version of software.

We asked MBIE how government could keep up with technological change to protect citizens online, without inhibiting the adoption of innovative technologies by businesses and organisations. We were interested in international efforts in the area of blockchain and consumer protection. MBIE observed that blockchain emerged from efforts to evade government and inhibit the flow of private data to government. It is not aware of any other countries that have developed comprehensive regulation for blockchain technology. We wondered how government could monitor and prosecute blockchain-enabled illicit activities, including illegal or extreme content. MBIE agreed that this was a challenge with no easy solutions. It added that there were similar challenges with accrediting purpose-led businesses, and avoiding "greenwashing". We note that the New Zealand Council of Financial Regulators is monitoring international developments in the regulation of cryptoassets.<sup>1</sup>

We note that the primary sector remains highly important to New Zealand, and that blockchain offers opportunities to businesses in this sector. We also note that many of these businesses still struggle with connectivity. MBIE said that blockchain creates exciting opportunities for New Zealand businesses, for example by enabling new ways to certify the provenance and quality of food products, including data related to their environmental sustainability. MBIE cited the example of Walmart in the United States, which uses blockchain to strengthen the data integrity of its supply chains. We heard that blockchain could be used to secure the digital identity not only of individuals, but of products, too, which

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<sup>1</sup> The Council released a one-page statement in September 2022, discussing consumer safety, risks, and opportunities, and the need for continued monitoring of international developments in the cryptoassets and fintech sectors to inform the Government's response. The statement can be found on the [Council's website](#).

could help New Zealand exports to retain their competitive advantage. MBIE expects blockchain technology to proliferate as it becomes less energy-intensive.

## **Conclusion: our views on the ministry's briefing**

We thank the Ministry of Business, Innovation and Employment for its briefing. We appreciate the way it explores some of the opportunities and challenges that New Zealand will face as purpose-led businesses and blockchain technology proliferate. We found it useful to consider the benefits and risks associated with blockchain technology in particular, and how the Government could navigate these in the future.

We note that some businesses are taking a greater interest in values and sustainability because they are genuinely passionate about the issues, while others are doing so because they calculate that it is in their commercial interest. In any event, we were encouraged by the rise of purpose-led business and entrepreneurialism, and excited by the enthusiasm for it shown by young people.

We encourage others to read the ministry's long-term insights briefing.

## Appendix

### Committee procedure

We met between 12 December 2022 and 16 March 2023 to consider this briefing. We heard evidence from the Ministry of Business, Innovation and Employment. [The Long-Term Insights Briefing 2022 is available here.](#)

### Committee members

Naisi Chen (Chairperson from 8 February 2023)  
Jamie Strange (Chairperson and member until 8 February 2023)  
Glen Bennett  
Barbara Kuriger (until 8 February 2023)  
Ingrid Leary (from 8 February 2023)  
Melissa Lee  
Stuart Smith (from 8 February 2023)  
Hon Michael Woodhouse (from 14 February 2023)

Dan Rosewarne also participated in our consideration.

### Recording of our hearing

A recording of our hearing can be accessed online at the following link:

- [Hearing of evidence, 10 February 2023 \(from 47:00\)](#)