

# Māori Farming Trusts - A Preliminary Scoping Investigation into the Governance and Management of Large Dairy Farm Businesses.

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## Abstract

This preliminary scoping study investigates areas for possible improvement in the governance and management of large Māori dairy farm businesses. Building on the innovative practices of their tūpuna – including Rawiri Taiwhanga, the country's first commercial dairy farmer – Māori are defining their own aspirations, realities and goals in the dairy farming world (Durie 1998, 2000). This report outlines these, and their accompanying challenges, as expressed by individuals and collectives currently engaged in Māori Dairy farm businesses.

The Māori way of doing business is described in this study as having a 'Quadruple Bottom Line of Profit, People, Environment and Community' business objectives.' More specifically, 'Māori farms often have an inverted Quadruple Bottom Line. People, Environment and their Community often come before Profit....but without Profit none of it happens.'

Māori strategic plans and business values place emphasis on relationships, responsibilities, reciprocity and respect. These are exemplars of a Māori world-view, which explicitly acknowledges particular historic and cultural contexts (Tapsell and Woods 2010). The strategic management plans of the Māori Farming Trusts illustrate the spiral or matrix of values 'He korunga o nga tikanga' envisaged by Nicholson, Hēnare and Woods (2012). They prioritise the development of social capital to create competitive advantage. Such strategic plans reflect Māori vision and aspirations. These are to sustain and grow the land base; to provide leadership and guidance for the whānau; to develop capacity and resources within the Trusts; and to perform better as businesses.

Māori leaders acknowledge that, "Generally speaking, Māori farming or Māori resources are under-performing" (MPI, Māori Forum June 2013). There is a lacuna of appropriate **KPI's**, industry-wide, that can be used to benchmark Māori farming operations. Without this benchmarking, Māori farming trusts are ill-equipped to approach their advisers with well-informed questions and ideas. The initiative by the Tūhono Whenua benchmarking project, an online benchmarking tool involving 6 farms from the Te Arawa Primary Sector Collective and Te Taumata, is to be highly commended as a step toward the development of Māori farming trust benchmarks, and for encouraging Māori farmers to benchmark their businesses. Much of this study has related to the farm business management skills of Māori Trust governance and management. There are talented young Māori getting tertiary education, and receiving Trust scholarships to support their higher level education. A knowledge gap has been identified in the area of Farm Business Management. There should be more encouragement of young Māori to seek degree training in Agricultural Science, Agribusiness and especially Farm Business Management. Māori Agribusinesses make considerable investment in the education of young whānau, but to date they have struggled to employ many of their own people in farm businesses. The 'unique observation' during this study of a young Māori Farm Supervisor passionately mentoring his staff into dairy farm careers rather than offering them farm jobs suggests a possible mentoring model that could be used to further build Māori social capital capacity.

There is every reason for optimism and celebration of Māori dairy farming achievement and success. The top tier of Māori farming trusts are fast growing enterprises which are rapidly improving business performance. Māori are genuine leaders of dairy farm environmental management. Their expertise and governance of large corporate farms has much to offer other farming businesses, and there are real opportunities for these businesses to mentor other farming enterprises.

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## Introduction

This preliminary scoping study investigates areas for possible improvement in the governance and management of large Māori dairy farm businesses. Building on the innovative practices of their tūpuna – including Rawiri Taiwhanga, the country's first commercial dairy farmer – Māori are defining their own aspirations, realities and goals in the dairy farming world (Durie 1998, 2000). This report outlines these, and their accompanying challenges, as expressed by individuals and collectives currently engaged in Māori Dairy farm businesses.

Limitations that are particular to Māori land have been identified by multiple researchers (White 1997; Kingi 2000; McLean 2002; Te Puni Koriri 2010, 2011; Ministry of Agriculture and Fisheries (MAF) 2011; Clough 2011; Bird 2012). As summarised by MacLean (2002), these relate to: multiple ownership (creating an ever-expanding shareholder base); legislation (that places constraints on management and administration); succession and cultural factors (relating to genealogical descent); political factors (that can influence shareholder votes in the wrong direction); governance (critical to success of any large business); economic factors (many have started with little capital and little likelihood of raising any on the land); and environmental factors (Māori have a strong affinity with the land).

It has been observed that many general studies in the literature on Māori have been conducted by non-Māori researchers, and built around Western frameworks that do not express or serve the interests of Māori (Ballara 1998; Harmsworth 2002; Koia 2010; Panoho and Stablein 2012). For example, Panoho and Stablein (2005) point out that such research has oversimplified Māori history, undervalued Māori knowledge, and underestimated Māori learning processes, resulting in enormous gaps in understanding about Māori politics, Māori expertise, and Māori networks (Panoho 2012).

The emergence over the past 20 years of indigenous research methodologies and theories, and Kaupapa Māori research in particular, is a celebration and affirmation of indigenous ways and worldviews (Tapsell and Woods 2010). Kaupapa Māori research is philosophy, theory, methodology and practice of research for the benefit of Māori, which is also produced by Māori (Health Research Council of New Zealand 2010).

There is a need for Kaupapa Māori principles to be incorporated into the design and practice of research projects such as this one, to facilitate active relationships predicated on open and equal sharing of information and understanding between researchers and participants (Smith et al 2000). This is fully acknowledged and every effort has been made to acknowledge Māori, Māori aspirations, culture and customs, and the principles of Kaupapa Māori throughout the research process this report presents. The contributors believe that both Māori and non-Māori research can contribute to the progress of Māori Trusts and Incorporations that have large dairy farm businesses.

## Literature Review

### Historical Background – to Māori Governance

Māori are the tangata whenua of Aotearoa New Zealand, and have an extensive history of land and resource cultivation and management, as summarised by Hēnare, Lythberg and Woods (2014):

Māori ancestors departed South East Asia 5,000 years ago as part of Austronesian trading, exploring and settling many atolls and islands of the great Pacific Ocean. They began arriving in what is now known as Aotearoa-New Zealand from their East Polynesian home islands over 1000 years ago and rapidly developed a culture distinct from, but reflective of, the cultural landscape whence they came. Māori accounts tell the living history of an Economy of Mana, of economic sovereignty measured by inclusive prosperity and wellbeing in a time of peace and harmony (Hēnare et al 2013). When Cook, Banks and Tupaia arrived on the HMS Endeavour in 1769 there were over 800 hapū (tribal descent groups) that exercised authority over lands, villages, resources and waterways (Henry 2007; Tapsell and Woods 2008).

Cook's journal entries describe a 'great deal of Cultivated land laid out in regular inclosures, a sure sign that the Country is both fertile and well inhabited' in the Bay of Plenty, and 'a good Anchorage and every kind of refreshment for Shipping' in the Bay of Islands (Cook 1769: 1 November).

In fact, cultivated foods had long been important to Māori, and were distinguished from wild food sources at the cosmological level: there is a god of cultivated foods and peace, Rongomatane, alongside the god of wild foods, Haumia-tiketike. At the time of first European contact, Māori agriculture included crops like kumara, taro, gourds (hue), yams (uhi) and various Māori potatoes, which required sophisticated seed and tuber propagation and careful management, harvesting and storage (Te Rangi Hiroa 1962: 89-93). Early exploitation of large land birds (moa), and sea mammals such as fur seals and sea lions, had resulted in the extinction of the former and the extirpation of the latter to southern NZ by the 1500s. However, animal husbandry continued to be practiced through the keeping of domesticated dogs (kuri), valued for their companionship and fur, and sometimes meat; and the use of tamed birds as lures to attract their kin (Te Rangi Hiroa 1962: 97). Wild resources were also actively managed. Plants were tended and harvested in ways that ensured their ongoing productivity, and the habitats of stocks of birds, Polynesian rats (kiore), eels and fresh- and salt-water fish were well known, maintained, and defended from rivals.

Already accustomed to sophisticated agricultural practices, Māori skillfully incorporated European crops and farming systems as they were introduced to them. As Hēnare, Lythberg and Woods (2014) have observed, the impact of European visitors, crops and animals on Māori economic activities was significant well before colonisation:

Māori were quick to recognise the economic opportunities presented to them when "Within about thirty years of Captain James Cook's arrival, the potential market for Māori enterprise expanded from a purely domestic one restricted to a relatively small population to encompass Europe, Asia, North and South America, Australia and the wider Pacific" (Petrie 2006: 28). Whalers, sealers and other Euro-American ships began to call at Aotearoa-New Zealand harbours, encountering Māori willing and prepared to trade indigenous resources – timber, flax (for ropes), kumara (sweet potatoes), water, fish, and so on – as well as those newly acculturated, including potatoes, which by 1803 could be purchased by the ton (Petrie 2006: 28). The extent of Māori engagement in entrepreneurial innovation is further attested to by Northland rangatira (chiefs) of the time: Ruatara became the first person to harvest wheat in Aotearoa-New Zealand, and Rawiri Taiwhanga the first to produce butter on a commercial scale (Petrie 2006: 29).

In 1834, Taiwhanga established the first New Zealand dairy farm near Kerikeri and by the end of 1835 he was producing and selling butter from his herd of 20 Durham Shorthorn cows (Orange 1990). His sale transactions (butter sold for 1s. to 2s.6d a pound) are the earliest regular sales of dairy produce known in NZ and make Taiwhanga the country's first commercial dairy farmer (Orange, Te Ara 2012).

As the Māori economy shifted towards the production of surplus for trade and export, the co-operative structure of kāinga organisation and the system of mutual obligation implied by the custom of utu were distinct assets for Māori, as was inter-tribal competitiveness (King 2003). In colonial New Zealand, farm produce was grown co-operatively and communally by entire family groups of Māori, who produced the majority of farm crops consumed domestically and exported to Australia (Kingi 2002). In the period 1792-1840, Māori were capable and competitive entrepreneurs who could grow and harvest commodities such as flax and timber on a large scale.

But colonisation and its additional requirements for such commodities was not always appropriately balanced with the management of the environment and its resources. NZ early colonial history is marked by apparently unrestricted extraction of natural resources including seals and whales, and later timber; by the mid-1840s, fur seals, sea lions and southern right whales had been extirpated from coastal NZ. By the 1820s, timber exports were booming to meet the requirements of settlements in New South Wales, and up to 100 ships were moored at a time in Kaipara Harbour, receiving loads of kauri to carry to Australia. 'It was not until the early 20th century – when New Zealand had about 250 sawmills and was left with only half of the 14 million hectares of forest estimated to have existed when the Europeans arrived – that concerns began to grow about the ability of the remaining forest to supply the country's future needs.' (Forestry Insights, [http://www.insights.co.nz/story\\_behind\\_bnf.aspx](http://www.insights.co.nz/story_behind_bnf.aspx)). In effect, this represented only a quarter of the forests that had covered NZ before the arrival of humans: food cultivation and fire were two of the contributors to Māori deforestation, and by the arrival of Europeans it is estimated that 50% of the original forest had been cleared (Forestry Insights, [http://www.insights.co.nz/story\\_behind\\_bnf.aspx](http://www.insights.co.nz/story_behind_bnf.aspx)).

This annihilation of resources is a variation on the 'future eating' phenomenon described by Tim Flannery (1994). Europeans had no understanding of the land and treated it as 'treasure trove of goodies' instead of a

fragile environment, and often prevented the land's traditional owners from caring for it (Boast 2008). Though Māori had a kaitiaki or caretaker perspective on their environment, European New Zealanders were destined to repeat their destructive patterns of behaviour many times over (Flannery 1994: 128).

Alongside environmental impact, it is widely acknowledged that the European arrival in New Zealand generated what Lorenzo Veracini has coined 'founding violence', experienced by so many colonised peoples, characterised as disregard for indigenous peoples, land, social structures, customs and safety (Panoho 2006; Boast 2008).

Introduced disease, muskets, and land alienation collectively led to unprecedented population decline between 1840 and 1895. At this time the Māori population declined to such a level that Māori culture was threatened with extinction (King 2003).

In 1840 Māori occupied approximately 26 million hectares of land but this was under constant pressure from arriving immigrants (McLean 2002). The rate of immigration increased rapidly after the 1840s, as Provincial government schemes (1850s), gold discoveries (1860s), and policies of the NZ central government led by Vogel (1870-80s) encouraged more European settlement. Māori people were forced to relinquish ground to the 'new foreigners' and lost much of their land (King 2003). There was considerable dissatisfaction among Māori about the land dealings of the agents of colonisation, for example NZ Company, and misunderstandings arose over what constituted land ownership (King 2003). For Europeans, land ownership was individual ownership, registered with a signed deed. For Māori, it was determined by a variety of factors, including inherited rights, rights obtained by conquest, and rights of occupation and use.

The New Zealand government had a programme of confiscating Māori land to reward militia troops and new settlers; in Waikato in 1864, 1.3 million hectares of Māori land were taken. These land confiscations in the Waikato, and elsewhere in Taranaki and Bay of Plenty, caused economic hardship for Māori, and the demoralisation that comes with a loss of 'mana' (authority, prestige, influence). European buyers wanted the best agricultural land available (King 2003). Most took it for granted that the Māori population would continue to decrease and the number of European settlers would increase, therefore Māori land would be progressively become available to Europeans for farming (King 2003). The Crown pursued deliberate programs of land individualisation, fragmentation and alienation (Walker 1990; Tapsell 2002). As Māori land was confiscated and fragmented, Māori re-settlement was often made on lower quality land, with a resulting decline in crop yield and prosperity. In 1884, Premier Atkinson thought that 'the indigenous population should be utterly suppressed and eventually assimilated by the superior British' (Bassett 1975).

Most European settlers in the late nineteenth century (1880-1900) had little personal contact with Māori, who tended to occupy the hinterland. In 1896, the Māori population reached its lowest point at 42,000. There was every reason to believe that the survival of Māori had come to an end (Durie 2003), and there was little understanding of Māori communities, traditions or language among the European population now popularly known as Pākehā. In the nineteenth century, Māori settlements had been built around family or hapū membership. By the early 1900's, most Māori communities made a precarious living from mixed subsistence farming (King 2003). In many regions the land was virtually all bought or confiscated by Pākehā, leaving Māori with poor land, land with no access, and some land covered in beech or podocarp forests. Sanderson (2000) describes 'a restricted participation [in economic activities] dealt to landowning Māori by history'. In some regions, Māori retained only a fraction of their original land area after their dealings with the New Zealand Company or the Crown. Often, Māori were left owning the 'Unimproved Value' of the land while lessees farmed it in return for statutory rentals, which were infrequently reviewed (Sanderson 2000).

From the late 1800s onwards, various Māori social and political movements emerged in an effort to unify Māori (Ballara 1998). Wider descent groups were formed such as the Kingitanga (King Movement) and the Rātana movement (in the Rangitikei). The Rātana Independent Members of Parliament were the first to represent a political party established by Māori: The first Rātana movement MP was Eruera Tirikatene, elected in a by-election for Southern Māori in June 1932 (Martin, Te Ara 2012). Major aims of the Rātana movement were statutory recognition of the Treaty of Waitangi, righting the confiscation grievances of the Māori people, and equality in social welfare for Māori.

The Young Māori Party, a group of well-educated young men from Te Aute College, became national leaders and were recognised and celebrated as such by Māori and Pākehā alike. Men such as James Carroll, Apirana Ngata, and Maui Pomare were known as the 'Aristocrats of Knowledge' or simply, 'the educated Māori' (Winiata 1967). These Māori leaders believed that Western culture and Pākehā people were permanent features of New Zealand life and that the future for Māori lay in progressive adoption of Western practices, institutions and technology (King 2003). Future Māori leaders would also embed the need for education and scholarship into priorities within Māori Authorities.

Sir Apirana Ngata was to become the most significant political figure in Māori land reform, seeking protection of economic assets and agricultural development (Keenan 2013). Carroll and Ngata's term 'Māoritanga', whilst contentious, persisted for decades as a more or less agreed upon term to mean 'the Māori way'. Where agriculture is concerned, Māoritanga describes the collective will of Māori and modes of work and productivity of kinship groups (Hēnare 2011). Hēnare (2011) and colleagues (Hēnare et al 2009, 2010, 2013) observe that philosophically speaking, Māoritanga refers to Māori culture-society and its four well-beings; spiritual well-being, ecological well-being, kinship well-being, and economic well-being. These map well onto the quadruple bottom-line identified in this study – Profit, People, Environment and Community – and suggest that the wisdom of tūpuna pervades contemporary practice.

## Customary Māori land tenure

Māori belief and understanding is that land is permanent and human life is transient, as reflected in the Māori proverb "whatungarongaro te tangata, toitu te whenua" (man disappears but the land remains) that describes Māori holistic values and respect for the land. Māori considered their association with land in terms of "belonging to rather than owning [it]" (Kingi 2008). Customary Māori land tenure was determined by the particular group in question, with the land being held as a communal resource for the benefit of all (Kawharu 1977). Ownership was confirmed by settlement and occupation. Land was regarded by Māori as a communally owned collective good that could only be transferred by conquest, abandonment or succession, and was treated with respect owing to its possessing economic and spiritual qualities (Henry 2007: 580).

Māori groups could gain rights to land through either whenua kite hou (the right of discovery), take tipuna (ancestral right of succession), take tuku (a right from gift), or take raupatu (the right of conquest) (Kawharu 1977). Though land was held by the kinship group, the rights of the individual to a share of the community's resources were recognized by the allocation of access or of occupation rights to the resources (Kingi 2008). The occupation of land carried with it an obligation to use the land effectively for the people. This concept endures and is known as ahi kaa (the burning fire), which refers to the ongoing occupation and use of land (Kawharu 1977).

Māori society is hierarchically organized, with clearly defined roles and practices (tikanga) observed by those positioned within the different layers. The core of these layers are the whānau (extended families), which combined under common ancestry forming the central social, economic and political units of Māori society called hapū (autonomous sub-tribes/a collective of whānau that share genealogical links) (Tapsell and Woods 2010). The hapū (tribal group), or whānau (extended family) usually held the rights to land. Under special circumstances some individuals were allowed private access to land (Kawharu 1977); individual rights to Māori land were established by descent (Kingi 2008). In traditional times, land bestowed power and duty upon the whānau and hapū. However this localized power and authority has been eroded throughout history due to the influence of European colonisation and the institution of Crown legislation in New Zealand, including the post-European construct of larger iwi identities (Durie 1998).

The tribal Marae (the ceremonial courtyard and 'community centre') remains the focus of Māori society. Among other things, the Marae instantiates customary authority over surrounding land. So long as the Marae has survived, the kin group's identity to its ancestral estates is said to have endured (Tapsell 2002). The Rangatira (Elder Statesman/kin group leader) control the Marae based forums, which centre on the core cultural values of whakapapa (genealogy) and tikanga (customs, traditions and protocols of behavior), and the performative delivery, reception, exchange and use of taonga tuku iho and korero tuku iho (treasures and learnings passed down for the ancestors). Through these lenses tribal identity is continually refocused.

## The Treaty of Waitangi

The Treaty of Waitangi (1840) is the agreement, in Māori and English, that was made between the British Crown and about 540 Māori Rangatira (chiefs). There were multiple copies written in English, and one in Māori. Many studies have been made on the treaty itself and the nature of the agreements that the British Crown representatives and Māori rangatira believed they were entering into, and NZ History Online offers the following summary of the main points (<http://www.nzhistory.net.nz/politics/treaty/the-treaty-in-brief>):

The Treaty is a broad statement of principles on which the British and Māori made a political compact to

found a nation state and build a government in New Zealand. The document has three articles. In the English version, Māori cede the sovereignty of New Zealand to Britain; Māori give the Crown an exclusive right to buy lands they wish to sell, and, in return, are guaranteed full rights of ownership of their lands, forests, fisheries and other possessions; and Māori are given the rights and privileges of British subjects.

The Treaty in Māori was deemed to convey the meaning of the English version, but there are important differences. Most significantly, the word 'sovereignty' was translated as 'kawanatanga' (governance). Some Māori believed they were giving up government over their lands but retaining the right to manage their own affairs. The English version guaranteed 'undisturbed possession' of all their 'properties', but the Māori version guaranteed 'tino rangatiratanga' (full authority) over 'taonga' (treasures, which may be intangible). Māori understanding was at odds with the understanding of those negotiating the Treaty for the Crown, and as Māori society valued the spoken word, explanations given at the time were probably as important as the wording of the document.

Both English and Māori versions of the Treaty contained three main articles;

- Article one pertains to the ending of governorship of New Zealand and pre-emption over any land sales to the British.
- Article two guaranteed Māori the undisturbed possession (meaning full ownership rights (Orange 1990)) and use of their resources including, lands, forests, fisheries, and other *taonga* (treasures).
- Article three gave Māori rights as British citizens (Durie 1998).

A fourth article, which did not appear in the English version of the Treaty, guaranteed free expression of culture, religious beliefs, and values.

Most of the Māori chiefs who signed the treaty signed the Māori version. The first three articles of the Treaty were applied throughout New Zealand history with the Crown developing many policies that greatly affected Māori (Kawharu 1977). In the early stages, most of the Crown's policies had negative impacts on Māori society and led to detribalisation and loss of land for Māori (Bassett et al 1994). Though the Treaty of Waitangi guaranteed Māori title to all their lands, both occupied and unoccupied or 'waste lands' (Boast 2008), the differences in interpretation between the two versions of the treaty were especially significant where land titles were concerned (Orange 1990). The English version of the Treaty contained a clear assertion of the doctrine of Crown pre-emption. The legal rule is that no one but the Crown may extinguish native title at any time, meaning no private individuals could buy Māori land, and this is essentially a doctrine of property and constitutional law. Māori came to believe that what they had agreed to was a first right of refusal.

Whereas in pre-European times Māori land was communally owned, based on the traditional system of Māori customary law, following the signing of the Treaty of Waitangi two methods were used by the Crown to obtain Māori land: Crown acquisition and, after the passing of the New Zealand Settlements Act 1863, raupatu (confiscation). By 1862, roughly two thirds of New Zealand, including most of the South Island, had been acquired by the Crown (<http://www.tetumupaeroa.co.nz/>). Warren (2006) argues that raupatu (confiscation) of land seriously undermined the influence of Runanga, the traditional Māori assembly of governing councils or administrative groups of a Māori hapū.

Māori have for nearly 200 years attempted to gain recognition of their rights under the Treaty of Waitangi. However, before the 1970s it was not an operative document (Panoho and Stablein 2005). In 1975 the Waitangi Tribunal was established to consider claims by Māori against the Crown regarding breaches of principles of the Treaty, and to make recommendations to government to remove the prejudice and provide recompense: Since 1985 the tribunal has been able to consider Crown acts and omissions dating back to 1840 (<http://www.nzhistory.net.nz/politics/treaty/treaty-faqs>).

The Treaty of Waitangi jurisprudence holds that the two language treaty, Māori and English, must be considered in a holistic way but the Māori language version takes precedence when the meanings are unclear. The treaty is ratified as a living document not just an historical work, and as such is 'always speaking' (Hēnare 2011). The treaty therefore informs the intergeneration discourse of Māori and the Crown and its governments on matters to do with economic development and politics (Hēnare, Lythberg and Woods 2014).

Any discussion of Māori entrepreneurial activity (or lack thereof) must, at the very least, acknowledge the impact of colonisation and the Treaty of Waitangi (Warren 2006; Henry 2007; Tapsell and Woods 2010; Overall, Tapsell and Woods 2010; Hēnare, Lythberg and Woods 2014).



## Government Acts affecting Māori Land

The New Zealand wars were a series of battles fought between some Māori tribes and government forces (which included British and colonial troops and their Māori allies, known as kūpapa) between the 1840s and 1870s. Te Ara reports that “figures are uncertain, but about 500 British and colonial forces, 250 kūpapa and 2,000 Māori fighting the Crown may have died in the wars. Māori who had fought the Crown lost large areas of land – about 1 million hectares in total” (Keenan, Te Ara 2012). The land wars precipitated legislation that hastened the alienation of Māori land. Sovereignty became a practical reality as Māori and their land were brought under English civil and criminal law (Sorenson 1981: 176). Under the Suppression of Rebellion and Land Settlement Acts of 1863, approximately 0.7 million hectares of high quality agricultural land were confiscated and either sold to settlers or used for Military Settlement. More importantly, the Native Land Acts of 1862 and 1865 commissioned the Native Land Court to replace customary tenure with title-deeds. A primary objective of titling was to reduce transaction costs to buyers, a policy that paved the way for both government and, from 1865, private land purchases (Smith, 1960: 12). Critics have stressed that the land wars, Crown confiscation of land, and the titling programme, clearly revealed official disregard for the Treaty (Boast and Hill 2010).

The history of Māori land alienation is inextricably bound up with the history of New Zealand farming and the North Island frontier; the Government’s obtaining of Māori land was driven by a genuine, if blinkered, idealism to boost agricultural production from new Pākehā land owners (Boast 2008). A series of Government Acts had a major influence over Māori farm land ownership. The Native Lands Acts of 1865 and 1873 were particularly destructive, imposing a costly (particularly surveying) regime on Māori (Boast 2008). Bassett et al (1994) claim that during the period of 1862-86 the intentions of the Government were the detribalisation of Māori and the acquisition of Māori lands. The policies of this era disenfranchised Māori from their lands and economic resources, leading to the first period of Māori drift to nascent urban centres, and the contemporary fragmentation of Māori society (Durie 1998). Boast (2008) argues that there is a tendency to see Māori as hapless victims of colonization, whereas they were a people who were in very difficult circumstances.

Urban drift of the Māori workforce affected the Māori economy, but in the mid-twentieth century the largest group of Māori still worked in forestry and farming. In 1950 there were, according to the Census of Agriculture, nearly 10,000 Māori farmers (Keenan 2013). Though some of the early Acts were outright destructive of Māori farming, the more recent Acts (1950s onward) better allowed Māori to organise their lands into economic units. The Māori Trust Boards Act was passed in 1955 to enable Māori to manage their assets, and established how and who could benefit from payments received from or for them. The broader purpose of this act was to develop resources owned by Māori in order to protect and preserve Māori culture (Bassett et al 1994). Similarly, The Māori Affairs Amendment Act passed in 1962, and its further amendment in 1967, aimed to provide cultural protection (Kawharu 1977).

By the 1970s, the attitude of the Government was beginning to change and Māori were entering a period of renaissance characterised by flourishing art and cultural activities associated with pride in Māori identity and Māoritanga. But the damage had already been done and Māori now required a mechanism to resolve their grievances. The Waitangi Tribunal (1975) became a forum for the expression of much Māori protest and anger over the impact of European colonisation. Its findings have led to settlements which have returned some assets to tribes and provided financial compensation where asset return was not possible. The culmination of ‘the Māori Renaissance’ has arguably been the [Treaty of Waitangi claims and settlements](#) starting in 1992, which have gone some way towards addressing the erosion of the Māori economic base (Royal, Te Ara 2013).

## The purpose of Te Ture Whenua Māori Act 1993

In 1840, Māori owned 66 million hectares of land. By 1896 this had declined to 11 million hectares of land, and by 1996 only 3 million hectares remained in Māori ownership (Gillies 2006).

The Te Ture Whenua Act was passed on 1 July 1993 and recognises the special significance of Māori values and the Treaty of Waitangi. Its purpose is to retain Māori land in Māori hands whilst providing for the administration and development of Māori lands in order to facilitate Māori economic development (Bassett et al 1994). This contemporary Act exemplifies the new attitude of the Government, which is one of protection, retention, development and inclusion (Bassett et al 1994).

The Te Ture Whenua Māori Act 1993 replaced the Māori Affairs Act 1953 and amended much of the policy relating to Māori land and the Māori Land Court (Bassett et al. 1994). The Ministry for Māori Development, Te Puni Kōkiri (1998: 17), describes the four purposes of the Te Ture Whenua Māori Act 1993:

1. The promotion and retention of Māori land in the hands of its owners, their whānau, and their hapū ;
2. The facilitation of the occupation, development, and utilisation of that land for the benefit of its owners, their whānau, and their hapū ;
3. The maintenance of the Māori Court; and
4. The establishment of mechanisms to assist Māori to achieve the implementation of these principles.

## Māori Authorities

In 1939, Māori authorities were created to act as trustees in order to administer communally owned Māori property on behalf of individual members. The history of these Māori authorities, and the role that they play in Māori society by asserting the genealogical link between owners and their spiritual connection with the land, makes them complex and intriguing organisations (Kingi 2000). Kingi (2000) identifies two key outcomes vital to evaluating the success of Māori Authorities: enhancement (whakapiki tangata) and self-determination (mana Māori). These outcomes are underpinned by the following principles or values: unity (whakakotahitanga), kinship (whānaungatanga), commercial viability (mahi haere ahuhenua), guardianship (kaitiakitanga) and control/authority (mana whenua) (McLean 2002).

Māori Authorities comprise a unique blend of Western organisational structures and collective business enterprise with tribal ownership and Māori values. Many Māori land structures uphold collective values as a guiding philosophy for culturally centred sustainable economic development. Maintaining cultural identity and traditional values is important in building owner support for development initiatives (Kingi 2000; Harmsworth 2002).

## The Principle Types of Māori Ownership Entities

Māori Authorities utilise business structures comprising trustees of trusts (of which there are 5 types) or incorporations, who manage and administer Māori Land or Māori Freehold Land. Māori Land or Māori Freehold Land is land that is registered in the Māori Land Court, and collectively owned and administered under the Te Ture Whenua Māori Lands Act 1993. The Māori Land Court is empowered by the Te Ture Whenua Māori Act 1993, which establishes the court and the Māori Authority administration structures designed to manage collectively owned Māori land. The Te Ture Whenua Māori Act has a focus on the management, retention, and protection of Māori Land in the hands of the Māori owners. Furthermore, because of the structuring nature of the Act, Māori Authorities under its jurisdiction are well versed in the processes and procedures of corporate dairy farming, and in dealing with the issues associated with large herds (McLean 2002).

Predominantly, the Māori Incorporation and Ahu Whenua Trust administration structures are the instruments used by Māori organisations involved in dairy farming. In addition, many Māori Authorities own limited liability companies as subsidiaries/incorporated structures, and there are many individual Māori involved in dairy farming privately. In 2009 Te Puni Kōkiri completed an analysis of individual Māori Freehold Land titles (Te Puni Kōkiri 2009). This analysis has identified:

- 34 % of Māori Land titles have an associated management structure in place and account for 81% of the total area (approximately 1.2 million hectares);
- 66 % of titles accounted for 19% of the total area (approximately 288,000 hectares), and did not have an associated management structure – 70% of these titles are smaller than 5 hectares;
- 61% of titles overall were smaller than 5 hectares;
- 159 incorporations account for 25% of the total area (approximately 375,000 hectares), of which 40 incorporations of more than 2500 hectares accounted for 80% of all incorporation lands (21% of all Māori Freehold Land);

- 5700 Ahu Whenua trusts accounted for 48% of the total area (approximately 730,000 hectares), of which 100 trusts larger than 1500 hectares accounted for 62 % of all trust lands (30% of all Māori freehold land).

## Māori Incorporations

Most Māori incorporations were established prior to the 1960s (the first was established in 1910). The owners amalgamated (incorporated) individual titles of Māori land into groups under a single administration and management structure (Kingi 2008). Landowners normally choose not to incorporate their lands now, but incorporation is still possible by making an order to the Māori Land Court. The Māori Land Court is the final authority, or the first authority when it comes to Māori land, so if there are problems the Māori Land Court will appoint a responsible trustee.

The incorporation is a structural choice that emerged in the early twentieth century as a method to amalgamate ownership and management of disparate Māori land interests. Like companies, incorporations have perpetual succession and limited liability. The committee of management is the key governance arm of an incorporation. This is similar to the role of company directors who ensure management of the business and affairs of a company.

## Te Ture Whenua Māori Act trusts

The Te Ture Whenua Māori Act has five categories of Trust, and these are subject to the general law of Trusts. Each Trust requires:

- Land vested in the Trust to be Trust property
- A trustee to have control of the property
- Beneficiaries or a beneficiary

Māori Trusts may own Māori Freehold Land or general land and have the power to mortgage Māori Freehold Land. The sale and transfer of Māori Freehold Land by all Trusts is restricted. Of the five types, three—Kaitiaki, Whenua Topu and Putea—control land that forms less than 2.5 per cent of Māori Land:

- **Kaitiaki Trusts:** Available for persons who are minors, or under disability, and therefore unable to manage their own affairs and land.
- **Whenua Topu Trusts:** Tribal trusts designed to facilitate the use and administration of land in the interest of iwi or hapū. This type of trust is used for receiving Crown Land as part of any Treaty settlement.
- **Putea Trusts:** Small uneconomic interests pooled for the common benefit without individual dividends.

**Ahu Whenua Trusts** are the most popular trust structure, accounting for approximately 48% (Te Puni Kokiri 2009) of Māori Trust land. They were established to promote and assist the use and administration of the land and interests of the owners. The rights to succession are preserved: Māori may transfer land to each other by way of a vesting order or they may succeed to a deceased relative's land by way of a succession order. Māori Land may only be left by Will to a direct descendant or whangai (people adopted according to tikanga Māori or Māori custom), and it may not be taken through a relationship property claim. Owners may subdivide their individual shares out of a block by partition order, but co-owners have the right to object as this may lead to alienation (McLean 2002). The Ahu Whenua Trusts are the main vehicle used to facilitate the use and administration of land for its beneficiary owners. McLean (2002) set out the advantages and disadvantages of Ahu Whenua Trusts as follows:

**Advantages:** Provides an ability to manage multiple ownership blocks and stop some of the problems associated with the ongoing succession of Māori Land; Provides economies of scale, ease of operation, faster decision making, creation of a formal internal management structure, and increased negotiating power.

**Disadvantages:** Māori Land Court has a greater control over the governance of the entity (which could be an advantage in some cases), which, in a well-run Trust, can delay decision making and reduce the commercial reality of some decisions; Greater legal responsibility for Trustees is provided, which could limit potential Trustees putting their names forward.

**Whānau Trusts** preserve family links to particular land, but without expectation of individual interests or dividends. Whānau Trusts hold land for the benefit of a particular family, and are the most family-oriented trust. The Whānau Trust is a share management trust designed to manage specified shares in Māori land. It allows whānau to bring together their Māori land interests for the benefit of that whānau and its descendants. This provides the whānau with an alternative to further fragmentation of their shareholdings, especially where there are large families: Establishing a Whānau Trust is the ideal mechanism to counteract fragmentation (<http://www.wairarapamoana.org.nz/>). The Whānau Trust structure acknowledges Tūpuna (identifiable ancestors): whānau may name a tipuna in the Court Order and the descendants of that tipuna may benefit from the trust.

## Challenges of Māori Land

Māori freehold dairy farms produce 8-10% of New Zealand dairy production. Large management entities (greater than 1500ha) make up 60% of Māori land; within this category there are 50 incorporations and 92 Trusts. The majority of Māori land quality is generally low, with lower than average natural fertility and more challenging terrain. Much of Māori land is landlocked. It is often under-developed, expensive to develop, and on difficult or lower quality (higher Land Use Categories) land. There is a common and mistakenly held view (Hall 1991) that undeveloped or partially developed Māori land held in multiple ownership reflects a lack of will on the part of the owners to bring such land into productive use. Hall (1991) argued that this has more to do with a lack of knowledge and the inability to borrow capital due to land tenure.

A study by (MAF 2011) offered the following summary:

In New Zealand there is an approximately 1.5million hectare of collectively owned Māori Freehold Land of which only 20% is considered well developed.

- 600,000 hectares of Māori Land (40%) are under-developed;
- 80% of Māori Land is in the poorest land classes (non-arable) that support a limited range of productive uses, and/or are in remote areas;
- Up to 30% of Māori Land could be landlocked, lessening the viability of the land because of access issues; and
- Of around 26,000 blocks of Māori Land, almost 50% have not been surveyed and nearly 58% are not registered under the Land Transfer Act 1952 (Source: - Office of Auditor General New Zealand).

### **Table 1. Summary of Māori Ownership Entities and Organisation (MAF study 2011):-**

This table is a brief summary of the business structures, accountability, purpose and issues facing Māori farmers (MAF 2011).

	Te Ture Whenua Māori Act 1993
Governance Structure	Putea/Kaitiaki/Whenua Topu/Ahu Whenua Incorporations.
Accountability	Māori Land Court/Māori Trustee/Owners
Purpose	Retention and utilisation of Māori land by owners.
Barriers to Development	Multiple ownerships, succession issues and finance. Funding from lending institutions in most cases can be difficult to acquire because of their lack of knowledge of Māori land.

## Farm Business Governance

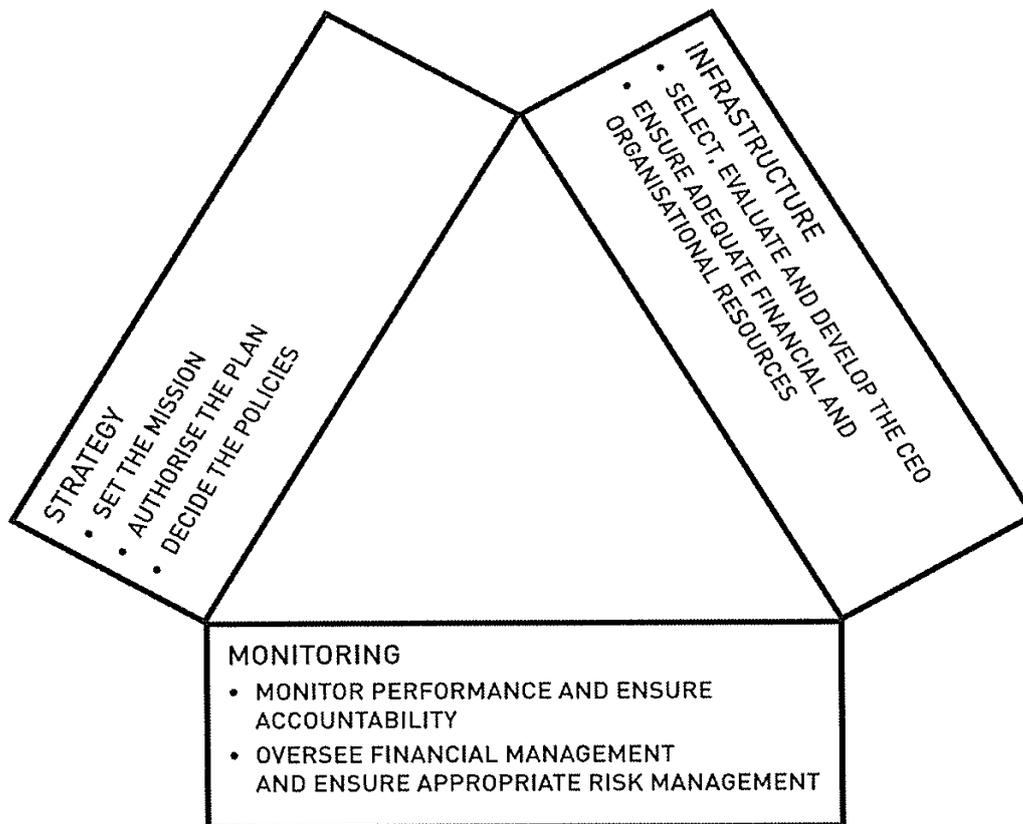
There has been little research into rural business governance (Lockhart 2011a) but there is general agreement that farm business governance is concerned with strategic leadership (to achieve the purpose or mission of the business) whereas management controls tactical and operational decision making. A business that is well governed is better able to work toward objectives such as maximising profit, improving strategy, creating jobs and serving all stakeholders including shareholders, employees, customers, suppliers and the community (Aronoff and Ward 2011).

Governance is about effective collective decision making to enhance business performance, and is based on the process of getting advice to provide a better perspective (Woods 2012). Lockart adds that governance is more focused towards this effective collective decision making than it is about structure and form (2011a) and argues that the relationship between good governance and business performance is yet to be properly understood and established, especially within New Zealand farm businesses (2011). Moreover, it is not clear if structure follows strategy, or vice versa (Shadbolt 2012); the external environment and internal business strategic decisions can both influence structure. Regardless, business failure is often attributed to poor governance.

Good governance, management and operational efficiency are critical to all dairy farm businesses. The different roles of governance, management and operations need to be separate. This is how mature governance differs from 'founder-led businesses where there is no distinction between roles' (Lockhart 2011a). The Board and management need to know each other's distinctive contributions, and have confidence in each other's capability (Irving, Kolb, Shepherd and Woods 2009). The roles often get confused; Lockhart (2011) argues that immediate improvements could be achieved if the Board and management roles were conducted independently of each other. Lockart adds that independent thought is a requisite for effective collective decision making (Lockhart 2011). Lockhart (2011) argues that good governance is achieved where governance is defined as effective collective decision making resulting in exemplary company (business) performance. The selection of directors needs to be based on how their competencies and behavioural characteristics complement each other. In 2010 a New Zealand survey of 450 large farm businesses (with formal governance structures) found that in the most common model the physical assets were held in a family Trust, with a company responsible for trade (Lockhart 2011). This survey found that outside directors or trustees were rare, and that external appointments were usually 'family' accountants or 'family' lawyers. All Boards or Boards of Trustees have legal compliance responsibilities, and directors/Trustees have fiduciary responsibilities. Governance Boards exist for purposes other than compliance (Lockhart 2011), which include the discipline of planning and reporting regularly to shareholders. Reporting business direction and performance would be of value to debt providers (Lockhart 2011), and effective governance requires accountability between shareholders and the business (Aronoff and Ward 2011). Yet Lockhart (2011a) reported that evidence of formal planning and reporting to shareholders was in fact the exception not the rule. Stakeholder misalignment often leads to disagreements, reducing business performance and drawing attention inside so that external signals may be missed. A good Board process allows differences to be addressed and bridges built both horizontally and vertically (Irving, Kolb, Shepherd and Woods 2009).

Family business owners value the goals of good governance in both the business and in the family: Peace, cohesiveness, effective conflict resolution, and freedom to nurture the positive elements of heritage and pursue shared objectives and values (Aronoff and Ward 2011). Families in business together have powerful motivation to govern themselves well.

Irving et al offer the following model that demystifies governance by identifying its three key roles and the activities of each:



**Figure 1 Dynamic Governance Board Roles and Activities from *Changing Gears* (Irving, Kolb, Shepherd and Woods 2009: 138)**

In this model the key components of governance are strategy, infrastructure and monitoring. The Board or Trustees decide the business strategy, and the key policies ensure there is adequate resourcing to achieve the strategic goals. To monitor the business, the Board/Trustees must ensure they are properly informed on the performance and state of the business.

A Ministry of Agriculture and Fisheries (MAF) study (2011) concluded that effective governance was essential to meeting owner's aspirations, and that lack of appropriate or effective governance accentuated the management challenges. The performance of Māori agribusiness is not solely related to financial decisions but includes the social construct of social, environmental, cultural and spiritual objectives which at times are in competition. The study developed a three-tier framework describing well developed businesses, under-performing entities and a third tier of under-utilised lands. Its resulting recommendations were for bespoke support services (for on-farm technical and financial management skills) for Māori land governors and Māori land.

The nature and form of governance required by different farm businesses will differ according to many factors, but the basic principles remain the same. Irving et al (2009: 139) suggest that 'All businesses, regardless of size, need plans, adequate financial resources, good people and proper organisation, and all businesses benefit from some independent perspective, advice and sense of accountability.' The aspiration is that Māori businesses such as dairy farms can be seen as value-creating, but to be effective requires leadership and communication (Nicholson, Woods and Hēnare 2012).

## Indigenous Governance

The Māori economy has a long and flourishing history, and connections between people, and between land and people, have always been foundational to Māori well-being. Māori authority over ancestral landscapes centred on the Marae and the whānau (Tapsell 2002). The whānau, the primary social unit of Māori society, often consisted of three or four generations at any one time. Nicholson, Woods and Hēnare (2012) describe the concept of 'whānaungatanga' or 'familiness' which denotes the distinct set of resources held within the family firm that has the potential to create competitive advantage. There is much to learn (Nicholson, Woods and Hēnare 2012) from viewing business from a Māori 'world-view' and by better understanding the relational wisdom of indigenous Māori and Umanga Whānaungatanga (Māori Family/Collective Business). Throughout, this report foregrounds the importance of the 'quadruple bottom-line' identified by participants, as opposed to a dominant Anglo-New Zealand business of 'profit-maximising', and in this section, the particular characteristics of Māori entrepreneurial activity.

Where dairy farming is concerned, it is well-established that Rawiri Taiwhanga was the first person in New Zealand to produce butter on a commercial scale (Petrie 2006: 29). In examining Māori entrepreneurial behaviour such as Taiwhanga's, Tapsell and Woods (2010) proffer that where Māori innovation occurs – in farming and elsewhere – there is an interaction between the young opportunity seeking entrepreneur (Potiki) and the elder statesperson (Rangatira). The interplay between these two key members of the whānau in the Māori community illustrates the double spiral (Takarangi), a spiral of creation leading to innovations that blend the traditional with the new ideas (Tapsell and Woods 2010). The roles of the Rangatira and Potiki are complementary as they seek a balance between ancestors and descendants. There are elements of chaos and stability, the old and the new thinking, but all within the context of Tikanga (customary practice). In this way tribal heritage is protected.



**Figure 2 Takarangi (Overall et al, 2010: 156)**

Tapsell and Woods' (2010) and colleagues' (Overall et al 2010; Hēnare, Lythberg and Woods 2014) emerging Indigenous entrepreneurship theory builds on the work of entrepreneurship behavioural theorists such as Joseph Schumpeter and Israel Kirzner (Woods 2006, Henry 2007). Woods' (2006) linking of Kirzner's work to Personal Construct Theory (Kelly 1970, Bannister and Fransella 1971) is compelling as it puts the entrepreneur at the centre and in control of the innovation activity. Personal Construct Theory provides a theoretical understanding of the nature of learning within Takarangi and further illustrates the importance of the learning, trust and relationships in farmer decision making, as reported by Phillips (1982, 1985).

The Māori entrepreneurial process is one of construction, exploration, experimentation, evaluation and exploitation of profitable opportunities to create something of value (both economic and social), taking into account risk, alertness to opportunity and the need for innovation (Tapsell and Woods 2010). It is a continuum of self-organisation. If both partners (Rangatira and Potiki) are not interacting there is little progress and a potential for crisis. There is potential conflict between Takarangi and Māori Trust governance structures, raising questions of the appropriateness of imposing a European style governance structure onto Māori businesses. For

Māori, Rangatira are responsible for maintaining kin identity through adversity and within economic contexts. Māori entrepreneurs operate from a world-view that explicitly acknowledges the particular historical and cultural context (Tapsell and Woods 2010).

Māori entrepreneurial activity is underpinned by social objectives to improve the wealth and wellbeing for the community, not just the individual (Henry 2007: 542). Traditional indigenous communities such as Māori hold collectivist principles. Pākehā (European New Zealanders) entrepreneurship differs from Māori entrepreneurship along the individualism–collectivism spectrum. The Māori 'harmonious collectivists' base their aspirations upon the community expectations of the group (Henry 2007).

This holistic view sees that spirituality, natural environments, society, culture are all interconnected processes that cannot be seen in isolation (Spiller, Pio, Erakovic and Hēnare 2011). Such holistic and multi-dimensional approaches are based on an ethic of care (Spiller, Erakovic, Hēnare and Pio 2011). Māori values demonstrate a relational view of the world and a commitment to develop reciprocal relationships of respect. Many Māori values place particular emphasis on respect and care to engender belonging. The concept of 'relational wealth' or 'social capital' is about creating value for the entire network of stakeholders, through cooperation – a decentralised power and authority to build a consensus. Barrett-Ohia (2009) used a whakatauki (proverb) attributed to Te Rangihira/Sir Peter Buck to illustrate these holistic relationships: "E wha nga kokonga o taku whare. Ka hinga tetahi, ka ngahoro te whare." (My house has four cornerstones. When one corner is weak the whole house is jeopardized.) The cornerstones represent spiritual, physical, intellectual and community/family wellbeing.

Relational wealth brings benefits beyond profit alone (Spiller, Erakovic, Hēnare and Pio 2011). Māori businesses draw upon Māori values such as Kotahitanga (unity), Wairuatanga (spirituality), Whakapapa (genealogy), Aroha (care, empathy, charity and respect) and Manaaki (respect and kindness) in practice to endow a sense of belonging to each other and the natural world.

Vos et al (2007) claim that Small and Medium Enterprises (SME) are a form of business that seek independence and control and, through understanding the value of 'connectedness', end up finding utility and happiness. For Māori, connectedness and relational wisdom are core values of the emerging Māori economy, for 'People are the Land and the Land is the People' (Durie 2003).

## Challenges for Māori Governance

There is very little data available on the productivity of the Māori economy (Te Puni Kokiri 2010). Māori productivity varies by sector, with low returns in the primary industries where the majority of Māori assets are in land. Māori Trusts had relatively low returns compared to other 'comparable businesses'. What is meant by 'comparable businesses' is not completely clear. 'Comparable businesses' may mean of similar size, on similar land type, or of similar business structure. Some of the reasons for lower returns have related to the rapid increase in Māori land ownership during the 1980s as a consequence of Treaty of Waitangi settlements, and the associated lack of business experience and underdevelopment of the farm land.

Kingi (2000, 2009, 2009a) has provided extensive descriptions of the characteristics of, and challenges in, the management of Māori land: Māori freehold land ownership is diverse and dispersed; the majority of owners do not live on the land; tensions between land development and cultural retention result in a generally conservative approach; owners are unwilling to accept actions that may put the land at risk; decision-making structures are unnecessarily complex. Furthermore, committees of management often reflect the influences of families rather than the best available skills to oversee large complex agribusinesses.

White (1997) provided particular insights into the challenge for trustees and committee members to balance socio-cultural, economic and environmental objectives. Land has a value as the source of identity and centre of cultural pride, and these values are juggled with economic and financial objectives. White's research found that landowners had high expectations that incorporations and trusts would actively support tribal development by providing community grants and generating employment opportunities. The ability to meet social and cultural objectives was seen as having as much importance as maintaining commercial viability.

Kingi et al (1999) reinforce this finding. They postulated that high-performing enterprises would pay a greater level of benefits to owners (measured as dividends and grants paid as a percentage of net profit after tax). However, the study found that as the levels of profitability increased, the relative level of benefits paid to owners decreased at an increasing rate. Conversely, a significant number of lower-performing entities provided

much higher relative levels of benefit than their more profitable counterparts, as they were reinvesting for the long term (people development). Decisions about the level of retained earnings have a direct influence on funds available for development activities. Higher relative levels of benefit or dividends to shareholders constrain development activity and possible growth.

The particular land management constraints and challenges facing the owners of 'under-utilised' land holdings are discussed in Kingi (2009a). These 'under-performing/utilised' Māori farms are described as the Tier 2 (MAF 2011) businesses. Factors constraining the utilisation of these lands were: a lack of effective management structures; limited skill levels (governance and agriculture and land management expertise); limited access to appropriate specialist advice; few economic use options; farming by committee; managing for conflict avoidance in decision making.

Key conclusions from the (MAF 2011) study can be summarised as follows:

- Māori Freehold Land is characterised by ownership that is generally diverse and dispersed – with succession and title fractionation, large numbers of owners hold a small interest in individual titles or amalgamated entities (Ahu Whenua Trusts and Incorporations).
- The majority of owners do not live on the land and do not derive their livelihood from it.
- For the most part, owners are absentee owners maintaining a sense of identity through connection to the land with succession of ownership passing from one generation to the next.

Tapsell (2002) argues that the current system of land share ownership favours only those Māori still fortunate to own shares, and excludes most descendants from benefitting financially and in terms of identity. It is the responsibility of tribal chiefs to search out all of their tribal descendants. This is a difficult task as many Māori have become disconnected from their Māori heritage, tribal Marae and Turangawaewae. One of the reasons for this disconnect is almost certainly the recent urbanisation trend. In the 1950s nearly 70% of Māori lived in rural areas but by 2006 almost 85% lived in urban areas (Kingi 2008).

The development of the online 'Māori Maps' <http://www.Māorimaps.com/index.php> aims to reconnect urban raised Māori to their home communities. This is an attempt to reduce an emerging crisis: Māori cross-generational alienation (Overall, Tapsell and Woods, 2010). It seeks to reinvigorate core kin relationship and ensure Aotearoa's (New Zealand) unique Marae remains central to New Zealand's future well-being and national identity (Tapsell and Woods 2008).

The Te Ture Whenua Act provides joint objectives for the management of Māori land – the retention of customary Māori land in Māori ownership and the development of that land for the benefit of the owners.

Kingi asserts that there is a tension between these objectives of retention for cultural reasons and constrains of economic use. This tension results in a generally conservative approach, where owners are unwilling to accept actions that place the land at risk.

- Decision making is typically two-tiered, with a committee of land owners' representatives providing governance, and employed staff and advisers providing implementation.
- Committees of management often reflect the political influence of families rather than the best available skills to oversee large, often complex agricultural businesses.
- The costs of administration associated with large numbers of owners carries a significant compliance cost impost on the business.
- Multiple ownership, restricted alienation clauses of the governing legislation, asset location and the quality of land, are all challenges.
- Subdued appetite for risk constrains access to loan capital, external sources of equity and seasonal finance.
- A wide range of aspirations and expectations in respect of the land, and its management, is typical.

Communication is a challenge for Māori agribusiness (Barrett-Ohia 2009) but essential for efficient decision making. Māori is an oral culture, they are a face to face people, who respect those who are have ability to debate, orate and recite. Māori prefer face to face communication, although some authorities are using the internet and digital options effectively. The Marae is still seen as the place where it is acceptable to conduct vigorous discussion and debate. Marae or hui events remain important for Māori to be informed and updated about their farms (Barrett-Ohia 2009). Boardroom meetings are seen as being governed by a different set of norms, timeframes and practices.

The Māori governance solution relies on a combination of Pākehā political governance (election of representatives), communal ownership, Western business practices in the holding company, and traditional values regarding both goals and operations (Panoho and Stablein, 2012). Although Māori now sit at the board table, boardroom practices have not yet been modified to acknowledge Māori approaches to leadership and decision making, thus limiting the effectiveness of Māori participation (Panoho and Stablein 2012). The oral traditions and face to face hui do not translate well to the specific requirements of boardroom meetings. Perhaps as a result, Barrett-Ohia (2009) found that some Trusts had yet to establish suitable processes for conducting efficient meetings or communicating with shareholders. These are key areas requiring further research.

## Comparisons between Māori and non-Māori Agribusiness

Comparisons between Māori agribusiness and competing European businesses continue to be important for Māori (Cotterell 2003; Te Puni Koriri 2010; MAF 2011; Clough 2011). Māori currently own approximately 12.5% of the agricultural land in New Zealand. A number of recent studies (White 1997; Kingi 2000; Te Puni Koriri 2010, 2011; Ministry of Agriculture and Fisheries (MAF) 2011; Clough 2011; Bird 2012) have sought to better understand how Māori freehold land is currently governed, managed and operated. These studies aimed to identify issues and barriers to better management and performance of these farming businesses. Māori have a very long-term view of business and land ownership, ensuring that the land (whenua) will never be sold. So the question must be asked: How do Māori farms compare with similar farms that have like governance structures and management?

However, Kingi (2000) questions the appropriateness of comparing Māori and non-Māori farmers, given the differences in ownership and organisational structures. In the case of Māori Authorities, how relevant are comparisons of single-enterprise measures of productivity and profitability when most Māori Authorities are multiple-enterprise businesses with diversified investments in sheep and beef, dairy, horticulture, forestry, commercial properties? Also, do standard farm performance measurements describe how well the organisations are doing in relation to critical success factors?

White (1997) described success for Māori as being a complex amalgam of land ownership factors. These factors include cultural, social, political, financial, physical, and operational concerns. Many of these concerns have the potential to be at variance with each other. White suggests that successful management is likely to be about managing the tensions that arise between the different types of success Māori are seeking. Managing Māori land to meet the aspirations of success held by large numbers of owners is an increasingly complex matter. The findings of this research contrast with the limited literature in relation to Māori land management and success. Most written material emphasizes the importance of financial considerations, and relies heavily on Western concepts and perspectives of business success in terms of profit, growth in share value, and dividends (White 1997). In line with White, and extending White's concerns, a report by ANZ Bank (2014) reveals that there are many differences in thinking between various sub-groups of Māori land owners.

Cotterell (2003) argues that there are valid reasons for the lower performance of Māori dairy farms and that efforts to significantly improve performance have only recently begun. In a report 'Benchmarking Māori Dairy Farmers Performance 2006-2010' the conclusion was 'that Māori dairy farms have been less profitable and less productive than similar farms in their regions and with similar ownership setups' (Clough 2011: 2). The sample was small and not randomly selected and it was noted that a few individual Māori dairy farms were better than the DairyNZ Dairybase comparison farms. However the financial and production differences were substantial. For example, Operating Profit Margin was 50% less than the benchmark farms. The variation between years was even greater (11% to 94% less) suggesting that the Māori farms were less able to cope with trying weather conditions. In the Waikato/Central Plateau sub-sample the Operating Profit Margin was 28% less, and the Milksolids/hectare was 5% less than comparable Dairybase farms. It is important to note that the Māori dairy farms (all Trusts or Incorporated farms) were larger farms (ha) and on more difficult land or Land Use Capability (LUC).

The Overhead costs of Māori dairy farms were noted as being higher than benchmark farms, especially those costs associated with incorporation compliance expenses. This fact alone would seem to indicate that the comparison may not be valid, as Lockhart (2014) has indicated that most New Zealand family businesses have less legal, compliance, reporting and human resource responsibilities. Māori businesses may not have been compared to like farms with similar business structures, or with businesses that had 'Quadruple Bottom-line' objectives.

The lack of good data relating to Māori dairy farming performance has created issues for agencies such as the MAF Māori Strategic Unit, Te Puni Kokiri, Ministry of Economic Development, and Federation of Māori Authorities when formulating policy relating to Māori dairy farming development (Clough 2011). It was acknowledged that many Māori dairy farms have restraints that might impact on profitability such as ownership, governance, financing, cultural and many other issues specific to their ownership structures.

A further DairyNZ project (Bird 2012) had used the "Whole Farm Assessment" (WFA) process with 18 Māori Farming Trusts, some of whom were in the Ahu Whenua Trophy competition. The WFA includes DairyNZ Dairybase data, and included questions specifically related to governance of the Trusts. The Māori farms were larger and had lower production, less debt, and lower profitability than the North Island comparison farms. The general trend was the same as the Clough (2011) study, and again the sample size is very small; care needs to be taken regarding land class differences, Dairybase biases (relatively small numbers), and maturity of farming businesses.

A number of challenges have been identified and the following recommendations made (Bird 2012):

- Trustees need to be able to hold the management team to account more effectively, assessing their performance and responding if performance is above that expected or below. To be able to do this, more dairy farm expertise needs to be incorporated at governance level.
- The management reports provided to trustees by their consultants need to be modified so they are more useful. There should be a smaller number of agreed KPIs used as 'drivers' of farm management and understood by the governance team.
- Farm Managers and staff should have a better understanding of the Trust's vision and strategy to achieve a more united approach to goal achievement.
- There is an opportunity to more fully engage the farm managers in the budgeting process and progress their skills from production managers to full farm managers.
- Operating procedures need to be incorporated into the management systems to improve consistency of results.
- Operating procedures for effective effluent system management had potential to be improved.
- Clear strategies must be developed and implemented to involve young Māori in the operation side of the farms.

## Māori Agri-Business Benchmarking

### [Tūhono Whenua: Benchmarking Framework for Māori Agri-business](#)

A key issue facing Māori agribusiness is the lack of current cross-sector, national scale, primary production data on or for Māori farming that allows individual farms to benchmark their performance. Tūhono Whenua benchmarking project is an online benchmarking tool involving 6 farms from the Te Arawa Primary Sector Collective and Te Taumata. All the farms will be operated on Farmax and the dairy farm data will be entered into DairyBase. The programme will involve collection of physical, financial, environmental, and social indicators to use in the benchmarking of the farms. Consultants from AgFirst, Perring Ag, and Farmax with AgResearch are delivering the program outcomes.

The concept behind the Māori Agriculture Benchmarking Framework is to take existing sources of agricultural performance data relating to Māori farming, and enhance it with additional data collected on each farm. This on-farm component is considered key to creating an enduring solution as it makes the framework real and engaging for the farmer.

There are already excellent industry sources of agriculture performance data. However these sources tend to focus on a single sector or region, and in general do not identify Māori farms. The organisations that own these data sources have spent considerable amounts of time and money in developing methods to collect, collate and report agricultural performance data. It is clear that any new initiative must leverage and enhance the existing databases, not reinvent the wheel.

Leveraging and enhancing existing databases will be accomplished by encouraging data entry to occur through existing platforms such as Farmax, Dairybase, and the [Beef + Lamb New Zealand Sheep and Beef Farm Survey](#). This data will then be supplemented by other data sources as required. The intent of this approach is to drive adoption of existing industry databases.

## Dairy Farm Succession

Farm business succession has been recognised as a major issue in New Zealand agriculture and in Māori farm businesses (Hall 1991; Dooley and McLeod 2012). The recent New Zealand farm succession literature (Payne, Shadbolt, Dooley, Smeaton and Gardner 2007; Owen and Dooley 2007; Dooley and Payne 2008; Dooley and Smeaton 2010; Dooley and McLeod 2012; McLeod and Dooley 2012; McLeod 2012) focussed on family farming businesses findings would not all be applicable to Māori farming businesses.

Māori land is owned collectively (Henry 2007) and succession is by descent (Kingi 2008). Turangawaewae (a standing place for the feet, or land-based tribal roots) is the term given to the right to take place in decision making. Turangawaewae presents a strong incentive to retain rural holdings (Lyne 1994). Land fragmentation and urbanisation caused succession and difficulties in developing Māori land. In practice, the incorporation was kin-based because individuals became shareholders by birth, and succession was usually to intestate shares. Shares rather than land were fragmented and, importantly, heirs could succeed to interests without having to keep the 'fires of occupation' alight (Lyne 1994). Trusts protect Turangawaewae giving owners control over the development of their land. Trusts are obliged to maintain records of membership, and the onus is on each beneficiary to ensure that his or her name is included. However, urban migration has separated many Māori from their traditional Māori land and whānau, and – as detailed above – Tapsell (2002) argues that the current system of land-share-ownership only favours those with shares and excludes most descendants from benefitting both financially and in terms of identity.

Some of the farm succession issues for those Māori farming as individuals are the same. Issues such as amicable family relationships, viable farm businesses, intergenerational communication and business structures that allow equity growth and progression pathways are applicable to all farming families. The legal structures suggested by Blackman (2011) often are not applicable due to size of family holdings or multiple ownership structures. Farm succession should be viewed as the transition from operational to management and governance, as well as the transferal of land and business assets between generations.

Finding the right people was shown by ANZ Bank (2014) to be a major concern for Māori business. This concern was right across the spectrum: workers, management, board members and advisers. In regard to succession, respondents were asked 'What does the word "succession" mean to you?' They had a list of options from ANZ Bank, and could select more than one. These results, in descending order, are from the 62 Agribusiness respondents (which are similar to the entire Māori business sample of 172).

Finding an appropriate successor(s) (~70%)

Change over time (~45%)

Exit/retirement (~30%)

Passing business to family/whānau (25%)

Outright sale <4%

Overall, succession was a major concern. Whilst the long-term goal is to develop skilled people from within the iwi (the relevant hapū and whānau) the immediate concern is just getting the best people; if they are Māori, that's a bonus (ANZ 2014).

A recent study in Northland (Shaw, Minogue and Hartles 2012) indicated that poor literacy and numeracy skills amongst Māori farm employees was a constraint to their current work performance, and below the levels required to progress to higher level careers within agriculture. About 32% of the Northland population is Māori, and almost a third of the region's Māori workforce is employed in agriculture. Within the Māori trusts (Bird 2012) it is a stated aim to include increased numbers of young Māori, but there appears to be a lack of clear strategies to include young Māori in the farm operations of most Māori Trusts.

## Māori Business Key Insights Report (ANZ 2014)

The study by the ANZ Bank (2014) reported on responses from 172 participants who were Māori owners, managers or governors. The key findings indicated strong Māori business optimism, especially amongst farm

businesses. Significantly, Māori businesses were four times more engaged with research and development than non-Māori businesses.

In response to specific questions about governance, 80% of respondents have a goal that is written down, 68% have a board or similar governing body, nearly 60% have independent directors, and 'finding the right people' at all levels was seen as the biggest current issue. Succession was a major concern for 60% of respondents, with a third rating it as one of their top three concerns. Nearly half of the iwi, hapū, Trusts and Incorporations surveyed cited the differing opinions of shareholders as a concern. Concern was also expressed about their ability to access funding. There was a clear perception that to maximise shareholder and stakeholder value, Māori need to build the capability and capacity of future board members. Some were appointing external expertise and others were encouraging young people to participate by appointing them as associate trustees or board members.

The ANZ report (2014) argues that more business collaboration is required not just by Māori but across all sectors in New Zealand.

"Māori through whānau, have the unique opportunity to lead a more cohesive, collective approach to not only grow their own assets, but to lead New Zealand industries through change". (ANZ 2014: 13).

## Method used in this Study

Semi-structured interviews were conducted with ten people directly associated with Māori Farming Trusts and Incorporations operating within the Te Ture Whenua Māori Act (1993). Those interviewed were Māori farmers (trustees, board members, beneficiary owners and managers or sharemilkers) and rural professionals working with Māori dairy farm Trusts and Incorporations in the Māori Court District of Waiariki in the Central Plateau (incorporating Taupo and Rotorua areas). Interviewees from this area were selected because there is considerable Māori farming activity in this area compared to most areas in New Zealand; there are 41 Māori Incorporations and Trusts farming 174,000 hectares of land (mostly dairying and forestry) in the Waiariki Māori Court District.

All interviewees selected were very familiar with Māori farming businesses and involved with governance and/or management of those businesses in the Central Plateau. In addition to their Waiariki (Central Plateau) work, some interviewees also had family farms outside of the Waikato and Bay of Plenty. It was considered that these key informants would be information rich and would be able to provide illuminating information.

Eight Māori and two non-Māori were interviewed. The ten interviewees who accepted the invitation to be interviewed are represented in the following graph. It can be seen that some had several relevant roles that provided valuable experience and information for this project.

Role	1	2	3	4	5	6	7	8	9	10
Trustee			Y							
Māori Court Trustee			Y							
Chairman of Māori Incorporation			Y							
Māori Trust Beneficiary			Y			Y	Y		Y	Y
Individual Māori Farmer	Y						Y			
Share Milker						Y				
Farm Manager						Y		Y		
Tertiary Student							Y			Y
Farm Consultant		Y	Y							
Banker				Y	Y				Y	
Field Manager	Y									

The interviewees included:

- five beneficiary owners of Māori Trust farms,
- two final year Māori agricultural degree students from Massey University, both of whom were shareholders in Māori Trust farms as well as being involved with Māori-owned family farms,
- a Trustee for a Māori Trust,
- a Sharemilker on a Māori-owned dairy farm, and
- a Farm Manager on a Māori-owned dairy farm.

Six rural professionals working with Māori farmers were interviewed, four of whom were Māori. Those interviewed included the following:

- two farm consultants consulting to Māori farm businesses,
- three rural bankers to Māori farm businesses, and
- a Miraka Senior Field Manager (Māori owned Dairy Company at Mokai/Taupo).

A number of the Māori rural professionals interviewed had multiple roles. For example, one Māori rural professional was an independent adviser to four Māori Trusts, held a governance role as an elected trustee in one Māori trust, and was a Māori Land Court appointed trustee for three Trusts.

The interviews were semi-structured and open, allowing areas of interest to be further explored as opportunities arose. Questions were asked on Māori Trusts and Incorporations, and their governance, co-operative values and succession, with the first theme being the main focus of the interview. Questions on this theme focused on business goals, communication and documentation, how young people are being brought into the business, and problems associated with governance. The questions were based on the Strategy and Structures Research Framework developed by the Centre of Excellence in Farm Business Management, shown in Appendix 1.

Interviews were conducted with individuals and lasted about an hour. Interviews were recorded. All interviews were transcribed and the transcriptions returned to interviewees for checking and approval. Thematic analysis of the data was undertaken using the themes identified in the questions (Appendix 1).

Interviewees were numbered 1-10 and are referred to in the report as Respondent-1 to Respondent-10. Secondary data for comparison with interview findings were collected from the speeches of five Māori leaders recorded at a Ministry of Primary Industry (MPI) organised forum on "**Lifting the Performance of Māori Agribusiness**" held at the National Field days at Mystery Creek on Friday 14<sup>th</sup> June 2013. These speakers included the following.

- Kingi Smiler (Chairman of Wairarapa Moana and Miraka),
- Hemi Rua (CEO of Waikato Tainui),
- Hinerangi Raumati (Chairperson of Paraninihi Ki Waitotara (PKW)),
- Traci Hopapa (Chairperson of Federation of Māori Authorities (FOMA) and Deputy Chair of Landcorp), and
- Jamie Tuuta (Māori Trustee, Te Tumu Paeroa).

During the speeches, references were made to farms owned by individual Māori families, Freehold Land, Trusts and Incorporations, and all Māori land (inclusive).

In addition, a Radio New Zealand interview (11<sup>th</sup> May 2013) in which Kim Hill interviewed Kingi Smiler, Chairman of the Ahu Whenua Trust,<sup>4</sup> provided secondary reference material. Much of this interview was highly relevant to this research.

During the interviews, reference was made to some of the Māori Farm Trust websites, and where appropriate these have been included in the results as an illustration of the communication processes being used.

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<sup>4</sup> The Ahuwhenua Trust awards the Ahuwhenua Trophy. This is an annual Māori farming competition established by Sir Apirana Ngata in 1932. It celebrates business excellence and is open to Māori farms either owned individually or managed by Māori trusts and incorporations.

# Results and Discussion

## 1. Māori Trusts/Incorporations

### 1.1 Explore how Māori Trusts establish farm business goals/targets/KPIs, and how those goals are communicated to the farm management/consultancy team

Māori collectively own approximately 12.5% of New Zealand agricultural land and this is likely to increase (Bird 2012). Interviewing 10 well informed respondents has provided valuable insight into the current state of Māori Farming Trusts' governance and management, and illustrates wide variations in opinions. A good example of this variation is Q 1.1 How Māori Trusts establish farm business goals and targets. At the 'Top End' (MAF 2011 Tier 1 farms) the Trusts are both professionally governed/managed and are very profitable.

A good example is **Wairarapa Moana** <http://www.wairarapamoana.org.nz/> where the vision, strategic plan and business values are clearly stated on their website for all stakeholders. The Vision Statement reflects the long-term needs and aspirations for their people and families, such as community, health and well-being, educational achievements, cultural development and capability. This is a good example of 'Umanga Whānaungatanga' and of 'developing social capital' to create competitive advantage (Nicholson, Woods and Hēnare 2012).

The Strategic Plan (farms, hydro and forestry) clearly sets out tasks, performance indicators and expected outcomes. The farm staff were all included in developing the "Farm Business Values statement" and the finished document is included in their individual employment contracts. On-farm manager meetings are weekly, and these are supported by group emails and the "AgHub" intranet system where managers report weekly and the farms are benchmarked within the farm business.

The business values focus on relationships, responsibilities, reciprocity and respect. This is an exemplar of a Māori world-view, which explicitly acknowledges the particular historic and cultural context (Tapsell and Woods 2010).

**Respondent-10** provided details of a much smaller Māori farm business where the strategic plan has been developed by the Trustees, farm managers, owners and the professionals advising the Trust.

The Trust is a Ahu Whenua Trust governed under the Te Ture Whenua Act 1993. The trust was formed in 1977. The Trust has eight Trustees who along with a farm manager, key advisors and stakeholders developed the Strategic Plan which outlines the strategic goals of the Trust.

These strategic management objectives cover the whole portfolio and are therefore not solely farm focussed. These are as follows:

- The preserve the visions and aspirations of our tūpuna (ancestor), ..... (named).
- To sustain and grow the ..... Family Trust whenua (land)
- To review the core business and financial operations of each unit within the Trust
- To provide leadership and guidance for whānau (family and extended family)
- To develop capacity and resources within the ..... Family Trust

The Strategic Plan is the blueprint for the future of the ..... Family Trust. The strategic process will allow the Trustees to identify the future pathway of the business and thereby ensuring a sustainable future. The Plan is to act as a guide to how the Trust can protect the environment, and sustain, grow and preserve its history and future. The strategic plan illustrates the spiral or matrix of values 'He Korunga o nga Tikanga' as envisaged by Hēnare (Nicholson, Woods and Hēnare 2012).

The Trust employs the services of chartered accountants who act as financial advisors, legal counsel who act as legal advisors, and stock buyers to advise on farm management to ensure that both strategic and operational objectives are achieved.

A third example is "Whaia te oranga mo nga whatatipuranga o kapenga M". Kapenga M Trust's Vision Statement is "Strive to provide the maximum benefits to and for the beneficiary owners of kapenga M."

**Kapenga M Trust** <http://kapengamtrust.Māori.nz/> has a clear Vision Statement and their Strategic Plan includes five points that drive the direction of the farming business:

- The retention of the land.
- Maintaining the unity within Kapenga M.
- Maintaining the authority and leadership of the Trust.
- Encourage young people to participate in the Trust.
- Promote farming amongst our young people.

The **Kapenga M Trust** was established in 1981 under section 438 of the Māori Affairs Act 1953. It continues as an Ahu Whenua Trust under Te Ture Whenua Māori Act 1993.

Since 2009 the farm's total milk production has increased steadily from 241,441kg in 2008 to 371,169kg, although its herd has only increased by nine cows. Production per cow has gone from 246kgMS to 372kgMS.

The Trust's 915 shareholders are of Tūhourangi descent and own a total of 1,858 ha, which include a sheep and beef farm and a deer farm. The 'core drivers' of the business are all about farm business management.

These examples illustrate what **Respondent-1** described as:

"The Māori way of doing business... they have 'Quadruple Bottom Line of Profit, People, Environment and Community' business objectives. Māori farms often have an inverted Quadruple Bottom Line. People, Environment and their Community often come before Profit... but without Profit none of it happens."

These goals meet the dual imperative of retaining the land and strengthening the cultural connections. This exemplifies the principle of Kaitiaki – being good caretakers of the land and passing it on in a better state for future generations while honouring past ancestors. The responsibility of receiving the taonga (asset/resource or gift) of land was to utilise and improve it for future generations. Aspirations are directly linked to core values of the Trust. Aspirations seem also to be linked to the current way in which the land is used. The ideal was a balance between a viable business and the maintenance of the owners' cultural connections.

The top 'performing' Trusts have good financial returns which are enabling them to take advantage of investment opportunities and invest in education. These have been described as Tier 1 farms (MAF 2011). Rural bankers view these Tier 1 agribusinesses very favourably now in terms of granting them access to capital for farm development. Such farms have high equity and are rapidly growing. This was acknowledged by all the rural professionals interviewed in the study.

At the 'Top End' (Tier 1 farms (MAF 2011)) of Māori Farming Trusts there is no doubt that the business vision and values are clearly communicated to owners, beneficiaries, consultancy team/farm managers and farm staff. This is often done at meetings, face to face, via newsletters and through Trust websites. The clarity of vision and direction is influenced by the agricultural and business knowledge and skills of individuals within the Trust.

In contrast, many of the 'under-performing' farms have low profitability and poor cashflow (Clough 2011, Bird 2012), and although generally conservative regarding debt, struggle to gain access to additional capital (ANZ 2014).

**Respondent-4** expressed general optimism:- "Māori farming business in general has massive potential – they've got plans, they have ambition, they want to grow and they've got governance that's improving all the time across the board – some are already excellent."

However it is unclear what proportion of the Māori Farming Trusts have good effective governance and management systems, nor whether it was good governance, excellent management or leadership that allowed the 'top Trusts' to perform at this high level (Lockhart 2014). There was consensus among the interviewees that effective governance was critical to delivering the owners' aspirations. This group of well-informed rural professionals also expressed confidence in the Māori governance that they had contact with, and in the rate of improvement of that governance. It is also true that in this study 'poor governance' was given as the main reason for 'poor Māori Farm Trustee' performance, especially the lack of farm business management skills of the Trustees.

Pākehā/New Zealand farmers and advisors tend to judge farm business success on very narrow production and profitability criteria. Capital gain is very important to most farmers but as Māori land is not sold, capital gain is not a business driver for Māori. However Māori consistently demonstrated during this project that they have a

'quadruple bottom line' approach to business that includes People, Community, Environment and Profitability. In terms of priorities, profit is often seen as the fourth priority. Just having secure land ownership and control (post colonisation) is in itself very important. These values and drivers of business are different from mainstream New Zealand farming businesses, but they are not unique nor untenable.

**Respondent-3** makes the point: - "I don't think Māori values are exclusive to Māori, you know. Many Europeans hold the same inter-generational views. Māori may be better at stating it sometimes."

Māori Trust farms are in business to make money, however the long-term and intergenerational ownership places considerable emphasis on both developing their people and protecting the environment in which they farm. Maintaining and strengthening one's 'cultural development and traditions' as part of farm business mission statements is perhaps unique to 'First Peoples' or aboriginal peoples rather than European/Pākehā farmers.

It is important to quantify what is meant by the term 'under-performing'. In part, it is not being as profitable as the potential for that land class, in other words not having a high enough return on assets or ROA (Clough 2011). The MAF (2011), Clough (2011) and Bird (2012) studies did not judge Māori nor non-Māori farm businesses on the basis of 'Quadruple Bottom-line objectives', but on DairyNZ Dairybase and Anglo-NZ profit/productivity criteria only.

Tier 2 land owners have weaker links to the land either because of living some distance from the land, because the land was previously leased to Pākehā farmers or for forestry, or because the owners have less agricultural and business skills and knowledge. Their aspirations are being shaped by the current or recent past use and output of the land. Culture remains of equal importance to these farmers as making money, but being viable is different from seeking good financial returns, and there is a greater possibility of conflict and trade-offs between culture and profitability. There is also likely to be less investment in education for Tier 2 land owners, as there are less available funds.

## Role of Farm Consultants

There was considerable comment about the differing roles played by different farm consultants, their range of skills and professionalism. Farm consultants are key players in most Māori Trust farms. Their involvement ranges from being virtually responsible for all major decisions (supervisory or executive management role), to acting as advisors (consultancy), to being appointed as outside Trustees (Governance roles).

An executive management role involves the Trust chairman, the accountant and farm consultant meeting perhaps every two months as part of an executive team.

Even if the core values are developed by the owners, the targets and KPIs for the farming businesses are often set by outside advisors. This means the financial targets and the strategic management of the farm are not fully understood by the owners or the Trustees.

**Respondent-9**: - "Some (Trusts) do look to the farm consultants to make most of the decisions". This implies a supervisory role where they have a lot of power and influence. The supervisory role is primarily to deliver farm production and profit results. The consultants sometimes get into the position of trying to deliver what the Trust wants, without trying to educate them as to why what they want is not a good idea.

If the consultant has been with them for a number of years the Trusts normally follow their advice. However, the vision of the Trust and the Board may differ from the vision of the farm consultant. During the interviews a number of comments implied that not all consultants to Māori Trust farms fully understood Māori values or whānau needs. These consultants were described as being "profit-only driven".

Because the Māori Farming Trusts have become very important to the Māori economy, interviewees all called on more active benchmarking of Māori Farm businesses (Bird 2012). Some interviewees argued that although capital gain was unimportant in itself (because Māori land is not being sold), there was an urgent need for the farm businesses to perform with a Return on Capital of greater than 10% due to dynamics within the Māori population. This further emphasises the need for Māori farm business to benchmark with DairyNZ Dairybase, and for advisors and Trustees to understand this imperative.

**Respondent-3:** - "Māori do need our help – a trust is a gift. And so, as a set of trustees you're gifted an asset; an asset is referred to as taonga or resource. It is important that Māori view the Farming Trust as having a particular value per person (owner/beneficiary). And those generations are going to keep on growing, regardless. So if you can't grow your asset base at the same rate and retain the return, it's going to become redundant which is worse than diminish. It could become meaningless to those future generations, both in asset value/returns terms and in cultural significance".

The reality is that it is very difficult, and accentuates management challenges, for a Māori trust to deliver on the People, Community and Environmental outcomes if Profit is poor or insufficient.

**Respondent-9:** - "I think there's a lot of blocks where the land is just leased out to forestry or another farmer. Māori have effectively lost control of that asset. This is very sad as they can't deliver for their people or properly protect the environment for the future. It's a good definition of under-performing or at worst failure."

Leasing Māori land retains ownership but may also imply that current assets like livestock and machinery have already been liquidated, so the Trust is also likely to be short of working capital. Outside funds are difficult to access, and to re-establish a profitable farm business from this position is extremely difficult.

## Under-performing Māori Farm Trusts

"Generally speaking, Māori farming or Māori resources are under-performing" MPI (Māori Forum June 2013).

There was a range of views about 'under-performing' Māori farming businesses. This question relates mainly to – and was interpreted as relating to – profitability and dairy production output:-

### 1. A lack of a clear vision...

The better performing Trusts were deemed to have governance totally separate from the management, and to have a very clear business vision. Within these Trusts the governance team is prepared to make full use of their accountants and advisors to develop the vision and really critique those decisions they're making. The struggling Trusts don't have that clear vision or clear goals outlined. Some Trustees confuse the roles of governance (strategic management) with farm management (tactical and operational decision making).

During the Māori Agribusiness forum at the National Fielddays (MPI 2013) the Chairman of Tuwharetoa (who are recognized as the leaders in Māori forestry) was quoted as saying "That really Tuwharetoa are just 'ticket clippers in terms of forestry', which means they pick up the rental and that's about all." The question for Māori is no longer 'do they have the resources?', it is about how to develop those resources in order to get the best value for owners from the resources, in a sustainable way.

**Respondent-9:-** "They've made decisions around the heritage land or getting it back and have made those decisions around solely that, not around 'is this actually a good thing for our business?'"

**Hinerangi Raumati**, (chairperson of Paraninihi Ki Waitotara speaking at MPI, Māori Forum June 2013):- "At PKW we've gone from being quite a passive dairy farming business with sharemilkers, to a mixed model (sharemilkers, managers and variable order) that is the best possible model to get the best possible returns."

### 2. No clear understanding of Māori Governance

Do Māori fully understand enough about governance, particularly Māori governance around the Ture Whenua Act, or even Māori values around tikanga and kaupapa and kaitiakitanga? Governance is more than just structure and legal requirements, it is about implementing successful change to farm businesses. The strategic direction needs to be driven by Māori values. The strategic plan must be effectively measured and monitored. The Trustees need to be able to hold management to account by more effectively assessing their performance (Bird 2012). Māori agribusiness has a unique opportunity to incorporate 'whānaungatanga' to create a competitive advantage (Nicholson, Woods and Hēnare (2012). Leadership by either the Trust or Rangatira, and evidence of well-supported entrepreneurship, are core assets that separate thriving and struggling Māori businesses (Tapsell and Woods 2010).

**Respondent-3**:- “The issue I do have with Māori governance is that the outcomes we're getting on many Māori dairy farms actually do require change.”

### 3. Lack of due diligence

The rural professionals interviewed believe it is important for Māori governance boards to be able to assess the implementation of the strategies used within their businesses. Trustees need to know that their substantial assets are being used efficiently. Not all Māori governance boards have the farm business management expertise to critically assess outcomes of strategic decisions. They do try to deliver the infrastructure resources that management require, for example good cowsheds, but such delivery is due to someone else's diligence not that of the Trustees. There is a poor understanding of basic dairying and the appropriate benchmarks, and farms are not achieving the production goals set at the time of conversion to dairying.

**Respondent-3**:- “Trust minute books – From my observation the minutes won't reflect any questioning by the Trustees to say where did this figure come from? How did you derive this?”

### 4. Lack of Knowledge capacity at Governance

Some less successful Trustee Boards lack clear, well-informed leadership, and the Farm Business Management skills and knowledge amongst the Trustees is insufficient to ensure success. Many who are in Trustee positions are now older people who were elected on the basis of their standing within the hapū, not on their dairy farming knowledge. The governance and management roles are not clearly separated. Responses from the rural professionals indicated that the top performing Trusts were already using outside expertise on their Boards, thereby adding to their available expertise. The lesser Trusts were either relying too heavily on consultants and advisors and not up-skilling their own expertise, or relying too heavily on their own expertise (which lacked necessary Farm Business Management skills) without out-sourcing. Either way, they were not in a position to adequately question decisions or judge outcomes.

**Respondent-3**:- “You can be fairly good at governance in terms of ticking the governance box; having an assets register and a risk and audit committee. But can you put the fire out? Do you even realize there is a fire burning out of control?”

**Hemi Rau**, (CEO of Waikato Tainui speaking at MPI, Māori Forum June 2013):- “I believe that it's very important whānau members need to maintain Tino rangatiratanga and governance over their own whenua and I believe other people independent or whānau can come inside and work with them.”

### 5. The Chairperson and quality of Leadership

Strong leadership is required to give clear direction to the business. Leaders need to fully inform shareholders/beneficiaries, management and the operational staff. The ANZ report (2014) indicated that nearly half of the Trusts had concerns about differing opinions of shareholders. Resolving Boardroom differences of opinion can be difficult for Māori (Panoho 2012).

**Jamie Tuuta**, (Te Tumu Paeroa, The Māori Trust, speaking at the MPI Māori Forum June 2013):- “We're coming from collective ownership so it's about recognizing the whakapapa right that a person has to be involved in decision making within a particular block or entity and that tension with how you provide the sort of economic imperative in terms of how you get efficient decisions.”

**Kingi Smiler (MPI Māori Forum)**:- “Our (Māori) rate of progress is fully dependent on really developing the quality of our leadership to be able to manage those assets better and to utilize and collaborate together in developing networks.”

**Respondent-7**:- “I think the single most important reason for differences in performance is the **Chairman and the leadership**. Trustees follow the chairperson. Many people don't fully understand farming... some people just follow and sometimes that can be the majority of shareholders.”

## 6. The relationship between the Chairman and the CEO

**Respondent-2:** - "The relationship between the chairman and the CEO (and maybe one other key person....sometimes an Accountant) is the key issue in the Trust's success as it is this group that drives the business and the decision making. This relationship is critical for the consultant too."

## 7. Not investing in Māori capability and too reliant on outside advisors

**Respondent-5:** - "It seems like being between a rock and a hard place – if you don't have the expertise, you need to get advice. If you invest too much in it then you divest the responsibility, you're never actually building the capital there yourself. So I think some trusts fall into the trap of being so dependent on advice and I guess it's such a sucker of cash out of the business too; there's a lot of money spent by Māori organisations on due diligence, advisers and consultants. Māori **need to invest more time in building knowledge capability in the younger Māori people** that can come in and fill it in-house."

## 8. Appointment of Trustees not on skills or business acumen but on the basis of lineage

Most Māori farming Trusts appoint Trustees for 'life' on the basis of standing within the hapū. A smaller number of Trusts appoint Trustees on a rotational basis. Some outside Accountants are appointed to Trustee Boards, which could create possible areas of conflict of interests Lockhart (2011a). Lockhart (2011a) also makes the point that the appointment of independent directors on farm governance boards is, in fact, rare. Some would argue that because Māori farm in a collective manner they have been corporate farmers 'forever'. Others argue that there is a risk of 'over-governance' due to cultural responsibilities. This can often mean that decision making is slow and arduous and may falter.

**Respondent-4:** - "Now in farming there are industry moves to encourage more governance in farming; well Māori are almost over-governed yet at times the governance is still weak because **the appointment of people to those positions is not necessarily on a capability, rather based around lineage.**"

**Hinerangi Raumati**, (chairperson of Paraninihi Ki Waitotara, speaking at MPI, Māori Forum June 2013):- "So in terms of people I think PKW has benefitted hugely by the quality of the people and the change that our shareholders made in 2005/06 to start looking for governors who have skills and competency and even youth on their side – which is quite a different model to a lot of the way Māori businesses are governed."

## 9. Not using Dairy Farm Business Management Benchmarking and KPIs

There was universal agreement by interviewees that all Māori Farm Trusts need to engage with the DairyNZ industry 'Dairybase' and benchmark. This agrees completely with the findings and recommendations of Clough (2011) and Bird (2012). Not having, nor understanding, dairy industry benchmarks makes it near impossible to challenge management decisions or to question advisors.

**Respondent-1:** - "Māori farm infrastructure is usually very good as it is seen as a long-term investment. However management decisions are a challenge. What they need is appropriate **KPI's**, industry-wide that they can **benchmark their operations** against and then they can ask their adviser the questions."

## 10. The way outside Farm Consultants are used

The Farm Consultant is a key person, especially those with farm business management skills and good communication or facilitation expertise. Consultants who have built a sound reputation amongst Māori appear 'over-stretched' and unable to meet demand. There was criticism of the manner in which some consultants operate and of the dairy farm management expertise of others working with Māori.

**Respondent-8:-** "There is a place for outside help, but they've got to actually want to learn themselves as well. Getting outside help all the time – some Trusts allow the Consultants to make all the decisions – the farm is not really going to progress and the Māori people won't grow with the business."

Interviewees often referred to the way in which advisors were used by the Māori Trusts and incorporations. Tier 1 farms have appointed specific expertise as outside directors to their Trust Boards or to advisory sub-committees within the business, for example farm consultants or accountants. Tier 2 farms use no, or are reluctant to appoint, outside Board members and often 'over-use' outside advisors, especially Farm Consultants and Accountants, to the detriment of their own learning or skills. Some Farm Consultants appear to set the farm business targets, manage strategic and tactical decision making. Some Farm Managers take direction from the Farm Consultant on daily decision making. Trustees have abdicated responsibilities to the Farm Consultant. There may be short-term gains or security from this but there are substantial business risks.

## 1.2 Establish how farm business protocols and procedures are documented and communicated

There was general agreement that most Trusts are very dependent on local accountants and advisors to provide much of the documentation. These rural professionals are either being contracted to supply advisory services, or are being appointed to on-farm committees or executives. Some are better than others at bringing external advice to the Board table or Farm executive committees. Most felt that the auditing and annual meeting with owners meant that the Trusts were accountable however there was little evidence of written protocols.

**Kingi Smiler, Radio NZ interview (11<sup>th</sup> May 2013):-** "All shareholder bases have diversity and absolutely you're required to deal with that and it's a question of making sure that the plans have clarity and are supported and are well explained and communicated. You need to communicate with them regularly. So we have very regular shareholder meetings, an annual shareholder meeting which all Trusts and incorporations are required to have under our legislation. And in our case, Wairarapa Moana for example, we have a number of what we call pre-AGM meetings. We have identified within our shareholder base where the majority of shareholders reside around New Zealand and in Australia, we would hold probably 10 meetings before the AGM so that would stretch from Auckland down to the South Island. We take the annual report out, explain it to them and respond to any of their questions so that they are well informed."

Interviewees were of the opinion that there is a lot of money spent by some Māori authorities on due diligence, advisors, accountants and farm consultants, and insufficient on building capacity and skills within Māori. As the businesses expand the business structures are getting more complex, requiring systems and procedures.

One view was that some Trusts were putting in 'layers of people' to remove the Trustees from having to make decisions that required technical knowledge – 'let's recruit people who can make these decisions'. Which may be a good option but it means the Trustees are not building 'decision-making capability'.

**Respondent-1:-**"If you have no written procedures, management decisions are a challenge because you've got several people involved".

**Respondent-2:-**"No – as a general rule they would not understand farm management systems".

**Respondent-3:-**"...but the minutes won't reflect any questioning by the Trustees to say 'where did this come from? How do you derive this?'"

**Respondent-4:-**"Minutes are taken, a proper agenda, notes before the meetings, so it's quite formalized. However the minutes I've seen are not very detailed and don't record the questioning, it's unclear to me if they are questioning the advice they get".

**Respondent-7:-**"In the smaller farms the decision making is often dominated by large shareholders. Decisions are being influenced by shareholding and individuals rather than procedures or planning".

Virtually all communication from Trusts to Farm Managers and farm staff is still verbal. If farm consultants are involved, they are providing written reports that are verbally communicated to farm managers and sometimes staff. There were some doubts expressed as to how much farm staff actually knew about decisions in many Trusts.

There was only one agribusiness using internet-based technology (Ag-Hub) for staff communication. In the same Agribusiness, the Farm Supervisor has weekly meetings with the managers and these are minuted and minutes circulated. All on-farm meetings with individual managers are recorded in a carbon copy book and a copy left with the manager. There are regular group emails, for example fertiliser orders or cropping program, irrigation or effluent reminders, etc. A 'best practice document' has been developed and available in hard copy, on-line and in Ag-Hub. The farm staff all participated in the development of the farm business 'values'. The business 'values' are clearly stated in the 'best practice document', recorded in hard copy, and they are part of the Individual Employment Agreements (IEA). This example was the exception not the rule.

Banks are working directly with the Trustee Boards, in particular the Chairman or CEO, but the information provided is usually prepared by the Farm Consultants. At some owner meetings the farm consultant reports on the farm performance. The farm consultants are doing the bulk of the paperwork.

However the general view was that Farm Supervisors or Managers were being asked for increased amounts of written reporting to the CEOs or Trustees. On the larger Māori agribusinesses the farm reports are substantial documents. What information is required by the governance board to make strategic decisions? Trustees need to be very specific about what information is required for decision making. Comments would suggest that the Trustees are receiving detailed farm reports. Farm Supervisors and Managers need reporting skills and protocols or templates.

**Respondent-5:** "I think that there are certainly boards that are divesting a lot of their trust responsibility to advisers and so their advisers are playing a much greater role in that decision making and communication to management and on down that chain – but not necessarily playing too active a role in the management or governance."

Communication with shareholders was generally either by newsletters or meetings.

### 1.3 To explore how young Māori are being brought into the farm business

Māori Agribusiness has clearly stated objectives to increase the number of Māori, and in particular to include more whānau at all levels of the farm businesses. Most Māori Authorities invest in education and training, including tertiary scholarships. There are collaborative rural training partnerships being established between the Federation of Māori Authorities (FOMA), Te Tumu Paeroa, Ahu Whenua, Massey and Lincoln Universities. However, despite this aspiration there are few Māori working on the farms and even fewer Farm Managers.

**Traci Houpapa**, (First woman Chair of the Federation of Māori Authorities speaking at MPI, Māori Forum June 2013):- "So the idea is really getting alongside of the colleges to start influencing the guidance counsellors to say that agri-business is not a boring, dead-end, no-hoper, low labour, low skill career choice; but it's actually the choice of people who are creating their own wealth, who are contributing to the wealth of this nation and the direction of the country."

**Respondent-5:** "We need more whānau working in the business even the operational farm roles but the reality is that the available pool of suitable people is very small. It's just a numbers game I suspect. I believe more than 50% of Māori leave school with no qualification then that has flow on effects into all industries not just agriculture."

**Respondent-2:** "We don't have enough good people – Māori or otherwise. We have to do a better job selling agriculture, farming and agribusiness."

**Respondent-3:** "In my view it's got to start at primary school or lower and get the message to the whānau that dairy needs the best and the brightest. So switching it from 'you're hopeless so bugger off and go get a dairy farm job'."

There are young Māori working on the Māori Trust farms, but any progression is on merit and they must compete with European applicants.

**Respondent-6:** "I have my 3 Māori nephews working on the farm, one of my managers is Māori, plus his nephew, that's five Māori and then there are four Pākehā. They (the Trust) have to give them opportunities, it makes things very difficult. Next season (I'm leaving to go sharemilking) none of the Māoris were offered jobs."

There was some criticism of Trusts employing more Farm Managers not sharemilkers. This was seen as reducing the career ladder opportunities and restricting the farm business management skills, in particular financial management. In general there was agreement that there was a decline in the number of sharemilking positions on the existing Māori farms.

**Respondent-6:-** “They want managers and that’s not very good for the dairy industry because young Māori farmers won’t learn to run a business if you’ve got guys above you running the business – you’ve got to understand the business side of farming to be a good farmer. It’s comfortable, you’re on a good wage; it’s secure but you’ll never own a farm.”

There was no lack of ambition with the young Māori farmers that were interviewed. One Farm Manager was moving to another Trust farm to become a 50:50 sharemilker and the second was a newly appointed Operations Manager on a large Trust farm. Interviewees did agree that there was a lack of clear strategies to involve young Māori in the operational side of the farms (Bird 2012). Some suggested that appointing poorly qualified young Māori (instead of employing the ‘best available’ staff) also represented a substantial risk unless there was a well-structured training program.

There was insufficient evidence provided in this study to separate the different impacts of poor governance, under-performing management or poorly trained operational staff for reasons of under-performance of the farms. It is a complex matrix that also includes land class, farming knowledge and experience, leadership and communication processes.

## **There are Opportunities to Mentor Young Māori into Dairy Farming Careers**

Mentoring young Māori and coaching Māori to become mentors could create opportunities to bring more young Māori into the Māori Trust farms.

## **A Unique Observation - Case Study**

Most responses from interviewees and those of the Māori Forum (MPI 2013), agreed that Māori Farm Trusts wanted but were struggling to employ young Māori for a wide variety of reasons, including education and opportunities. However **Respondent-8** provided innovative solutions both by explaining his own career path into Māori agribusiness and through his exceptional staff mentoring skills with young Māori.

This is a very good example of ‘Māori Entrepreneurship’ and illustrates the double spiral learning of Takarangi as described by Tapsell and Woods (2010). Here the young opportunity seeking Potiki is blending Māori traditions (Rangatira – perhaps in this case is the employing Māori Trust chairman) with a new approach to managing and mentoring young Māori staff with very positive results. The success of this young Māori Potiki is an exemplar for both Māori and the whole New Zealand dairy farming industry.

**Respondent-8:- “I take on young fellas (16-18yrs old) I don’t give them a job I offer them a career in dairying with a future. I don’t expect to lose anyone and I hope I will promote them. ”**

Māori entrepreneurship has social objectives to improve the wealth and wellbeing of the community not just the individual (Henry 2007). This mentoring approach demonstrates the relational view of the world (Spiller, Erakovic, Hēnare and Pio 2011) where there is a genuine commitment to develop ‘familiness’ and reciprocal relationships of respect and of belonging, an example of Umanga Whānaungatanga.

**Respondent-8’s** own career path and mentoring skills will be used as an example.

He is proudly Ngati Porou – ‘a coastie’ from Tokomaru Bay. His parents were not farmers and have relocated to urban Rotorua. There are no opportunities to farm dairy on the East Coast or for his Māori family. He left school at 16 and went farming. His first job was on a Māori farm for Ngati Whakauae. His first employer was a young Māori sharemilker. The job lasted 3 years before ‘they closed the farm down’. He left the dairy industry for three years and worked in a mill as a loader driver.

**Respondent-8:-** "Then we had our first baby, I thought is this what I really want to do for the rest of my life. I'll go back farming, I really enjoyed the farm. I was in Rotorua for three years at the mill; my last job was at Landcorp, I was a Manager there at Landcorp with 2,200 cows for six years. I was the youngest manager they've ever employed in Landcorp for about the first three years I think. I had 12 staff and I never lost a staff member for five years. Four of them are now managers, all at Landcorp. One went Contract Milking."

He learnt to core dairy farming skills as a 17-18 year old working for the 50:50 Sharemilker, including pasture measuring, monthly feed budgets, learning to plan ahead and to develop an annual feed budget.

**Respondent-8:-** "...for young guys coming into dairying I think it has a lot to do with who you first work for and whether they spend the time mentoring you – I was very lucky, we are still very good mates and talk regularly. I was trained well when I was young and would never have got here without my mentors. And that's what I want to do with all these other young guys as well."

This young manager has an extraordinary record of staff retention and staff progression for those he has worked with and supervised. He has won dairy industry awards recognizing his skills as a manager of young Māori dairy farm operatives.

**Respondent-8:-** "You don't become a mentor you choose to be a mentor because it's important to you to be a mentor. How you were treated when you first started has a big influence on you too. No one's a failure in my books – I don't know, I just keep them. I take on young fellas (16-18yrs old) I don't give them a job I offer them a career in dairying with a future. I don't expect to lose anyone and I hope I will promote them. "

Mentoring needs to be a skill of the individual managers who are employing and working with young Māori. Mentors need to manage time and rosters to take account of their employees' ages, and not burn young people out.

**Respondent-8:-** "I don't actually think it comes down to the trust in itself – it's individual managers looking after these young guys that are coming through. And it is a hard job; when you're only 17, 18 and you're getting up at 4 or 5 because the farms are getting bigger, so we are getting up earlier; but there are ways around, you know, working things out with rosters and stuff like that to make those jobs easier. Like here and where I was over in Landcorp, I run a two roster system. So one week you're getting up at 4 o'clock in the morning, and you're home at 3 o'clock in the afternoon. The other guys are getting up at 7, 8 o'clock in the morning starting work and they go through to 6 or 7 o'clock at night. They do that on a weekly rotation. So one week they're getting up early, one week they have their sleeps in. And every second weekend they get off. So it's just like making those systems a lot easier. Some guys – I see guys are slogging people eh, just day in day out just milking."

While working with Landcorp, he (as a Farm Manager) learnt budgeting and some financial management skills and he sought additional training off farm. In his present role he prepares the annual farm financial budgets and does the monthly monitoring of actual against budget estimates. Landcorp's financial management training role in this example is very important.

**Respondent-8:-** "I could give so much back to whatever Trust I go and work for. That's what I like to do – kind of help our people especially Māori, to give them more knowledge. Here I have seven staff, only two are Pākehā."

**Respondent-8:-** "I'm employed here as an Ops Manager. I want to be a 50:50 Sharemilker in three years' time on a Māori farm."

**This exceptional young Māori could be a 'role model' for other young Māori and for those employing Māori.**

His mentoring skills could be transferable. His track record of staff management and retention suggests that the 'dairy industry churn' of employed farm staff can be resolved, and that the problem is not necessarily the young people entering the dairy industry. Rather, the solution lies in the skill development of young Farm Managers. This will be difficult for Māori to achieve if the Farm Managers are not members of the iwi, and the CEOs or Supervisors are not Māori.

There was a second example of mentoring where a Māori Manager of a large sheep and beef Trust had young urban members of the iwi from Auckland come down for a week during in the school and university holidays to experience working on the farm and learning about their connection with the land. Some had completed

schooling and started as shepherds. These stories need to be told and publicised amongst Māori who are looking for role models in agriculture.

## Māori Scholarships and Education

Māori aspirations include a strong emphasis on education of their people. Māori Farming Trusts, where possible, are investing in the education of young Māori. Scholarships are available to study at university. There are insufficient young Māori with Agricultural Science, Farm Management or Agri-business degree training. There is Māori governance training available but there needs to be more 'Agriculture 101' training for Māori Trustees. Māori currently don't have sufficient agricultural and farm management knowledge. The view was expressed that they are a 'face-to-face culture' and that training needs to be by Māori for Māori, delivered within a cultural context.

A Māori Agriculture degree student's perspective:

**Respondent-7:-** "I'm Ngati Tuwharetoa and yes they want their own people but there is encouragement to first get educated. As soon as I got into this degree like science-based agriculture, I loved it. I was able to get all my farm experience to meet my degree requirements and sort of pocket money as well. I now want to earn my right to work with them (iwi) not just inherit a place so I want to work somewhere else first to establish myself. I believe I am more valuable to my people if I have outside experience."

### 1.4 Explore how heritage/sustainability goals might influence opportunities for business growth.

Māori businesses draw upon Māori values such as Kotahitanga (unity), Wairuatanga (spirituality), Whakapapa (genealogy), aroha (care, empathy, charity and respect) and Manaaki (respect and kindness) in practice, to endow a sense of belonging to each other and the natural world (Spiller, Erakovic, Hēnare and Pio 2011). The holistic Māori world-view of the way in which business should be conducted, and the relational wisdom described in the concept of Umanga Whānaungatanga (Nicholson, Woods and Hēnare 2012), were clearly explained in the interviews. Do these Māori world-views create positive opportunities for business growth?

**Kingi Smiler, Radio NZ interview (11<sup>th</sup> May 2013):-** "The Māori Trusts' governance structures and their leadership are set up so that their vision and their strategy are absolutely geared to long-term sustainability for future generations."

The quadruple bottom line of Māori Agribusiness has a strong environmental focus around heritage and sustainability goals. These relate to protecting and enhancing the land for future generations and long-term goals of good husbandry. Māori land is not sold. There is some tension between farm business viability and protecting the environment. Recent environmental regulation such as Variation 6 (Allocation of water rights within the Waikato Regional council) might limit further development of Māori farm land. The regional council regulations are viewed as a threat to further Māori development and expansion. Māori are actively engaged in the environmental/water quality debates and do question the regulatory bodies in the Taupo and Upper Waikato River catchments.

Māori want to be seen as environmental leaders in agriculture. There may appear to be some contradiction between impending regulation and environmental leadership but the Māori farms are making substantial on-farm efforts to protect the environment. The more pro-active Trusts don't see any conflict between agricultural production and protecting the environment. Evidence suggests that Māori Farming trusts will do everything they can environmentally. Strategies include nitrate monitoring, tree planting and riparian protection, protecting soil organic matter, recycling and waste/effluent management, erosion control and energy generation. Profitable Māori Farm Trusts are environmental/sustainability leaders within New Zealand agriculture, and a good example to all dairy farmers.

**Respondent-8:-** "We do make good profits but it goes back into the culture, marae and environment; and of course they've got the land – the land's going to be forever; we're not going to ever sell it. The environment comes before profit. "

**Respondent-3:-** "Yes Māori do have a very long-term view but there are risks of not looking after the short term issues (profitability). There is a real danger when you focus too far ahead all the time without looking at your feet. For governance and strategic planning, five years can be a long time. In Māoridom there are fears about debt so they tend to be risk adverse – not driving the business forward now may limit how well they can look after the environment."

**Respondent-9:-** "To meet some of the environmental regulations will require substantial capital as these businesses are getting bigger and are already large. You can't do that without a profitable business. If they are profitable they are often going far beyond what is required from those councils. If they struggle to be profitable, environmental compliance becomes a strong motivator and driver of the business"

**Respondent-5:-** "The long-term view within Māori will drive a desire to look after the environment, be more sustainable; sustainability allowing the next generation to run the business."

**Respondent-1:-** "We are not totally comfortable with the current streams accord. We support the kaupapa (our first principles) being responsible for that and taking a lead. We do not support the regulatory use of Overseer."

## Dairy Equity Partnership Farm Governance

### 2. Explore participants' perceptions of the composition, roles, behaviours and relationships of governing boards of large Equity Partnership New Zealand dairy farm businesses.

2.1 Understand participants' perceptions of the skills and competencies required of governors of large dairy farm businesses.

2.2 Explore problems associated with the governance of large dairy businesses.

Māori Farming Trusts are different from Dairy Equity Partnership Farms and some of their governance issues have been addressed in Part 1, Māori Trusts and incorporations.

However, selection of Trustees and Trustee capability were both governance issues discussed in the interviews. Most Māori Trustees are selected on the basis of their standing within the hapū, and appointed for life. This is both a strength and a potential weakness of the governance of the Māori agribusinesses. It is strength as it brings both diversity and strong cultural bonds to the Board table. It is a potential weakness, as many of the appointed Trustees may not have the technical farming knowledge or farm business management skills required to govern a large dairy farm business. There was considerable discussion about the need for additional 'Māori governance' training and for more 'Agriculture 101' training for Trustees.

Few Māori Trusts are appointing 'outside expertise' to their Boards although many were employing 'outside expertise' within the business, especially farm consultancy and accounting skills. Few Māori Trusts rotate Trustees.

Māori Trusts generally have a clear shared vision, purpose and mission that have created a positive interdependence between hapū members. The vision is usually articulated and widely available to both staff and owners, in written form and sometimes even on websites. There is wide use of outside advisors but some Trusts have become overly dependent on these advisors at the expense of their own learning and internal capabilities. Some consultants may have formed 'milk runs' rather than providing objective advice.

In the literature (Panoho 2012) there is discussion regarding Māori reluctance to openly deal with conflict within a Board room environment. This may compromise the speed with which decisions are made, the quality of decision making, and the balancing of all Trustees views. Where collective interest might be affected, Māori would usually invite full discussion and consultation before a final decision is made (Barrett-Ohia 2009).

The lack of 'Agriculture 101' skills and knowledge suggests that the decision-making methods do not always include full financial assessment of pending options. Or if an analysis has been completed of the financials by

an outside advisor, that Trustees may not have a full understanding of the possible outcomes of the alternatives.

It is unclear if Māori Trusts are keen to learn if their decision making could be more effective. There was no discussion at the interviews about Boards reviewing their own performance or examining the strengths and weaknesses of the decision-making processes.

Comments related to lack of 'agriculture 101' skills and a reluctance to use Dairybase and benchmarking by many Māori authorities suggest that there is not a good understanding of how their financial performance relates to comparable farm businesses. There is a much better understanding and appreciation of the environmental risks associated with the dairy farm businesses. There is generally a strong emphasis on sustainable and ethical practices.

Questions arise regarding the role of the rural professionals and the services they provide. There is no doubt that they ensure compliance but it is unclear as to whether they are actively assisting Trustees to learn more about governance and farm business management skills.

## Co-operative Values

### 3 Explore participants' perceptions of co-operative values and ethos Māori Trusts/Incorporations.

#### 3.1 Compare and contrast the co-operative values of Māori Trusts/Incorporations decisions regarding their co-operative decisions over different time horizons.

The Māori farm business values (either website based or expressed during interviews) strongly reflected the holistic views discussed by Spiller et al (2011) and the relational wisdom as expressed by the concept of Umanga Whānaungatanga documented by Nicholson, Woods and Hēnare (2012). Māori values were foremost in Māori Trust vision statements. These vision statements were written down (ANZ 2014) and some of the acknowledged successful Trusts had gone to considerable lengths to include managers, farm staff and shareholders in the establishment and agreement of their Vision statements. The Vision statements were consistent with the concept of 'connectedness' as expressed by Vos (2007).

All of the Māori dairy farmers interviewed were supporters and members of co-operatives within the dairy industry; for example, LIC, Farmlands, Ballance and Ravensdown, Silver Fern and AFFCO, RD1 as well as the Māori buying group Awhina. There needs to be clarity of pricing and benefits of belonging to a co-operative. The co-operative benefits had to be perceived to be greater than those offered by local proprietary suppliers. If Māori felt fairly treated, and it was beneficial to the farm business to belong to a co-operative, there was strong loyalty expressed.

**Respondent-7**:- "My Dad is a big advocate of Ravensdown, they've always done right by him, and he's very loyal and buys all his fertilizer through them".

**Respondent-1**:- "Māori farm businesses are strong supporters of 'collaboratives' but they need to be able to express themselves".

If Māori are members of an industry Co-operative they want to be included in the discussion, to express their views, to be listened to, and to be confident of the transparency of decision making.

Many Māori Trusts remain strong supporters and shareholders of Fonterra. Trustee board members were mostly whānau, and therefore long-term farm owners and acting on behalf of Māori owners.

However, some grievances were expressed by Māori regarding negotiations with the former Fonterra Chairman regarding collective Māori milk supply. Partly as a result of those negotiations collapsing, a number of Māori Trusts established Miraka; a Māori majority owned dairy processor.

Miraka is owned by a group of Māori trusts and incorporations and New Zealand dairy sales and marketing broker Global Dairy Network, with a 19 per cent stake held by customer, Vietnam's Vinamilk. The factory is at Mokai, north of Taupo. Miraka pays farmers 10 cents more per kg of Milksolids than Fonterra.

**Chairman Kingi Smiler explained on Radio NZ** that:- "...the view of the whānau, trusts and incorporations was that the best long-term strategy was to deal directly with the market ourselves. We believe Miraka can sell our product at a higher rate than Fonterra get on their auction price".

There were no anti-co-operative views expressed during the interviews. The word collaboration was often used by Māori. Collaboration sometimes referred to all farmers working together. More often it referred to Māori working with Māori more effectively, both between Trusts and in regard to vertical integration. One opportunity was for successful Trusts to mentor less successful businesses.

## Māori Farm Succession

### 4. Dairy Farm Succession

4.1 What is successful farm succession from your perspective? What does this look like?

4.2 What roles will successors have in the farming business?" and "what (will or do) they look for / want in these successors?" How and when do Farm Businesses identify likely successor(s)?

4.3 How do Farm Businesses up-skill the successor(s)

4.4 In Farm Succession, how is the "transfer of knowledge" being managed, in particular Farm Business Management knowledge and skills?

The people interviewed in this study agree that succession is of major concern to Māori (ANZ Māori Business Barometer Report 2014). During the interviews a number of different Māori Farm Succession issues were raised:-

1. Succession of governors/Trustees on the Trustee boards with well-educated persons who fully understand dairy farm business management. Some of the young Māori interviewed believed they would be approached for Trustee roles due to their tertiary qualifications and wide employment backgrounds and farm business management experience. They were keen to make a governance contribution to the Māori Farm trusts but had not been approached or asked to be associate trainee Trustees.
2. Finding suitably qualified Māori for Trustee Management (CEO) positions, Farm Managers and farm staff. Numbers of Māori attending Massey and Lincoln Universities and graduating with Agricultural degrees is very low given the size of the Māori agricultural economy. The Northland study of Māori farm workers who were attending AgITO courses highlighted very low levels of both literacy and numeracy skills as being a barrier to further training and career advancement (Shaw et al 2012). Concern was expressed that there is a trend within Māori Farm Trusts to employ managers and not sharemilkers, hence removing a career/business ladder structure step.
3. Finding quality rural professional advisors for Māori farm businesses. Preferably these would be Māori but they accepted that the urgency was to attract good advisors to work with the Māori farm economy.
4. Locating all Māori descendants so that they might participate in the benefits of the Māori Farm Trusts. Many urban Māori have not fully re-connected with their whānau or their turangawaewae (land based tribal roots).
5. Indecision by whānau as to future direction of the farm business and how individual farm properties might be managed.
6. Lack of Māori intergenerational communication between aging parents and offspring. No clear pathways to gain farm succession information and an understanding as to how to bring in the younger generation. Some rigid paradigms amongst older generation. Some of the issues raised may be due to differing levels of education and post-secondary training by the different generations.

**Respondent-9**:- "I think it's just actually acknowledging the value that they (younger better educated generation) can bring into the business, some farm owners don't actually understand it".

7. Few if any qualified Farm Succession advisors working with Māori farming families. Some of the rural professionals working with Māori see the farm succession issues but don't feel adequately qualified to advise families.

For those Māori farming on their own or who want to 'create their own pathway', to own their own farm, there were a number of issues raised:-

1. Māori parents either not farming, owners of a small number of shares in Māori Trust farms, or the 'home' farm was too small or uneconomic/or not suitable for dairying. In other words, little opportunity to be the successor to a Māori family farm.
2. The number of siblings in their family made it very difficult for Māori parents to establish a successor into the farm business and treat siblings fairly.
3. The lack of share milking positions on the Māori Trusts was making it difficult to raise equity within a Māori farming context. Some young Māori saw the equity required as being too difficult to raise to succeed into larger farms. The view was also expressed that young managers did not get farm business management experience, compared to sharemilkers who were running their own business.
4. Whānau expectations were that they would seek education opportunities (funded by Māori scholarships) and one day return to contribute to the Māori Trusts who had funded the education. This was not perceived as a problem but more an expectation. The understanding was that if they were good enough then the Māori Trust might be able to offer employment to the graduate.
5. For those wishing to take over from their parents' dairy farm, they not only need to be perceived as the sibling most qualified to be the 'successor' by their parents but they also earn the respect and right to be the 'successor' by the main (sometimes numerous) shareholders of the farm business, due to the Māori family business structure.

**Respondent-7:-** "I don't just have to earn Dad's trust that I can run this farm (I will need to work under his direction for a couple of years once he has indicated he wants to retire) but I have to get the approval of the main shareholders in the business" (This was a smaller Māori family incorporation property). "I will probably take over the family farm, by buying the cows and sharemilking. Dad has already indicated that as I have the most agricultural background even though I'm the youngest and a daughter".

During the interviews, five respondents were directly involved with farming and family succession. Only one had a clear farm succession pathway. All five were working outside the family farm business at the time of interviewing due mainly to lack of opportunities within the family farm(s). Māori are not meeting their goals of attracting and creating opportunities for young Māori to enter and progress within Māori Farm Trusts. Mentoring (as explained in the case study) provides a possible solution for retaining skilful young Māori. Education and training of young Māori in agribusiness remains a high priority (MPI Māori Forum 2013) if the Māori Trusts are to 'find the right people' (ANZ report 2014).

All the rural professionals interviewed overwhelmingly believed the main succession issue for Māori Trusts was the lack of 'Trustee successors' with strong farm business management skills and knowledge. There was agreement that there was a lack of Māori at both management and operational levels within most Trusts, but that the current priority was to find and employ the best available people whether they were Māori or not.

Many of the farm succession issues identified in the research literature (Dooley et al) appear to apply to most New Zealand farming families. There is a shortage of rural professionals with expertise, or who specialise in farm succession. Māori may face additional challenges due to a lack of family farm scale or fragmentation of land (viability), low profitability, and the lack of rural professionals specialising in Māori families and Māori farm succession.

Farm succession remains a major Māori issue. This is probably not due to a lack of will on the owners' part, but to poor farm viability and a lack of information (Hall 1991).

## Conclusions

This preliminary scoping study aimed to investigate areas for possible improvement in the governance and management of large Māori Dairy farm businesses. There has been little research into rural business governance, nor has the relationship between good governance and subsequent business performance been established (Lockhart 2011a). There is also very little data available on the productivity of the Māori economy. A number of recent studies (White 1997, Kingi 2000, Te Puni Koriri 2010 and 2011, Ministry of Agriculture and

Fisheries (MAF) 2011, Clough 2011, Bird 2012) have sought to better understand how Māori freehold land is currently governed, managed and operated. These studies aimed to identify issues and barriers to better management and performance of these farming businesses. They illustrated that the possible reasons for underperformance are complex.

Māori business values focus on relationships, responsibilities, reciprocity and respect. These are exemplars of a Māori world-view, which explicitly acknowledges the particular historic and cultural context (Tapsell and Woods 2010). The strategic management plans illustrate a matrix of values (Nicholson, Woods and Hēnare 2012) and emphasise the development of social capital to create competitive advantage. Such strategic plans reflect the Māori vision and aspirations to sustain and grow the land base, provide leadership and guidance for the whānau, develop capacity and resources within the Trusts, and to perform better as businesses.

As identified throughout the report, according to the Māori way of doing business, "they have 'Quadruple Bottom Line of Profit, People, Environment and Community' business objectives. Māori farms often have an inverted Quadruple Bottom Line. People, Environment and their Community often come before Profit....but without Profit none of it happens".

It is very important to understand that Māori have a very long-term view of business and land ownership, ensuring that the land (whenua) will never be sold. This impacts on both strategic and tactical decisions. It changes the vision from short- to medium-term to long-term, and creates differing views on indebtedness. Māori in general have a conservative view toward borrowings and debt, but these attitudes are driven by a feeling of responsibility on behalf of the whānau to protect ownership of the land. Ironically, Māori do still have difficulties accessing capital, due primarily to security requirements and title. Those interviewed believe this situation is changing, due to more confidence about on-farm performance by Māori Trusts, higher milk prices, and low gearing by those businesses that are expanding or in development phases.

How do Māori farms compare with similar farms that have like governance structures and management? Benchmarking studies using Dairybase data by (Clough 2011) and (Bird 2012) indicate that Māori dairy farms have been less profitable and less productive than similar farms in their regions and with similar ownership structures. There are many possible reasons why these differences exist and it is difficult to separate the impact of governance compared to the impact of farm management. Most Māori Trust farms are located on lower land use categories (LUC) and have been established as dairy farms more recently. Māori Trust farms have different strategic objectives and are not solely profit focussed. Has the comparison really been with 'similar' businesses? The comparisons have focussed on profitability and production neither of which feature prominently in the Māori strategic priorities, and if they do it is of a lower order priority.

A separate question is, can the Māori Trust dairy farms be more productive and more profitable? The answer is a definite yes, and it needs to be acknowledged that the top performing Māori Trust dairy farms already outperform similar farms. There is community confidence. "Māori farming business in general has massive potential – they've got plans, they have ambition, they want to grow and they've got governance that's improving all the time across the board – some are already excellent."

Māori leadership acknowledge that:- "Generally speaking, Māori farming or Māori resources are underperforming" MPI (Māori Forum June 2013).

"Māori do need our help - a trust is a gift. And so, as a set of trustees you're gifted an asset; an asset is referred to as taonga or resource. It is important that Māori view the Farming Trust as having a particular value per person (owner/beneficiary). And those generations are going to keep on growing, regardless. So if you can't grow your asset base at the same rate and retain the return, it's going to become redundant which is worse than diminish. It could become meaningless to those future generations, both in asset value/returns terms and in cultural significance."

The reality is that it is very difficult – and accentuates management challenges – for a Māori trust to deliver on the People, Community and Environmental outcomes if Profit is poor or insufficient. What the Māori trusts need is appropriate **KPI's**, industry-wide, that they can benchmark their operations against so they can challenge their advisers with well-informed questions. The initiative of the Tūhono Whenua benchmarking project (an online benchmarking tool involving 6 farms from the Te Arawa Primary Sector Collective and Te Taumata) is to be highly commended as a step toward Māori farming trust benchmarks, and toward encouraging Māori farmers to benchmark their businesses.

During the Māori Agribusiness forum at the National Fielddays (MPI 2013), the Chairman of Tuwharetoa (who are recognized as the leaders in Māori forestry) was quoted as saying "that really Tuwharetoa are just 'ticket clippers' in terms of forestry, which means they pick up the rental and that's about all." The problem for Māori

is no longer 'do they have the resources?' It is about how to develop those resources to get the best value for owners from the particular resources in a sustainable way. This was expressed in a comment from this study: "I think there's a lot of 'blocks' where the land is just leased out to forestry or another farmer. Māori have effectively lost control of that asset. This is very sad as they can't deliver for their people or properly protect the environment for the future. It's a good definition of under-performing or at worst, failure."

Māori Agribusinesses make considerable investment in the education of young whānau. To date they have struggled to employ many of their own people in farm businesses. The 'unique observation' during this study, of a young Māori Farm Supervisor passionately mentoring his staff into dairy farm careers rather than offering them farm jobs, creates a possible mentoring model. However a very poignant comment about current Māori social capacity was that "We need more whānau working in the business even the operational farm roles but the reality is that the available pool of suitable people is very small. It's just a numbers game I suspect. I believe more than 50% of Māori leave school with no qualification then that has flow on effects into all industries not just agriculture."

Much of this study has been related to the farm business management skills of Māori Trust Governance and Management. There are talented young Māori getting tertiary educations, and receiving Trust scholarships to support their higher level education. The knowledge gap has been identified as farm business management. There should be more encouragement of young Māori to seek degree training in Agricultural Science, Agribusiness and especially Farm Business Management.

There is every reason for optimism and celebration of Māori dairy farming achievement and success. The top tier of Māori farming trusts are fast growing enterprises which are rapidly improving business performance. Māori are genuine leaders of dairy farm environmental management. Their expertise and governance of large corporate farms has much to offer other farming businesses. There are real opportunities for these businesses to mentor other farming enterprises.

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# Appendix 1: Themes and questions asked at the interviews

## 1. Māori Trusts/Incorporations

- 1.1 Explore how Māori Trusts establish farm business goals/targets/KPIs and how those goals are communicated to the farm management/ consultancy team.
- 1.2 Establish how farm business protocols and procedures are documented and communicated.
- 1.3 To explore how young Māori are being brought into the farm business.
- 1.4 Explore how heritage/sustainability goals might influence opportunities for business growth.
- 1.5 Explore problems associated with the governance of large Māori dairy businesses.

## 2. Dairy Equity Partnership Farm Governance

- 2.1 Explore participants' perceptions of the composition, roles, behaviours and relationships of governing boards of large Equity Partnership New Zealand dairy farm businesses?
- 2.2 Understand participants' perceptions of the skills and competencies required of governors of large dairy farm businesses?
- 2.4 Explore problems associated with the governance of large dairy businesses?

## 3. Co-operative Values

- 3.1 Explore participants' perceptions of co-operative values and ethos of Māori Trusts/Incorporations.
- 3.2 Compare and contrast the co-operative values of Māori Trusts/Incorporations decisions regarding their co-operative decisions over different time horizons.

## 4. Dairy Farm Succession

- 4.1 What is successful farm succession from your perspective? What does this look like?
- 4.2 What roles will successors have in the farming business?" and "what (will or do) they look for / want in these successors?" How and when do Farm Businesses identify likely successor(s)?
- 4.3 How do Farm Businesses up-skill the successor(s),
- 3.4 In Farm Succession how is the "transfer of knowledge" being managed in particular, Farm Business Management knowledge and skills.

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