

## **PERCEPTIONS OF NEW ZEALAND OVERSEAS RESEARCH IN THE UK AND US, 2006**

### **Research Agency**

The research was conducted by Nielsen, an independent market research agency, during August and September 2006. Nielsen was selected as the research agency via a tender process.

### **Research Objectives**

The main objectives of this research were to:

- Test awareness of New Zealand, including icons and values associated with New Zealand, among businesses/companies interested in trading or investing in New Zealand
- Test perceptions of New Zealand business practices and approach and the awareness of New Zealand companies
- Establish, if possible, any differences between sectors

### **Methodology**

The research was conducted using a qualitative methodology:

- Face to face, in depth interviews at the respondent's place of work. Respondents were key decision makers in their organisation
- Two key markets
  - US – Los Angeles, San Francisco, San Diego (California)
  - UK – Greater London
- Four sectors in each market
  - Biotech
  - ICT
  - Food and Beverage
  - Screen Production

### **Sample**

- A total of 40 interviews were conducted
  - 20 in each country
  - 5 in each sector
- Respondents were
  - Companies who have dealt with or have some knowledge of New Zealand
  - Business journalists and business analysts with knowledge of New Zealand
- Sample obtained from the contacts database held by the Trade Commissioner in each country

### **PERCEPTIONS OF NEW ZEALAND – THE COUNTRY**

The UK and US share similar values at a functional level, eg

- same language,
- political and regulatory stability,
- a culture of shared values around business protection (IP and 'rule of law');

however they contrast greatly at the emotive core:

US	UK
Value individual good, business schools (excel in business schools), mentoring, secondments, coaching and the commercial viability of all research endeavour	Value the public good and academic knowledge (excel in academic institutions) untainted by the biased demands of commercialism, although this is changing.
The 'entrepreneur' – money is the end result. Tend to work <b>on</b> the business	The 'intrapreneur' - money is a means to an end. Tend to work <b>in</b> the business

These different emotive values also mean that perceptions of New Zealand can differ quite strongly between the two countries.

US An expectation of something different	UK A distant affection for something familiar
Perceptions of New Zealand: <ul style="list-style-type: none"> <li>• Clean and green = environmental consciousness</li> <li>• Young, urban, youthful, vibrant</li> <li>• Free thinking = creative, innovative</li> <li>• Fresh, interesting</li> <li>• New Zealand is like California used to be</li> </ul>	Perceptions of New Zealand: <ul style="list-style-type: none"> <li>• Clean and green = pretty scenery</li> <li>• Raw materials economy: sheep, lamb, agriculture</li> <li>• Quality produce: Anchor butter, meat, wine</li> <li>• "Britain in the '50's" – quiet and beautiful, but conservative and staid</li> </ul> <p>Perceptions are beginning to change thanks to emigration forging new "letters home"</p>
Appeal of New Zealand: <ul style="list-style-type: none"> <li>• Enthusiastic – the last frontier ('do you know something we don't?')</li> <li>• Some mystique – the promise of 'undiscovered gems'</li> <li>• Can be first to market, as much of New Zealand product is unknown</li> </ul>	Appeal of New Zealand: <ul style="list-style-type: none"> <li>• Part of the family, less enthusiastic than US</li> <li>• Shared values, sense of trust</li> <li>• New Zealanders speak the same kind of English</li> <li>• Older generation still feel a debt to NZ (war); younger only know NZ through tourism</li> </ul>

## THE IMPORTANCE OF COUNTRY IN DECISION MAKING

The decision of whether to do business with a country is made by weighing up informal and formal influences at each stage of the process. Within informal and formal influences there are collective and personal influences:

### Formal influences

- *Collective* influences include: business and sector dynamics, nature and needs. Building the business case eg. The perception of opportunity, potential ROI and ease of doing business
- *Personalised* influences include: networking opportunities (trade shows, conferences, research papers etc), potential for skill and information sharing (secondments, exchanges etc)

**Informal influences**

- Collective influences include: reputation (what do you do, what have you done, what are you known for), existing trade and collegial relationships, general media buzz and interest, consumer demand and interest
- Personalised influences include: personality type (early adopter, follower), emotional experiences that resonate (could be philosophical or sensory), word of mouth, personal networks, media

Formal influences tend to have greater importance for large business, informal influences carry greater weight for small businesses.

These decision making influences overlie the decision making process, which is basically made up of three stages; awareness, consideration and final decision

<b>Awareness</b>	<b>Consideration</b>	<b>Final Decision</b>
Country is important at this stage	Country important only if it offers a competitive advantage	Business case is more important than country
<b>Formal influences</b> None at the awareness stage	Perception of opportunity Ease of doing business	Robustness of the business case
<b>Informal influences</b> Personal and emotional experiences Media – TV documentaries etc Word of mouth Consumer demand and interest	Trade and collegial relationships, Networking and sector buzz Reputation	Relationships that support the business case

The importance of country is relevant in the awareness and consideration stages. Unless the country offers a competitive business advantage, it is not taken into account when the final decision is made. Final decisions take into account robustness of the business case, plus the relationships that support it. To have any chance of getting into the consideration set, New Zealand must be prominent at the awareness stage.

The importance of country also varies somewhat depending on the sector. Country tends to carry more weight in the food and beverage sector, where uniqueness, quality or market story are important. In screen production, location is important if a story is country-specific. Or if the country offers ease of living for crew, families etc. For the biotech and ICT sectors, country is not usually considered in the decision making process since they are relatively transportable sectors. Exceptions for biotech might be if a research knowledge base is particular to a country or if the research area is sensitive (eg. stem cell)

Overall, the feeling is that it doesn't matter what flag you fly in business, it's what you can do for business that counts.

**BUSINESS CULTURE AND VALUES**

Awareness of New Zealand's business culture and associated values is very low. People across both markets found it hard to name New Zealand companies, defaulting to tourism images to describe what they think the business culture is like.

Some who have had direct experience of working with New Zealanders or have visited New Zealand describe a different place which is technologically advanced:

*“It's very, very good internet capability; very, very good IT. I would say top notch. Very high level, higher than here...I'd say, if I hired a Kiwi I would expect them to be more internet, more IT capable than a domestic employee in the UK.”*

## Business acumen is low

These images tend to exist in ‘pockets’ and the overall perception of New Zealand is that it is a country with low business capability and low business acumen. This is primarily felt to be the result of being an isolated and emerging market. Consequently, the perception is that New Zealand has little exposure to the realities of doing business in international markets. In addition:

- The business culture is perceived to lack the hunger and sense of urgency needed to forge a true entrepreneurial spirit
- While New Zealanders have an image of being physical risk takers, the experience of medium and large businesses is that New Zealanders are often seen as complacent and risk averse
- New Zealand lacks a supportive ‘knowledge creation’ infrastructure which would help to foster and retain an entrepreneurial spirit
- There is little evidence of self-investment.
- People are self-deprecating and this does not win New Zealand any favours

*“There is a risk aversion. It’s a simple matter of risk aversion. It’s a matter that nobody wants to pay out and failure is seen as a devastating experience. Whereas in America, failure is seen as proof of contest – you’ve actually done it. You have pushed the entrepreneurial idea up to the point that it could fail”*

These comments are in marked contrast to how New Zealanders see themselves. In fact New Zealand businesses admire in themselves some of the very things others lament:

- Modest aspirations. It’s not just about the money, quality of life and family are important
- Reserved, modest, internally driven
- Self-reliant, willing to fend for themselves, ‘doers’
- Generalists with a multi-discipline approach, tend to seek out lateral relationships across industries, look at problems from several angles
- Relaxed, informal direct and open
- Learners and thinkers
- Relatively free from red tape, status and bureaucracy
- More egalitarian and team oriented in approach.

So, the differences between the business culture and values across the three countries – New Zealand, UK and US - can be summarised like this:

USA “The Entrepreneur”	UK “The Intrapreneur”	New Zealand “The Lifestyler” or “Inventor”
<ul style="list-style-type: none"> <li>• Work to secure capital gain for self</li> <li>• Finance is important and money is an end in itself</li> <li>• Capital gain is the benchmark of success</li> </ul>	<ul style="list-style-type: none"> <li>• Work for wealth for others</li> <li>• Values are important and money is a means to an end</li> <li>• The ‘public good’ has strong emotional currency</li> </ul>	<ul style="list-style-type: none"> <li>• Work for income or passion</li> <li>• Values are important and money is a means to an end</li> <li>• The success of the family, and quality of life is the benchmark</li> </ul>
<ul style="list-style-type: none"> <li>• Entrepreneurial attitude</li> <li>• Value individual wealth creation</li> <li>• Highly competitive, an eye on opportunity and money</li> </ul>	<ul style="list-style-type: none"> <li>• Critiqued in the past for small business attitude</li> <li>• Value the public good, but moving towards more entrepreneurial values</li> </ul>	<ul style="list-style-type: none"> <li>• Small business attitude</li> <li>• Value independence and self reliance, but can’t let go</li> <li>• Highly lifestyle driven, modest aspirations</li> <li>• An innovator culture, but not seen as entrepreneurial because commercialisation is not the primary motive</li> </ul>

## Human values are high

Although the US is primarily market driven, (and the UK is increasingly so) and they criticize some of the values held by New Zealand businesses, there is an element of respect for the strength of those New Zealand values.

The positive perceptions show that New Zealand is seen to be high in 'human values' (which inevitably underpin business values) and a business culture underpinned by human values engenders rapid trust from outsiders. Business people interviewed talked about the openness and directness in New Zealand business being in complete contrast to international business where there are often undisclosed purposes, disguised agendas, and undeclared conflicts of interest.

*"India is a technical thing. New Zealand is a people thing...New Zealanders have a set of ethics in business that stand them in good stead...But what the world of business is becoming...one just takes the products almost as given. It then becomes a relationship thing. A customer relationship management exercise where it is fast moving, trust and delivery...and those are the things New Zealanders are good at."*

New Zealand business culture is seen as refreshingly honest and direct – but fortunately not as direct as the Australian business culture; which, although straightforward, was described as brutal even by American standards.

In short, New Zealand has a business culture which is perceived to be **high in human values and low in business acumen**.

## What does this mean?

The potential appeal of doing business in New Zealand centres around the 'last frontier' image alluded to by US businesses. There's the potential for something new, underpinned by respect for human values. As a "new pioneer", New Zealand business can be seen to have the potential of a fresh approach to contemporary dilemmas.

Primarily, New Zealand business values fit very well with small or medium sized businesses in the US/UK, or with big businesses which have human values. Those global businesses without human values would find little appeal in New Zealand as a business partner – financial success usually comes from the 'dirty' part of business, where human values are not considered. The business people interviewed could not imagine New Zealand businesses being happy or able to operate in that kind of environment.

In general, Americans are more enthusiastic about New Zealand than the British. The US tends to romanticise New Zealand and suspect New Zealand must be doing something right. For them, the lack of business acumen is annoying, but something that can be learned – whereas ingrained human values cannot. As long as New Zealand businesses are willing to learn and open to being coached, Americans are willing to 'show them the ropes'. In contrast, the British are more concerned with the European markets on their doorstep and have little sense of New Zealand other than as a holiday destination. They are less interested in lending a brotherly hand to improve New Zealand's business acumen, expecting New Zealand businesses to come to the UK all sorted out.

Both the US and UK want New Zealand to become more business savvy and entrepreneurial without losing its human values.

## INDUSTRY SECTORS

The research covered four industry sectors in each market.

### Food and Beverage

This industry sector is increasingly competitive in the US and UK markets, and there is a greater need for companies to be market-smart. A growing demand for virtuous products means that consumers are asking more questions of retailers and suppliers about where and how a products was made or grown (food miles) or the kind of company which made the product and the manufacturing processes used (corporate and social responsibility). There is a move back to basics with the rise in popularity of farmers' markets and home cooking. Dedicated food holidays are also becoming more common.

Against this backdrop, the New Zealand food and beverage sector is associated with a few core generic products - wine, lamb and butter – and there is minimal awareness of anything else. A commonly held perception is that New Zealand is a source of top-notch quality ingredients and this is strengthened by the clean, green, country perceptions people hold. These positive associations are advantageous for New Zealand's products given the current environment, and this positioning provides opportunities to educate US/UK consumers about other New Zealand offerings. However the perception of sophisticated product is easily undermined by New Zealand's lack of understanding of offshore markets and commercial savvy.

Strengths	Room for improvement
<ul style="list-style-type: none"> <li>• New Zealand offers quality ingredients               <ul style="list-style-type: none"> <li>○ Strengthened by 'clean, green' image</li> <li>○ Fits with move towards virtuous products</li> <li>○ Works with high end products, easier to claim a price premium</li> </ul> </li> <li>• Low awareness of many New Zealand products creates mystique and sense of potential               <ul style="list-style-type: none"> <li>○ Ability for retailers/distributors to offer market firsts (particularly in US)</li> <li>○ Opportunity to leverage off New Zealand's image and values</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Low awareness of variety of New Zealand offerings other than the core products</li> <li>• New Zealand not as proactive as it could be in introducing distributors /retailers to their products eg. Invites to sampling sessions etc.               <ul style="list-style-type: none"> <li>○ New Zealand felt to be pushing product rather than filling gaps in the market</li> </ul> </li> <li>• Lack of understanding of offshore markets.               <ul style="list-style-type: none"> <li>○ Show naivety in assuming all markets are like New Zealand, don't conduct basic research</li> </ul> </li> </ul>

### Screen Production

Trends in this sector have seen the migration of film production to the lowest cost, highest subsidy based economies in the world. Increasingly countries are offering tax breaks to attract film production to their shores and even within the US individual states are competing with each other to offer tax breaks. In the UK, the switch to digital TV by 2010 is creating a surge of channels and TV is becoming less of a shared medium and more individualistic. In both markets there is a perceived glut of CGI animation and a demand for home grown and local film.

However, the success of The Lord of the Rings has made New Zealand a serious option for screen production. Although still a small player (and for some, a one-man industry) there are positives for New Zealand. Its small country size and highly skilled crews make it an easy country to work in; the landscapes and locations are excellent. The New Zealand film industry itself is seen as dealing rather too much with 'dark matter' (a surprise for people given the fresh, open and positive attributes associated with the country) and predominantly New Zealand subject matter, so scripts are difficult to sell globally as their message is not universal.

Strengths	Room for improvement
<ul style="list-style-type: none"> <li>• Proven quality product in total, high level of quality writing</li> <li>• Highly supportive film commission – director led, not business led (as in US and UK)</li> <li>• Not over-unionised. Excellent crew skills, willing and able to go the extra mile</li> <li>• An easy, hospitable country to work in. Easy to move around, easy access to wide range of scenery</li> <li>• Easy access to New Zealand’s leaders and ‘stars’</li> <li>• Well regarded for post production</li> </ul>	<ul style="list-style-type: none"> <li>• Time zone is a problem for the UK especially</li> <li>• Travel distance a problem for crew with families</li> <li>• New Zealand Film Commission has limited options as a one-stop finance vehicle</li> <li>• Losing competitive advantage of tax breaks as other countries catch on and compete</li> <li>• Perceived lack of hard data for New Zealand consumer profile (distribution end in film)</li> <li>• High cost of broadband, not fast enough sending data back and forth</li> <li>• New Zealand films lack universality or optimism in story lines</li> </ul>

## Biotech

The pharmaceutical and bio-technology environments are fusing. The pharmaceutical sector is experiencing global battles in the matching of different systems: government controlled Vs uncontrolled pricing, allowing the real cost of drug research and development to be truly reflected. Pricing is further affected by the ability to outsource to countries previously seen as being outside best practice, but which are now coming into line with regulatory compliance and offering dramatically lower costs. From the other side, consumers are demanding more personalised drugs eg. without side effects or targeted to their individual physiology. This is raising the standards and safety levels in clinical trials, which are taking longer and becoming harder.

In terms of New Zealand’s place in this sector, awareness is particularly low and New Zealand is not seen as being connected at the global level. There is recognition of some pockets of excellent biotech research in New Zealand, but in general New Zealand is still within the norm and not producing any breakthroughs. There are some perceptions of the overall high quality of science undertaken ( the integrity of process and brain power is high), but the sector in New Zealand is felt to be under resourced and under supported. New Zealand needs to raise its profile in the biotech sector by targeting the right people and right places, not just by attending conferences. Also, there is an expectation of seeing more evidence of a governmental drive to create a knowledge culture, stronger government investment in R&D and building of international academic links

Strengths	Room for improvement
<ul style="list-style-type: none"> <li>• Quality of biological products. Virtually disease-free animal stock, accepted as among the best in the world</li> <li>• Strong pastoral and agriculture history, including some world firsts</li> <li>• Resourceful and efficient in using limited research funding</li> <li>• For those who know, perception of high quality of science and thinking</li> <li>• Perception of good basic education in sciences</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of global connectedness, lack of international dialogue regarding joint ventures, licence benefits etc. should talk to pharmaceuticals</li> <li>• Unclear financial support for R&amp;D and start ups</li> <li>• Lack of commercial acumen</li> <li>• New Zealand needs to get further up the value chain, rather than ship raw products for someone else to add value to and reap benefits</li> <li>• Lack of web data for outsiders</li> <li>• Difficult to get raw materials into New Zealand.</li> </ul>

## ICT

Simplicity is a driving trend in this sector. Design is also becoming customer-led, technology becoming more user-friendly and value is increasingly being driven through customer service rather than product functionality alone. This is seen in the rise of open source technologies and the different business models which are gaining credence - customer service is playing a role in their success. Integration and convergence with different technologies are becoming more commonplace. In this industry, time continues to shrink and warp speed seems to be the only speed – ROI expectations are shortening and relationships are forced into positions of trust at increasingly earlier points.

In this environment, New Zealand capabilities are largely unknown, and few people make the link between New Zealand and ICT, commenting that there are no 'poster-child' examples to leverage off. ICT in New Zealand is seen as a locally-focused industry without a global outlook. Experience is perceived to be limited to the local market, companies perceived to be 'lifestyle' and again, the perceived lack of international business acumen and commercialisation is prevalent. While the sector as a whole is moving away from product focus and towards customer focus, this trend does not seem to have made its way to New Zealand. The perception is that New Zealand ICT proposals are still largely based on features, but don't spell out benefits and costs and in general are not customer oriented.

Strengths	Room for improvement
<p>Strengths are apparent only to those with experience of the New Zealand ICT sector</p> <ul style="list-style-type: none"> <li>• Some pockets of potential bright start ups.</li> <li>• Some good individual products in the global market eg marine, weather</li> <li>• Same language, similar accountancy systems etc.</li> </ul>	<ul style="list-style-type: none"> <li>• No reputation, no company names or 'poster-child'</li> <li>• Awareness of technical skills limited to film</li> <li>• Marketing approach is unsophisticated</li> </ul> <p><i>"It's a particularly old-fashioned marketing approach to try and push what you've got, rather than find out what is needed and rebuild what you've got to meet that need"</i></p>

## LEARNINGS FROM INDUSTRY SECTORS OVERALL

It is clear there is some goodwill towards New Zealand in all the industry sectors spoken to, however it is equally clear that there is much frustration with the New Zealand business psyche. Several stories and perplexed comments exposed an underbelly of New Zealand business which requires serious attention. For example:

- Lack of follow up on opportunities and generally low proactivity leads people to wonder if New Zealanders are scared or intimidated by international business.
- While New Zealanders are generally seen as honest, there is also a sense of arrogance which is perceived to come from being a 'big fish in a small pond'. The assumption that anything New Zealand does must be great is felt to be misguided.

When the US and UK businesses suggest areas where New Zealand needs to step up its game, it is concerning that many of them are remarkably basic:

- Realise that business is still done face to face. To succeed, New Zealand businesses must be domiciled in the country ie. CEO and senior management; reps are not acceptable
- To gain awareness, find a sector champion and go and talk with the sector. This signals seriousness of intent and establishes the relationships
- Realise that you cannot do it all yourself. Although resourcefulness is admired in many ways, New Zealand businesses need to let go, collaborate and partner, use specialist help. US businesses in particular are willing to coach New Zealand businesses through their complex markets

- Substantiate your claims, provide evidence and detail. Show that you understand your product and have been successful in New Zealand. Provide the references and prove you're as good as you say you are.
- Act like a business, do the homework and know the market you want to enter. Do the research before you get there. New Zealanders are often seen as overestimating their chances of success and uniqueness of their offering – researching the market would improve their approach
- Think 'what does the market need' not 'what do I want to sell'. Sell the benefits not the product
- Work the relationships you make

*"You are very good at 'giving it a go', but lack the discipline to follow through"*

## **CONCLUSIONS**

There is a sense of New Zealand being at a critical point in the business world.

The geographical remoteness of New Zealand and its island nature is perceived to have preserved much that is 'ideal' in today's world – the mix of business, human and environmental values and ethics is seen by many as unique. The perception is that New Zealand is in a fortunate position. It can make conscious choices about picking up the best in international lessons and practices regarding, for example, infrastructure, technology, education and strategic direction.

Critically, New Zealand is seen as needing to make choices that enhance business capabilities, without compromising its unique ethical attributes.

*"...you want to choose carefully, create opportunities for your best graduates...but you don't want to grow too much, you don't want to become another processing plant. You want a socially sophisticated, educated people..."*

It is acknowledged that improving business capability without losing the human values is not easy, but the potential gains of a positioning where human values are underpinned with business acumen are great.