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Minister for Economic Development
Minister of Trade

BRIEFING FOR INCOMING MINISTERS

Who we are and what we do

- Formally established by the New Zealand Trade and Enterprise (NZTE) Act 2003, we are the Government's international business development agency supporting companies to grow internationally. We work to increase New Zealand companies' international success by helping them boost their global reach and build capability.
- Two Ministers have delegated joint responsibility for our organisation: the Minister for Economic Development and the Minister of Trade. Our Board provides governance over our strategy and future operating intentions, in conjunction with overseeing and monitoring organisational performance¹.
- Our Board is made up of seven individuals with extensive business and exporting knowledge. The chief executives of Ministry of Business, Innovation and Employment (MBIE) and Ministry of Foreign Affairs and Trade (MFAT) function as special advisors to the Board (see Appendix for details). Our chief executive is Peter Chrisp.
- We are funded under a Vote Economic Development non-departmental appropriation of \$155.3 million for operating expenses and \$30.92 million for grants (See Appendix for a breakdown of the NZTE output expense class structure).
- For the 2013-14 year we had 547² full time equivalent (FTE³) employees distributed across 46 offices around the globe. This includes 305.4 FTEs in 10 New Zealand regional offices.

Economic Context – A shared view across the economic chief executives

1. We have been working with the economic chief executives to arrive at a common economic narrative and vision to 2025. The basic vision is that:

“Our economy is agile, adaptable and innovative, and delivers real and on-going improvements in the quality of life of all New Zealanders.”

2. There are three pillars to the vision:

- Firms are internationally connected and able to seize the opportunities from flows of people, ideas, capital and trade.

¹ All decisions relating to the operation of NZTE are made by or under the authority of the Board, in accordance with the New Zealand Trade and Enterprise Act 2003 and the Crown Entities Act 2004

² We were also actively recruiting for 31 FTE positions as at 30 June 2014

³ FTE figures include permanent, fixed term, expat, locally engaged and seconded employees

- All of our people are equipped with the skills to participate and succeed in our economy and society.
 - The quality of New Zealand's natural and built environment is high, supporting future innovation and growth.
3. Our purpose clearly positions us within the internationalisation pillar. Within this our purpose is to: "Grow companies internationally – bigger, better, faster – for the benefit of New Zealand."
 4. The Business Growth Agenda (BGA) sets the overall target and is the 'light on the hill' for our work programme. Under the BGA framework, NZ Inc. has aligned its language and activities. The BGA is also readily understandable and supported in the private sector. The Free Trade Agreements (FTAs) are a crucial part of the BGA for us.
 5. We support the continued evolution of the BGA, including the opportunity to improve delivery outlined by the economic chief executives. We also agree with the propositions set out in the Public Services Briefing to the Incoming Government.

The growth challenge

6. In aggregate New Zealand is indeed developing a small, agile, 'niche hunting' specialist economy, with a large range of innovations and success stories. We do, however, experience growth unevenly in different parts of the economy.
7. As at 30 June 2014, our intensively managed customer portfolio (the F700) consisted of 528 companies. Recent analysis of this portfolio has given us a window on some of these growth experiences.
8. We see high growth rates in the under \$10 million international revenue companies, especially in the Information and Communications Technology (ICT) and value-added food and beverage (F&B) sectors. However, we also see significant fluctuations in growth appearing at the \$17 million international revenue point, where the likelihood of negative growth sharply increases. Similarly, after \$70 million we find slower growth, and amongst the big companies we also often find negative growth. We are deepening our understanding of these various breakpoints in growth, and tailoring our strategy, services and engagement accordingly.

Our strategy

9. Our customers, New Zealand's internationalising companies, are at the heart of our strategy, which has four interlocking elements.
 - Growing individual companies, by focusing on businesses who have the capacity and aspiration to grow internationally.
 - Growing groups of companies, by bringing together go-to-market, business-led coalitions.
 - Providing companies with services matched to their business needs, delivered at the right time and in the right place.
 - Attracting and mobilising capital to support business growth.

10. In Budget 2014, the Government announced an additional \$69 million investment over four years to support this approach and to deliver the Government-to-Government (G2G) platform (see also paragraph 20).

NZTE 'pulse check'

11. Our total customer portfolio includes 4,000 internationalising companies and 528 companies that receive a higher intensity focus (the F700) with an annual churn of 20 percent and total annual revenue of \$27 billion (as at 30 June 2014). We also support a further 2500-3000 companies by funding capability building services through our Regional Business Partner network across New Zealand.
12. Of the F700 companies, 57 percent are less than \$10 million international revenue, 33 percent are between \$10 million and \$100 million, and 10 percent are over \$100 million. Across these broadly one third is F&B companies, one third manufacturing, and one third ICT and services. We are working with 10 active and 13 prospective go-to-market, business-led coalitions. These coalitions are groups of companies (usually from the same sector) who work together on a specific market opportunity focused on international growth. We also have 68 companies in the capital pipeline.
13. In 2010/11, we were the first Crown entity to undergo a Performance Improvement Framework (PIF) review, which (in part) led to the first wave of an ambitious work programme to transform our organisation and lift performance ("Playing to Win"). We are now in the first year of our second wave of on-going performance improvement ("Project Impact"). This includes a new customer engagement methodology ("The Customer Way"), redefining the services suite, refocusing our capital function, reconfiguring our internal digital platform, lifting the bar on individual and team performance, and deepening our engagement with NZ Inc.
14. Over the last three years we are confident our customers are now getting a better experience from us.
15. In 2013/14 we helped our customers to generate \$794 million in export deals. Of the 221 international growth outcomes (IGOs) recorded for the year, 68 percent related to agent, partner and buyer milestones (e.g. signing an in-market partnership agreement, distribution agreement, joint venture agreement, licensing agreement) and 32 percent related to a significant milestone reached to establish an in-market presence (e.g. establishing an office or manufacturing premise lease, gaining regulatory approval or registration, or hiring in-market staff). We also helped deploy \$1.6 billion of capital over the last 12 months.
16. We know that the quality of our staff and their level of engagement have a direct relationship to the value-add for customers. Our employee engagement measure, lifted again to 80.8 percent, from a starting point of 69, which now places us top of the public sector.
17. To date both operational and co-investment spending is on track, perhaps slightly underspent at five percent below budget. As a result of the recent re-organisation we are now planning to reconfigure budget allocations to provide for the new coalitions, development of new international market plans ("iPlans") and missions and events, as well as ensuring we have the flexibility to deliver our modular services suite.
18. While we have made good progress, we also consider that there remains a lot more to be done, and for this reason we have now designed and started the next leg of our improvement journey.

The improvement journey: “Project Impact”

19. To deliver more impact we have laid out seven performance improvement challenges for the period 2014 – 2016 signed off by our Board, our NZ Inc. partners, and previously by Ministers. These challenges are delivered in tightly defined, measured, 90 day implementation blocks.

Challenges	Description
<p>Challenge One: Increasing the number of customers, and impact per customer</p>	<ul style="list-style-type: none"> • Our focus is on embedding the ‘Customer Way’ engagement methodology, and continuing to increase the quality of people to deploy it. High intensity companies will grow from 500 to 700, and plans for more bespoke engagement models for ICT, services, Māori and large companies will be developed. • Our research tells us that we have greater additionality and value-add for medium-sized companies. We have therefore redefined our strategic target range for maximum impact to companies with international revenue from \$0 to \$500 million. This will probably require a refinement of our “Greatest Imaginable Challenge” strategy to this \$0-500 million band. At the same time engagement with big companies needs a broader NZ Inc. effort that better reflects their size and reach.
<p>Challenge Two: Developing go-to-market business led coalitions</p>	<ul style="list-style-type: none"> • This is to build a portfolio of company coalitions, led by company leaders who are prepared to co-invest to go to market together. We will need to adapt the International Growth Fund (IGF) for coalition co-investment.
<p>Challenge Three: Mobilising capital for growth</p>	<ul style="list-style-type: none"> • We have built a Capital function that can match available investment with investment opportunities. The focus is to increase throughput and quality through the capital pipeline, and to organise this activity by both regions and sectors. • We will build the capability of our regional partners to attract capital including identifying and validating opportunities for development and matching with investors and delivering a programme of investment development workshops and tools with Economic Development Agencies of New Zealand (EDANZ).
<p>Challenge Four: Match in-market opportunities with customer need</p>	<ul style="list-style-type: none"> • The international footprint is being evolved with an overall increase in commitment of new resources to some areas, and the transfer of resources away from other areas. The 2014 Budget increase will fund new resources in Australia, Papua New Guinea, San Francisco, China, South America and the Gulf states. Resources in Qingdao, , and Noumea are being reduced. • New international market plans are being developed (“iPlans”) to ensure the deployment of resources is consistent with the stated market intent of F700 customers, and to manage key NZ Inc. activities. • A new Missions and Events Centre (MEC) will be established, to improve our internal efficiency, productivity and experience (at an organisational level) of missions, events and inwards visits.

Some information on this page has been withheld under section 9(2)(f)(iv) of the Official Information Act to protect the confidentiality of advice tendered by Ministers of the Crown and officials.

Challenge Five: Grow and share our knowledge across customers and NZ Inc.	<ul style="list-style-type: none"> • We have considerable knowledge of how to go to market, but we need to do a better job of cataloguing and sharing this both with our customers and across NZ Inc. This includes mining our database for company information by growth by size and sector and supplementing it with external knowledge sources to build a strong multi-source view of company growth in New Zealand. We also need a significant re-implementation of our document management system (Sharepoint). • We are also focused on client relationship management (CRM) data sharing across NZ Inc. with a specific focus on the MFAT and Callaghan Innovation.
Challenge Six: Organisational agility and productivity	<ul style="list-style-type: none"> • We know that increasing engagement is of direct benefit to customers. To further increase engagement, and lift productivity, we need to further simplify the organisation by removing complexity and bureaucracy.
Challenge Seven: Personal performance	<ul style="list-style-type: none"> • We will implement an enhanced performance management system with more advanced, but simpler, measurement systems, coaching and performance feedback.

Additional work programmes

G2G Partnership Office

20. The G2G commercialisation initiative (an NZTE/MFAT joint venture) aims to internationalise Government held know-how and intellectual property to deliver a commercial return to the Crown over time. The Executive Director of the G2G Partnership Office is in place and is now recruiting a team of four.

There is also a high degree of interest within the New Zealand public sector. The challenge here is to convert opportunity into revenue. In early 2015, a strategy and business plan will be presented to our Board and Ministers with the initial focus on partnering with governments

New Zealand Story

21. The New Zealand Story Advisory Board and New Zealand Story team (NZ Story) are building a resource to ensure New Zealand tells its story to the world in the way that is meaningful, gives our products and services an edge and can be shared and built on. The NZ Story Secretariat is housed within our organisation. NZ Story is developing a “version two” cut of the Story including more of an emphasis on “open minds”, and establishing criteria to re-launch the Fern Mark licencing programme. NZ Story will provide its own BIM.

Next 90 days

Governance

- NZTE Board member renewal (February 2015)

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Operational delivery

- Delivering on the Challenges as laid out above, including:
 - Delivering on internal organisational changes – Missions and Events Centre, “iPlans”
 - Confirming new coalitions operating model, resourcing and co-investment
 - Progressing the joint customer engagement plan with Callaghan Innovation:
 - aligned approach to segmentation to build mutual customer pipelines
 - aligned multi-customer activity
 - building a platform for data-sharing
 - telling a common story
 - further developing team-level connections between the two agencies
- Trade missions and business leveraging events:
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 - G20 leaders’ visits (November 2014)
 - All Blacks vs. USA Eagles, Chicago (1 November 2014)
 - Cricket World Cup 2015, New Zealand and Australia (14 February – 29 March 2015)
 - Volvo Ocean Race Auckland Stopover (27 February – 15 March 2015)
 - NZ Golf Open, Queenstown (12-15 March 2015)
 - FIFA U-20 football World Cup 2015, New Zealand (30 May – 20 June 2015)
- G2G Partnership Office strategy and business plan (February 2015)
- Working with MFAT to leverage upcoming FTAs:
 - South Korea
 - Gulf Cooperation Council (GCC)
 - Trans-Pacific Partnership (TPP)

Policy agenda

- PIF review (late February/early March 2015)
- Review of funding allocation within our multi-class appropriation to provide for the new structure of coalitions, “iPlans” and Missions and Events (November)
- Advancing policy on sharing of confidential customer information across NZ Inc.
- Response to changes to the Industry Capability Network (ICN) (November 2014)
- MBIE-led IGF evaluation and policy implications (December 2014)
- MBIE-led Regional Business Partner (RBP) network evaluation and policy implications (October 2014-February 2015)
- MBIE-led NZ Inc. strategy for capital attraction (February 2015)
- MBIE-led Enterprise policy project (February 2015)

The need for urgency

22. We have now built an engine capable of adding value to companies, and to partner them in their international growth. We are keen to get on with the task of deploying this strategy to get the impact we need.
23. Over the last three years this engine has been built in collaboration with our NZ Inc. partners. We believe that by working together, in a joined up way, we can really make a difference for our customers. This needs to continue, at pace.
24. We are also feeling the need to continue to deliver as a matter of urgency. International growth is not easy. Markets are tough and moving fast, and the companies are, on average, small. We need to emphatically implement our programme of change, to play our part in the economic development team, in order to deliver value to the New Zealand economy as whole.

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Appendix:

Our Board

Andrew Ferrier (Chairperson), Julie Christie, Charles Finny, Karen Fistonich, Robin Hapi, Jennifer Kerr and Peter Townsend.

David Smol (Chief Executive, MBIE) or his delegate, Paul Stocks (Deputy Chief Executive, MBIE – Science, Skills and Innovation); and John Allen (Secretary, MFAT) are special advisers to the Board.

NZTE's Output Expense Class Structure

NZTE's Output Expense Class Structure		
Expense	Description	Budget 2015 (\$m)
Output Class One	Services to support the growth and development of New Zealand Businesses	13.181
Output Class Two	International business growth services	111.006
Output Class Three	Services to support sector development and special events	31.072
Grants	International Growth Fund Sector Strategies and Facilitation (Strategic Investment Fund)	30.916
Total		186.175