

## New Zealand Trade and Enterprise Submission to the Commerce Select Committee

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E nga mana, a nga iwi, e nga waka, Tena Koutou, Tena Koutou, Tena Tatou katoa

### **1. OVERVIEW**

- 1.1. When I appeared before this committee last year, we were nine months into implementing a multi-year performance improvement programme. We are now 12 months on, and still on the improvement journey.
- 1.2. After a challenging PIF review in 2011 we embarked on a strategy to bring some focus into the organisation - to solve the problem of being a 'mile wide and an inch deep' - and to comprehensively lift our performance.
- 1.3. We have also set out to align our efforts to the new Business Growth Agenda, and have treated this as our light on the hill, which maps our direction and guides our effort.
- 1.4. Over the past year, despite strong global headwinds, we have continued to make good progress. We still have many areas where we are lifting our game, but our overall scorecard tells us that we are 'on track'. I will explain this in more detail.

### **2. A CLEAR STRATEGY AND PLATFORM**

#### **2.1. New Zealand has many global opportunities**

- 2.1.1. Firstly, the basic premise is that New Zealand has many global opportunities, and a number of the global megatrends are actually on our side such as the rising global demand for food and the emergence of the Asia century.
- 2.1.2. However, we have a dilemma and it is scale, even more so than distance. With only around 1000 export companies bigger than five million dollars export revenue, and even fewer (260) with

more than \$25 million export revenue, we struggle to have enough companies with sufficient depth to take enough risks to convert these opportunities into sustainable economic growth.

- 2.1.3. So, against this backdrop, NZTE made a decision in late 2011 when we re-set our strategy to focus more explicitly on growing companies internationally for the benefit of New Zealand. Companies became our 'customers' and the entire business model was reorganised around this principle. We called it being 'customer centric'. To do this requires a wide-ranging, comprehensive overhaul of every facet of our organisation, as well as how we interact with other organisations, with no stone left unturned.

## **2.2. Focus on individual companies**

- 2.2.1. The basic business model is to treat each individual internationalising company as unique, and to first discover what their strategy is, and what is constraining their growth. Following this discovery we ensure that they get the right service, at the right time and the right place, either in New Zealand or internationally, and either from NZTE or from some other public or private sector provider.
- 2.2.2. NZTE is available to all internationalising companies, although the real customer base includes up to 2000 companies at any one time, with intensive focus on one-on-one services for an active portfolio of nearly 500 customers. The 'Focus 500' are generally medium-sized companies (around three million - \$300million in export revenue) who have, in the main, some international experience and a strong ambition to grow. Our aspiration is to double the export growth rate of these customers. This commitment requires us to significantly lift how and where we add value, which is the driving force in the whole change programme.
- 2.2.3. While pursuing this strategy we also ensure that smaller companies continue to access basic services, investing around \$20 million in SME support including training vouchers, regional business partners, incubators, business mentors and a BIZ0800 hotline. In addition nearly 600,000 visitors access our online information and export resources.

## 2.3. Working with groups of companies

- 2.3.1. In addition to working with individual companies, we also work with groups of companies. The aim is to partner with groups of companies that are willing to work together – ‘coalitions of the willing’ – who have a competitive advantage, and are prepared to co-invest in development. We call this work ‘High Impact Programmes’.
- 2.3.2. We are currently working with around 440 companies across eight High Impact Programmes - wine, global agribusiness, aviation, health, marine, high value foods, China and America’s Cup. These programmes take a multi-year outlook, a multi-company approach, and involve other NZ Inc partners.

## 2.4. Sharpening up our suite of services

- 2.4.1. For both individual companies and coalitions of the willing we provide a portfolio of services. There are currently 31 services available; some are delivered in New Zealand, for example Better by Design, with others such as Beachheads, delivered internationally. This is now an active service suite with some services being exited and new services being developed. Over the last few months, for example, two new services have come on stream:
- 2.4.2. **Capital capability:** In response to the Business Growth Agenda’s aim to Build Capital Markets, we have developed a new service to increase the capability of New Zealand companies to raise and deploy capital for international growth. We call this Better by Capital and plan to deliver the service in New Zealand to around 120 companies a year.
- 2.4.3. **Go-To- Market:** Choosing the right business model in market (eg distributor, agent, JV, franchise, fully owned) is often a complex and challenging exercise. This is an area where a lot of scar tissue is developed and a lot of value can be destroyed. So in response to customer demand we have developed a practical go-to-market toolkit to help customers make better business model decisions in the market.

## 2.5. Developing a high-quality workforce and culture

- 2.5.1. None of this can be delivered without a high- quality workforce glued together by a motivating and engaging culture. Over the past 18 months we have redefined how we want to work, characterised by One Team, working together in a way that is Adventurous, Agile and Astute. These are characters that I hold myself, my team and the whole organisation accountable to. These characters have informed our selection and recruitment processes, our learning and development framework and our performance management; and have fundamentally changed who we are and how we perform.
- 2.5.2. We have also reviewed our global footprint, based on where our customers need us. In essence we follow the customers. To this end we have established a new Middle East/India region to focus on these important emerging markets; we have reconfigured our Asia footprint to allow greater focus on South-East Asia, including a new Trade Commissioner in Indonesia; and we have split North and South America into two regions, adding greater weight to Silicon Valley and also recognising the increasing growth opportunities in South America.
- 2.5.3. In New Zealand we have strengthened our South Island team including a new Customer Director in Christchurch; and we have appointed a regional manager in New Plymouth.
- 2.5.4. After a 13% headcount reduction over the last three years, including an eight percent reduction in headcount over the last two years, we have stabilised at the current level, and believe this is manageable in the current environment.

## 2.6. Connectivity

- 2.6.1. Not only do you need good people but these people also need to be connected to each other and to customers, and need to have access in real time to what we know and what we and our customers have learnt.
- 2.6.2. To achieve this we have rebuilt our customer engagement system, and we are providing all customer facing employees

with iPads to enable greater mobile access. We have also instituted a new internal Google search engine which gives fast access to the knowledge databank.

- 2.6.3. A new intranet is being designed, and the two externally-facing websites are being consolidated into a single new more intuitive interface, targeted for 1 July completion. The latter is essentially to allow a wide range of businesses to get ready access, for low effort, to export information and resources, which is a crucial part of the strategy.

## 2.7. Working as one with NZ Inc.

- 2.7.1. The final leg of the strategy is our work with NZ Inc partners, in particular MBIE, MFAT, Callaghan, MPI, Tourism, ENZ, TPK, Export Credit Office, VIF, to name just a few. The ethos here is that we work for a “cause rather than an institution”. Not only do you need an ethos, but you also need detailed action plans, which we call “collaborative work plans”. We currently have five collaborative work plans in place. Some of the more significant areas of multi-agency activity are:
  - 2.7.2. **Callaghan Innovation:** The formation of Callaghan Innovation signals a huge step forward in enhancing the innovation engine in New Zealand. Our physical co-location with Callaghan in Wellington, and with Callaghan and ATEED in Auckland, provides a platform for us to continue to work closely with the Callaghan team to develop a coordinated approach to customer engagement and offering an integrated services suite. So far, so good for this development.
  - 2.7.3. **Trade missions:** In 2011/12 we were involved with 18 missions, and since July there has been a further 28, including 13 ministerial-led missions. The most recent of these was to Latin America, during which we catalogued 49 specific commercial leads, and we are gearing up for China next week. These are truly joined up NZ efforts which, where targeted and organised properly, can add a lot of value.
  - 2.7.4. **NZ Story:** Led by Tourism New Zealand, NZTE and Education NZ, the NZ Story project will result in a shared country story

which can be used by the public and private sector to help position and promote New Zealand. This is now well underway.

- 2.7.5. **America's Cup:** NZTE is the lead agency to leverage the NZ Inc America's Cup programme. Progress looks strong with 11 NZ agencies involved, 61 companies registered for the hosting, 150 companies involved in six sector showcases, and 28 companies involved in the investment stream. A compelling NZ showcase, telling the innovation story, is well under design.
- 2.7.6. While our **Maori Business** strategy has five core platforms, 80% of the effort is spent supporting individual Maori enterprises and collectives. We currently have 25 Maori customers in different stages of development. We believe this is an area of significant potential.
- 2.7.7. **Canterbury:** NZTE has continued its support for the Christchurch re-build, including the EPIC innovation precinct - in partnership with Callaghan Innovation and the BNZ - and procurement support via our ICN programme.
- 2.7.8. Finally, led by MFAT, NZTE is involved in the **Small Countries Initiative**, learning from economic development agencies of other less-than-10-million-population states including Denmark, Singapore, Israel, Finland and Ireland. This outside-in perspective is useful as we develop our own strategy.

### 3. RESULTS

3.1. So this is what the strategy looks like...focusing on growing companies for the benefit of New Zealand, both individually and in coalitions, by providing the right services at the right time in the right place, and to do this you need great people and excellent underlying technology, and we do all this as NZ Inc. But what are the results?

- 3.1.1. Firstly, with the strong encouragement of our new Chairperson, we continue to develop the methodology of measuring and calculating performance, and I suspect that this work will never be complete.

- 3.1.2. The headline result is that we are continuing to do more for less – customer perception of value add, export deals and employee engagement are rising, while costs are reducing.
- 3.2. As at December 2012 **customer export revenue** for our Focus 500 portfolio was \$26.5 billion, with an estimated absolute growth rate of seven point four percent over the last 12 months. Given the overall export goods growth rate to end 2012 of negative three point five percent (slightly offset by services plus two percent, (YE Sept) it is fair to say that we are dealing with a higher than average growth companies. [In saying this we do think that there may be a lag effect in the Focus 500 numbers as for most the financial year ends mid-2012].
- 3.3. Related to this is **international deal flow**, or export deals recorded in-market, which is tracking at \$250 million in the year to date, up slightly on this time last year.
- 3.4. **Topline customer satisfaction** is now at 90%, up from 80% in September 2011. 88% of customers consider that NZTE adds value to their company, up from 81%. Customers consider NZTE to have added the most value by helping customers to grow international sales (68%) and encouraging them to do things they wouldn't have done otherwise (76%). Even though the numbers look positive, we are convinced and determined that more can be done.
- 3.5. The **International Growth Fund**, which is an annual \$30 million fund designed to help companies grow internationally, has dispensed 184 grants since inception in 2009 with a potential economic impact of \$1.7 billion. Since July 2012, 48 customers have received \$18 million of grants, with a total potential economic impact of \$372 million. This is a very active programme of company co-investment for growth, and we are now committed to a series of post-investment reviews.
- 3.6. Our efforts to attract **capital for growth companies** was associated with investment flows of \$221 million in 2011/2012, and is running at \$100 million year to date, with some additional deals in the pipeline. This is an area that requires considerable NZ Inc focus.
- 3.7. **Employee engagement** continues to improve; increasing from 69% in 2010 before the 2011 PIF review, to 74% in November 2011, 76% in March 2012, and 77% in November 2012. To us this is a fundamental

measure. As Rob Fyfe taught us with Air NZ, engaged employees deliver satisfied customers, as it is your employees that are on your customer frontline, so this is a lead indicator for us.

**3.8. Overall spend:** Costs over the last two years have come down by eight percent or \$13 million to \$143 million, including the headcount reduction also of eight percent. This year we are planning to maintain reduced expenditure at \$143m.

#### **4. CONTINUOUS IMPROVEMENT**

4.1. In the past year we have made significant inroads on our performance improvement programme, but the job is not done yet and we still have a way to go.

4.2. We have received excellent support from our Ministers, our Board, from the other NZ Inc agencies and from across the entire political spectrum. It is this support that has allowed us to stay the course and implement what we know needs to be done, to make a difference for NZ companies and our economy in general.

Thanks for listening, and we are happy to take questions.