

New Zealand Trade and Enterprise Submission to the Commerce Select Committee

10 April 2014

Andrew Ferrier, Chair, New Zealand Trade and Enterprise

OVERVIEW

Good afternoon. I'm Andrew Ferrier, Chair of the New Zealand Trade and Enterprise Board.

As the Government's international business development agency, NZTE's focus is on growing companies internationally for the benefit of New Zealand.

Our approach is driven by four interlocking strategies, with our customer – New Zealand's internationalising businesses – at the heart of what we do.

First, to grow companies, working one-on-one with a tailored, unique strategy for each customer.

Second, to increase the speed and scale of businesses' internationalisation by working with groups of customers in areas of particular opportunity for New Zealand

Third, to provide the right services at the right time and in the right place; and fourth, to mobilise capital for development.

And importantly, everything we do is done in cooperation and collaboration with other agencies in New Zealand. We are a huge supporter of a one team, NZ Inc approach.

We are seeing good results across all our strategies. Growth for our customers is tracking at a rate above the broader export sector. There has been an increase in the value of deals done supported by NZTE. Customers are reporting we're adding value to their operations. And the capital pipeline is very healthy.

The 'Playing to Win' improvement programme that has now been running for three years has contributed to improved services and a reduction in costs. More importantly it has rebuilt the NZTE engine, so we can deliver greater value to businesses.

We are now delivering more per customer for less investment – and with the core engine now working well, there is an opportunity to step up our impact even further.

The additional funding announced by the Government last week will allow us to both deliver more to current customers, putting additional people on the ground in

international markets where the need is greatest, and extend our intensive support to more businesses. This will allow us to significantly step up our value-add.

The net result will be a bigger impact per dollar invested, and more benefit to New Zealand – now and in future.

Peter Chrisp, NZTE's Chief Executive, will now take you through how this all fits together in more detail.

Peter Chrisp, Chief Executive, New Zealand Trade and Enterprise

NZTE'S CONTEXT

Thank you Andrew, and kia ora tatou

Firstly some context - There are 13,000 companies going international from New Zealand, of which 11,500 have under \$5 million export revenue, and only 240 have export revenue greater than \$25 million. This is the world that we live in: a lot of small companies taking on the world.

But look at them: clever companies with tailored products and services, chasing a global niche. With the exception of our few very large commodity companies which actually dominate export trade statistics, the de-facto national strategy is to "dominate the niche": asking premium pricing, chasing the value curve, doing smart things.

The world for these companies is fertile and laden with opportunity, but market entry is tough and unforgiving, and the dilemmas of scale and distance are real and significant every day.

OUR STRATEGY

This is the backdrop to the decision we made nearly three years ago to focus explicitly on growing companies internationally. To deliver on this, NZTE is organised around four interlocking strategies and three enabling platforms, bound together by a tight and defined 90-day results methodology. These elements are as follows:

- **First, we work with individual companies:** Our customer base includes up to 3500 companies, and we work intensively one-on-one with an active portfolio of just over 500 companies. They are spread throughout New Zealand, with around 35% outside Auckland, Christchurch and Wellington. About half of these companies are food and beverage, many of whom are going up the value chain, and also, interestingly, we see the strong emergence of digital, specialised manufacturing and service companies, many of whom are hungry and are ambitious for growth. Our recently implemented 'Customer Way' methodology requires us to understand the development need of each and every one of these

companies, and design a written plan that aims to unlock the particular company's constraints for growth. The emphasis here is to be practical, specific and value adding.

- We also provide more generic services for smaller companies around New Zealand, investing around \$14 million in SME support including a business partner network around the regions, training vouchers, business mentors and a BIZ0800 hotline, and a redeveloped website which attracts around 45,000 visits per month.

- Over the past 12 months we have also stepped up our investment in Maori business with 68 businesses now part of the customer portfolio.

- **Second, we work with groups of companies**, so called 'coalitions of the willing' who are prepared to co-invest in development with NZTE.

We are currently working with around 280 companies in seven 'High Impact Programmes' – focused on wine, global agribusiness, aviation, health, marine, high value foods, and digital technology.

- **Third, we aim to provide the right services** at the right time and in the right place...and link with others across the public and private sector to deliver value. These services match the capabilities that companies need to grow across R&D, Operations, Marketing, Capital, Strategy, Leadership, Customers and Markets. There are currently 30 live modules, some delivered in New Zealand and some internationally; some delivered by NZTE and some by other agencies and by private sector.
- **Fourth, we are stepping up our role to facilitate capital flows** into New Zealand, and out of New Zealand, for both Greenfield and Brownfields development. Our key role here is to be a match maker in the capital market, and to transfer capital from investors who are looking to invest (locally and internationally), to those in New Zealand who are needing capital to grow. This area has had a major makeover in the past 12 months, with three distinct streams of work.
 - We have launched the Better by Capital service where we help companies understand their need for capital, prepare them for capital injection, and find investors. So far, 209 companies have received this service.
 - We are also taking a sector lens to capital investment and have identified focus areas for foreign investment including infrastructure, software development, food and beverage manufacturing, high value manufacturing, primary sector production, and commercial (shared) services.
 - We have also taken a regional lens to capital investment and are currently

building investment profiles for each region, in conjunction with the local economic development agencies.

So these are our four strategies; wrap around focus for individual companies; working with coalitions of the willing; getting right services to the right companies at the right time, and matching the flows of capital.

OUR PLATFORMS

Underpinning these strategies are three key platforms:

- First, to get the right **people**, and lift the bar on our own performance. This has driven a focus on competence, culture and leadership.
- Second, implement cutting edge **digital technology** to manage and bank our knowledge. In the past 12 months we have launched a new intranet, a new internal social platform and implemented Lync technology to allow us to better connect globally.
- Third, we are strongly **committed to NZ Inc.**...we work for a cause not the institution, and the cause is New Zealand. Our key partner agencies are MBIE, MFAT, Callaghan, MPI, Tourism, ENZ, TPK, the Export Credit Office and the NZ Venture Investment Fund. In particular, Callaghan Innovation is shaping up to be a major domestic economic development partner, and we are currently developing a 'no wrong door' strategy for New Zealand companies.

OUR RESULTS

We have put in a massive effort over the past three years to measure performance and we are now confident that we are leading (or close to) global best practice in this area - but still with much work to be done. Across each of our strategies the results are as follows.

- As specified in our Annual Report for 2012/13, the **portfolio of customers** grew in total at 5.7% faster than the overall export economy, while the average growth rate was 15%, buoyed up by a large number of smaller fast-growing companies.
- In the same period, the value of new, unique and attributable **trade deals** was \$694 million – close to 60% more than the previous year.
- In 2013, 87% of customers judged we had added value to their business, and customer satisfaction was 96%.
- Over the last 12 months we have also seen a significant step up in the **mobilisation of capital**. From \$386 million in 2012/13 to more than \$1 billion in the pipeline for this year.

- The culture of the organisation continues to be THE major driver, and the **employee engagement score** has continued to rise. From 69 in 2010, to 79 in November 2013, compared to public sector average at 69 and private sector average at 74. However, as long as the average of the top 25% of Best Workplaces is 83 (compared to our 79) we consider that we have a way to go yet.
- During this same period **costs have come down**, predominately driven by a 9% headcount reduction since 2010. As a result we are now running at capacity. There has also been a big change in the composition of employees – 74% of new joiners now come from the private sector.

It has also been a very active period across NZ Inc:

- Early uptake of the **New Zealand Story**, led by Tourism NZ, NZTE and Education NZ, has been promising. Since its launch in November, 1,200 users have registered to use the asset library, and more than 4,500 video and image assets have been downloaded. We have only just started on this journey.
- **The America's Cup** – a joint activity with ATEED, Tourism NZ and MFAT – provided an opportunity to tell New Zealand's story on and off the water in San Francisco. Two hundred and twelve companies participated, with deal flow of \$200 million – and a further \$120 million in new sales opportunities and investor interest.

THE PATH FORWARD

- Over the past four months we again **refreshed the strategy** as a collaborative exercise across our NZ Inc partner agencies.
- We concluded that our **international footprint** is in need of investment. As we have followed our customers, our presence in Asia has grown. However, we are now facing significant capacity constraints that can no longer be met from within existing resources, specifically in the Gulf States, China, Latin America and the Asia Pacific. Over the next four years this is an additional investment of \$25 million.
- We are also conscious of an increased demand for service and support, especially amongst active, niche-seeking, high growth companies, many of which are coming from the pipelines of Callaghan Innovation, incubators, and regional economic development agencies. With the engine working well the opportunity is now there to step up, and move our high intensity customer portfolio from 500 to 700. Over the next four years this is also an additional investment of \$25 million.
- As a result of this refreshed strategy, the Prime Minister has now announced an **additional \$69 million** to be invested in NZTE over the next four years. The efficiency of this investment is compelling, allowing us to service 40% more

customers for only 12% more costs. However, this investment is not just about quantity – it is also about quality. The challenge for the leadership team and the Board is to again lift the real commercial impact of our efforts, and help these companies grow in the interests of our economy and the interests of New Zealand.

Thank you for listening. We would welcome any questions.