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**NEW ZEALAND
TRADE & ENTERPRISE**

Te Taurapa Tūhono

Briefing for Incoming Ministers Hon Simon Bridges

December 2016

V. 1.1

December 2016

Minister for Economic Development
Associate Ministers for Economic Development
Cc Minister of Trade

1. Who we are and what we do

- Established by the New Zealand Trade and Enterprise (NZTE) Act 2003, we are the Government's international business development agency. We work to increase New Zealand companies' international success by helping them boost their global reach and build capability, as well as attracting investment that benefits New Zealand.
- Our purpose is to "*Grow companies internationally – bigger, better, faster – for the benefit of New Zealand.*"
- 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 the Ministry of Business, Innovation and Employment (MBIE) and Ministry of Foreign Affairs and Trade (MFAT) function as special advisors to the Board (Board members are listed in Appendix One). Our Chief Executive is Peter Chrisp.
- We are funded under a Vote Economic Development non-departmental multi-category appropriation (MCA) of \$155.3 million for operating expenses and a second MCA of \$30.92 million for co-investment (grants). A breakdown of the NZTE output expense structure is in Appendix Two.
- At November 2016 we had 583.6 full time equivalent (FTE²) employees distributed across 51 offices around the globe. This includes 317.6 FTEs in 8 New Zealand regional offices.

2. Economic context – the Business Growth Agenda

The Government's Business Growth Agenda (BGA) is the 'light on the hill' for our work programme. The BGA aims to build an economy that is more responsive and agile; with greater diversification of products, services and New Zealand's export markets.

The BGA has two basic constraints at its foundation. First, with a population of 4.6 million people, New Zealand cannot get rich by selling to itself. Secondly, our historical reliance on primary commodities is not a sustainable growth path for the future. Therefore, economic growth is international and diversified.

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

However, the brutal reality is that it is tough growing companies internationally and ever tougher growing value-add business models that can compete in fast moving global markets.

For this reason, NZTE has weighted its efforts towards the diversified and value-add part of the economy. Specifically, this includes value added food and beverage, knowledge intensive digital and services, and specialised manufacturing. We also focus on attracting smart capital into New Zealand that supports these types of activities.

Working alongside The Treasury, MBIE, MFAT, Ministry for Primary Industries (MPI), Callaghan Innovation and Te Puni Kōkiri (TPK), we are a key player in helping achieve the BGA export goal of increasing exports to 40% of GDP by 2025. NZTE is most actively involved in *Building Export Markets* and *Building Innovation*, and leads the *Building Investment* workstreams of the BGA.

Building Export Markets is one of the key ingredients identified in the BGA as necessary for businesses to grow and succeed. We deliver to this by growing businesses that are internationally connected, are able to add value to volume, and are positioned to seize opportunities in the growing economies of the Asia Pacific region as well as the developed world. In support, the ongoing utilisation of free trade agreements and work on non-tariff trade barriers is crucial to this export markets workstream.

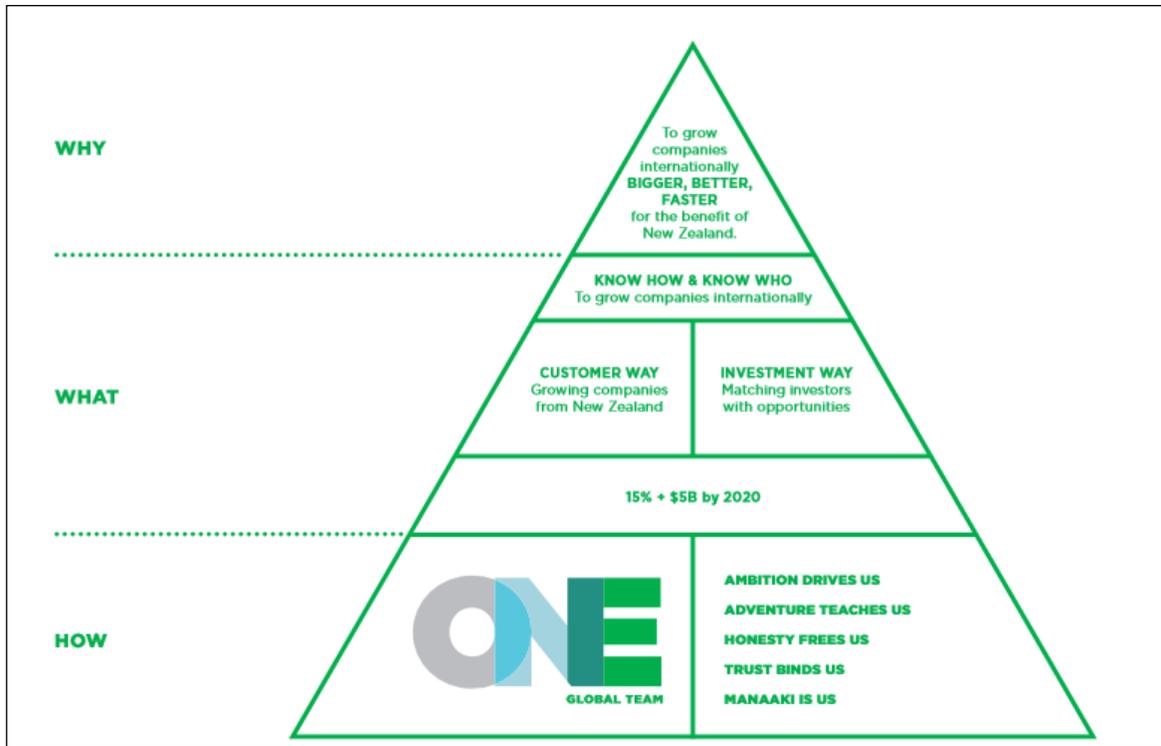
NZTE leads the *Building Investment* workstream, where the key priority is to support and attract smart investment to accelerate growth throughout New Zealand. Lifting New Zealand's rate of business investment is crucial to growing the economy and reaching the overall BGA target.

We are also active in two important BGA cross-cutting themes: Māori business and regional economic development. The latter is a particular focus of our investment attraction work. The Māori economy, now assessed to be worth approximately \$42 billion, is increasingly participating more directly in new and developing export markets, using Māori strengths in relationship-building and cultural identity.

NZTE's Chief Executive, Peter Chrisp, is a member of the BGA Leadership Group which was established in 2015 to govern the overall BGA. He is also a member of the NZ Story Advisory Board, the New Zealand-China Council and the Asia-New Zealand Foundation. Peter chairs the New Zealand Investment Attraction Taskforce and G2G KnowHow (G2G) Management Board.

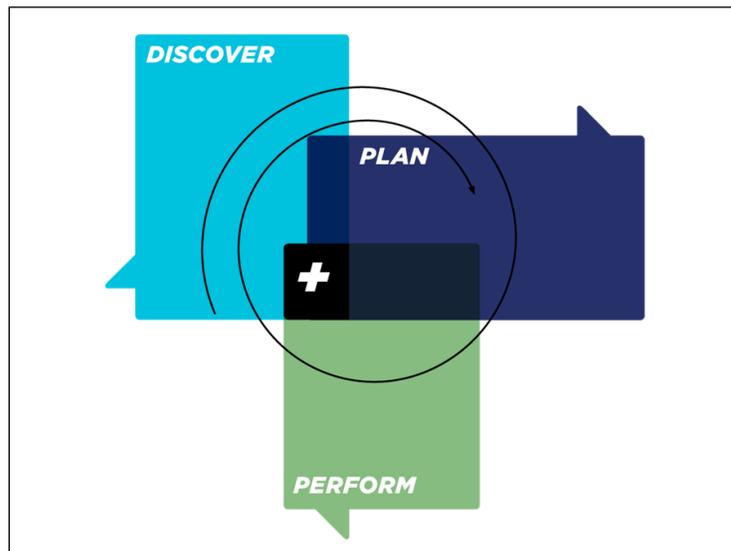
3. Our strategy

NZTE has developed two overlapping operating models designed to deliver value to the companies we work with – who are our customers. The 'Customer Way' is the model that supports our customers and coalitions of companies that are growing into international markets. The 'Investment Way' is the operating model that supports our investment customers, by attracting potential investors and matching them with investment opportunities, both in New Zealand and internationally.



3.1 The Customer Way

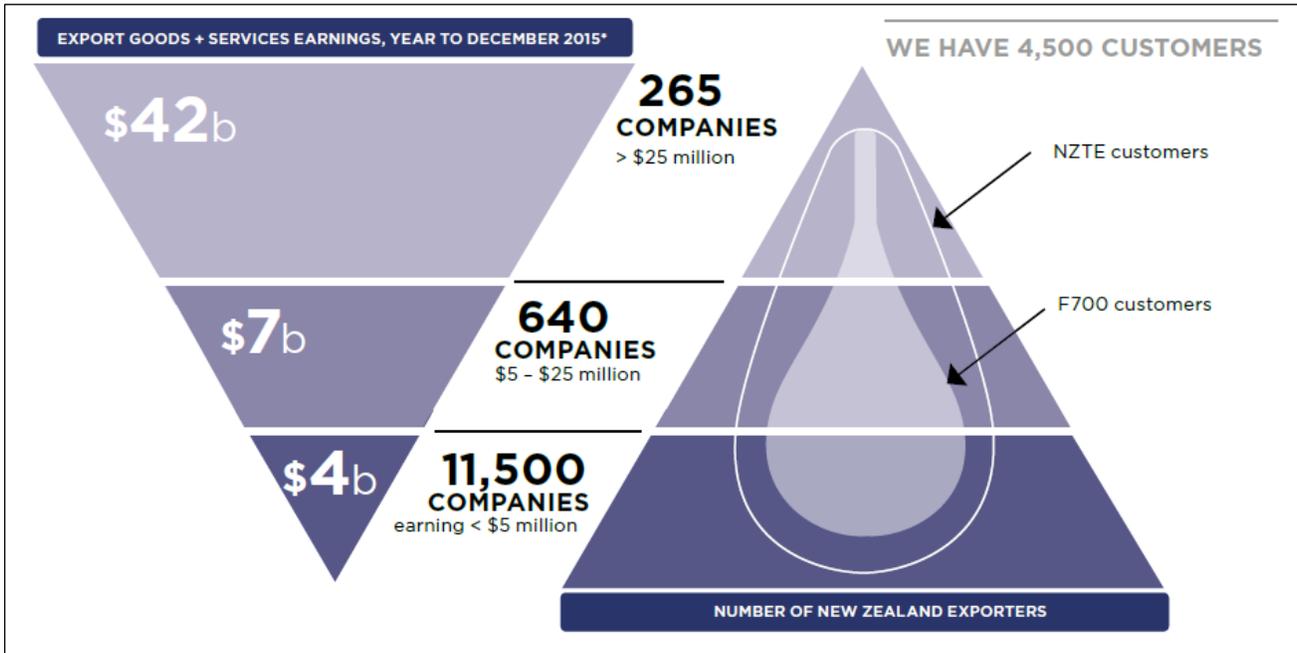
The Customer Way is an operating methodology based on three practices; discover, plan, perform. The essence of this model is that we diagnose before prescribing, then we deliver on the promises we make to grow customers.



Through the Customer Way we engage intensively one-on-one with our Focus 700 (F700) customers – companies that have the aspiration and ability to compete internationally, and where we can deliver the biggest impact. We help our F700 customers accelerate their international growth by applying the right service at the right time, in the right place.

In the same way we engage with F700 customers, we also support business-led, go-to-market coalitions. These coalitions of companies (we call them “coalitions of the willing”) are focused on international growth and a shared commitment to collaborate to compete internationally.

We work with another 3,850 customers that also receive services and support, but less intensively. Segmentation into F700 is based on a company’s willingness to engage with NZTE, ambition, capability and capacity to growth internationally, international growth performance, and the impact NZTE and NZ Inc can bring.



Companies and coalitions

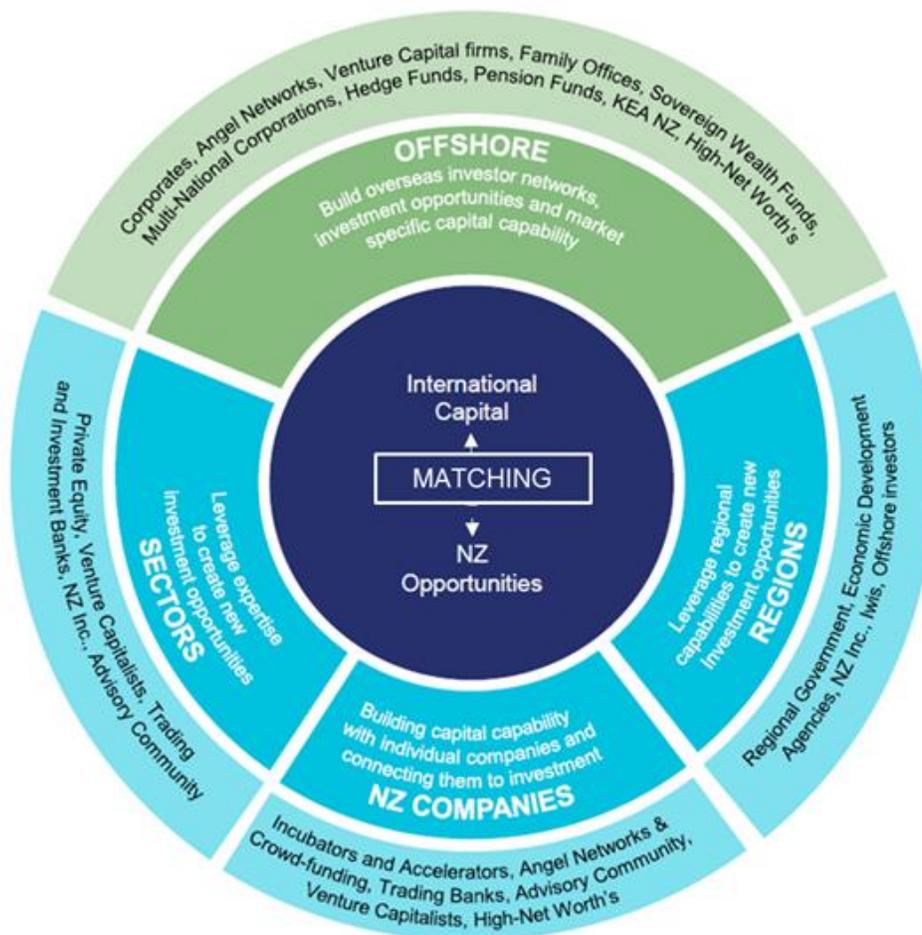
- Our total customer portfolio includes 4,500 internationalising companies and groups of companies. There are 705 F700 companies, including 44 Māori companies. The growth rate for the F700 portfolio over 2015/16 was 11.5%, the first time we have surpassed a 10% international growth rate. Within this growth, we helped companies generate \$1.5 billion in export deals.
- We have grown the number of F700 companies we work with over the last year to develop a portfolio of knowledge-intensive, value-adding companies. This growth has been weighted towards information and communications technology (ICT), high-value F&B and specialised manufacturing companies. This segmentation reflects the BGA commitment to grow a diversified value-add economy.
- We are also working with 25 active coalitions, 2 of which are Māori business coalitions. For the businesses forming these coalitions, usually from the same or a complementary sector, the main drivers towards forming a coalition are developing a new product, service or competency; and capitalising on an emerging opportunity by working together and sharing costs and risk.
- The rest of the portfolio is made up of Foundation customers. We support these companies with advice and training to lift management capability and support business growth through our Regional Business Partner Network (RBPN). A focus on growing the number of Māori

customers has resulted in NZTE working with 72 Māori Foundation customers, up from 50 in 2014/15.

3.2 The Investment Way

To match quality investment with opportunities, we identify and develop New Zealand investment opportunities in target sections and regions. To help companies prepare for investment, we work with them to build capability and become investment-ready. We then connect New Zealand opportunities with investors identified through our networks.

For our investment customers, our focus on the qualification and pitching of New Zealand-based investment opportunities to local and global investors resulted in our contribution to 59 investment deals at a value of \$1.3 billion in 2015/16; with a potential direct economic impact of \$2 billion for New Zealand.



- In the 2015/16 year, NZTE customers secured 59 deals worth \$1.5 billion with a potential direct economic impact of \$2 billion. This compares to the 26 deals secured in 2013/14 with a potential direct economic impact of \$695 million.
- Most foreign direct investment in 2015/16 came from investors in East Asia (\$742 million), followed by Greater China (\$208 million).

- NZTE's investment team is focusing on attracting high quality investment in six key sectors: infrastructure, food and beverage, ICT, manufacturing, resources and primary production.
- The Global Investment Deal pipeline for 2016/17 currently sits at \$5.28 billion across 128 opportunities, which are expected to be completed in the next 2-3 years. The largest deals sit in Auckland, Bay of Plenty and Otago, across the ICT, F&B and manufacturing sectors.
- NZTE and other government agencies have developed a Regional Attraction Investment Strategy to ensure an aligned and coordinated approach to attracting investment. NZTE is working with regional economic development agencies on building regional capability. Our ongoing role will be making connections to investors and providing feasibility support. There are currently 69 regional projects underway.
- NZTE is also focusing on developing the Māori economy, upskilling Māori companies to make them investment-ready and to unlock the potential of Māori land assets.
- NZTE is responsible for the secretariat and provides the chair of the Investment Attraction Taskforce.

3.3 Services

Through the Customer Way and Investment Way NZTE delivers a range of services based on individual customer need. We provide connections and other service interactions through our international network, New Zealand-based Customer Managers, and Investment Managers. We also offer a range of modular capability services such as sales, strategy, governance and design thinking.

Armed with insights resulting from a re-examination of customer survey comments, international best practice research and design thinking, NZTE has designed a new service approach focusing on customers taking action and embedding capability. In 2016 we simplified the suite of services offered to customers, from 44 modules down to just 8 core services that are easy to navigate, with a language that resonates with our customers and a focus on problem solving.

International Growth Fund

- F700 companies and coalitions are able to access co-funding for projects that will have a positive impact on the New Zealand economy through the IGF. based on a co-investment business case. This forms part of NZTE's wider engagement with the company – we don't lead with the money and we often say no.
- Following an evaluation of the IGF programme by MBIE and with the engagement of the previous minister, we introduced changes to the criteria to enable more customers to access the fund, including:
 - Shifting the co-funding ratio to 40/60 government/business (previously 50/50);
 - Allowing Coalitions to access the IGF;
 - Allowing companies to apply for up to \$600,000 every three years;
 - Introducing market validations, which enable companies to potentially access up to \$100,000 to validate a new market or project before committing more resources; and
 - Opening IGF to projects focused on the Australian market from 1 July 2016, following a successful pilot that established a legal position and a specific set of guidelines and controls.

3.4 Our People

To deliver to our customers we need great people. We are one global team with a shared purpose, wrapped around the customer. We know from customer feedback that the quality of our staff and their level of engagement have a direct relationship to the value-add for customers – we deliver the most value when we act as one capable, global team.

Since the beginning of the most transformation journey (2011-2016), 400 people have left NZTE, most through the planned evolution of the organisation. Currently 87% of employees have had their most recent previous role in the private sector, and we strongly believe in planned employment osmosis between NZTE and our customers. Over the same period the employee engagement has risen from 69 (the average in the public sector), passed 71 (the average in the private sector) to a current rate of 82, which is the highest in the New Zealand public sector. We are aiming for 85, which is the top 10% of all workplaces.

In response to the increase in F700 customers, we've increased the capability of our staff in customer-facing roles, including increasing the number of customer-facing staff by 15 and corporate support staff by 2 (includes roles under recruitment) in 2016.

In the last year, we have taken a deep dive into culture, to better align our culture with customer needs. We've looked at culture in other organisations, what makes our own existing culture good and what we can do differently; we've conducted workshops, and obtained feedback on prototypes. Through this process we realised that our many policies and procedures were creating confusion, so we took the 62 policies and 5000 pages of guidance and replaced it with a four-page policy document called 'The Fine Print'.

We also developed a set of characters developed to help us deliver more impact to customers, which underpin the 'one global team' concept:

The infographic features a central logo with the word "ONE" in large, stylized letters (O is grey, N is blue, E is green) and "GLOBAL TEAM" below it in white. Five values are arranged around the logo, each with a title and a short paragraph. Dotted lines connect the values to the central logo.

- Ambition Drives Us**
Our ambition for our customers is high, and we always rise to the occasion. We help meet their business expectations by expecting greatness of ourselves.
- Adventure Teaches Us**
Experimentation is more powerful than perfection as only through learning from our missteps can we truly succeed. That's why 'giving it a go' is the best way to learn.
- Honesty Frees Us**
Clarity of action can only come from 'brave conversations'. That's why every interaction welcomes deep exploration, intellectual challenge and absolute honesty.
- Trust Binds Us**
Our people may be worlds apart, but it's trust that holds us together. Growing a nation is only possible when we keep promises and honour commitments.
- Manaaki Is Us**
We celebrate the mana (strength and dignity) of each other as being equal to or greater than our own. We strive to enhance mana in everything we do through our hospitality, generosity and mutual respect.

As part of this refresh we also developed a new Māori name for NZTE – Te Taurapa Tūhono. ‘Te Taurapa’ is the stern post on the back of the traditional waka, and helps to stabilise, provide knowledge and guide the boat. ‘Tūhono’ represents connections to people and an ability to build relationships. Together, these terms serve as a reminder of what the organisation does – we contribute the know-how and know-who to help guide New Zealand business.

3.5 Finances

Expenditure for the first 4 months of the 2016/17 financial year is 4%, or \$2.4 million, below budget for operational expenditure.

Year-to-date expenditure on International Growth Fund (IGF) grants claims is \$8.8 million from a total budget of \$30 million for 2016/17 (29% of the overall budget).

4. Performance and Performance Improvement

NZTE has a broad performance measuring system which links high level results with detailed operational measures. The high level measures are as follows:

Measure	2011/12	2014/15	2015/16
Company portfolio growth rate ³	2% ⁴	8.7%	11.5%
Trade deals	\$403 million	\$1.1 billion	\$1.5 billion
Investment impact for New Zealand ⁵	\$695 million ⁶	\$1.45 billion	\$2 billion
Customer value add	82%	91%	94%
Employee engagement	69%	81%	82%

In 2010 we embarked on an improvement journey following a Performance Improvement Framework (PIF) review. Our first set of challenges was ‘Playing to Win’, which commenced in 2011 and was completed in 2014. In February 2015 we underwent our second PIF review. The results were positive, and noted that after an intensive improvement phase, high-performing organisations can experience a plateau and sometimes even a reduction in performance, often described as the ‘S-curve’. This set us the challenge of identifying what we need to do to climb to the next phase of performance to provide even more to our customers. The next set of improvement challenges was ‘Impact’ (2014-2016). We’ve now begun our ‘Ascent’, which will run until 2018.

Our Ascent work programme can be split into two areas:

- Identifying improvements to our customer offering and operating model to deliver improved impact for customers.
- The culture and leadership we need to execute our next phase of performance.

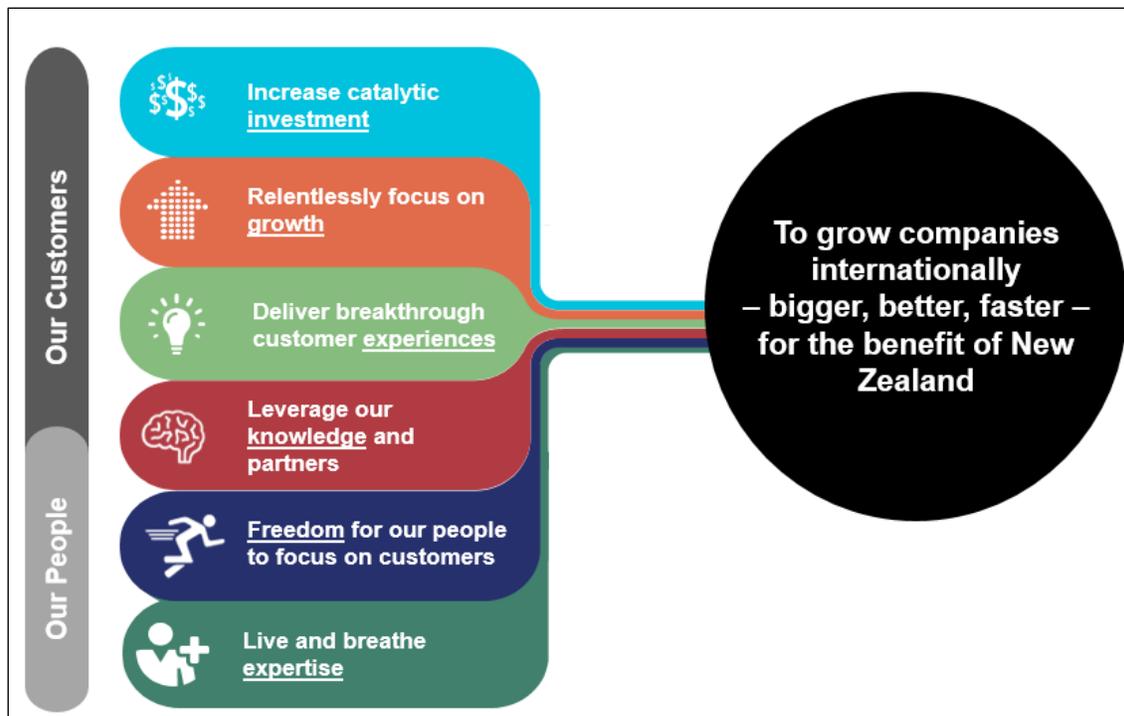
³ F700 companies with international revenue under \$500 million.

⁴ Result for 2011/12 includes F700 companies with international revenue over \$500 million, as this was the measure in place at the time.

⁵ Otherwise known as pDEI: potential Direct Economic Impact, which is the forecast return to the economy through increased profits, wages and supplier spend. pDEI is calculated on Foreign Direct Investment deals only.

⁶ From 2013/14, which is our earliest recorded pDEI figure

To achieve this, we have designed the Ascent programme around six pillars of change:



In 2014 the Government committed an additional \$69 million into NZTE over four years. This investment has underpinned our improvement programme and allowed us to increase the number of intensively managed customers from 500 to 700; and boost our international resources in Australia, Papua New Guinea, Colombia, the West Coast of the United States, China, Iran and the Middle East.

5. Work with NZ Inc partners

The BGA unites New Zealand’s internationally-facing agencies, collectively known as NZ Inc. It is our firm belief that only a joined-up effort will deliver real impact and that we “work for a cause, not an institution”. NZTE works closely with NZ Inc partner agencies to deliver projects, including selling Government methods and practices to offshore governments (G2G); New Zealand Story; the Te Hono primary sector initiative; investment into tourism accommodation (Project Palace); and the strategy for Māori development (He kai kei aku ringa).

5.1 Māori Business Strategy

Our Māori business strategy is integrated as part of our overall strategy, with the same areas of focus, carried out by a dedicated Māori customer team. NZTE plays an active role in the implementation of He kai kei aku ringa. We are committed to unlocking the potential of the Māori economy: to grow more Māori companies of international scale across a range of industries; develop more commercial leaders; and mobilise more capital and partners.

5.2 G2G

G2G was established in 2014 to support a new income stream by delivering \$21 million over three years through the sale of state sector intellectual property to foreign governments. G2G is a limited

liability company and treated as a joint venture between NZTE and MFAT.

G2G delivers both commercial value (35% return each to the public and private sectors) and strategic value (30% return, measured as enhancing bilateral trade and political relationships).

Since inception G2G has generated an income stream of \$13 million spanning 13 projects across seven countries. The raw pipeline deal flow sits at \$58.3 million, with a total of 40 opportunities. G2G's probability discounted revenue forecast sits at \$19.69 million for 2016/17.

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

5.3 New Zealand Story⁷

The New Zealand Story (NZ Story) is an initiative that defines the distinctly Kiwi attributes that make New Zealand unique, and provides a framework to help New Zealanders better communicate their value to the world. Its toolkit of key messages, imagery, video, music and guidelines for the private and public sector is available to tell New Zealand's story. It has also aligned sector specific stories for renewable energy, wine, seafood, etc.

There are over 7,000 registered subscribers to the NZ Story newsletter and website. It is 'club funded' by six agencies (NZTE, MFAT, Education New Zealand (ENZ), Tourism New Zealand, TPK and MPI) and while housed within NZTE, is governed by an independent advisory board.

NZ Story has been redeveloping its brand to provide a total brand framework for 2017 onward. This brand framework is being integrated into ENZ and Immigration New Zealand's campaign evolutions. A creative expression of the brand refresh is being developed.

The FernMark Licence Programme, managed by NZ Story, was launched in September 2015. A licence to bear the FernMark is formal recognition of a business's role as an ambassador of the New Zealand Story. Over 45 companies have passed the audit process to use the FernMark on their products.

5.4 New Zealand's Investment Attraction Strategy

The Investment Attraction Strategy was launched in October 2015 to attract high quality overseas investment and accelerate growth throughout New Zealand. The strategy is driven by a cross government taskforce of NZTE, MBIE, MFAT, Treasury and Callaghan Innovation.

The strategy's three priorities are to:

- attract high-quality foreign direct investment in areas of competitiveness for New Zealand;
- attract overseas investment in research and development, particularly by encouraging multinational corporations to locate their R&D activity in New Zealand; and
- expand New Zealand's pool of smart capital by attracting individual investors and entrepreneurs to New Zealand.

Meeting and sustaining the targets set out in the strategy is expected to deliver \$58 billion of new productive investment into the New Zealand economy by 2025.

⁷ The NZ Story Group also provides a separate Briefing for Incoming Ministers which contains more detail.

The taskforce's first report was released in December 2016 and highlighted the following achievements:

- \$2 billion in potential direct economic benefit from 59 significant deals;
- \$4.4 billion in capital committed by new migrant investors;
- research that identifies our future needs for hotel infrastructure;
- 14 regional investment profiles to help NZTE promote our regions offshore; and
- a pilot visa programme for international entrepreneurs.

An important deliverable from the strategy is 'Project Palace' which aims to accelerate new private sector investment in New Zealand's hotel infrastructure to meet the forecast shortfall of 4,500 new hotel rooms by 2025. NZTE has prepared an investor prospectus, held roadshows for developers and investors in eight countries, presented to investors, and connected investors with private and public sector stakeholders. Four hotel development deals are currently in progress.

5.5 Regional Business Partner Network

NZTE, alongside Callaghan Innovation, funds the RBPN which helps New Zealand businesses innovate and grow by making it easier to access early stage business support. The network is made up of 14 regional business partners nationwide. The business partners have advisors available to help business owners and managers identify opportunities for business growth and to access expertise and mentoring. The partners also provide advice, referrals and connections.

Through the RBPN, NZTE also offers Capability Development Vouchers. The vouchers are available for businesses to use as partial payment towards the cost of capability development and training.

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

6. Lessons Learnt and Challenges

We believe that it is only through learning that we can truly succeed. Lessons over the last four years include:

- Company growth strategies work best when they are business-led and government-enabled.
- Companies that do best in offshore markets are those that know their unique value proposition and target specific markets, commit resources in-market, attract good people and have good governance.
- Building coalitions of companies is difficult but worthwhile, as long as they are business-led, co-investment coalitions. A unity and common cause is important for a coalition to succeed, and a dedicated project management resource creates momentum.
- When working with ICT companies, we need to be flexible and agile in responding to the customer's needs; and be aware that products that test well in New Zealand may not test well in other markets.

We also learn from challenging ourselves. Challenges we have encountered and will strive to

overcome include:

- From a small country at the edge of the world it is tough work growing companies into offshore markets. For example, about 25% of our focus companies have negative growth and 80% do not achieve their own targets.
- There is plenty of capital waiting to be invested, but not enough sizeable high-quality investment opportunities in New Zealand.
- There are plenty of markets, but not enough good companies – those that are engaged, focused and well-positioned to grow.

Despite these challenges and bottlenecks for growth we are optimistic that agencies, working with ministers, closely focused on customers, can make a real difference to the economic growth of New Zealand. Onwards and upwards!

Appendix One – Our Board

Andrew Ferrier (Chairperson) – term ends 31 July 2018

Charles Finny – term ends 30 April 2018

Karen Fistonich – term ends 30 April 2017*

Robin Hapi – term ends 30 April 2017*

Jennifer Kerr – term ends 31 May 2019

Wayne Norrie – term ends 30 April 2018

Charlotte Walsh – term ends 30 April 2018

(*) These two Board members are due for appointment by April 2017. The process has commenced and will be progressed as soon as possible in the new year.

David Smol (Chief Executive, MBIE) or his delegate, Paul Stocks (Deputy Chief Executive, MBIE – Labour, Science and Enterprise); and Brook Barrington (Secretary, MFAT) are advisers to the Board.

Appendix Two – NZTE’s Output Expense Class Structure

MCA	Expense Categories	Budget 2016/17 (\$ million)
Support the Growth and Development of New Zealand Firms, Sectors and Regions	International business growth services	154.049
	Services to support the growth and development of New Zealand Businesses	15.181
	Collaborative activity and significant events	5.356
Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand	International Growth Fund	31.231
	Sector Strategies and Facilitation (Strategic Investment Fund)	0
Total		205.817

Appendix Three – Trade missions and business leveraging events to the end of the financial year

The following trade missions have been proposed for 2017:

- Minister of Primary Industries to Iran, February 2017

The following business leveraging events are planned for 2017:

- Gulfood Exhibition, Dubai – 26 February-2 March
- New Zealand Gold Open, Queenstown – 9-12 March
- New Zealand Agri Investment Week, Manawatu – 13-18 March
- Better by Design CEO Summit, Auckland – 14-15 March
- Osorno Field Days, Chile – 29-31 March
- Latin America Agribusiness Development Defence and Security Expo, Brazil – 4-7 April
- World Masters Games 2017, Auckland – 21-30 April
- China International Boat Show, Shanghai – 26-29 April
- Food Connections events, East Asia – May
- New Zealand Techweek – 6-14 May
- British and Irish Lions tour – 3 June-8 July
- National Fieldays, Hamilton – 14-17 June