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1. Review

1.1. When I appeared before this Committee last year, we had just completed a full diagnostic of NZTE, including a PIF Report, a private sector D360 review (from our Better by Design programme), a Culture Survey, and a cost review.

1.2. The main message from this work was:

1.2.1. We were delivering value to NZ companies, and delivering on the output agreement, but… we needed to lift our game. In particular

1.2.2. We needed to refresh and refocus our leadership

1.2.3. We need to more clearly outline our strategy, because we were spread a mile wide and an inch deep.

2. Strategy

2.1. Since then we have replaced our top leadership team, and have also refreshed leadership and structure in many other parts of the organisation.

2.2. Most importantly, we have also put in place a new three-year strategy, a strategy that has been developed by our board and with the engagement of the other NZ Inc agencies, and which is aimed to solve the problem of being a mile wide and an inch deep.

2.3. The key ingredients of this are:

2.3.1. Reinforce that we are an **operational agency** delivering on the government's economic growth plan. We need to deliver on government strategy.

2.3.2. **Redefine who our customers** are, which are NZ's private sector companies wanting to grow internationally. Our tagline is that we want to help our customers grow "bigger, better, faster".

2.3.3. Within the total 13,000 export companies, we even more closely define who we are trying to add value to. That is, **around 2000 businesses** spread across New Zealand's export sector. Within this we focus on around 500 companies, most of whom have turnover in excess of $3 million, who have an ambition and capacity to grow, and who want to engage. For each of these companies we deliver a bespoke wrap-around set of services, which includes services delivered in NZ (Better By Design, Lean), and services globally (Beachheads, Trade Comissioners, etc)

2.3.4. We have also defined areas for support where companies want to work collaboratively – **coalitions of the willing -** and where there is an apparent competitive advantage. Health Technology and services, wine, aviation, etc. For example, we are working with around 100 companies chasing health technology and service opportunities in the US, and with around 21 wineries on the 'Complexity' high end premium wine initiative.

2.3.5. We also have a more focused approach on the international market effort. Our footprint is quite dispersed across 36 offices, reflecting the wide market involvement of NZ companies, and we generally service about 40-80 NZ companies per office. However, the **NZ Inc Strategies** for China, India, US, Australia, the Middle East, and Asean will give us additional focus. For obvious reasons China is prioritised above all others.

2.4. While pursuing these strategies we also need to be very conscious of the micro, SME companies, in start-up or very early phase. We invest about $20 million in a range of services for these companies, including:

2.4.1. A network of 14 Regional Business Partners (who also support bigger companies), along with MSI

2.4.2. Eight business incubators around New Zealand.

2.4.3. Business Mentors NZ

2.4.4. The biz 0800 service.

2.5. In addition, about 5000 exporters talk to our frontline Business Services Team every year, and nearly 500,000 visitors access information, insights and advice about doing business internationally from www.nzte.govt.nz.

2.6. In order to deliver on this strategy we have had to make a number of internal changes, and this is still underway. Some of the key elements have included:

2.6.1. A focus on measurement and performance management, to lift consistency and delivery

2.6.2. Simplification of internal systems and procedures

2.6.3. Some new IT tools including a Customer Relationship Management System into which we enter bespoke customer engagement plans for the 500, which are then reviewed every 90 days by the NZTE “One Team”.

2.6.4. A strong focus on visible and credible management, who are building teams and lifting competence

2.6.5. More systematic measurement and reporting. We now have an organisation-wide dashboard on which the headline measures are customer revenue growth, customer value-add, customer satisfaction, and deal flow. This is still a work in progress.

2.6.6. The next major step internally is to build a searchable, modern, knowledge management system.

3. Results in the past year

While it is still early days we can make comments on a few items:

3.1. **Customer Satisfaction** still hovers just above 80%. While this is a reasonable number, it is still not acceptable and we can do better.

3.2. **Revenue Growth.** Our customer portfolio has a growth rate of just over 10% per annum, which is close to the recently recorded 9.7% for the tradable sector. Clearly there is the major effect of commodity price increases in here, however we do see some signs of value-added company growth. For example, in the TIN 100 report the IT sector grew by 13%, with no commodity price effect, and the services sector has also grown. Understanding revenue growth of our customers, outside commodity price effects, is still a major challenge, but one that is crucial for us.

3.3. **Deal Flow:** We have spent time refining our measurement of 'deals' as one proxy for commercial activity in market. In the 2010/2011 year, NZTE facilitated deals worth NZ$323.9m for customers. This is currently NZ$203.3 million for the 11/12 year to date. This is an area of major focus.

3.4. **Christchurch** deserves particular mention. NZTE's $4 million Christchurch Market Connections Fund, established within 21 days of the devastating events of 22 February, helped around 250 Canterbury businesses re-connect with clients around the world. Feedback from Customers was very positive.

3.5. **Rugby World Cup:** A major effort was made to fully leverage the opportunity of the RWC, across govt, public and private sectors, led by NZ 2011. During the Cup, NZTE hosted 340 business VIPs, made more than 1000 new business contacts, and facilitated more than 500 introductions and commercial engagements. Half a million people visited The Cloud showcase of business innovation on the Auckland waterfront, where we made a good step in pushing out the NZ Brand.

3.6. **FDI:** Foreign Direct Investment for 2010/11 was $613.4m [including CoDa Therapeutics, BioPacific Ventures, and Bansei Asset Management].

3.7. **Costs:** In the past two years we have returned $13.2 million to the Government as a result of reduction in OpEx. FTEs are down by 13% on two years ago, with the front to back office ratio moving from 66/34 to 70/30%.

3.8. **IGF:** In response to customer feedback, we have simplified the processes around our $30 million International Growth Fund, and increased the level of commercial scrutiny and rigour. The Fund is now fully allocated for the 2011/2012 year, after a slow start in 2010/11. We have focused closely on both co-investment and calculation of direct economic benefit per government dollar invested. This includes a summation of profit, salaries and supplier spend for each investment.

3.9. **Missions:** The value of the Government imprimatur in 'opening doors' was clearly demonstrated by a number of successful events– including ministerial-led missions. For example, during the Prime Minister's visit to India, three politicians, 28 business delegates, 16 journalists, a cricketer, and a gaggle of public officials worked together to leverage NZ Inc.

3.10. **Employee engagement** is something we track closely. In a service-based organisation, where frontline employees are the face to the customer, there is a direct benefit of employees feeling positively engaged. Last year our average mean culture score was 63%, below the public sector mean of 71%, and the private sector mean of 73%. This year we are 74%. While this is progress, 'one swallow does not a summer make' - and we are paying considerable attention to this metric.

3.11. **NZ Inc.** Relationships with sister agencies have been strong and positive, and in my view there is an absence of patch protection and rancour. All agencies in the economic development area have a strong commitment to work in a joined-up way. The catch cry is that “we work for a cause not an institution”.

We’ve still got a long way to go – we are three-quarters into the first year of a three year work programme. We have a strong programme of internal reform, good support and good momentum. The challenge in front of us is to have enough focus and performance to deliver real long term impact, and to shift the dial for New Zealand companies. This is a challenge that we relish.