
PERFORMANCE IMPROVEMENT FRAMEWORK

Review of the New Zealand Trade and Enterprise (NZTE)

MAY 2015

State Services Commission, The Treasury and the Department of the Prime Minister and Cabinet

**Performance Improvement Framework
Review: New Zealand Trade and Enterprise**

**State Services Commission, The Treasury, and the Department of the Prime Minister and Cabinet
Wellington, New Zealand**

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Lead Reviewers' Acknowledgement

We would like to thank the New Zealand Trade and Enterprise (NZTE) Board, management and staff who embraced this review so wholeheartedly and supported us so well during the process. The agency PIF Self-review was realistic and practical, the data supplied was of great quality and the team showed deep engagement and considerable patience with our emergent thinking and challenging ideas. The NZTE people are passionate about the cause of growing New Zealand's exports and their energy and optimism were as palpable as their humility and willingness to do better. The NZTE leadership and Board know how to use the PIF to drive strategy refreshment, new thinking and implementation momentum.

We thank the NZTE customers and the partner government and local government agencies who took time from busy schedules to give frank feedback and suggestions. We also thank officials from Ministry of Foreign Affairs and Trade, the Ministry of Business, Innovation and Employment, the State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet who supported us and who were engaged and insightful throughout this review.

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AGENCY'S RESPONSE

Introduction

Over the last four years New Zealand Trade and Enterprise (NZTE) has found the PIF process to be a very insightful and powerful driver of change within our organisation. Overall we agree with the findings of this 2015 review.

The 2011 PIF showed us we needed to change. Following this initial, very challenging, PIF we reshaped our leadership and strategy and introduced the Customer Way, our methodology for working with customers. Over the next four years we embarked on a systematic programme of change designed to deliver greater value to our customers.

We have made good progress, and overall are pleased with both the implementation and results to date. In particular, we are pleased with the set-up of a more disciplined operating model, embedded in a stronger, more positive culture, with our customers ultimately receiving a better experience as a result.

However, we are not there yet. We recognise that we still have a lot more work to do and this latest PIF has provided us a clear view of what we need to do to lift our game and evolve into a more mature organisation.

The PIF has raised five 'paradoxes', or strategic performance challenges, that we face as an organisation. We agree with these strategic challenges and we are committing to a programme of action to address each of them.

Leading the NZ Inc system without leading

We acknowledge that NZTE is just one part of the Government's growth engine; we work for a cause – New Zealand – not an institution. In recent years we have developed strong relationships with our NZ Inc partners. We are all at different stages of our respective journeys.

We are happy to support central agencies in considering how lessons from NZTE's journey may be applied to the wider NZ Inc. system. We also recognise that there is an opportunity for NZTE to learn from others in the system as well.

We are aware that we cannot 'lead without leading' without buy-in from other agencies. We are prepared to participate more broadly to implement a wider agenda, but we do not want to overreach our influence or to assume that we know best.

Moving from agency intelligence to system insight

We agree that we have an important role to play to use the knowledge we generate from our work with companies to benefit other companies seeking to grow internationally, and also to support other agencies as they develop policy and regulatory settings.

While this has been one of our current challenges (Challenge 5: Know, Grow and Share our Knowledge) we have been slower to make progress here than in other areas. We have found this to be a complex area to change, as it is not just about changing systems but also changing behaviour. We have not had the capacity as an organisation to tackle this head on, an issue we plan to address.

Moving from agency intelligence to system insight is a long-term piece of work. The critical next step is to more clearly articulate what we are trying to achieve, then develop a supporting work programme resourced to deliver on our aspirations. As part of the programme of work we will explore options with other NZ Inc. agencies to co-invest in an ecosystem business intelligence hub.

Be unrelentingly optimistic but never take the easy path

The last four years we have completely changed our operating model. In this time, we have:

- a put the customer (internationalising companies) at the centre of what we do
- b created a strategy to focus our efforts on a group of intensely serviced companies (the Focus 700), while still providing value to approximately 4,000 companies
- c introduced a new implementation methodology (the Customer Way)
- d built the capability of our existing staff and hired new talent.

Our customer value add, customer satisfaction and deal flow have all increased significantly as a result of these changes.

The review says that we have earned the right to be more assertive with our customers to gain even more traction. This is a helpful invitation for us to be more courageous and be more challenging to drive for greater impact – this is the potential of the Customer Way. The details of this will be specified in our refined Challenge Framework, but are likely to include:

- a the Customer Way continuing to provide the methodology to deliver impact
- b positioning our staff to legitimately have more challenging discussions with customers
- c continuing to evolve our people model to ensure we have the right people in the right roles, with the right training surrounded by the right culture
- d refining and surgically implementing the toolkit of support we can offer to businesses
- e refining and developing of our suite of services to deliver greater impact, including for our Foundation customers
- f fostering more potent collaborations to compete internationally, through multi-company business-led coalitions.

We believe that business-led works best, so the customer segmentation needs to continue to require a 'willingness to engage' criterion. However, even with this criterion we should not shy away from engaging our customers in challenging dialogues.

Delivering more impact for our customers is a key part of what we need to do to shift to the next 'S-curve' of performance.

It's not a sprint but a marathon

The last four years have focused on a comprehensive and intense improvement effort and hard graft. We accept that over the last period we have had too many new initiatives rolled out but not fully completed.

We are now highly focused on 'embedding', and have temporarily suspended major new change initiatives to allow time to embed. The focus now is to achieve 'mission accomplished' and to keep the 'main thing the main thing'. For NZTE, the 'main thing' is the Customer Way.

Our embed phase will continue through to the end of 2015, although the seeds and signposts for evolution will start in July 2015. While this embed phase is occurring we will be reflecting on the review findings and thinking through our next stage of evolution.

We are currently re-evaluating the way we execute on our strategic priorities (the Challenge Framework). This provides an opportunity to consider how we can better incorporate time for reflection and evaluation within our organisation.

As a Lead Team we will also be reflecting on what we can do to address the comments that NZTE can be a challenging organisation in which to be a 'non type A' or an introvert. The Lead Team will reflect deeply on both the practices and symbols of inclusion and diversity, and expects to make changes in both behaviour and communications.

Less of this but more of that

Less – How can we lift the bar on our corporate suite using leading private sector companies as the benchmark?

Our corporate functions are an important partner to the rest of the organisation and are key enablers for success. Good progress has been made over the last four years but we still need a significant lift in performance. The areas that are most influential over total NZTE performance – and impact on customers – are Information Technology, People & Capability, and Finance. These are the areas that we will prioritise for improvement.

We recognise the need to better understand the efficiency of our core business activities. We are planning to develop a set of proxy measures and ratios to help achieve this.

More – How can we utilise the capability and skills of NZTE people elsewhere in NZ Inc.?

We believe in a strong public service. We are happy to work with agencies to identify ways to bring the positive aspects of NZTE disciplines to the rest of the public sector, and will seek best practice from elsewhere in the public sector to introduce into NZTE. We will step up the level of planned osmosis between NZTE and the public sector, especially in relation to people movements. We will enthusiastically participate in people development initiatives across the public sector.

Concluding comments

The PIF has provided us with real insight into the future challenges we will face. To achieve success we need to execute our strategy with tight focus and discipline. We believe that staying true to our implementation methodology (the Customer Way) will deliver the greatest impact for customers.

Success will also require highly engaged and committed staff, a well-functioning digital knowledge platform and a joined up NZ Inc. approach.

Success will ultimately be measured by whether we achieve our 'greatest imaginable challenge' – doubling the international revenue of firms within our portfolio (<\$500m international revenue) by 2025.

Thank you to the passion, energy, and wisdom of the reviewers; your enthusiasm is contagious.

Andrew Ferrier
Chair

Peter Chrisp
Chief Executive

FOUR-YEAR EXCELLENCE HORIZON

In undertaking this review the Lead Reviewers considered: “What is the contribution that New Zealand needs from NZTE and, therefore, what is the performance challenge? And if NZTE is to be successful at meeting the future performance challenge, what would success look like in four years?”

Environment

NZTE is a Crown entity whose statutory purpose is to support the development of internationally competitive New Zealand businesses. As such, it is a critical agency in the effort to achieve the Government’s Business Growth Agenda (BGA) goal of increasing the value of exports from 30% to 40% of GDP by 2025.

The context for the export goal is New Zealand’s growth dilemma. Our scale and distance make it harder for our companies to compete on the world stage. New Zealand lacks companies of scale (to take advantage of market opportunities) and companies with investable propositions (to take advantage of global capital). Many of our export companies are niche participants, which can make entry to offshore supply chains challenging and value propositions subject to disruption.

Complicating these challenges is a set of global megatrends impacting the future international business environment. The global competition for talent, the rise of data analytics, technology-led disruption, heightened customer expectations, the impact of social media on customer preferences and other forces can be hard to navigate for New Zealand companies located at the edge of the world.

From a government perspective, overall progress toward the export goal is made more difficult at present by a rapidly growing domestic economy, fuelled by non-tradables such as the Canterbury reconstruction and the Auckland housing boom.

Nonetheless there are grounds for optimism with respect to the export goal. New Zealand’s open and stable democracy, along with its track record of low corruption, can be leveraged in terms of country brand value. Emerging economies (and our biggest trading partner China) are looking for safe food and services. New Zealand’s DNA of resourcefulness and ingenuity makes many of our companies uniquely suited to niche-hunting and gives them the agility required to navigate through disrupted sectors. In theory too, New Zealand’s small size should make it easier to organise across government to support success.

The magnitude of the ambition reflected in the export goal requires NZTE to focus on activity that adds most value to those firms and those markets where the lift in export revenues is likely to be greatest. Many of the new high value markets for New Zealand firms are emerging economies with a high degree of government involvement, which requires NZTE to build capability and capacity to support firms to navigate complex and difficult markets.

In delivering on its purpose and in pursuit of the export goal, NZTE must operate within the ecosystem of other economic agencies in government. The goal will not be secured without a well-coordinated, collective effort across government agencies to address regulatory barriers and carefully targeted interaction to support the development of new business models, new products and new markets. The theoretical advantages of New Zealand’s smallness (unity and collaboration) need to be articulated into practice.

The Ministry of Foreign Affairs and Trade (MFAT) has overall leadership of the export goal and a key role in trade policy and negotiations, with the Ministry of Business, Innovation and Employment (MBIE) designing and regulating microeconomic policy settings, as well as acting as the monitoring agency for NZTE. The Treasury is a critical policy and oversight agency in the system, as is the Ministry for Primary Industries (MPI) given the importance of primary production exports in meeting the goal. Other Crown entities such as Education New Zealand and Tourism New Zealand are partners with respect to specific sectors and as fellow participants in the development of the 'New Zealand Story', the sector's brand development work. Given Callaghan Innovation's role to seed and support innovation, science and early stage intellectual property development and commercialisation, it and NZTE often share a supply chain in terms of tradable/investable product and service development.

Onshore, this ecosystem of New Zealand Inc. (NZ Inc) agencies is bound together by shared BGA targets and goals (and the many working groups that support these), joint ministerial and chief executive activity and a range of less formal devices, such as shared involvement in Stanford Boot Camps and involvement in He Kai Kei Aku Ringa, the Māori Economic Development strategy. Offshore, staff from NZTE, MFAT, Education New Zealand and other agencies are often co-located and work closely together.

Thus, while this review is focused on NZTE, and is the agency's second full PIF review, it is also necessarily the story of the NZ Inc ecosystem within which the agency operates. If NZTE is leading strongly and performing superbly (and in our experience of PIF it is the closest agency seen to be doing just that), that performance is necessary but not sufficient to best enable New Zealand's exporters to drive toward the goal. NZTE is a player in an ensemble cast of which it is neither the director nor the script writer.

Performance Challenge

The context for the performance challenge facing NZTE includes:

- dealing with the increasing pace of change, complexity, volatility and disruption in today's global marketplace – will require further enhancement of organisational agility (identifying game-changing opportunities, capacity to shift resources quickly from less promising to more attractive areas and the capacity to exploit opportunities within a tightly focused business model)
- NZ Inc ecosystem viability and efficacy – will require explicit clarity of direction, shared mindset, shared language, collective ambition, authentic agency collaboration and genuine integration (expanding the meaning of 'Better Public Services')
- targeting not only customers with the potential to make the biggest difference, but also targeting the right time to maximise their potential – will require sophisticated and highly developed 'system insight' and customer relationship management
- locus of firm competition and collaboration – potentially requires more collaboration globally through coalitions and alliances
- New Zealand firms internationalising often face the 'opportunity rich' but 'supply poor' situation – will require facilitation for New Zealand firms to more easily scale through shared learnings, coalitions and alliances.

In this context, we believe NZTE now faces five strategic performance challenges, each of which represents somewhat of a paradox:

- the first is to ‘lead the NZ Inc system without leading it’
- the second is to ‘move from agency intelligence to system insight’
- the third is to ‘be unrelentingly optimistic but never take the easy path’
- the fourth is that ‘it is not a sprint but a marathon’
- the fifth is to be ‘less of this and more of that’.

Lead the NZ Inc system without leading it

Since its initial PIF review in 2011, which coincided with the arrival of a new Chief Executive, NZTE’s Board (with a new Chairman appointed in 2012) and Lead Team have enabled a focused, fast paced and very effective transformation involving almost every aspect of the business. This is described more fully in the section on the operating model below. This transformation has been firmly grounded on clear intervention logic and characterised by an unrelenting focus on ambitious outcomes.

An overview of the results achieved to date are shown below:

Measure	2011	2014
Portfolio annual revenue	\$21b	\$26b
Export deals	\$443m	\$794m
Customer		
- Satisfaction	89%	95%
- Value add	83%	89%
Capital deals	\$0.6b	\$1.6b
Employee engagement	69%	81%

In our view, these results illustrate one of the central insights from the body of PIF reviews to date – leadership really matters. At NZTE there has been very capable leadership from the Board Chair and Chief Executive, strongly supported by an effective Board and committed Lead Team. The Chief Executive is an authentic leader, strongly committed to building distributed leadership throughout the organisation.

Thus a key strategic challenge for the NZ Inc ecosystem is how to leverage this leadership capacity for broader system impacts. Can the prescription that has successfully transformed NZTE be thoughtfully applied to transform the wider system? This is an important consideration as the NZ Inc ecosystem viability and efficacy is critical to achieving the BGA.

The system-level leadership challenge is considerable. While at the top level, economic ecosystem collaboration works (amongst Ministers, chief executives and some circuit breaker style groupings), beneath this level there are signs that in fact, this collaboration in service of the BGA outcome may be more of the ‘mind’ than the ‘heart and mind’. The NZTE leadership have won over the ‘hearts and minds’ of their staff, resulting in a leap of faith based on a collective ambition and sense of urgency. Some other participants in the system may be more focused on the issues and barriers for the goal, and appear to regard the goal as aspirational (in the sense that it can never be achieved) rather than achievable. A collective sense of urgency is critical to the achievement of the BGA and the difference between winning the ‘minds’ and the ‘hearts and minds’ should not simply be interpreted as semantic, rather it is fundamental.

The current cross agency work on a BGA refresh is an excellent opportunity to create the platform on which to reset the BGA, not as a set of aspirational goals but rather as New Zealand's imperative to be a globally competitive country, retaining first world status. This requires a much more practical and connected work programme with a smaller number of key priorities, which will make the most difference to the export outcome. Collective responsibility as well as individual accountability amongst agencies will be important.

Thought needs to be given to how best to leverage NZTE's leadership successes on this broader stage. In theory, as a Crown entity it does not lead but rather follows and does not think but rather does. Paradoxically, NZTE may be better placed to lead than some other agencies and, if it can better harness and codify the intelligence from its multi-national intelligence network across its 40 locations, should also be in a strong position to provide greater insight to the wider cast of participants.

Move from agency intelligence to system insight

The second significant strategic challenge for NZTE relates to the need to move from intelligence gathering to generating insight to guide both the future development of the NZTE operating model and the wider NZ Inc ecosystem. In spite of having a knowledge management goal (to 'know, grow, and share our knowledge') within its challenge framework for the past several years and this being raised as an issue in both previous PIF reviews, NZTE has been uncharacteristically slow to fully deliver on it.

While this has been partly due to the distraction entailed in being first mover on the all-of-government knowledge management system, this part of NZTE's strategy is still in a sense a plan to have a plan. The agency needs to ensure that its pervasive 90-day planning framework does not preclude an adequate focus on the longer term megatrends that will affect its customer firms. Although NZTE's intention to develop a research brain similar to those in professional services firms is admirable, it is not easily feasible given its size and investment ability. It is more sensible to co-invest with other system participants in an ecosystem business intelligence and insight project and/or data analytics hub for the wider system. As a delivery entity, NZTE can feed the collective brain with intelligence and benefit from research and evaluation insights to better target its services. It has the business relationships to be a credible thought leader in targeted areas.

If NZTE knew what its network knows, it could do better. If the wider system knew what NZTE knows, it would be enabled to be more innovative in pursuit of better economic performance.

Be unrelentingly optimistic but never take the easy path

NZTE has run its transformation to date with a very positive psychology. As is the duty of all good leaders, the Lead Team has high levels of self-efficacy and is optimistic, ambitious and collaborative in style, especially with customers and other agencies. With respect to the latter, this commitment to a collaborative style even goes to the length of the Chief Executive telling all NZTE staff that disrespecting a fellow NZ Inc agency is a firing offence. Niceness and positive but firm professionalism are traits often commented on by customers and stakeholders and they have served NZTE well.

As the going gets harder with respect to the export goal and as NZTE's new customer methodologies and disciplines become more consistently embedded, it may be possible for NZTE through a more nuanced approach, to widen the pool of big firms who meet the 'willing' criterion, as well as using the relationship capital it has built to push harder on existing customer relationships. Given the depth of some of the relationships that have now been built with F700 customers, we would also expect to see some judicious, trusted advisor insight and challenge from NZTE, particularly with respect to targeting the right time to maximise customers potential.

For example, in 2012 and 2013 NZTE made a strong foray into investing into an undeveloped, emerging industry group with the Manuka honey producer coalition, which required both aligning and also trouble shooting along with fellow agencies. NZTE should continue to build on developing its top customer management talent into coalition leads in some difficult sectors, which have significant potential returns. Working with industry groups and facilitating coalitions and alliances to realise both new and wider opportunities has the promise of being more effective than attempting to work with whole sectors. This approach also has the potential to link to NZTE's wider purpose as well as better pipeline management.

Likewise, we would expect to hear more stories like the one about the brave customer manager who stopped a Board strategy session and told them they were looking in the rear-view mirror and this was not the way to secure future international success. When relationships are deep and authentic, NZTE can afford, selectively, to challenge in a more courageous way.

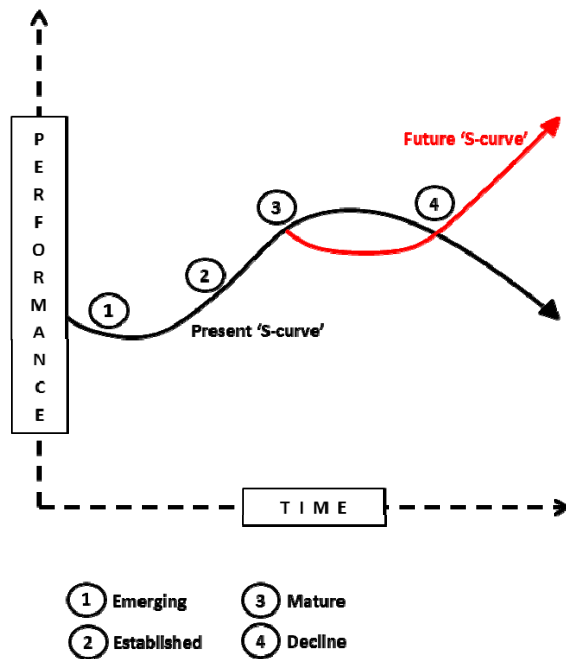
In short, a little more edge might be required in the next phase of NZTE's development, and where it has been rightfully earned through trusted advisor relationships, it should be used to inspire, test or encourage bigger shifts in customer and industry performance.

It is not a sprint but a marathon

NZTE's fourth challenge as an agency relates to internal organisational development following transformation. The agency needs to consider how to recalibrate its energies and plans away from the transformational imperative that has served it to date and towards gaining the next level of performance within a more mature, but nonetheless adaptive, operating model. Over the last four years, NZTE has rethought and rebuilt every aspect of its operating model, from its core purpose, to its customer engagement methodology and its beliefs and behaviours. The leadership ethos has been passionate and compelling and the Lead Team has driven execution at pace using 90-day plans and a relentless focus on its 'recipe' for success:

- Goal clarity
- Consistent messages
- Quality information
- A feedback and coaching culture
- Consequences.

This has worked very well, but there are emerging signs (reflected in staff engagement surveys and evident to us through interviews) that the pace is now causing some in the organisation to 'flag' a little and that the next phase of strategic development needs to be more weighted to renewal, rather than simply ongoing revolution. The Lead Team refers to this need to pause and reset as 'planning for that difficult second album' and acknowledges that the next phase of organisational development may need a stylistic change.



In management theory terms, the challenge before the NZTE Board and management is to shift to the next 'S-curve' of performance now, before going 'over the hill' in the present 'S-curve' of performance, as shown in the graphic below. NZTE has managed to successfully climb the present 'S-curve' but as the performance curve begins to flatten, that is the time to be acutely context sensitive and to quickly transition to the start of the next curve. Making this shift is critical to sustainable success. The formula for successfully shifting the 'S-curve' is not so much about what you do at or near the top of the curve, but what you do to prepare for the next shift on the way up.

Making this adjustment will require the leadership of NZTE to portray the journey so far as a 'successful mountain climb' within a longer expedition, with now perhaps being the moment for some rest and reflection in 'base camp' before attempting the next peak. While action and adrenalin are admirable (and we wish this implementation urgency was seen in more agencies reviewed in the PIF), organisations and their people need a rhythm in their development to allow for insights born from reflection and evaluation to guide progress, in addition to those from excitement, action and speed. To harness these more contemplative insights, the Lead Team members will have to moderate their mostly extrovert and driven styles and penchant for 'bright shiny new things'.

This will likely have the additional benefit of promoting greater diversity and inclusion within the organisation. The prevailing leadership tone and style is such that NZTE is likely to be a somewhat challenging organisation in which to be a 'non type A' or introvert. A slightly gentler rhythm, if only in interludes, may make other types more comfortable to contribute.

Paradoxically perhaps, it may be time to slow down, in order to speed up the next phase of development.

Less of this and more of that

There is a fifth strategic challenge before NZTE, and it once again revolves around a paradox, which entails being both more and less like the rest of the public sector. The 'less' relates to raising the bar in the areas in which NZTE is presently performing well by public sector standards and against conventional norms. Good enough is not good enough for an agency that has done this well so far.

For example, staff engagement at NZTE is the highest in the State services and consistent with private sector standards. Now is the time to identify private sector comparators that will inspire a further lift in ambition off a now entrenched record of achievement. How would NZTE's engagement compare to that of Trade Me or Air New Zealand? What can now be learned from private sector best practice?

Most areas of NZTE's back office or business partnering functions perform adequately or well against public sector standards. Yet, as a business facing agency that seeks to improve the performance of New Zealand's top companies, NZTE should be comparing itself to the best practices of its customer firms. It should now lift the level of ambition for these functions to be top quality enablers. Finance, risk management, knowledge management and IT in particular can all elevate to these higher plains.

The 'more' aspect of this paradox is to ensure that NZTE's people can influence the public sector with good traits and behaviours. NZTE recruits staff mostly from the private sector and the workforce model is one of designed churn. The (implicit) recruitment proposition is, 'come in here for a while and provide your skills (often at less pay) in service of your country and then get back to private business'. This has made for a high performance and high energy workforce but the spill-over benefits to the wider public sector could be enhanced further. We would like to see at least some designed diaspora of NZTE alumni move to other NZ Inc agencies, though this would likely require some creative approaches. We also think some shared appointments could be beneficial to deeper and more authentic ecosystem collaboration.

All of these strategic challenges are in some measure the product of NZTE's remarkable success over the last few years. In the next section we outline the story of the agency's successful transformation as a guide for other agencies. We also focus on some of the more specific challenges entailed in lifting NZTE's operating model to the next level.

Performance Challenge – Agency

i Purpose, Targets and Business Strategy

Following the 2011 PIF review, NZTE developed clear intervention logic to guide its licence to act, based on the fundamental principle of additionality, which is that the benefits of NZTE assisting an enterprise must outweigh the costs. NZTE sees its distinctive contribution as comprising:

- the imprimatur of government
- the ability (as a virtual multinational) to reduce transition costs and create scale
- commercial neutrality
- its ability to leverage goodwill and 'brand NZ'

The agency uses the BGA export goal as its galvanising 'light on the hill' strategic outcome or cause. In its service, NZTE helps New Zealand businesses grow internationally by supporting its customer firms to grow bigger, better and faster. Its core strategic challenge is to double its portfolio of customers' international revenue (\$0 to \$500 million international revenue) by 2025. Its near term goal is to ensure that the growth rate of the customer portfolio (\$0 to \$500 million international revenue) reaches 10% per annum by 2018.

This core purpose is clearly articulated in a concise, directional and to the point strategic plan (or in NZTE speak, a 'challenge framework'), as shown below. Without exception, everyone we met at NZTE, whether on or offshore, sleeps, breathes and lives the BGA export goal and the agency purpose, which are deeply felt and part of the agency's DNA.

WHAT SUCCESS LOOKS LIKE FOR NZTE

PURPOSE

To grow companies internationally - bigger, better, faster - for the benefit of New Zealand

OUR CHARACTERS



CHALLENGES

- **Challenge 1** : Customer Impact: Bigger, Better, Faster
- **Challenge 2** : Foster, grow and co-invest in go-to-market coalitions
- **Challenge 3** : Mobilise capital for growth
- **Challenge 4** : Match in-market potential with Customer Needs
- **Challenge 5** : Know, Grow and Share our knowledge
- **Challenge 6** : Agile Organisation
- **Challenge 7** : Personal Performance

FOCUS

Double the customer's international revenue

GREATEST IMAGINABLE CHALLENGE

Growth rate of our customer portfolio (\$0 to \$500m revenue) reaches 10% p.a. by 2018 (so we double the portfolio's international revenue by 2025)

As an illustration, people at NZTE see themselves as working for a cause (New Zealand), rather than working for an institution. This internal mantra has been used to good effect to keep people's eyes up on the 'light on the hill'. It has huge power as a recruitment brand and as a unifying idea across a highly geographically distributed organisational model.

NZTE used its initial PIF review and the PIF Follow-up review to retest, refresh and reset strategy through very open and inclusive processes with customers and staff. Key strategic developments over the last few years have included:

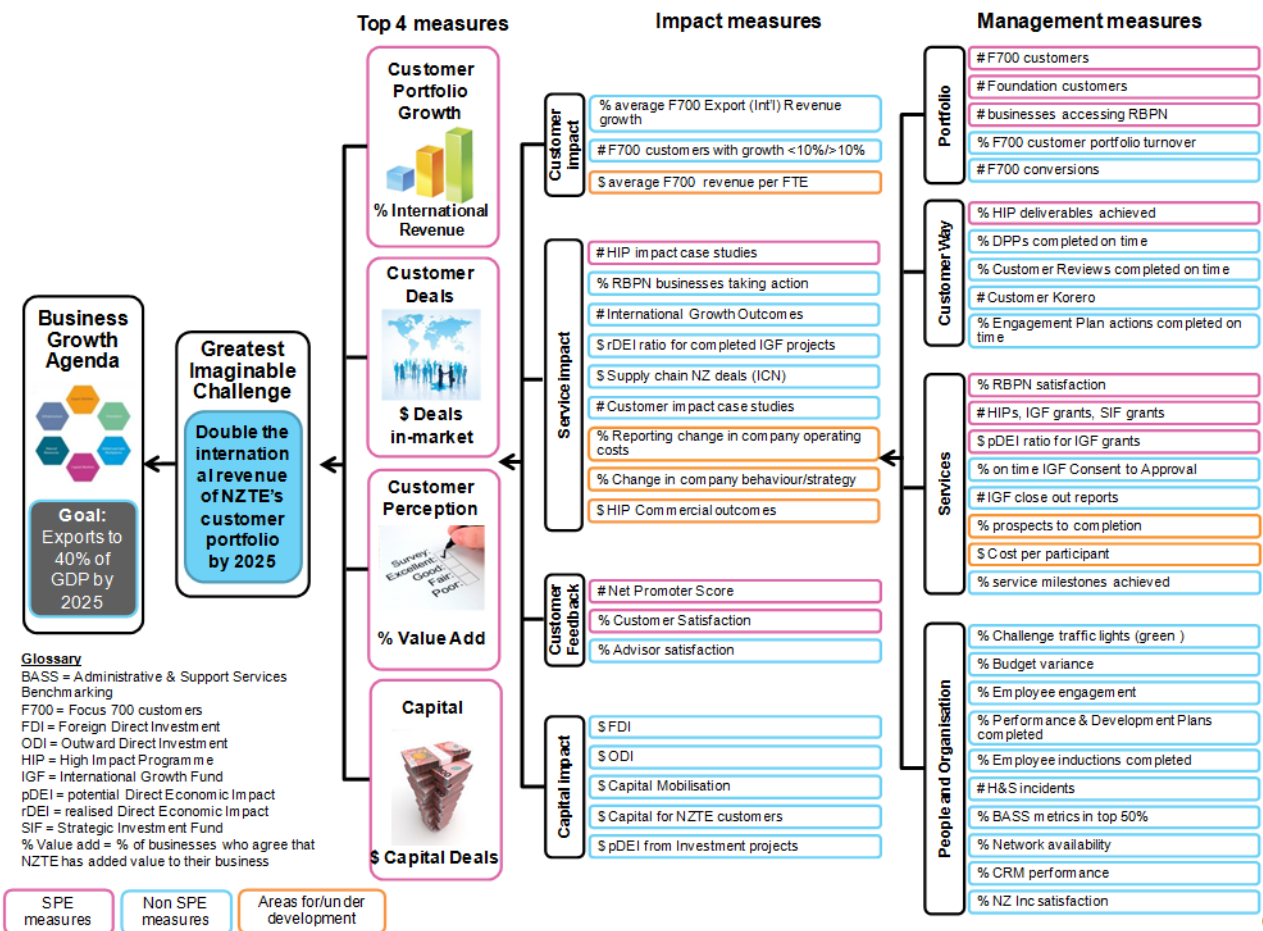
- sharpened focus. NZTE focuses on growing a portfolio of 700 intensively serviced companies (the F700) and business-led coalitions of companies
- explicit character (culture) development
- a consistent methodology and framework for engagement with customers (the Customer Way) to lift efficiency and bring to bear the services of NZTE and NZ Inc to deliver on tailored customer plans
- reorientation and growth in internal capital attraction resources, with capital attraction effort focused on priority sectors
- the development of an offshore network based on customer market penetration, (70% of the footprint follows customers, 20% follows NZ Inc and 10% is crystal ball based)

- streamlining and modularising its product and services suite, better differentiating services by customer need and tightening its product development approach (the Gumball machine)
- a dedicated strategy to work with Māori businesses.

Performance measurement is difficult for NZTE and this has received comment in prior PIF reviews. With the counterfactual being largely unknowable, NZTE struggles with the attribution of its impact. It now builds a picture of performance by using a basket of factors based around its strategic goals, asking:

- Is the customer’s revenue growing?
- Are we helping customers achieve deals?
- Does the customer believe we add value?
- Are we facilitating capital deals?

The full suite of measures, which are tracked by dashboard reporting, is shown below:



This is a good framework and NZTE is committed to the ongoing improvement of these measures. While NZTE continues to grapple over measurement, we think this may now have reached the point of diminishing return. Realistically, perfection in regard to quantitative measurement is unlikely to ever be achieved and considerable weight should be placed on the qualitative feedback from customers, which are extraordinarily strong. This may be an ‘everyone get over it’ moment as while initially sceptical of customer feedback under a largely free good regime, we were very impressed by

the consistent theme, from companies large or small, simple or sophisticated, that NZTE had allowed them to de-risk and speed up market entry and deals. Several commented that they had dealt with economic development agencies in multiple jurisdictions and that NZTE was well ahead of the rest.

NZTE needs to gather performance information (quantitative and qualitative, including broader business intelligence) where the benefits from using that information are more than the costs of gathering it. Information needs to be used to determine where NZTE is adding the most value and the best ways to increase that value, especially through refining the operating model and targeting resources.

Not only are strategy and purpose at NZTE clear, compelling and unifying, but implementation effectiveness is taken extremely seriously. With respect to strategy implementation, NZTE is at the leading edge of our public sector. The focus, drive and passion applied to the 90-day plans is intense and the emphasis on outcomes in service of the export goal is all pervasive. As a strategy led transformation, this agency is an inspiring exemplar.

The challenge over the four-year horizon is now (as discussed in the earlier section on the performance challenge) to leverage this strategic leadership and implementation capacity more broadly across the economic agency ecosystem of NZ Inc. This is both NZTE's challenge and the system's challenge. Other economic chief executives should turn their minds to the compelling recipe that has proved to be so successful at NZTE and how this may be applied at the system level. NZTE (a surprisingly self-effacing agency in some respects given its high achieving workforce) should be reflecting on how to distil and distribute the lessons learned more widely across the system.

ii. Operating Model

NZTE has based its operating model on that of a professional services firm in a distributed global network. It is based around a core methodology for engagement with customers, which applies a common language and toolkit to assessing F700 customer needs and delivering differentiated services to meet these. This has provided a discipline and rigour to customer engagement that were viewed as lacking in the initial PIF review.

Customers are also segmented into the intensively managed F700 companies, managed Foundation customers who receive a relatively light touch service and 'unmanaged' Foundation customer firms who can access self-service online and group support services. There is a deliberate strategy to put 80% of effort into the F700. The customer managers (account managers) and the customer directors who lead them, operate their accounts on the basis of investment portfolio type disciplines. The portfolio is dynamic, with a segmentation panel meeting monthly to consider entry to and exits from the F700.

The service suite is extensive (perhaps too much so) and modularised, so that individual interventions can be applied at the right time in the customers development lifecycle as reflected in the customer engagement plan.

Internationally, iPlans are a tool to enable the international networks to have input into prioritisation decisions, such as what offshore events NZTE will support.

Any model such as this, based on customer account management, is only as good as the customer managers who directly interface with the firm. While early on in NZTE's journey the capability and capacity of customer managers was highly variable, this seems to be steadily improving, though customers still report a highly person dependent experience. Stronger learning and development investment for customer managers is warranted, especially in the capital attraction space.

As noted above, there is always an inbuilt incentive in customer-led operating models, to provide most service to those customers who are willing, able and rewarding, and to underservice those who are difficult, or in this case part of immature industry sectors. NZTE has to date explicitly and understandably focused on customer firms or coalitions that are willing to engage and which meet various tests (hunger and ambition, capability to expand, proven international performance, for Māori - the value of the asset base, and the like). This is a sensible application of public resources but we wonder if the export goal can be met only by supporting the willing and nice to work with. It will be important for NZTE to challenge itself to take on harder but potentially higher value firms and coalitions that may require a slower burn development (fostering) phase and an edgier style of account management.

While the operating model has been very explicitly customer led in terms of its design, elements of it do not sit neatly with the core customer segmentation focus. The Regional Business Partnerships programme for example, currently under review by MBIE, needs more alignment to the regional economic strategies that sit outside NZTE's purview.

Although NZTE's value proposition is clear to its priority F700 customers, there is an opportunity for the segmentation criteria and process to be made clearer to Foundation customers, so they are not left wondering how to cross the magic line into the F700. Even priority customers, with support from NZTE, sometimes find the wider NZ Inc system challenging to navigate. 'There's no point NZTE having a clear front door, if beyond it, the rest of government is a hall of mirrors' said one.

A core challenge for NZTE over the next four years is to work alongside its partner agencies to rethink the operating model on a wider system basis, from the point of view of a customer's journey across the NZ Inc economic ecosystem.

We also suggest periodic review of the organisational operating model through a variety of different lenses as a discipline for the NZTE Lead Team. For example, if the F700 portfolio was to be recalibrated from the perspective of investability rather than deal value, would it change? If NZTE was not gaining but losing \$69 million over the next three years what would it do differently? This is not in order to plan for these things, but simply to use such questions to stimulate medium term scenario thinking and mitigate the risk of 90-day thinking.

iii Implementation (including Change Capability)

This is the best agency we have seen in PIF reviews in execution effectiveness and change management capability. All of the elements of successful transformations are here. We want to focus on one particular area of success, because we don't see it very often, and that is confident, assured and effective cultural change.

At NZTE culture is called character and character is summed up in the three characteristics of NZTE people – adventurous, agile and astute. These are not just corporate slogans at NZTE, rather they are values deeply loaded with meaning. The Chief Executive and Lead Team take every opportunity to describe what good looks like in terms of these character traits, and they are hardwired into the recruitment, learning and development, performance and talent management systems of the agency.

More importantly perhaps, NZTE's Lead Team is very purposeful in the way it uses identity, language, symbols and events to reinforce and model the desired character and build pace and excitement. Examples are an IT project called 'Velocity', staff induction called 'Ignite', 90-day plan reviews called 'Impact Briefings', a product development machine called the 'Gumball', and a Māori development programme called 'Kia Kaha'. The Chief Executive's weekly blog underscores desired behaviours, maintain strategic focus and recognise good practice. The phrases used in it pass directly into the

lexicon of the place - for example, as noted by staff 'keeping the main thing the main thing', to stress the importance of focus. Consistent messaging and good Lync technology keep the international network similarly engaged and enrolled. Annual Pounamu awards celebrate successes and recognise heroes. NZTE's leaders are visible and accessible.

While a slightly evangelical tone may be perceived, it is in fact catalytic rather than evangelical and is balanced by authentic and down to earth styles by the leadership and healthy levels of internal debate. In spite of the premium on implementation and a real culture of consequences, it is safe to fail at NZTE, in the knowledge the lessons will be applied in the next planning cycle.

Success has attracted other successful people, and implementation skills are now embedded at all levels and are being fostered by careful talent management. We have no doubt that, as with previous PIF reviews, NZTE will use the insights here to drive harder for the next level of performance, to be reflected in that 'difficult second album'.

iv Organisational Agility

Organisational agility is increasingly regarded as a critical differentiator in the highly competitive and rapidly changing global marketplace. By organisational agility we mean the capacity to maintain continuous, rapid and sustainable change, requiring an organisational combination of flexibility, nimbleness and speed.

Following its transformation over the last few years, it is our view that NZTE is very much a change-ready, adaptive and agile organisation with a clear understanding that change comes from the external world of macro-economic shifts, competitor influences, customer demands, technical advances, consumer and shareholder expectations.

A key component of NZTE's character is the value of being agile - proactive coupled with a sense of urgency in order to get results more quickly. When organisational agility is examined through three lenses (strategic, portfolio and operational), NZTE is well placed, particularly so from a portfolio and operational perspective.

We believe NZTE has the organisational agility to respond to new and different shareholder expectations as well as global market changes.

What will success look like?

In four years' time, we would like to see that NZTE has supported, de-risked, fast tracked, challenged and inspired New Zealand firms to massively lift international revenue and be better placed as investable propositions.

It will have done this by leveraging its leadership more effectively across the NZ Inc system, helping to deepen collaboration amongst agencies in an authentic pursuit of the refreshed BGA export goal and work programme and playing a key role in gathering and codifying data that, once synthesised into insight, can drive the intervention logic underpinning the actions of all system players.

Succession for the current Chief Executive will have been managed well by the Board and while NZTE will still be exemplary in terms of execution ability, it will drive continuous improvement both from pace and from periods of reflection and review. The organisation will be known for its ability to renew and reinvent itself, to be a positive catalyst for change in NZ Inc agencies and a talent incubator for the wider public sector.

From being an example of successful transformation, it will, four years hence, be known as a sustainably led, authoritative and highly respected agency with a mature operating model that is durable across changes in policy, leadership and international trade conditions. In addition to being a thought leadership agency with regard to the export success and investment readiness of New Zealand companies, it will also be viewed as the model from which to learn about customer-led changes in operating model design and continuous improvement.

Debbie Francis
Lead Reviewer

Lester Levy
Lead Reviewer

CENTRAL AGENCIES' OVERVIEW

In late 2010 NZTE appointed a new chief executive and, as part of a change programme, it chose to be one of the first Crown entities to undertake a PIF review. This occurred in early 2011. A new Chair was appointed in 2012. A PIF Follow-up review was conducted in 2013.

The 2011 review noted NZTE's strengths, but also the need for stronger leadership; greater clarity around purpose and role; culture, roles and measurement aligned with mission; and a stronger customer focus across the organisation with integrated services for businesses and consistent service delivery.

A PIF Follow-up review in 2013 said that NZTE had made impressive progress and that it was a far more focused, coherent, urgent and open organisation than at the 2011 PIF. The changes helped generate a significant lift in key lead indicators, such as staff engagement and customer satisfaction.

The 2015 PIF review notes further progress and that NZTE is an example of successful transformation, is leading strongly and performing superbly. Its strategy and purpose are clear, and the reviewers particularly comment on NZTE's positive execution and change management capability. These comments are a tribute to the leadership and people of NZTE.

We support the findings of this review and the five strategic challenges set out for NZTE.

NZTE uses the BGA export goal as its galvanising 'light on the hill'. We welcome NZTE's contribution to the leadership of this important goal. The reviewers note the challenges the goal presents and the importance of the NZ Inc ecosystem in achieving it. Alongside the important export market work, NZTE also has a significant role to play in achieving the objectives of the investment and innovation workstreams of the BGA.

There is also a considerable challenge in the report for us, in our differing roles as central agencies and as agencies in the economic sector, responsible for leading all the BGA goals. A well-coordinated collective effort across government agencies is required. We see the current refresh of the BGA as an opportunity to create greater focus and collective effort for these goals.

The review also talks about moving from agency intelligence to system insight. NZTE has good business relationships and information sources globally, and has a plan to 'know, grow and share our knowledge'. The reviewers comment that rather than NZTE developing a research capability in isolation, it is more sensible to explore this, along with other NZ Inc partners, to achieve business intelligence and system insight through a strategic approach to data collection and analysis.

We congratulate NZTE on their achievements and their considered responses to their performance challenge.

Iain Rennie
State Services
Commissioner

Gabriel Makhoul
Secretary to the
Treasury


Andrew Kibblewhite
Chief Executive,
Department of
the Prime Minister
and Cabinet










David Smol
Chief Executive,
Ministry of Business,
Innovation and
Employment

Brook Barrington
Secretary of
Foreign Affairs
and Trade



SUMMARY OF RATINGS

Results




GOVERNMENT PRIORITIES	RATING
Contribution to the Business Growth Agenda	





CORE BUSINESS	RATING (EFFECTIVENESS)	RATING (EFFICIENCY)
Helping NZ businesses grow internationally		
Investment attraction		
International Growth Fund		
Capability building through Regional Business Partners		
	RATING	
Regulatory impact		




Rating System

 Strong	 Well placed	 Needing development	 Weak	 Unable to rate/not rated
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Organisational Management

LEADERSHIP, DIRECTION AND DELIVERY	RATING
Purpose, Vision and Strategy	
Leadership and Governance	
Values, Behaviour and Culture	
Structure, Roles and Responsibilities	
Review	

EXTERNAL RELATIONSHIPS	RATING
Engagement with Ministers	
Sector Contribution	
Collaboration and Partnerships with Stakeholders	
Experiences of the Public	

PEOPLE DEVELOPMENT	RATING
Leadership and Workforce Development	
Management of People Performance	
Engagement with Staff	

FINANCIAL AND RESOURCE MANAGEMENT	RATING
Asset Management	
Information Management	
Improving Efficiency and Effectiveness	
Financial Management	
Risk Management	

Rating System

 Strong	 Well placed	 Needing development	 Weak	 Unable to rate/not rated
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Note: There have been three significant upgrades to the PIF Agency Model since it was implemented in 2009. The first was the inclusion of the Four-year Excellence Horizon in October 2011. The second was the Strategic Financial Management upgrade in December 2012. The most recent is the Better Public Services upgrade in January 2014. These upgrades affect comparability with previous PIF reports. For more information on the upgrades see: <http://www.ssc.govt.nz/pif-core-guide-1>.

AGENCY CONTEXT

NZTE is a Crown entity established under the New Zealand Trade and Enterprise Act 2003. Its statutory purpose is to “... support the development of internationally competitive New Zealand business ...”. NZTE is an operational delivery agency that works to grow companies internationally – bigger, better, faster – for the benefit of New Zealand.

NZTE is governed by a Board appointed by the Ministers of Economic Development and Trade. The chief executives of the Ministries of Business, Innovation and Employment (MBIE) and Foreign Affairs and Trade (MFAT) or their delegates attend Board meetings as advisors to the Board. MBIE undertakes the monitoring and evaluation role of NZTE on behalf of Ministers.

NZTE works with other agencies to deliver the Government’s priorities for economic development, as particularly expressed in the Business Growth Agenda (BGA). The main ‘NZ Inc’ agencies NZTE works with are MBIE, MFAT, Callaghan Innovation, the Ministry for Primary Industries, Education New Zealand and Tourism New Zealand. NZTE also has an important role in the Economic Chief Executives’ group, which has the Treasury and MBIE in lead roles with a number of other agencies contributing.

NZTE is funded from Vote Economic Development, with a total of \$155.3 million for operating expenses and \$30.92 million for grants for the 2014/15 financial year. NZTE was granted additional resources of \$69 million over four years in the 2014 Budget.

NZTE has engaged intensively with a portfolio of 500 New Zealand companies who are committed to significant international growth. The 2014 Budget funding is being used to increase this portfolio to 700 companies, known as the Focus 700 (F700). The goal is to double the international revenue of the portfolio (firms with \$0 to \$500 million international revenue) by 2025. NZTE also works with around 3,300 other internationally active companies and supports more by funding capability building services delivered by regional business partners across New Zealand.

NZTE had 547 full-time-equivalent employees at June 2014, and was actively recruiting for 31 more. Employee numbers have declined in recent years but are now increasing with the additional resources allocated in Budget 2014. About 45% of staff are located offshore (in 38 locations) and most of these are locally recruited. Onshore, NZTE has 10 offices across New Zealand.

The performance improvement story so far

In late 2010 NZTE appointed a new chief executive and, as part of a change programme, it chose to be one of the first Crown entities to undertake a PIF review. This occurred in early 2011. A new Chair was appointed in 2012. A PIF Follow-up review was conducted in 2013.

The 2011 PIF review noted NZTE’s strengths, including a global network of capable staff motivated by the organisation’s purpose and a strong mandate from Government. The review noted the things that could turn current weaknesses into future strengths. These included stronger leadership; greater clarity around purpose and role; improved relationships with other agencies; culture, roles and measurement aligned with mission; a stronger customer focus across the organisation – resulting in integrated services for businesses and consistent service delivery; and well managed risk-taking and innovation.

The 2013 PIF Follow-up review said NZTE had made considerable progress in transforming itself into a more effective and efficient organisation. It noted that NZTE was a far more focused, coherent, urgent and open organisation than the 2011 PIF.


The PIF Follow-up review identified that the immediate task in front of NZTE was to successfully execute the changes underway. Three of the 2011 recommendations were noted as still requiring significant work – an integrated customer focused service offering; information technology and knowledge management; and a greater focus on analytics and improved performance metrics.

The PIF Follow-up review discussed that the changes NZTE made needed to be translated into greater impact on New Zealand's export performance. Activity underway at the time was unlikely to be sufficient to meet the demanding challenge NZTE had set itself. It made four other recommendations to help NZTE "shift the dial". They were a) further strengthening the services and product suite; b) a stronger capital proposition; c) moving beyond a focus on the individual firm; and d) more active portfolio and pipeline management.

RESULTS SECTION

Part One: Delivery of Government Priorities

This section reviews the agency’s ability to deliver on its strategic priorities agreed with the Government. While the questions are ex-post and guide Lead Reviewers to retrospective and current performance the final judgements and ratings are necessarily informed by scope and scale of the performance challenge.

Government priority: Contribution to the Business Growth Agenda	
Performance Rating: Well placed	

NZTE has a role in three BGA workstreams – Building Export Markets, Building Capital Markets and Building Innovation. The Building Export Markets stream is particularly aligned with NZTE’s core purpose, which is to grow companies internationally – bigger, better, faster – for the benefit of New Zealand. Government has set an ambitious goal for this workstream, which is to increase the ratio of exports to GDP from 30% to 40% by 2025. The goal reflects that New Zealand has a low share of exports to GDP for a small country and that increased exports are critical to lifting economic growth. To meet the goal the value of exports will need to double in real terms from 2016 to 2025 (this is known as the Export Double goal).

This goal is front and centre for NZTE and used as its strategic ‘light on the hill’. It is reflected in NZTE’s strategy and its ‘greatest imaginable challenge’ that the ‘growth rate of our customer portfolio (\$0 to \$500 million revenue) reaches 10% per annum by 2018 (so that the portfolio’s international revenue doubles by 2025). These goals have been strongly articulated and reinforced at NZTE, such that staff at all levels of the organisation and in all locations know them, are excited by them and feel their work is directly contributing to reaching these goals.

NZTE has undertaken a considerable programme of improvement under its ‘International business growth services’ output class (see Core Business area 1 below) driven by the achievement of these goals. The goals are reflected in three of NZTE’s four key performance measures:

- growth in international revenue for NZTE’s intensively account managed customers.
- value of deals effected with NZTE involvement.
- percent of intensively account managed customers that agree or strongly agree that NZTE has added value to their business.

The achievement of the BGA goal to increase exports from 30% to 40% of GDP is beyond the control of any one government agency and some factors are beyond the control of government as a whole. This is not a reason not to treat it as a very real goal and to plan and mobilise to do all the things that will contribute to its achievement. If the goal is regarded as merely aspirational by agencies, Government will have failed in its aim to provide an imperative to galvanise and unify government agencies in this area, which is so critical for New Zealand’s economic growth.

We are impressed by NZTE’s commitment and effort to achieve the BGA goals but, as discussed in the performance challenge above, there needs to be a shared framework, collaboration and commitment across all the NZ Inc agencies towards the Export Double goal. We would like to see

more defined targets and across agency organisation to support the goal. This would better quantify where key sectors and areas can grow, what level of growth in each area is achievable (from initiatives already in train), what the gap is and where 'outside the box thinking' is needed to help bridge the gap. Real progress toward the goal is likely to be inconsistent without this.

We were told in interviews that NZTE is a good team player in regard to the BGA and in other across government work. This is admirable but we consider NZTE needs to do more in two areas. First, it needs to do more to encourage and work with the other agencies to put in place real plans to achieve the goals. This is not easy as NZTE does not have a mandated leadership role, but it is a strongly performing agency and this may allow it to do more to help the other agencies to focus on the BGA goals and how to achieve them. But progress will require a serious commitment from all agencies.

Second, NZTE may need to play a wider role, with its NZ Inc colleagues, with some of the export sectors and companies. NZTE is focused on a portfolio of intensively managed customers (F700) that have the capacity and aspiration to grow internationally and who want to deal with it. NZTE sees itself as an international business development agency not an economic development agency, which has assisted it in not diluting its resources and has been a significant reason for its success in recent years.

But New Zealand's biggest exporters and sectors, as well as the fast growing and niche hunting companies that make up a lot of the F700, are vital to the Export Double goal. For example can NZTE with its extensive market connections and intelligence, do more to work with MPI and others to identify future food safety issues? Can NZTE do more to work with sectors to ensure that value, not just volume approaches are pursued? Can NZTE be a trusted advisor to New Zealand's largest exporters? Can NZTE with its market intelligence and insight do more with MBIE to explore regulatory approaches that will assist achievement of the Export Double goal?

NZTE's coalitions work which is already underway is part of addressing these issues and has promise but is at an early stage. We consider NZTE could be more assertive in its dealing with exporters and its NZ Inc partners. Its market insights and excellent record of performance can give it trusted advisor status in an environment where more is required to achieve the Export Double goal. This will take a considerable effort by NZTE at senior levels and risks diluting its focus, but the rewards could be considerable.

NZTE's commitment to the BGA and especially the Export Double goal mean we considered giving a 'Strong' rating for this area. However, we have marked it as 'Well placed' because of the requirement across the NZ Inc agencies for a more connected up approach and that NZTE, while lacking a formal mandate, has capability to do more to make this happen.

RESULTS SECTION

Part Two: Delivery of Core Business

This section reviews the agency's effectiveness and efficiency in delivering its core business. While the questions are ex-post and guide Lead Reviewers to retrospective and current performance the final judgements and ratings are necessarily informed by the scope and scale of the performance challenge.

Core business 1: Helping New Zealand businesses grow internationally	
Performance Rating (Effectiveness): Well placed	
Performance Rating (Efficiency): Needing development	

This core business involves supporting companies to grow internationally by identifying and exploiting market and investment opportunities, overcoming internationalisation barriers, providing customised advice and support and enabling access to international business networks.

This is NZTE's biggest output class and major focus. It encompasses over 90% of NZTE's activity. Government allocated NZTE additional funding of \$69 million over four years in Budget 2014 and that is being used for international footprint expansion (\$25 million), more high intensity customers through expanding the F500 to F700 (\$25 million), multi-customer activity including go-to-market business-led coalitions (\$15 million) and commercialising New Zealand government IP internationally (\$4 million).

In the NZTE structure this core business encompasses the customer managers onshore (build relationships with customers to understand their needs and target services), the offshore offices (provide advice and introductions to customers in-market) and the services business unit (develop and help deliver services to assist companies to internationalise). At the heart of NZTE's work is the Customer Way methodology – discover, plan, perform – which was introduced in 2013/14 and addresses a recommendation from the last PIF review for an integrated customer-focused service offering.

As mentioned previously, attribution is difficult for NZTE, but nonetheless it is doing very well on most key performance measures. Progress since the 2011 PIF review in the way NZTE operates has been impressive, driven by a strong focus on the F700 companies, the Customer Way methodology and improving capability across the organisation. Good work has occurred to refine and further develop the services suite and target services at the right customers. NZTE's coalitions initiative is exciting and has the potential to make a big difference, especially as it becomes more influential and assertive.

NZTE also has a dedicated strategy to work with Māori businesses to help them grow internationally. It has set up a Māori business team to focus on creating more internationally capable Māori businesses and to enhance NZTE's engagement with its existing Māori customers. NZTE's customer portfolio also includes Māori business-led coalitions.

Some areas still require attention to further improve performance. The Customer Way methodology is sound but is still being bedded in. There has been good progress to upskill customer managers and to improve their connections with the services business unit and offshore business development managers, but more is required so they are consistently engaging as trusted advisors to F700 customers.

NZTE is rightly very focused on the F700 customers but the efforts and tools may need to be directed further to the customers that have the potential to make the biggest difference to the BGA goals. Two significant bottlenecks to growth that NZTE has identified are the absence of scaled up companies to take advantage of market opportunity and a lack of New Zealand companies ready for investment by global capital. There is a question of what NZTE's offerings should be to the biggest of the F700 customers and to some big companies that are not in the F700. For example can the greatest gains come from helping the companies with international sales of \$75 million to \$100 million to build an infrastructure to keep on growing? It is hard to pick which companies will succeed but better knowledge management (see below) can and will help.



We were told of six common mistakes customers make when internationalising and of the need to work earlier with customers. Customers are often committed to a strategy by the time the NZTE offshore office get involved and they see customers repeating the mistakes of other customers in that market. Fixing this requires an even better connection between NZTE onshore and offshore and the knowledge management systems.

We would like to see better systems for capturing and feeding back offshore market knowledge, bringing in more of the demand side, not just the supply side. The NZTE iPlans are a good start but there is the potential for them and other tools to be used much more in a two-way flow of intelligence and for offshore offices to be more proactive in gathering and disseminating market information.

In addition to the F700 companies, NZTE works with about 1,000 managed Foundation customers and about 2,300 unmanaged Foundation customers. These, plus Callaghan Innovation only customers, are the pipeline to the F700. However Foundation customers perceive their experience to be uneven (we heard a small number of unhappy stories) with a lack of clarity as to which customers will make it through to the F700, where the much better customer experience lies. Resourcing issues mean there is no easy answer, but the pipeline is important to NZTE's future success. A more sophisticated 'one-to-many' approach to the Foundation customers could be helpful in altering this perception.

We cannot say if NZTE will meet its goal that the growth rate of its customer portfolio (\$0 to \$500 million revenue) reaches 10% per annum by 2018 (so the portfolio's international revenue doubles by 2025). It is doing the right things and doing them well and the advice here will help. As already noted, NZTE will also need to have more impact with New Zealand companies and coalitions with over \$500 million revenue to contribute to the achievement of the BGA goals.

We find it difficult to rate NZTE core business areas for efficiency. The change programme in recent years with a focus on better results has been matched by a declining baseline and some efficiency initiatives. However, there is limited information on the effectiveness and cost of various interventions to help drive prioritisation decisions and we discuss below that this should be an area for greater attention by NZTE.

Core business 2: Investment attraction	
Performance Rating (Effectiveness): Needing development	
Performance Rating (Efficiency): Needing development	

To increase New Zealand’s exports and productivity there needs to be a substantial increase in the flow of investment into the export sector. Investment can also help New Zealand companies improve access to export markets, intellectual property, offshore distribution and supply chains and in other areas that help overcome limitations of scale and distance. One of the recommendations of the 2013 PIF Follow-up review was that NZTE’s capital proposition needed to be better defined and integrated into its customer service proposition and partnership networks. Capital is one of the six workstreams of the BGA.



NZTE responded to the 2013 recommendation and has reinvigorated its Capital team. It appointed a new General Manager Capital, improved other skills in the team and identified the target areas and sectors where NZTE can achieve the greatest impact. The team is starting to show results with the investment deals done with NZTE involvement growing and good targets in place. The Capital team seems well aware that the quality of the deal, not just the dollar amount, is important and is looking for the wider and longer term benefits that can come from foreign direct investment. Overseas investment by New Zealand companies is more problematic as it does not necessarily fit well with normal NZTE discussions and the Capital team needs to connect up with the customer managers on this.

More needs to happen to establish a clear policy framework in the capital arena. This has held NZTE back but the work is underway in MBIE. This can help to identify the priority sectors and provide a better framework for cooperation across the NZ Inc agencies. It will allow the capital team to be more connected up with other agencies to help finalise deals and to feed information back, for example working with Immigration NZ in regard to high net worth individuals, with MBIE and others on regional development opportunities or with Callaghan Innovation to attract research and development to New Zealand. NZTE cannot succeed in this important area on its own.

NZTE’s other investment attraction work includes:

- The Better by Capital programme helps to get companies investor ready. It is a well-structured programme that involves workshops delivered by third party providers and a capital plan that identifies key actions. A challenge is to ensure the Capital team is connected in to identify key opportunities, but without utilising too much of their resource.
- Producing toolkits for regional economic development agencies and conducting capital capability workshops.
- Regional Investment Attraction Programme in which NZTE works with regional stakeholders to identify the strengths of particular regions and the investment opportunities. This is at an early stage.

NZTE has made excellent progress in this core business area since the 2013 PIF review although it is not yet at a mature state. To further improve, the NZTE Capital team needs to engage strongly with MBIE as it undertakes the work to establish a clear policy framework, continue to improve the quality of the deals it is involved with, link in an efficient manner to the ‘Better by Capital’ programme to identify opportunities, connect well with customer managers on overseas investment by New Zealand companies and progress the Regional Investment Attraction Programme.

Core business 3: International Growth Fund (IGF)	
Performance Rating (Effectiveness): Well placed	
Performance Rating (Efficiency): Well placed	

The International Growth Fund (IGF) is a \$30 million grant fund that approximately 60 to 70 F700 customers access annually to help accelerate their international growth. To access this grant funding businesses must at least match the NZTE level of investment. New Zealand companies face internationalisation barriers, in particular distance from significant markets and they typically lack scale when they start exporting. Companies that have used the IGF indicated to us and through an evaluation conducted by MBIE that access to the IGF helped by decreasing their risk and allowing earlier and faster market expansion. Evaluations of this programme are positive. The IGF is well managed by NZTE (a very effective 'crucible experience'). A sub-committee of the Board assesses significant proposals presented by customer managers. All successful applications are subject to close-out reports which record learnings from the projects, and which become a valuable reference point for customer managers. An issue for NZTE is matching the appropriation approval and spend and consequently there have been significant underspends against the programme. It has become apparent that companies underestimate the time to achieve milestones and grants are not always fully drawn down due to companies' inexperience in new markets and changing (sometimes rapidly) business conditions. The IGF is a good programme and there is likely to be more demand on it with the increase from F500 to F700. We would like to see the appropriation rules assist NZTE to fully use the appropriation. MBIE is currently undertaking a policy review of the programme.

MBIE conducted an evaluation of the IGF in 2014 which indicates that administration costs are just over 5% of the amount approved per year and are in line with other grant programmes. Costs as a percentage of the amount claimed (as noted, grants are not always fully drawn down) have reduced from 14% in 2011/12 to 7%. Most businesses using the IGF (95% of survey respondents) thought the compliance costs of the programme were justified.

Core business 4: Capability building through Regional Business Partners	
Performance Rating (Effectiveness): Needing development	
Performance Rating (Efficiency): Needing development	

The Regional Business Partners Network (RBP) is co-funded by NZTE (\$8.2 million per annum) and Callaghan Innovation (\$1.9 million per annum). MBIE has a policy and evaluation role. The RBP are 14 regional agencies throughout New Zealand and the joint funding provides 45 full time equivalent staff in the agencies, who advise businesses in their region. The RBP also provides vouchers that businesses use in part-payment of training with registered independent providers. The Callaghan Innovation component provides research and development grants.

The strategic intent of the RBP programme appears to be weak, beyond a general desire to help business. It is not clear how effective the programme as currently structured is and there seems to be limited analysis to support targeting of resources. The programme may not be well aligned to NZTE's core purpose of internationalising businesses, although there is an important pipeline from these businesses into the NZTE Foundation customer base. For the RBP programme to be more effective the coordination between MBIE, Callaghan and NZTE also needs to improve.

Delivery of Core Business

MBIE is currently conducting an evaluation of the RBP programme and will then address its policy framework. This review needs to give clarity as to the intent of the programme and the outcomes sought. With this in place, coherent decisions on how the programme should operate and how it should be targeted can be made in order to ensure a return on the investment. Until there is clarity we can understand NZTE's and the RBP's current concerns with the programme. We recognise that the policy framework and some of the coordination issues are beyond NZTE's immediate control and there is uncertain alignment with NZTE's core purpose. Nonetheless the RBP programme needs more attention from NZTE if it is to continue in its current form.

ORGANISATIONAL MANAGEMENT SECTION

This section reviews the agency’s organisational management. The questions focus on ex-ante and often guide Lead Reviewers to future and current performance. Final judgements and ratings are informed by the scope and scale of the performance challenge.

Part One: Leadership, Direction and Delivery

Purpose, Vision and Strategy

How well has the agency defined and articulated its purpose, vision and strategy to its staff and stakeholders?

How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?

Performance Rating: **Strong**



Leadership and Governance

How well does the senior team provide collective leadership and direction to the agency?

Performance Rating: **Strong**



Values, Behaviour and Culture

How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction?

Performance Rating: **Strong**



Structure, Roles and Responsibilities

How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business?

How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?

Performance Rating: **Strong**



Review

How well does the agency encourage and use evaluative activity?

Performance Rating: **Well placed**



Leadership, Direction and Delivery

NZTE's purpose 'is to grow companies internationally – bigger, better, faster – for the benefit of New Zealand', as part of the Government's BGA goal of increasing exports from 30% of 40% of GDP by 2025.

This purpose is deeply embedded in the consciousness of NZTE staff, with the colloquial understanding of the BGA within NZTE being that it is our 'light on the hill'. This is articulated within the organisation's narrative as 'we work for a cause – not an institution'. There is a deeply held commitment within NZTE to be part of a broader New Zealand agency ecosystem (NZ Inc) which shares ultimate responsibility for the collective delivery of the Government's BGA.

The depth to which the purpose and vision is understood and internalised by NZTE staff at all levels and within all functional areas is impressive. NZTE's staff understand with absolute clarity what NZTE stands for, which is translated within the organisation as 'the greatest imaginable challenge – growing New Zealand'. Within NZTE, this is expressed as the growth rate of the NZTE customer portfolio (\$0 to \$500 million international revenue) reaching 10% per annum by 2018, which will result in the NZTE customer portfolio's international revenue doubling by 2025. This is well understood by staff who are highly committed to meet this challenge.

The BGA and the greatest imaginable challenge metrics are interpreted by NZTE staff as being simply what the business has to achieve. In discussion with staff these metrics are never explained away as being aspirational (in the sense that they could not be achieved) or imposed. The symbolism of 'our light on the hill' is powerfully translated within NZTE as seven critical challenges (each with its own set of goals and actions) that need to be achieved in order to deliver the necessary results.

The core of NZTE's strategy is to concentrate its effort on growing a portfolio of 700 intensively serviced customers (the F700) and coalitions (business-led groups of companies) as the basis of doubling the international revenue of this portfolio (\$0 to \$500 million international revenue) by 2025. Underlying NZTE's strategy is a strategic framework that essentially provides companies with services matched to their needs, attracts and mobilises capital to support business growth and grows groups of companies by bringing together go-to-market, business-led coalitions. Central to the strategic framework is NZTE's customer engagement implementation methodology, the Customer Way.

The strategy flows through the framework into the Customer Way, which is a cornerstone piece for NZTE. The Customer Way facilitates segmentation and consequent portfolio management of customers. We found universal support amongst staff for the Customer Way and while there may still be some variability in its execution, it is certainly on an upward trajectory. The Customer Way is perceived by staff not simply as a standardised methodology, but rather as a framework for thinking and revealing issues as well as a diagnostic. Furthermore, it is seen by staff as a way of harmonising the way things are done at NZTE.

It is important to ensure that the Capital strategy is well integrated and not developed as a result of a vacuum of policy. NZTE's Capital strategy rests on four pillars being foreign direct investment (FDI), offshore direct investment (ODI), sectors and regions and capital mobilisation ('Better by Capital'). Significant work has been done to advance the capital credibility of NZTE, which is still in the evolution phase. More progress will be dependent on MBIE's policy refresh around FDI, which needs to move to completion. Ultimately FDI must be strategic capital, not just capital.

Stakeholders (within NZ Inc as well as customers) generally have a clear understanding of NZTE's articulated purpose, vision and strategy. This clarity has particular utility for customers as it facilitates ease of access and use. One customer explicitly described their NZTE relationship as 'business-to-business' as opposed to their relationship with other elements of NZ Inc, which they described as a 'business-to-government'. Interestingly, while other government agencies have a clear understanding

of NZTE's articulated purpose, they did not all appear to share (at least to the same degree) NZTE's strident and deep commitment to the BGA. It is possible that the conflicting mandates of other agencies contribute to this, however, a profound collective commitment across the ecosystem is crucial for the BGA to be successfully achieved.

NZTE is alert to the dynamic context in which it operates and is thoughtful about both its purpose and role and how these may evolve in an incremental or disruptive way. In this context the question 'does NZTE need to exist' is regarded as a legitimate question to which consideration is given. It would be advisable though for NZTE to undertake some structured scenario planning in this domain.

The Lead Team provides very strong collective leadership for NZTE. There is clarity of direction, alignment and the intervention logic is firmly set in place. The Lead Team demonstrates a highly collaborative way of working and communication, which is indispensable to effective leadership, is a real strength of both the Chief Executive and the Lead Team. The Chief Executive in particular has a highly refined capacity for communication.

The Lead Team operates around a 'rule of thumb' which comprises goal clarity, consistent messaging, good quality information, feedback and coaching and also consequences. This approach appears to be well understood and staff engagement surveys reveal that staff believe in what the organisation is trying to accomplish, there is a sense of common purpose and there is confidence in NZTE's leadership.

Management and staff feel supported and staff feel a real sense of opportunity to develop their potential within the organisation.

There is powerful support and admiration for the Chief Executive, who is described as energetic, dynamic, supportive, approachable, inspiring, driven, a team player and totally committed to the cause. The insight that we gained is that for quite a time the organisation's momentum was very dependent on the Chief Executive, but that is now changing as the Lead Team has stepped up very well.

The Lead Team's leadership is excellent and that of the Chief Executive exemplary. However, there are signs within in the organisation that the Lead Team needs to reflect on and respond to. The Lead Team needs to create more time for renewal and embedding current projects and initiatives. Central to this is to limit new initiatives and projects and dilute the perception that the Lead Team is 'addicted to action'. Now that the organisation's performance is at a higher level, the Lead Team needs to move faster and more purposefully to 'let go'.

The NZTE Board provides governance over NZTE's strategy and future operating intentions. The Board, which has a talented Chair and a diverse, relevant and coherent composition, has credibility and is seen to be effective, adding significant value. There is a very positive and constructive relationship between the Chair and the Chief Executive based on mutual respect and challenge.

Board meetings occur bi-monthly with an agreed theme at each meeting (strategy, capital, international, customers, services and people) as well as individual deep dives (for example NZ Inc, technology, coalitions, Māori business, regional update and NZ Story). There are three Board committees (Audit and Risk, Human Resources and Remuneration and the International Growth Fund Committee) all of which are functioning well and adding value. These committees help identify and manage critical risks. It is our view that the Board is very committed to the sense of purpose of NZTE and has played a key role in the organisation's transformation.

Over the next four years, Board composition will be critical to embed the strategic leadership required for NZTE to satisfy the conditions of success outlined in the performance challenges. High level governance skill-sets and experience around knowledge management, intelligence and insight, lived

Leadership, Direction and Delivery

experience in internationalising a New Zealand company successfully, a depth of applied experience of regional development, and financial management skills should be given strong consideration when reappointing/appointing new Board members.

Board and management see potential and are working towards improving NZ Inc interfaces (particularly with Callaghan Innovation) as part of enhancing the broader New Zealand agency ecosystem viability.

NZTE is very advanced in its development of internal culture and values. NZTE's organisational 'character' is 'to work together as one team, making a difference'. This is supported by behaviours that demonstrate being adventurous (ambitious and determined to reach new heights), agile (proactive coupled with a sense of urgency in order to get results more quickly) and astute (the wisdom and credibility to make the best judgements). NZTE places very strong emphasis and focus on its character and values in order to enhance its level of responsiveness, considered risk taking and a commercial focus. The Lead Team is recognised as consistently and transparently living by the character and values. The annual NZTE 'Pounamu Awards' recognise staff and teams who exemplify the character and values.

Staff engagement has increased significantly from 69% in 2010 to 81% in 2014, although there has been a slight dip in the most recent staff engagement survey. This slight dip is very likely to relate to the point made earlier that the Lead Team need to ensure that their discourse of 'less is more' needs to feel like 'less is more', creating adequate time both for renewal and embedding current projects and initiatives. NZTE's staff engagement index is significantly higher than the State services benchmark and also higher than the private sector benchmark.

The NZTE culture supports its purpose and strategy and is highly aligned to the essence of the customer. While the organisational culture work is advanced it is critical not to declare victory too soon, something the Lead Team is well aware of. Ongoing work to further embed the character, values and behaviours is going to be important to take NZTE to the next level (as is a strong focus on consistency).

NZTE is fundamentally structured to be customer facing as well as taking into account its global reach. The structure is designed to integrate functions and facilitate collaboration to provide customers with the continuum of support and service they require. NZTE does not have the archetypical silo problem and customers find accessing NZTE's range of support and services relatively simple.

The key customer facing elements of the structure (customers, services, capital and international) integrate well, somewhat reflective of the collaborative manner in which the Lead Team operate. The customer facing elements of the structure are well supported by internal partners (corporate services) and by the strategy and performance area (NZ Inc relationships, strategy development, business intelligence and performance monitoring).

Roles and responsibilities are clearly delineated and performance measures are well developed. The performance measures link to both the BGA and 'greatest imaginable challenge', with the four key measures being customer portfolio growth, customer deals, customer perception and capital deals. These measures are further segmented into impact measures and management measures for which there is clear accountability.

In 2011 NZTE developed a performance improvement work programme that identified a coherent set of internal and externally focused challenges aimed at transforming NZTE and lifting performance. The challenges were updated again in 2013. Each general manager is responsible for at least one

improvement challenge and a detailed range of current dashboards are used to analyse and assess performance. Within this process there is an opportunity for NZTE to enhance business intelligence and insight.

To ensure that its structure and responsibilities align with the priorities of Government, NZTE has refocused its capital function, redesigned its customer-engagement engine, worked more closely with NZ Inc partners and boosted representation in China and emerging markets.

NZTE is active in review through its comprehensive 'challenge framework' and rigorous 90-day planning process. This is supported by the extensive key performance indicator driver tree and the multiple dashboards (currently 15).





The Customer Way includes mandatory 90 days reviews of F700 customers which are used to determine effectiveness and identify how the most value can be created for that company. These help to identify the key success factors of the most successful companies and bottlenecks for growth. This is an effective process, which is essentially a long term approach broken into 'bite sized' pieces to effect implementation in a disciplined way.

MBIE is generally responsible for evaluations of enterprise development programmes (International Growth Fund and the Regional Business Partners Programme). These evaluations form part of MBIE's 2015 priorities. The result of this review process will assist NZTE to further learn about itself and what more (or different) it may need to do to support companies for growth.

NZTE is an effective learning organisation especially in its use of performance measurement and the customer review process. This will be enhanced with the improved use of business intelligence (as commented elsewhere in this report), which will help NZTE to determine where it is adding the most value as input to refining its operating model, customer segmentation and resource targeting.

ORGANISATIONAL MANAGEMENT

Part Two: External Relationships

<p>Engagement with Ministers</p> <p>How well does the agency provide advice and services to Ministers?</p>
<p>Performance Rating: Strong</p> 
<p>Sector Contribution</p> <p>How effectively does the agency work across the sector?</p>
<p>Performance Rating: Well placed</p> 
<p>Collaboration and Partnerships with Stakeholders</p> <p>How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?</p>
<p>Performance Rating: Well placed</p> 
<p>Experiences of the Public</p> <p>How well does the agency understand customers' and citizens' satisfaction?</p>
<p>Performance Rating: Needing development</p> 

NZTE's ministerial engagement is with the Minister for Economic Development and the Minister of Trade who are jointly responsible for NZTE. The Ministers ensure that an effective Board is in place, participate in setting the direction of NZTE, monitor and review NZTE operations and performance (through MBIE and MFAT) and manage risks on behalf of the Crown. MBIE and MFAT also provide advice on NZTE's core accountability documents. MBIE provides advice on economic development strategy and enterprise support policy, which includes policy advice on the functions of NZTE. Through the BGA, Ministers have set collective goals from NZ Inc of which NZTE is expected to play a full and active role.

The NZTE Board Chair has a trusted relationship with his Ministers (as does the Chief Executive), having delivered impressive change, along with implementing a clear, relevant and effective strategy. To maintain this relationship, it is important for the NZTE Board and Chief Executive to ensure continued delivery of results and also to maintain transparent communication.

From a sector perspective, NZTE is a strong contributor leading several priority actions under the BGA's Export Markets, Capital Markets and Innovation workstreams.

NZTE's Chief Executive is a member of the economic chief executives forum responsible for a collective approach to lifting New Zealand's economic performance. The NZTE Chief Executive is an active, determined and energetic champion of the economic development sector. The government agencies that NZTE works most closely with are MBIE, MFAT, The Treasury, Callaghan Innovation, MPI, Tourism New Zealand and Education New Zealand. Successful collaboration projects include NZ Inc Country Strategies, the NZ Story and the joint response to the whey protein contamination incident. NZTE has partnered with MFAT to establish the Government-to-Government Partnership office that aims to internationalise government-held-know-how and intellectual property to deliver a commercial return to the Crown over time.

NZTE is a strong contributor to the NZ Inc agencies work at home and abroad. We have previously identified NZTE's absolute commitment to the BGA agenda and its willingness and capacity for inter-agency collaboration. We believe there is much greater potential for inter-agency collaboration, and consequently profound impact on the BGA goal, and that the NZTE approach could be a model for this. Ultimately it is only collective belief that will lead to collective action and collective accountability. The degree to which inter-agency collaboration can lead to more valuable insight, based on pooled intelligence, should not be underestimated. Given the opportunity NZTE has by having a foot firmly in two worlds (business and government) it should reflect on how it can effectively and meaningfully bring real world issues into the government agencies in a systematic way.

Overall NZTE is an active and energetic sector player, but the rating for Sector Contribution reflects the need for a more organised and aligned sector and the contribution NZTE may be able to make to this. In doing this NZTE will be very dependent on how the other sector agencies work with it.

NZTE's two main types of customers are the F700 (currently 550 companies and growing) and the Foundation customers (approximately 3,300 companies). Through the Customer Way framework NZTE is able to understand a customer's business model, strategy and specific targets for key markets and how services will be tailored. The annual Customer Experience Survey undertaken in May 2014 shows an improvement in the percentage of customers that agree or strongly agree that NZTE has added value to their business. Additionally, straight after a customer has received a service, NZTE asks the customer to indicate whether they would recommend that service to another business. This is the Net Promoter Score (NPS) which is calculated by taking promoters (those who give a score of 9 or 10) and subtracting detractors (those who give a score of 0 to 6). A score of 40 to 60 is considered to be very good and NZTE's most recently measured NPS is 47.

Feedback in our interviews from customers successfully growing through internationalisation include comments such as:

- "NZTE are central to who we are and what we do"
- "We would not be at the advanced stage that we are without NZTE"
- "We have a trusted advisor relationship with our NZTE customer manager"
- "Without our NZTE Beachheads advisor, we would have made more mistakes"
- "Our relationship with NZTE is a value added relationship"
- "We succeeded in Europe, but without NZTE may have done half as well"
- "If my company hadn't been with NZTE, we would have lacked back-up – we feel safer when NZTE is holding our hands"

External Relationships

- "I can't speak highly enough of the new (last few years) NZTE"
- "If NZTE wasn't there, it could have been a very different outcome" (a now very successful internationalised New Zealand business).

Overall NZTE is a responsive organisation, seeking to understand and integrate its customers' and stakeholders' perspectives to improve its service responsiveness and delivery. The work with the F700 customers in particular is very good and by definition this is a journey without a 'finish line'.

The rating for Experiences of the Public reflects that NZTE could do more in the way it works with its Foundation customers and the Regional Business Partners. With regard to the latter the current MBIE review is likely to provide a clearer direction of travel, but in the current absence of that more can still be done. With respect to Foundation customers, 67% said that NZTE added value to their business, which is a good increase from 58% in 2013. However, as noted, we heard some mixed experiences and consider that a more sophisticated 'one-on-many' approach could be helpful.

ORGANISATIONAL MANAGEMENT

Part Three: People Development

Leadership and Workforce Development

How well does the agency develop its workforce (including its leadership)?

How well does the agency anticipate and respond to future capability requirements?

Performance rating: **Well placed**



Management of People Performance

How well does the agency encourage high performance and continuous improvement among its workforce?

How well does the agency deal with poor or inadequate performance?

Performance rating: **Well placed**



Engagement with Staff

How well does the agency manage its employee relations?

How well does the agency develop and maintain a diverse, highly committed and engaged workforce?

Performance rating: **Well placed**



The fitness for future of NZTE's people development mechanisms was rated extremely poorly at the time of the initial full PIF review in 2011. The position now could hardly be more different, with performance in some of these areas among the best we have seen. The tone is set from the top, that people matter and that good leadership is taken seriously and invested in. Almost everyone interviewed, whether internal or external, described the Chief Executive's style as empathetic and people centred and felt his high personal energy rubbed off onto a committed and happy workforce.

Improvements in these areas are now more in the nature of fine tuning and enhancing the maturity of the people and capability model. As NZTE's talent threshold increases, this business partnering function must continue to further 'lift its game' to support an even higher performing workforce.

The comments in this section should be viewed in the context of a workforce that has 44% of its resources outside New Zealand (many of them locally employed staff).

NZTE places great emphasis on careful workforce planning in the context of a tightly monitored people and capability strategy. Performance reporting and accountability are rigorous and NZTE's people performance dashboard is exemplary.

Regular monitoring shows that NZTE's recruitment brand is in good health and great care is taken in the attraction, sourcing and recruitment process, as well as in inducting new staff. The on boarding process is excellent.

People Development

Most new hires are sourced from the private sector and many return there after a few years' service at NZTE. Many senior hires take quite significant drops in remuneration to join NZTE and most cite the opportunity to work with a strong chief executive and well performing agency as the main attraction (along with the opportunity to serve New Zealand). Unplanned churn is 11-15% and the turnover of top talent sits at around 4% per year.

The (implicit) recruitment proposition is, 'come in here for a while and provide your skills (usually at less pay) in service of your country and then get back to private business'. This has made for a high performance and high energy workforce but the spill over benefits to the wider State services could be enhanced further. We would like to see at least some designed diaspora of NZTE alumni move to other NZ Inc agencies though this would likely require some creative approaches to reward and recognition. We also think some shared appointments could be beneficial to deeper and more authentic ecosystem collaboration.

All staff at NZTE have Personal Development Plans (PDPs) that reflect the competencies that sit under each of NZTE's characteristics: adventurous, agile and astute. The plans are supported by a considerable investment in the coaching skills that ensure managers are providing good quality and timely feedback. Staff report ongoing meaningful, regular and supportive feedback and not just at the time the PDPs are formally reviewed. The 90-day plan disciplines provide a useful vehicle for these discussions.

Comments in the staff engagement survey and 360° feedback suggest that staff feel that though there has been progress, there remains a slight tendency to work in team silos and they would like to lift the game on the 'one team' element in NZTE's character. While this is certainly a valid challenge in a distributed model, we did not ourselves feel, in interviews and focus groups, the existence of silos and found the culture to be unusually unified.

We found in focus groups (which can often be used by staff to vent frustrations in a PIF review) that if a member did express a concern or frustration, other members of the group would 'supportively solutionise' a response to the issue, taking it offline after the meeting to resolve. We have never seen this type of 'self-healing system' before in focus groups. It seems to be the product of an unusually positive and strengths-based culture.

A Learning and Development Framework supports the PDP construct, based on the conventional 70/20/10 mix of experiential learning, learning through others and training programmes. The framework includes leadership development, as well as investment in customer engagement skills and the capacities needed to develop trusted advisor relationships. Assessment and development centres are sophisticated in design.

Leadership development is carefully structured around transparent and simple talent management and mapping frameworks, which also support succession planning. The Board is planning for chief executive succession and the Lead Team is making efforts to identify emergent talent as their own successors.

The organisation has identified the need to move to more mature performance management frameworks for the next stage of its development as a part of its Challenge Framework. Rather than rushing into a new performance ranking system, the test the Lead Team has set itself is to ask:

- What does it mean to be successful at NZTE?
- What behaviours are required?
- What performance system best enables that?

Although active performance management and restructuring have been undertaken over the last few years to ensure a well performing workforce, NZTE is committed to continuing to raise the bar on recruitment and performance quality. There is evidence in the staff engagement surveys that, as this is happening, the workforce's own tolerance of poorer performers is lessening and that top talent would like to see more decisive action taken to address poor (in a relative sense) performance. It is our understanding that that poor performance is decisively managed, however, as this is done 'under the radar' it may not always be understood by the wider audience.

Health and safety is tightly monitored, taken seriously and modelled from the top by the Lead Team.

Following calls for this in earlier staff engagement surveys, efforts have been made to celebrate success and recognise individual achievements in order to show clear line of sight between individual actions and portfolio impact. Regular story telling is one mechanism for this, as are the annual Pounamu awards, which recognise heroes and celebrate progress on strategy execution – this area continues to be a work in progress.

In short, people and capability management at NZTE is excellent. It is systematic, professional, ambitious for continuous improvement and producing great results.

Perhaps the greatest achievement in this area is the lift in staff engagement scores, from 69% in 2010 to 81% last year. This coincides with material lifts in customer satisfaction and these are likely to be connected. The verbatim comments in the engagement survey are very positive in that staff are clearly passionate about the cause and excited by the 'light on the hill'. They admire their Chief Executive and Lead Team's leadership energy.

However, as noted above, the results, when read closely, do suggest some fatigue with the relentless pace of change and a wish that the Lead Team would sometimes take a break. While action and adrenaline are admirable, organisations and their people need a rhythm in their development, to allow for insights born from reflection and evaluation to guide progress, in addition to those from excitement, action and speed. To harness these more contemplative insights, the Lead Team members will have to moderate their mostly extrovert and driven styles and their much commented on penchant for 'bright shiny new things'.

Now that systematic performance and workforce development mechanisms are in place, it may also be that NZTE should take some higher risk on recruiting some 'disruptive talent', in the interests of intellectual diversity. Just as NZTE's client organisations are having to use rapid prototyping skills and divergent thinking as they reinvent their business models, products and services, so NZTE may benefit from some 'start up' type talent to stimulate 'out of the box' thinking and work with some of its younger companies. While the polish and professionalism of this workforce is admirable, there may also be some risks in being overly corporatised.

ORGANISATIONAL MANAGEMENT

Part Four: Financial and Resource Management

Asset Management

How does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?

Performance Rating: **Needing development**



Information Management

How well does the agency manage and use information as a strategic asset?

Performance Rating: **Needing development**



Improving Efficiency and Effectiveness

How robust are the processes in place to identify and make efficiency improvements?
How well does the agency evaluate service delivery options?

Performance Rating: **Needing development**



Financial Management

How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?

Performance Rating: **Needing development**



Risk Management

How well does the agency manage its risks and risks to the Crown?

Performance Rating: **Needing development**



The 2011 PIF review made recommendations about transforming efficiency through process flow improvements and IT, corporate functions as business partners and enhanced knowledge management. Progress made against these includes secure mobile technology, the Lync communication system which is helping to connect NZTE offices, an upgrade of the Customer Relationship System (CRM), Google Search and a new document management system.

Corporate systems are performing adequately with only a small number of matters requiring urgent attention. Among these is the offshore network speed which causes considerable frustration in offshore offices and the document management system where NZTE is the first user of an all-of-government solution which is having platform performance problems.

But while corporate systems are performing adequately, in our view they can and should aspire to a much higher level, as we note in the Four-year Excellence Horizon. NZTE is not alone in this, many public sector organisations face the same challenges and the standards to aspire to come from the leading private sector companies. Overall this will require a more active and richer business partnering approach with the business in order to improve organisational performance. We comment below on some aspects of this.

Knowledge management

NZTE is currently a largely intuitive and beliefs based organisation. Its CRM and document management system (which has identified problems to be resolved) are starting to gather considerable information, much of which is qualitative. NZTE's challenge now is to develop business intelligence that will guide its work in the future (for sustainable, repeatable decisions) and help with wider NZ Inc interventions. As an example business intelligence and consequent insight around the following questions would be incredibly powerful:

- What happens in two years' time to the companies that receive NZTE services?
- What size and type of company benefit most from NZTE services?
- What services are making the most difference?
- Which strategies are succeeding in which markets?
- How to identify market risks?
- What mega-trends can be extrapolated when NZTE stands back from the day-to-day?

NZTE has a knowledge management strategy but progress on it has been slow. As noted in the Four-year Excellence Horizon, it seems sensible to co-invest with other NZ Inc agencies in a business intelligence project or a data analytics hub for the system. Sharing the knowledge between NZTE and other agencies like Callaghan Innovation and MBIE will have great benefits. There needs to be greater clarity about the rationale for intervention and for this clarity to be created there needs to be a more highly refined evidence base. A strategic approach to knowledge management can deliver this evidence base.

The NZTE paradigm around knowledge management is still to be matured with respect to both big data and data analytics. This is a significant opportunity to create an effective platform for insight.

Financial management

In the duality between fiduciary and strategic, the financial management approach at NZTE tends towards the fiduciary. This is both very important and effective from a risk management perspective (critically important as these are taxpayer dollars), however, more emphasis on a strategic financial approach (without diluting the fiduciary strength) would serve NZTE well. This is particularly important if NZTE is to be even more sophisticated in its customer segmentation and portfolio management as well as in determining investment priorities with greater sensitivity and specificity.

A more refined understanding of the effectiveness and costs of NZTE's range of interventions is needed to drive future prioritisation. As an example, NZTE is expending 80% of its effort on the F700 customers – is this the right amount? This understanding will help NZTE's leadership to better link performance and resources.

Risk management

In regard to risk, the Board Audit and Risk Committee meets quarterly and follows a clear programme of work, which includes regular agenda items as well as areas of interest or concern. The risk management process and framework is sound, however, potential improvements include rebalancing the weight between operations and strategic, encouraging more 'bottom-up' involvement in risk and a clearer articulation of the organisation's risk appetite.

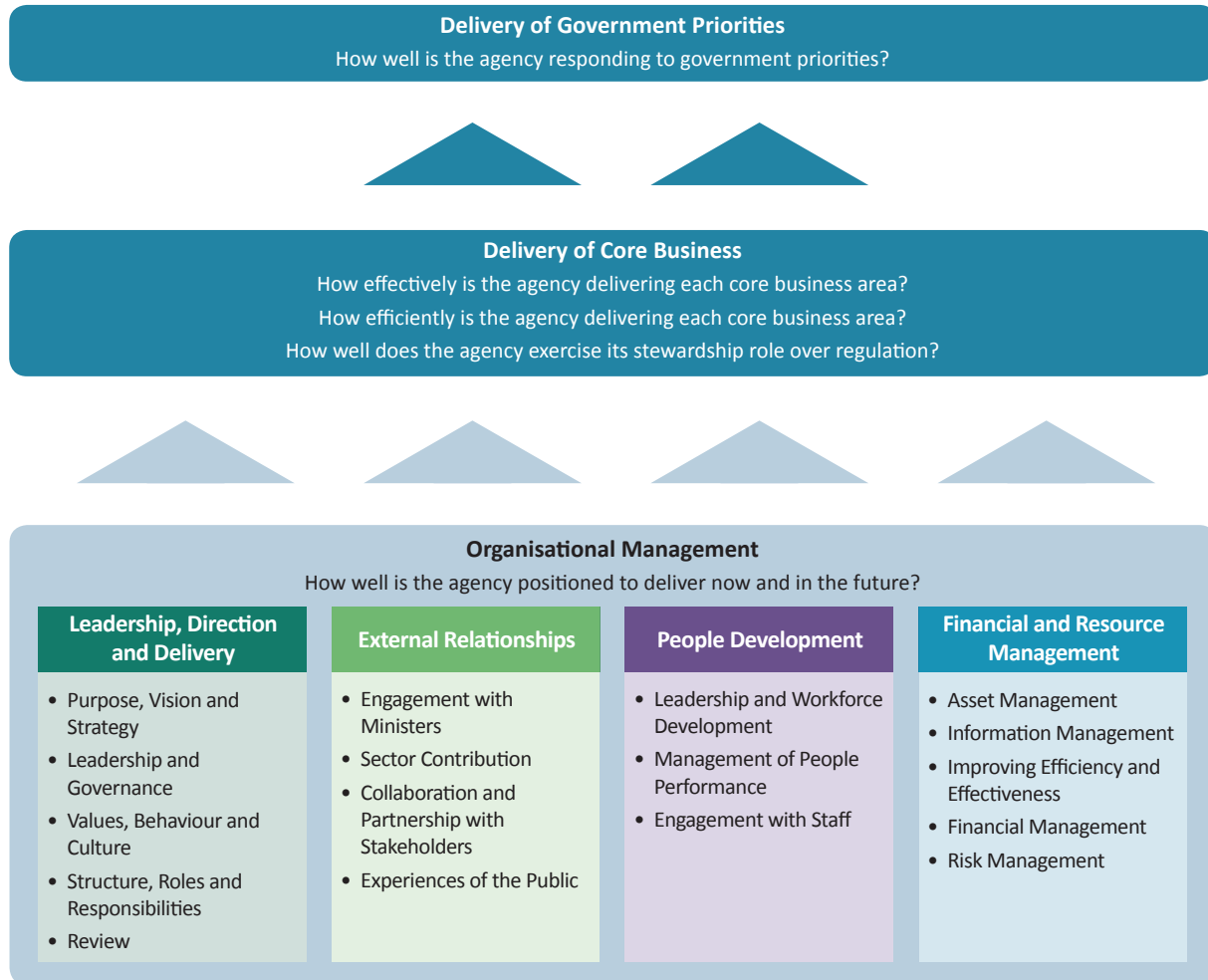
Other

Other areas for attention are:

- a more strategic approach and documented plans for future IT and asset management requirements
- consideration of an enterprise project management office approach to assist scheduling, coordination and implementation
- a more consistent approach to testing organisation-wide efficiency
- improvement to certain specific corporate procedures, which users still report as unwieldy. These include certain approvals, delegations and budget holding – for example, 100 budget holders appears too many for an organisation of NZTE's size.

APPENDIX A

Overview of the Model



Lead Questions

Results

Critical Area	Lead Questions
Government Priorities	1. How well is the agency responding to government priorities?
Core Business	2. How effectively is the agency delivering each core business area? 3. How efficiently is the agency delivering each core business area? 4. How well does the agency exercise its stewardship role over regulation?

Organisational Management

Critical Area	Element	Lead Questions
Leadership, Direction and Delivery	Purpose, Vision and Strategy	5. How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership and Governance	7. How well does the senior team provide collective leadership and direction to the agency? 8. How well does the Board lead the Crown entity? (For Crown entities only)
	Values, Behaviour and Culture	9. How well does the agency develop and promote the organisational values, behaviours and culture it needs to support its strategic direction?
	Structure, Roles and Responsibilities	10. How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business? 11. How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?
	Review	12. How well does the agency encourage and use evaluative activity?
External Relationships	Engagement with Ministers	13. How well does the agency provide advice and services to Ministers?
	Sector Contribution	14. How effectively does the agency work across the sector?
	Collaboration and Partnerships with Stakeholders	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?
	Experiences of the Public	16. How well does the agency understand customers and citizens' satisfaction?
People Development	Leadership and Workforce Development	17. How well does the agency develop its workforce (including its leadership)? 18. How well does the agency anticipate and respond to future capability requirements?
	Management of People Performance	19. How well does the agency encourage high performance and continuous improvement among its workforce? 20. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	21. How well does the agency manage its employee relations? 22. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	23. How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery and drive performance improvement over time?
	Information Management	24. How well does the agency manage and use information as a strategic asset?
	Improving Efficiency and Effectiveness	25. How robust are the processes in place to identify and make efficiency improvements? 26. How well does the agency evaluate service delivery options?
	Financial Management	27. How well does the agency plan, direct and control financial resources to drive efficient and effective output delivery?
	Risk Management	28. How well does the agency identify and manage agency and Crown risk?

APPENDIX B

List of Interviews

This review was informed by input provided by a number of NZTE staff, relevant Ministers, and by representatives from the following businesses, organisations and agencies.

Agency/Organisation
ADInstruments Ltd
ANZCO Foods Ltd
AsureQuality Ltd
Auckland Tourism, Events and Economic Development Ltd
Callaghan Innovation
Comvita Ltd
Dairy Goat Cooperative
Data Torque Ltd
Eleven Ltd
Howick Ltd
KPMG
Ministry for Primary Industries
Ministry of Business, Innovation and Employment
Ministry of Foreign Affairs and Trade
Scott Technology Ltd
Serato Ltd
Shott Beverages Ltd
Synlait Milk Ltd
The Treasury
Vista Entertainment Solutions Ltd
Winsborough Ltd
Wynyard Group Ltd

