

Running today's businesses for tomorrow



89%

of New Zealand CEOs are confident about their company's growth prospects

91%

of New Zealand CEOs believe that technology will be the biggest transforming trend for their businesses

71%

of New Zealand CEOs are concerned about overregulation as a threat to their growth prospects

The global context 4

Confidence in growth 6

- Global and New Zealand economic outlook 6
- Offshore markets 7
- The lucrative Asian premium class 8
- The digital space 9
- Moving from big data to intelligent data 9

Challenges to growth 10

- Government and regulatory change 10
- Food safety and security 11
- Social licence to operate 11
- Protecting security, privacy and integrity 12

Preparing organisations to be fit for the future 13

- Technological advances 14
- Customer-driven businesses 14
- Developing a new national skill set 15
- Demographic drivers 15
- Appetite for regulatory ease 15

Tomorrow's workforce 16

- Embracing the changing workforce 18

The changing stakeholder environment 18

- Identity crisis 18
- Trust 18

The need for hybrid leadership 20

- Where do we start? 20
- The changing face of strategic planning 21
- The whole picture 22
- The CEO legacy 23

So you want more data? 24

New Zealand CEOs' in-depth interview summaries 26

- Peter Chrisp, New Zealand Trade and Enterprise 26
- Peter Clare, Westpac 26
- Naomi Ferguson, New Zealand Inland Revenue 27
- Bruce Hassall, PwC New Zealand 27
- Doug Heffernan, Mighty River Power 28
- Nigel Morrison, SKYCITY 28
- Simon Moutter, Telecom 29
- Mike Pohio, Tainui Group Holdings 30
- Mark Powell, The Warehouse Group 30
- Andrew Thorburn, BNZ 31

Foreword



Welcome to our New Zealand supplement to PwC's 17th Annual Global CEO Survey.

I'd like to express my sincere thanks to the New Zealand CEOs who took the time to participate in the survey, with particular thanks to those who took part in the in-depth interviews. Their thoughts and opinions have been invaluable and I strongly believe we are lucky to have such high calibre leaders helping to shape the future of our country.

Our survey explored CEOs thoughts on growth, the global trends transforming business, and how they are preparing their organisations to be 'fit for the future'.

What we found was that CEOs in New Zealand are facing many of the same challenges and opportunities identified by our Global CEO Survey results. However, they are significantly more optimistic about the outlook for the global economy and their business revenue growth over the next 12 months, with 63 percent believing the global economy will improve and 89 percent confident about their business growth.

In New Zealand, 2014 will undoubtedly be a year of change and opportunity for business. The year started positively as the self-sustaining global economic recovery continued to gain momentum. Yet, more recently, the previous uncertainties surrounding China and emerging markets (such as Turkey, Argentina, Russia, Thailand and South Africa) have re-emerged and with that, we are seeing a greater risk aversion in the global marketplace.

Heading into an election, it is interesting to note the appetite amongst New Zealand CEOs for a less constraining regulatory environment. It will certainly be interesting to see how this plays out.

I hope you will find the insights in this report useful. The survey aims to inform and stimulate debate amongst Government, business leaders and other interested parties about how businesses are facing today's challenges and capitalising on opportunities for tomorrow.

Please don't hesitate to contact me with any thoughts, ideas, concerns or questions. I would welcome the chance to discuss the survey and results with you in further detail.

Bruce R Hassall
CEO and Senior Partner
PwC New Zealand

About the survey

- The 17th Annual Global CEO Survey was released at the World Economic Forum held in Davos, Switzerland on 21 January 2014. It provides an insight into the thinking of some of the world's most prominent business leaders.
- The global survey results are based on the responses from 1,344 CEOs from 68 countries between September and December last year¹.

Learning more about New Zealand CEOs

- Forty-three New Zealand CEOs contributed to the survey; including 35 online survey respondents and 11 in-depth face-to-face interviews². These CEOs lead companies with a combined annual revenue of approximately NZ\$39.5 billion, employing around 65,000 people, across a diverse range of industries³. Our results have been collated to produce the New Zealand supplement.
- The New Zealand supplement focuses on the challenges, opportunities, changing operating environment, and shifting expectations specific to doing business in New Zealand.

¹ Not all figures add up to 100%, due to rounding of percentages and exclusion of 'neither'/'nor' and 'don't know' responses.

² Three of our online survey respondents also participated in an in-depth interview (therefore the total number of interviewees does not equal 46). And one in-depth interview participant contributed anonymously.

³ Company information is based on publicly available information and estimates for 2012/13.

What New Zealand CEOs said...



Snapshot

- New Zealand CEOs are more confident than their global peers about the strength of the global economy and their revenue growth prospects.
- They have switched from survival mode to transforming their business to be fit for the future.
- They recognise they face challenges to growth, stemming from three key global megatrends - technological advances, demographic changes, global economic power shifts.
- They are also very concerned about overregulation and the availability of key skills, and how this will impact their business growth prospects.
- In most areas of business, at least three-quarters of CEOs acknowledge the need to make strategic changes, or are making changes, in response to global forces.
- CEOs are also concerned about measuring and reporting their total business outcomes on society, and building trust with their stakeholders.

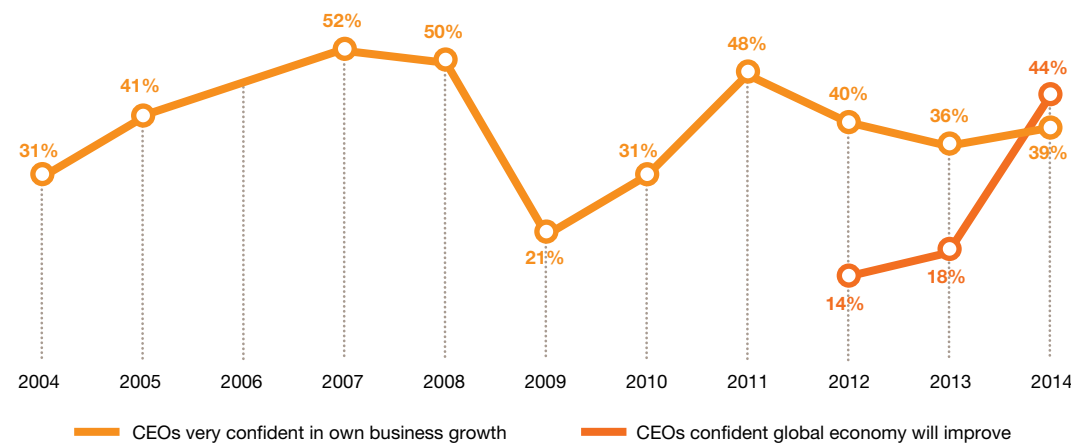
The global context

Globally, CEOs are more positive about the state of the global economy than in the previous year. Forty-four percent think it will improve in the next 12 months, compared to 18 percent in 2012, while only seven percent thinking it will deteriorate, compared with 28 percent in 2012.

Yet, the global economy is still fragile. Generating growth in the post-crisis environment remains a challenge. CEOs remain cautious about whether stronger global growth will translate into growth for their own company.

CEOs are more confident the global economy will improve than they are about their own business growth prospects

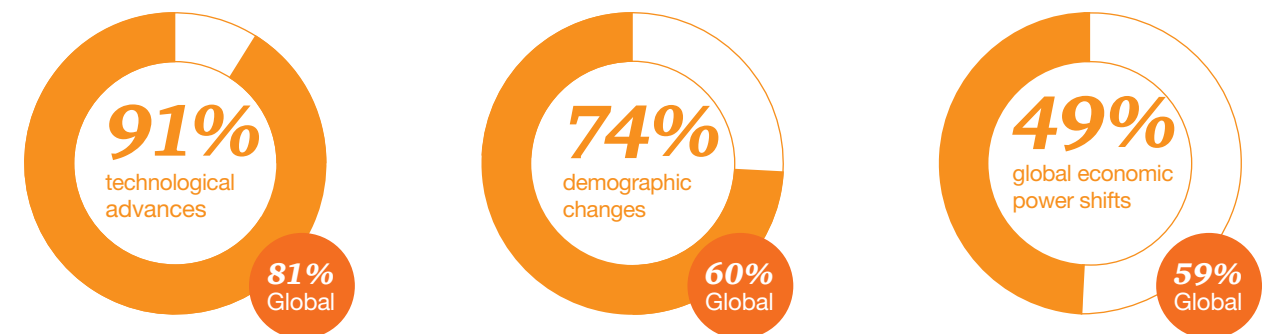
Q: How confident are you about your company's prospects for revenue growth over the next 12 months?
Q: Do you believe the global economy will improve, stay the same, or decline over the next 12 months?



Source: All respondents (2014=1,344; 2013=1,330; 2012=1,258; 2011=1,201; 2010=1,198; 2009=1,124; 2008=1,150; 2007=1,084; 2006 (not asked); 2005=1,324; 2004=1,386)

New Zealand CEOs identified three transformative global trends

Q: Which of the following global trends do you believe will transform your business the most over the next five years? (Top three trends New Zealand and global CEOs named)



Source: All New Zealand (online) and global respondents

CEOs told us they think three big trends will transform their businesses in the coming five years – technological advances, demographic changes, and shifts in global economic power. The interplay between these three trends will be as significant as the trends themselves. Together, they will create many new opportunities for innovation and growth, but they will also raise many new challenges.

CEOs are naturally wary, after coping with the worst economic crisis in 80 years. However, the future has an unfortunate way of sidelining those who choose to wait and see. To pilot their organisations through times of enormous change, CEOs will have to become hybrid leaders, comfortable straddling two worlds to draw on the best of the old while operating at the frontiers of the new.

Leading a business that is 'fit for the future'

CEOs know these three transformative trends will change the way they do business. At least 75 percent globally recognise the need for change; are developing suitable strategies; have concrete plans for change; or have already started making changes. But very few CEOs have completed these changes and many worry that parts of their business are not ready to act.

In a world that's changing beyond all recognition, the very purpose of business – not just its practices – will come into question. Most CEOs recognise that business has social as well as financial responsibilities. They believe it's important to balance the interests of different stakeholders, such as the communities they operate in, rather than focusing solely on investors, employees and customers.

Confidence in growth

Economic outlook

"I think the New Zealand economy is quite strong and will continue to be quite strong in the next few years. The only uncertainty would be a major external shock – if the US went back into recession or China had a social or economic trauma... But I think both of those are unlikely in the three-year horizon. So for New Zealand it is positive. I think the fundamentals and the economics for New Zealand are better than they have ever been."

Andrew Thorburn,
BNZ

Global

New Zealand CEOs believe the global economic outlook is broadly positive. Sixty-three percent believe the global economy will improve in the next 12 months, compared to 44 percent globally and 45 percent in Australia.

Most economic indicators worldwide are heading in the right direction, but there is still an element of uncertainty. The US economy will continue to gain strength, Asia is re-emerging as a dominant influence, and Europe is slowly recovering, albeit growth is still patchy. Australia largely escaped the initial impact of the Global Financial Crisis (GFC) through the mining boom, but its outlook for growth is expected to remain below trend for 2014.

New Zealand

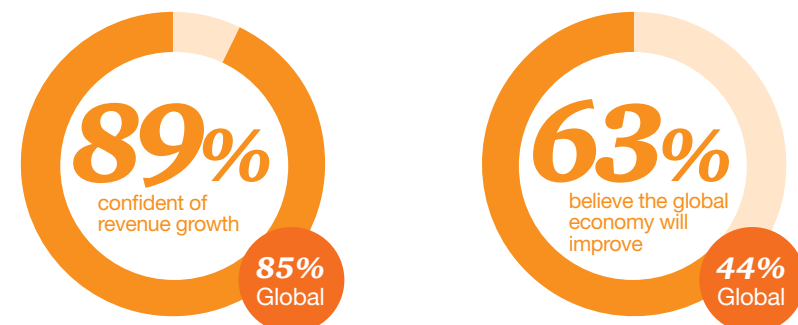
Closer to home, New Zealand's economy has frequently been referred to as the 'rock star' economy of 2014. This level of optimism is largely echoed by the CEOs we interviewed. The overall sense of positivity is fuelling growth prospects across the domestic market. However, with escalating house prices and strong agricultural performance fuelling confidence levels, many remain nervous about how a strong dollar will challenge our exports, particularly our manufacturing sector exports to Australia.

The reality is our manufacturing exporters selling in US dollars have adjusted well. Business investment and jobs have not been adversely impacted by the 'high' New Zealand dollar. The evidence shows New Zealand exporters have been more proactive and sophisticated at managing their currency risks than their Australian counterparts.

New Zealand CEOs are confident they can increase revenue in the next year, and believe the global economic outlook is broadly positive

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?

Q: Do you believe the global economy will improve over the next 12 months?



Source: All New Zealand (online) and global respondents

Growth opportunities

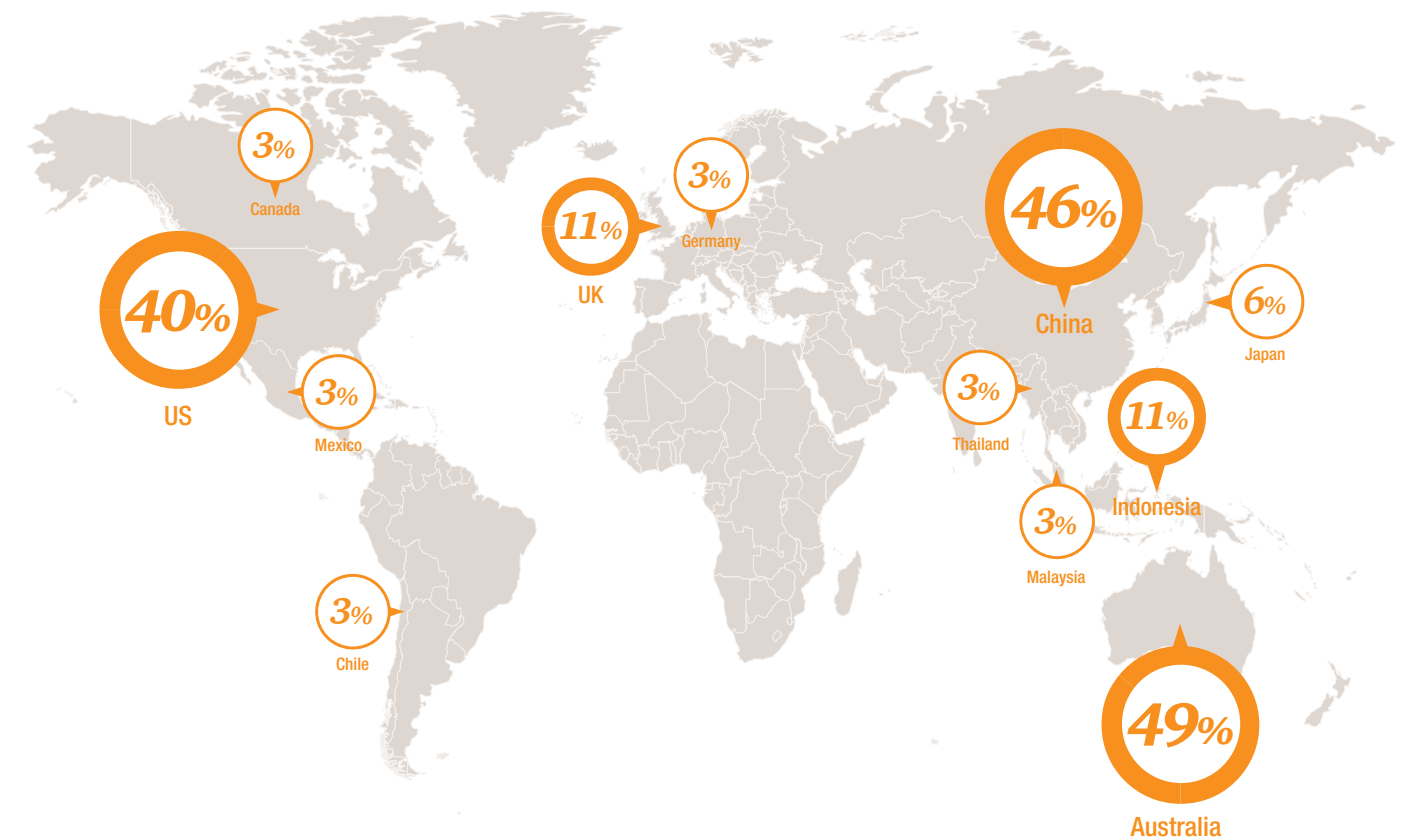
Offshore markets

Despite Australia's growth slowdown, when asked to identify the countries most important to their growth in the next 12 months, 49 percent of New Zealand CEOs selected Australia (interestingly, only nine percent of Australian CEOs considered New Zealand important for their growth prospects).

The top five countries were rounded out by China on 46 percent, the US on 40 percent and the United Kingdom and Indonesia on 11 percent. Twenty percent of CEOs selected none of the countries listed.

New Zealand CEOs look to advanced and emerging economies for growth opportunities

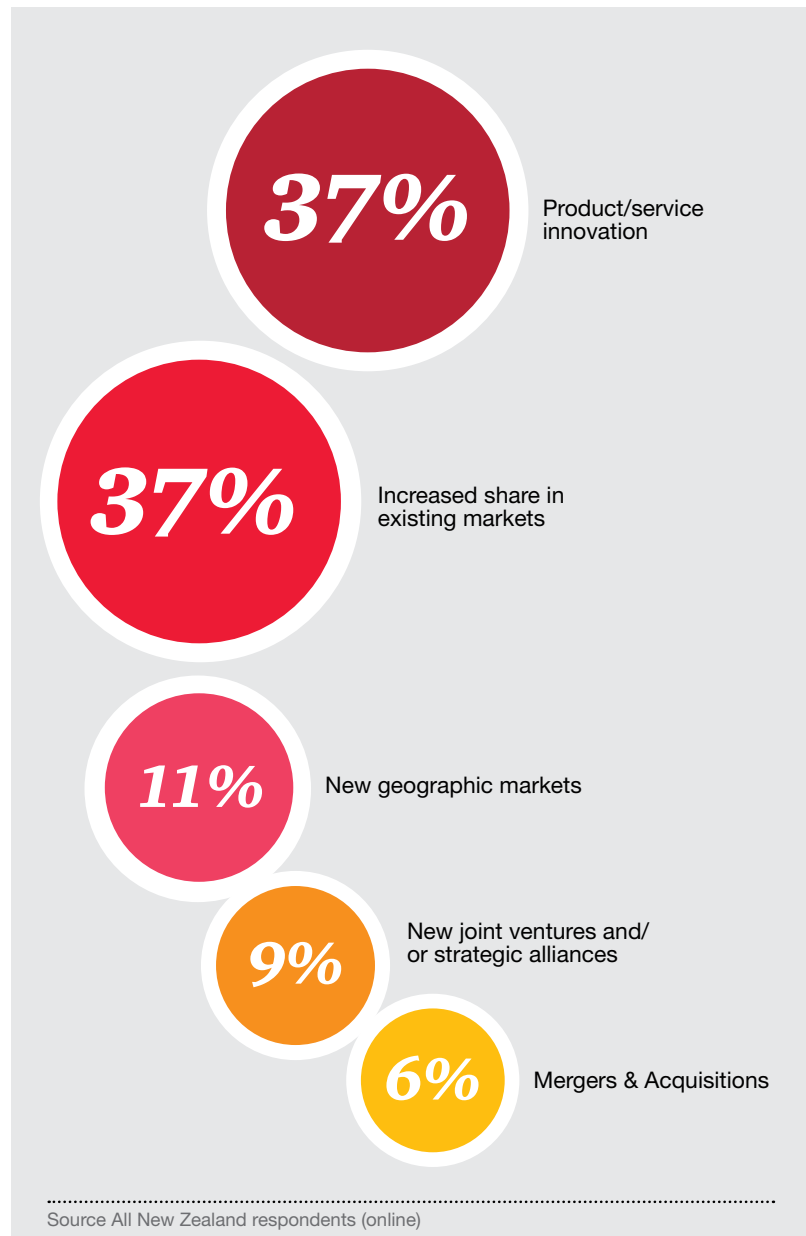
Q: Which three countries, excluding the country in which you are based, do you consider most important for your overall growth prospects over the next 12 months?



Source: All New Zealand respondents (online)

New Zealand CEOs are focusing more heavily on new products and services, and increasing share in existing markets this year

Q: Of these potential opportunities for business growth, which one is the main opportunity over the next 12 months?



The lucrative Asian premium class

While China is now New Zealand’s largest trading partner, Asia in the broader sense presents huge opportunities for growth. The Asian premium class, which sits above the affluent middle-class, is fast becoming the most lucrative as their appetite for luxury products continues to rise. Appealing to these high-net-worth individuals is firmly on the radar for most New Zealand CEOs, with 57 percent seeing growth across the Asia Pacific economies as an opportunity to grow their business. This brings with it the requirement for a greater understanding of Asian markets and associated cultural protocols.

Additionally, the recent reform of China’s one child policy is likely to result in a modest consumption boom for the global economy longer term.

“We are absolutely living through the re-emergence of Asia in the broader sense, as the global economic power house. Ignoring the inevitable rise of the East and decline of the West is folly. And we, in New Zealand, will benefit from our relative proximity to this growth.”

Peter Clare,
Westpac

“We seem to have a strong ingenuity and a resourcefulness here in New Zealand, with a weightless product that has delivered a remarkable capacity to do digital innovation. There are a thousand reasons for that and a lot of it is about our creativity that is embedded here in our DNA. And around the world, some of the bigger companies in large countries scout New Zealand for digital innovation. We are an incubator for innovation. So I think the digital companies are going to continue to grow.”

Peter Chrisp,
New Zealand Trade and Enterprise

The digital space

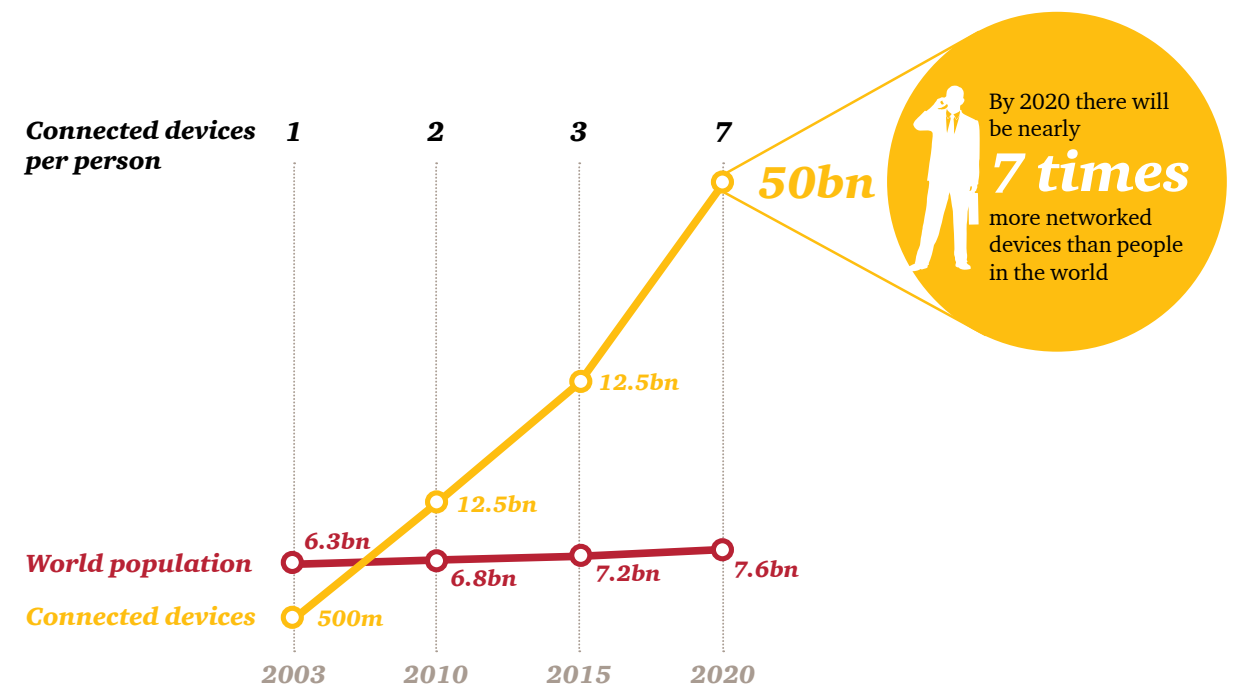
New Zealand’s digital and cloud-based computing companies are exhibiting fast growth. The emergence of the customer as the central driver for change is more relevant than it has ever been. New Zealand companies are rapidly evolving to meet their customers’ digital needs – 24/7 access, personalised content and co-creation between companies and customers as examples. Consumers have developed much greater maturity in the way they use social media and networks, swapping information and advice on the virtual airwaves. The customer experience is then shared, with large audiences, creating enormous opportunities with even greater vulnerability.

Moving from big data to intelligent data

CEOs are very aware of the potential offered by big data, particularly for customer relationship management. The greatest challenge for all businesses is to understand what big data means and more importantly, that big data in itself does not necessarily mean customer insights. Organisations must understand how they both capture and use the increasing range of data available to them to deliver a better and more competitive experience for customers, and to underpin productivity, growth and innovation in their business.

There is also recognition it may not be possible to access the full potential offered by big data in isolation. CEOs are starting to consider how they might partner with other businesses to make the most of opportunities in this space. Of the New Zealand CEOs interviewed, 49 percent had entered into a new strategic alliance or joint venture in the previous 12 months, compared to just 34 percent globally.

The number of connected devices is increasing dramatically



Source: Cisco Internet Business Solutions Group

Challenges to growth

Government and regulatory change

CEOs identify the regulatory environment and Government tenure as significant inhibitors to growth. Seventy-one percent of New Zealand CEOs were either somewhat or very concerned about the threat of overregulation to their organisation, while 77 percent said the Government could improve the policy setting process, with regard to regulation, by focusing more on outcomes rather than processes. This compares to 37 percent globally.

Organisations want to be innovative to keep up with customer demand, while at the same time meeting their regulatory obligations. Finding the right balance is a challenge.

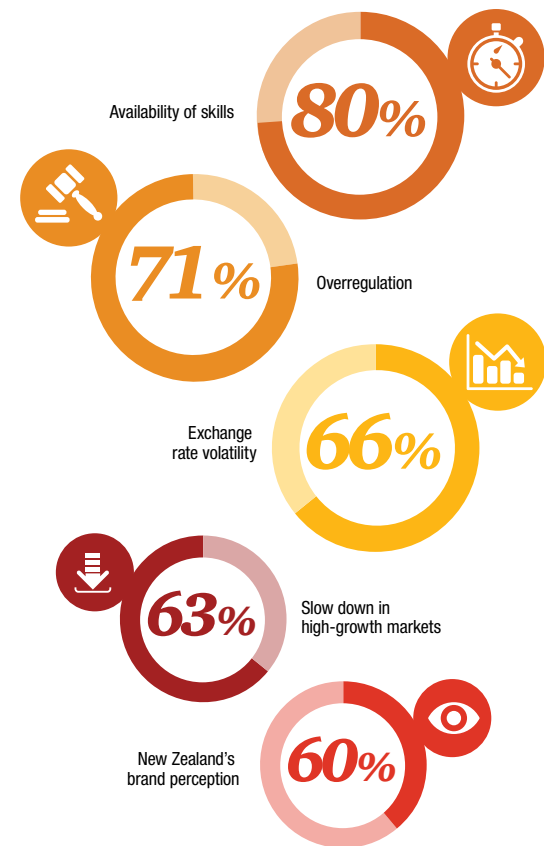
In recent times, New Zealand has enjoyed a consistent regulatory policy through Governments of the left and right. If the pendulum were to swing to the far left and bring with it significant policy change, this level of uncertainty could pose a serious threat to many organisations and the economy in general. Businesses respond to uncertainty by curtailing investment, both in capital spends and jobs.

“I think the fundamental risks to our business are not on the demand side and they’re not in the business environment, they’re in the political environment. And that’s just not a place that any business... nor investors, can operate in comfortably. You just can’t price that risk. It’s like an on-off switch. There’s no consistency and predictability of direction.”

Doug Heffernan,
Mighty River Power

New Zealand CEOs face challenges to growth

Q: How concerned are you about the following potential economic and policy threats to your organisation?



Source: All New Zealand respondents (online)

Food safety and security

The biggest threat to New Zealand’s growth would be a slowdown in demand for its agricultural exports. Diseases such as foot and mouth, or some form of irrevocable brand damage linked to food safety would be the most likely catalyst. Sixty percent of New Zealand CEOs indicated they were either somewhat or very concerned about the threat of damage to New Zealand’s brand perception to their business.

Food safety is a hot topic for both the developed and developing world, particularly in China – New Zealand’s largest trading partner. Health and safety concerns are driving people to want to know more about where their food comes from, what’s in it and how it was made; this is both a challenge but also a huge opportunity for New Zealand.



Social licence to operate

Today, organisations must show they care about more than just profits to be successful. They need to focus on minimising harmful impacts to the environment and society, and contribute to strong, vibrant communities. It is not enough to simply be a responsible corporate citizen; you need to be perceived to be one. This approach introduces the concept of a ‘social licence to operate’, granted by a multitude of stakeholders including an organisation’s people, customers, suppliers and the wider community.

Further information about CEOs thoughts on this topic can be found under ‘The changing stakeholder environment’ and ‘The need for hybrid leadership’ sections (p.18 and p.20).

“I think the social licence to operate will become more integrated into companies’ strategies, and that you will be held more accountable, and you need to be able to demonstrate that you do operate with an appropriate duty of care.”

Nigel Morrison,
SKYCITY

Protecting security, privacy and integrity

Sharing information personally and professionally through social media and digital channels continues to grow at pace. These disclosures and ‘right here, right now’ style updates can result in unintended consequences demonstrating the complex social interconnection between personal and professional lives. At the same time, businesses are under growing scrutiny from the public about exactly what it is they do with that information, how it is gathered and how it is, or is not, disseminated. Expectations of systems security, protection of data and stealth-like gathering of meta-data are driving, partly connected to the ‘Snowden affair’¹, a growing unease about the way IT services are gathering and mining large volumes of seemingly disconnected but powerful personal data.

Forty percent of New Zealand CEOs are concerned about the risk of cyber threats, including the lack of data security to their business, compared to 48 percent globally, indicating the emerging awareness outside technical circles of these risks.

Most CEOs are well aware of the need to have systems and processes in place to protect the security and privacy of customers and staff, particularly where their business relies on reputation and integrity. However, businesses also need to balance the wealth of information available to them and the opportunities this offers, against the perception risk of using information for anything they haven’t been given permission to use it for, or misrepresenting the core reason for its collection.

Security of systems, particularly internet enabled and utility control systems are emerging as the most prevalent platforms for sustained, targeted attacks which are not slowing in pace. The complex challenges of harnessing a risk-based, proactive stance to make significant and lasting business change are top of mind, and this is now pushing organisations to not only react to business change quickly but also use risk as a basis for making agile decisions. One crucial point was that cyber security and privacy will be an all pervading topic over the next few years.



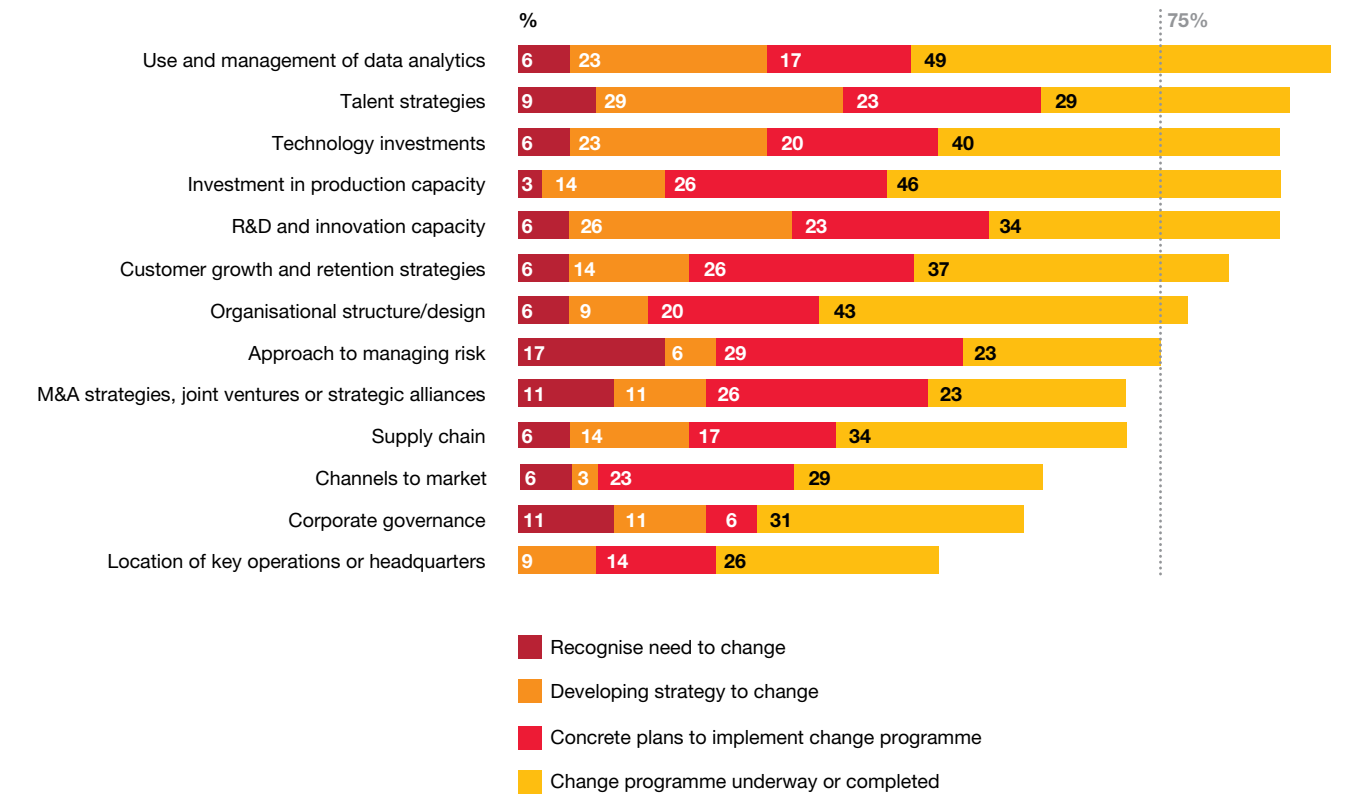
Difficult questions for CEOs to consider about generating growth in a rebalancing economy

- What are you doing to ensure the accuracy of the information you use to make critical decisions?
- How are you adjusting your funding plans to prepare your business for a world where the cost of debt increases (on the back of tighter monetary conditions)?
- In what ways have you adjusted your strategy to capitalise on the pick-up in economic activity in the advanced economies?
- Is your organisation prepared for emerging markets becoming your core markets in the longer term?
- How are you positioned in newer emerging markets that will increasingly become the source of tomorrow’s growth?

Preparing organisations to be fit for the future

In most areas of business, at least three-quarters of New Zealand CEOs acknowledge the need for change, or are making changes, in response to global forces

Q: In order to capitalise on the top-three global trends which you believe will most transform your business over the next five years, to what extent are you making changes, if any, to the following areas?



Source: All New Zealand respondents (online)

“If I was looking at most organisations in New Zealand and globally, I think the biggest threat that organisations face is not adapting and changing. The ability for all organisations to adapt, evolve and change at a speed that they have never done before is critical to future success.”

Bruce Hassall,
PwC New Zealand

¹ The ‘Snowden affair’ relates to Edward Joseph Snowden, an exiled American computer specialist and former CIA employee and NSA contractor who disclosed classified details of several top-secret US and British Government mass surveillance to several media outlets.

Technological advances

Being connected at what Telecom CEO Simon Moutter refers to as ‘the speed of life’ is expected in today’s fast-paced business environment. This presents opportunities for a small, isolated country like New Zealand. CEOs recognise opportunities for growth now exist in countries and industries where they did not previously.

However, technology will continue to have a direct impact on traditional trade, with 91 percent believing technology will be the biggest transforming trend for their business. While conventional ‘bricks and mortar’ type establishments will most likely always have a place, technology and the online environment are likely to command an ever increasing share of the sales channel.

“If you combine [connectivity] with the pace of globalisation, we now truly have a small world. There are just all sorts of ways that connectivity has shrunk the world back down to the size of those globes that you used to play with as a child.”

Naomi Ferguson,
New Zealand
Inland Revenue

“Technology is changing the pace of people’s expectations and demands... the way they work, play and interact is changing very quickly.”

Simon Moutter,
Telecom

Customer-driven businesses

Businesses today are driven less by the need to stay ahead of competitors and, instead, more by the need to stay ahead of their customers. Yet, the reality is that for most businesses today keeping up with their customers is challenging enough.

The days of organisations dictating their terms of engagement and customers falling into line are gone. CEOs are critically aware that the need for instant gratification is here to stay. Their customers today demand more and businesses need to get on board or risk being left behind.

New Zealand CEOs are somewhat less concerned about the impacts of shifts in consumer spending and behaviours than their global peers, at 40 percent and 52 percent respectively. This lack of concern may stem from the fact that 34 percent of CEOs surveyed in New Zealand have change programmes aimed at increasing their research and development, and innovation capacity, underway or completed. This compares to 27 percent of CEOs interviewed globally.

Co-creation presents fantastic opportunities for businesses to work alongside their customers in developing products and services. This can help businesses to keep up with the changing interests, demands and expectations of their customers and engender a sense of ownership of the brand or product amongst their customers.

“With the growth of technology we are discovering a whole other set of skills and talents that we could be selling over the web to the rest of the world. And I think we have a huge opportunity if we want to think about it, in terms of New Zealand’s place in the world... We may be able to sell into (emerging markets) in ways that we weren’t able to when we had to put things on boats and planes and it took a long time, or was expensive to get there.”

Naomi Ferguson,
New Zealand
Inland Revenue

Developing a new national skill set

Previously, New Zealand was a nation that relied on ships and planes to export its products to lucrative offshore markets. But, technology as a weightless product in itself is uncovering new skill sets; with our digital capabilities eliminating the tyranny of distance our businesses have faced for so long. For example, capitalising on our complementary time zone to provide the ‘midnight shift’ for other English speaking countries would make us a global service provider.

We are only just starting to see the potential of these types of opportunities and beginning to run with it. Investing in, and growing, this capability can only be good for New Zealand.

Demographic drivers

New Zealand CEOs acknowledge we are an increasingly multicultural society. Whilst 74 percent expect demographic shifts will transform their business over the next five years.

The changing makeup of our communities has instigated some companies embracing diversity with an increased need for innovation. New ideas and thinking will be critical to take advantage of demographic shifts and ensure companies remain relevant to their changing customer base.

“We have to make sure our brand remains relevant to the changing makeup of our communities, especially here in Auckland. That means our advertising must strike the right chord with younger people and with more diverse ethnic backgrounds.”

Simon Moutter,
Telecom

Appetite for regulatory ease

Constraints to doing business do not contribute to the growth of the New Zealand economy. While regulation is predominantly seen as a good thing as it offers protection, there is also an appetite within the business community for a more laissez-faire attitude to regulation if it allows businesses to be successful and grow. A well-signalled regulatory environment with the appropriate balance between the role of the regulator and the role of business is sought.

“The change in the demographics is huge in New Zealand – the rise of Asian and Pasifika cultures, and all that means for languages and products and services. Their attitudes to money and how they make financial decisions is so different to the way that we have organised our system to do it. It’s about commercialising diversity and how we do that.”

Andrew Thorburn,
BNZ

“By and large, I think Boards these days are fairly responsible, and management by and large is pretty responsible. I think there is self-regulation. There should be a charter that says sure, let’s have a more laissez-faire approach to regulation, but at the same time we expect you to self-regulate and act responsibly. Providing you demonstrate that you are doing that, we’ll let you carry on. But if you don’t do that, then we reserve the right to further regulate you.”

Nigel Morrison,
SKYCITY

Difficult questions for CEOs to consider about creating value in totally new ways

What are you doing to become a pioneer of technological innovation?

Do you have a strategy fit for the digital age? And the skills to deliver it?

How are you using ‘digital’ as a means of helping customers achieve the outcomes they desire – rather than treating it as just another channel?

How are you adapting your sales cycle to avoid product obsolescence, as new technologies emerge at breakneck speed? And how are you accelerating innovation to increase revenues?

Tomorrow's workforce

Embracing the changing workforce

CEOs tell us that the workforce of tomorrow is changing to better reflect the market. Organisations are recruiting millennial generation staff to design and deliver products for millennial consumers. Businesses are also drawing on staff and customers more to contribute to the development of new products and services, and more broadly to an organisation's brand and visions.

CEOs recognise the workforce of tomorrow may look quite different from today. A business' staff may increasingly comprise a mix of full and part time staff, contractors, project-based employees, freelancers and offshore staff, working varied hours, in varying ways and from varying locations. This will deliver greater flexibility but will be a more challenging model to manage.

"We need a workforce that is educated for the right skills for the future. And that's hard because the world's demand for those skills is high."

Simon Moutter,
Telecom

80%
of New Zealand CEOs are concerned about the availability of key skills

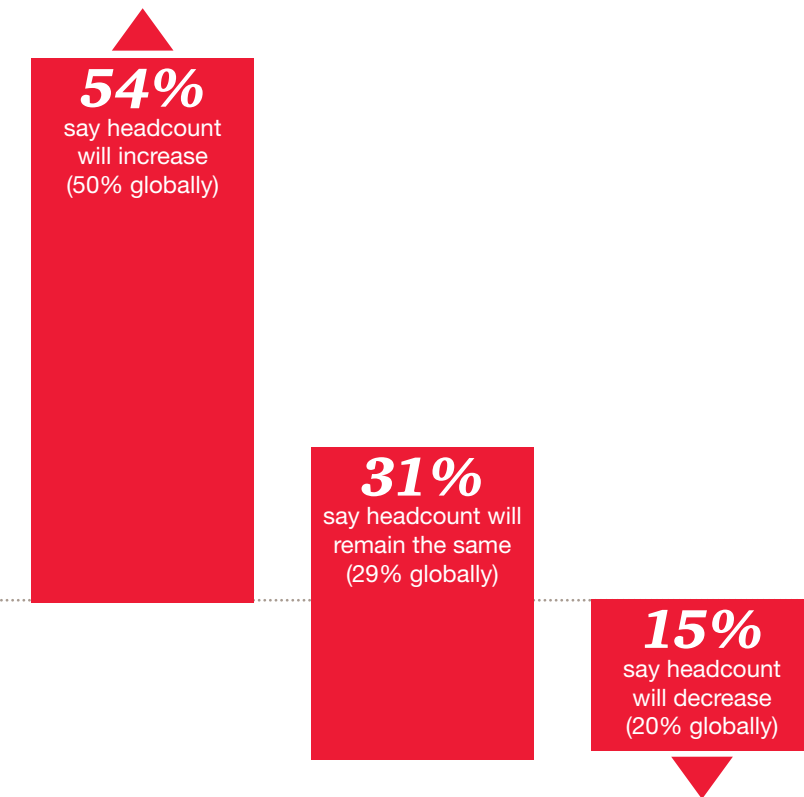
Technological advances present both opportunities and challenges to finding skilled workers. For example, while they will make it easier to draw on knowledge and skills from around the world, they will also necessitate changes to the kind of education and skills required to perform many jobs. The people with these skills will be in high demand.

Interestingly, while 46 percent of New Zealand CEOs think creating a skilled workforce should be a priority for Government, only 29 percent believe Government has been effective in doing so. And with 54 percent of CEOs expecting to increase their headcount in the next 12 months, 80 percent are worried about the availability of key skills (compared to 63 percent globally).



54% of New Zealand CEOs plan to increase headcount over the next 12 months

Q: What do you expect to happen to headcount in your company globally over the next 12 months?



Source: All New Zealand (online) and global respondents

Difficult questions for CEOs to consider about developing tomorrow's workforce

- | How well prepared is your organisation to find, attract and keep tomorrow's workforce – even as you deal with today's talent challenges?
- | What are you doing to make your workforce more diverse? And how will you utilise the benefits of diversity?
- | How will you manage employees with different needs, aspirations and experiences from those of your generation?
- | How will you address the challenges of dealing with an increasingly autonomous workforce?
- | What will it cost your organisation, if you get your talent pipeline wrong?



The changing stakeholder environment

Identity crisis

New Zealand needs to develop its business identity. Do we want to be a global player that welcomes overseas capital and investment? If so, how do we do this while maintaining our sense of ‘New Zealand’? Where and how do we want growth, and what are the implications of that?

CEOs believe that in the absence of any strong input from the business sector, this discussion is being led by the media. Given the importance, this conversation must be led by the business sector.

“All of the things that we like about New Zealand – we are small, we have a beautiful countryside, natural assets, people know each other, community sense – all of those things are great. But as you grow, you might risk some of those. Do we want to be a global player or not? And I’m not sure if in New Zealand, in a general sense, we have figured it out.”

Naomi Ferguson,
New Zealand Inland Revenue

Trust

In general, CEOs do not believe there is a sense of mistrust in New Zealand companies. If anything, it is the opposite. Trust, they believe, is driven by an organisation’s ability to consistently deliver a high-value product or experience without compromising on acceptable social or environmental standards.

What does ‘good growth’ look like and how does it contribute to trust?

Sustainability is top of mind for CEOs when asked about their definition of ‘good growth’. Growth that is economically brilliant, but may grow tensions or social imbalances is not sustainable.

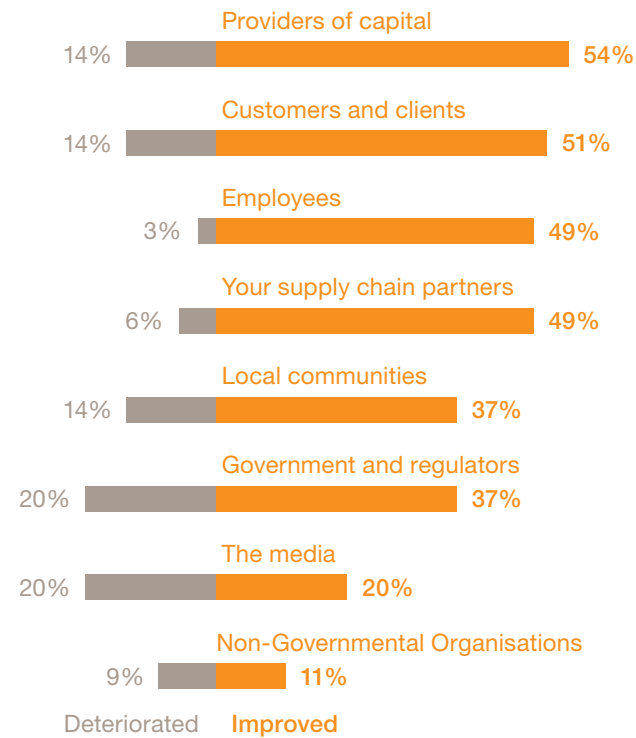
Society, as a whole, needs to feel good about an organisation’s growth. This means getting the balance right between making money, contributing to society, being environmentally friendly and generally being a good corporate citizen. It is this broader consideration by business that drives trust.

“I would put it as an absolute need to have trust. Being very conscious of the need for that to not only transact today but next year and the next 10, 20 or 100 years.”

Mike Pohio,
Tainui Group Holding

Trust levels

Q: To what extent has the level of trust the following stakeholders have in your industry changed over the past five years?



Source: All New Zealand respondents (online)

“It’s very hard to get some investors to take a long-term perspective... so much of what we do and what we’re assessed on is the share price... by and large, many investors think you’re only as good as your last six months.”

Nigel Morrison,
SKYCITY

Yet, CEOs are finding that the challenge sometimes comes from getting investors to take a long-term view, as the share price is often viewed as their best indicator of performance. While an organisation may be willing to play the long game, investors often look for more assured or immediate returns.

CEOs observe an alignment between the Government’s growth agenda and their own, and see shared responsibilities between business and Government in addressing societal needs and concerns surrounding business.

Difficult questions for CEOs to consider about the changing stakeholder environment

- What are the three things you will do in 2014 to retain – or regain – consumers’ trust?
- What changes will you need to make to sell outcomes rather than products or services?
- Will sustainability ever trump cost-cutting? In what circumstances?

The need for hybrid leadership

It is a challenging time to be leading a business. CEOs need to be able to run the business of today, while creating the business of tomorrow. They need to balance innovation with regulation and the best of the old with the opportunities of the new. Perhaps most importantly, they need to be able to explain to their staff, investors, customers and communities why change is necessary and the risks of standing still.

“If an organisation is in trouble and hurting and is losing market share, in some ways you have a ‘call to arms’. There is a clear driver and you can see why you need to make these changes.

But increasingly what we are seeing are successful businesses, who need to make some fundamental changes to their business.

One of the challenges for all CEOs is how they take their people along with them in explaining why we need to keep changing, why we need to do some things which in many cases might be uncomfortable. But if you don’t do them, the risk to the business is enormous.”

Bruce Hassall,
PwC New Zealand

Where do we start?

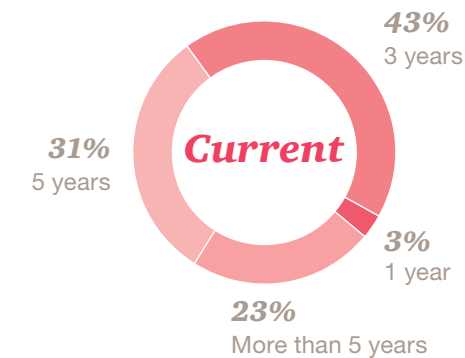
CEOs know that technological advances, demographic changes and economic shifts are reshaping the world. However, they are naturally wary after coping with the worst economic crisis for 80 years. The sheer magnitude of these trends is probably a big factor too. Dealing with them is enough to tax any management team to its limit.

Yet, the future has an unfortunate way of sidelining those who simply wait and see. So what should CEOs do? We think there are two particular steps that would help:

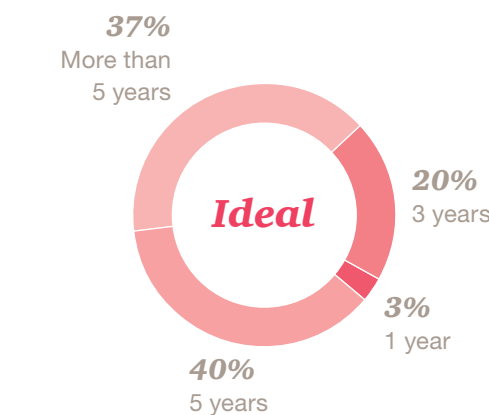
- Improving the strategy-setting process by adopting multiple planning horizons.
- Improving the decision-making process by measuring an organisation’s total impact across multiple criteria to identify the best trade-offs.

New Zealand CEOs want longer planning time horizons

Q: What is your current planning time horizon?



Q: Ideally, what would you like your planning time horizon to be?



Source: All New Zealand respondents (online)

The changing face of strategic planning

Forty-three percent of New Zealand CEOs who took part in the survey are currently working to a three-year plan. However, 77 percent see five years or more as the ideal. But, could the optimum planning time zone horizon be a mix of the two?

To accommodate fast-paced markets, many organisations are working to two strategic plans. One takes a long-term view – usually five years – and is vision focused. The second tends to be a one to three-year revolving strategy, capable of accommodating sudden but expected regulatory or political changes and reacting quickly to new opportunities as they unfold. Organisations must be willing to invest, but be prepared to terminate initiatives quickly if they are not working. This should not be viewed as a sign of failure, but rather, as an inevitable outcome resulting from exercising initiative in a fast evolving competitive marketplace. If an organisation cannot quickly reinvent itself in a rapidly changing world, it will most likely go out of business.

“I want us to be customer-led, store-focused and people-centred. We follow the New Zealand customer, but follow fast. We can’t determine a lot of these things, but we have got to be executionally quick, and that’s important. That may not sound that visionary but it is important for us to be executionally quick and have that fine balance of enough deliberation versus enough speed in the right areas - there is a real tension there.”

Mark Powell,
The Warehouse Group

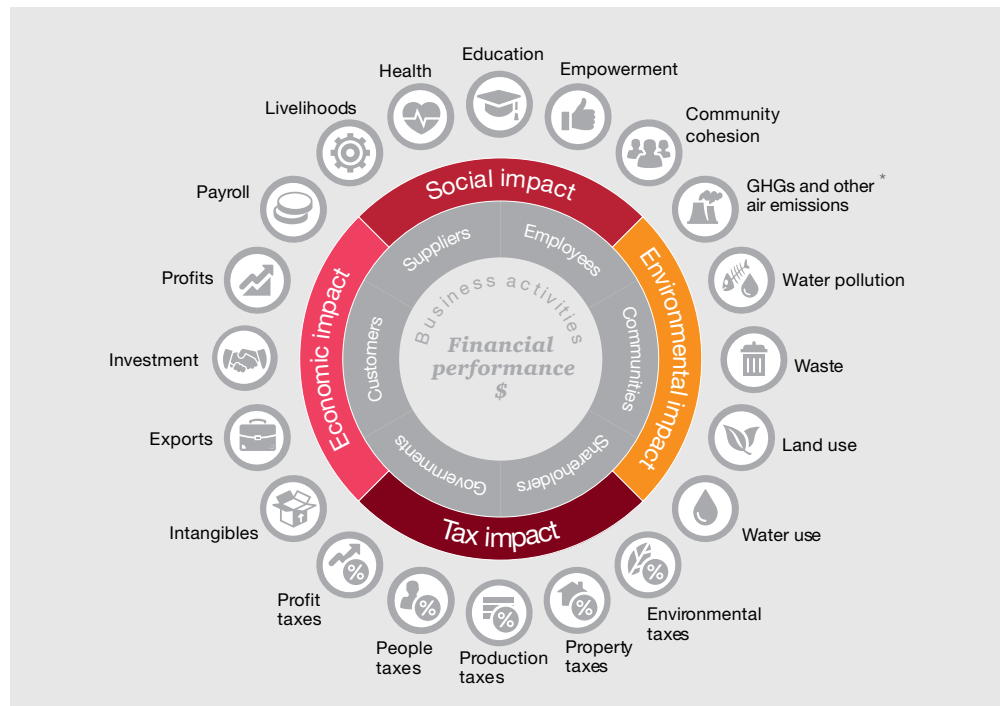
The whole picture

Of course, the planning horizons that a firm uses are not all that matters. The total impact of its activities across social, environmental, fiscal and economic dimensions matter. Most CEOs already recognise that business has social as well as financial responsibilities. They believe it's important to balance the interests of different stakeholders, rather than focusing solely on investors, employees and customers. And they understand that this entails measuring the full impact of their company's activities.

But most companies only measure – and report on – their financial performance, and they use conventional measurement techniques to do this. In other words, they measure inputs and outputs. And they define risk solely in terms of factors that could throw their finances off course.

Quantifying an organisation's footprint has two major benefits. It helps management understand the trade-offs between different strategies and make the best decisions for all its stakeholders. That, in turn, helps the organisation earn more trust, more customers and so, more profit.

Measuring an organisation's total impact helps to show the best route forward



Source: PwC

* Greenhouse gases = GHGs

The CEO legacy

When asked about the one thing they'd like to be remembered for, New Zealand CEOs want to influence positive change through the delivery of specific projects which serve to contribute to their organisation's sustainability.

Most CEOs concluded that their role is transitory and they have the privilege of being the current custodian of the CEO seat. They want to do the best they can for the organisation, its many and varied stakeholders, and New Zealand.

"In net terms did we add value for our country? This is the only thing that ever has really driven me... We work for a cause, not an institution. And the cause is the country, so that's the real motivator."

Peter Chrisp,
New Zealand Trade
and Enterprise

Difficult questions for CEOs to consider about developing hybrid leadership

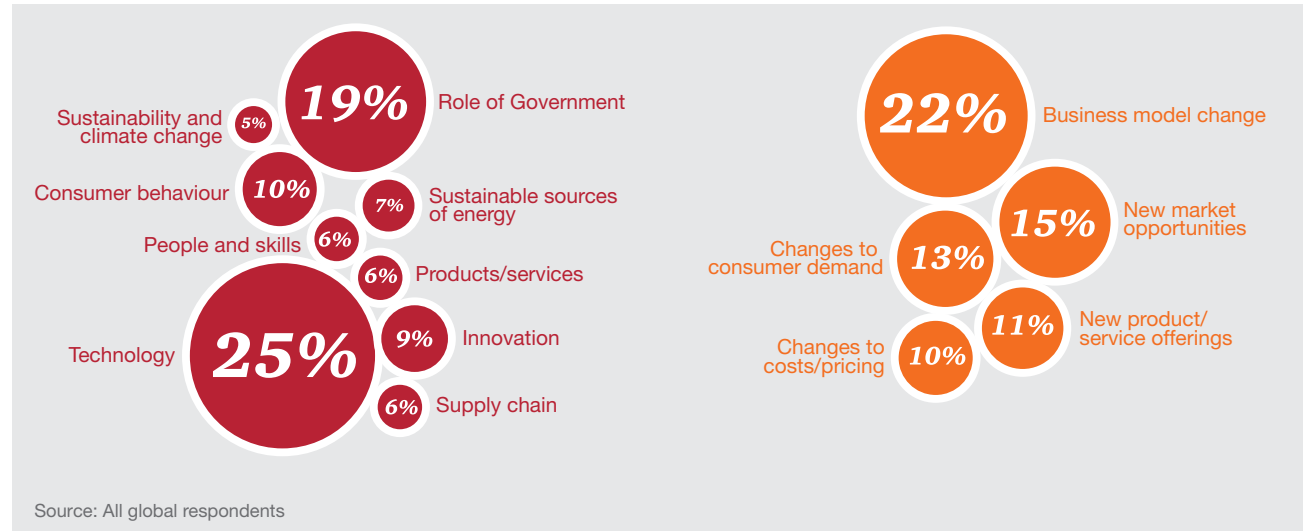
- | How do you ensure you're in a position to make sufficient – even radical – change today to realise your longer-term vision for your organisation?
- | How do you drive growth that is lasting, responsible, real and inclusive?
- | How do you measure the impacts of your decisions today on all your stakeholders and your business tomorrow?
- | How do you assess/compare the relative weight of the expectations of, or the outcomes for, various stakeholders in order to arrive at decisions that create most value?
- | Have you considered the legacy you want to leave? How have you incorporated this into your strategic planning?

So you want more data?

The 'next big thing' according to global CEOs

Q: What's the next big thing that you think will impact your business, industry or society over the next 10 years?

Q: Why do you think it will do so?



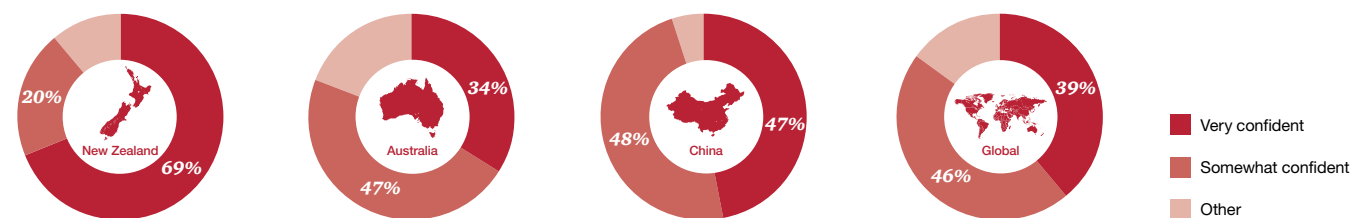
Megatrends and the future

Q: What do New Zealand CEOs think will have the greatest impact on business over the next five years?



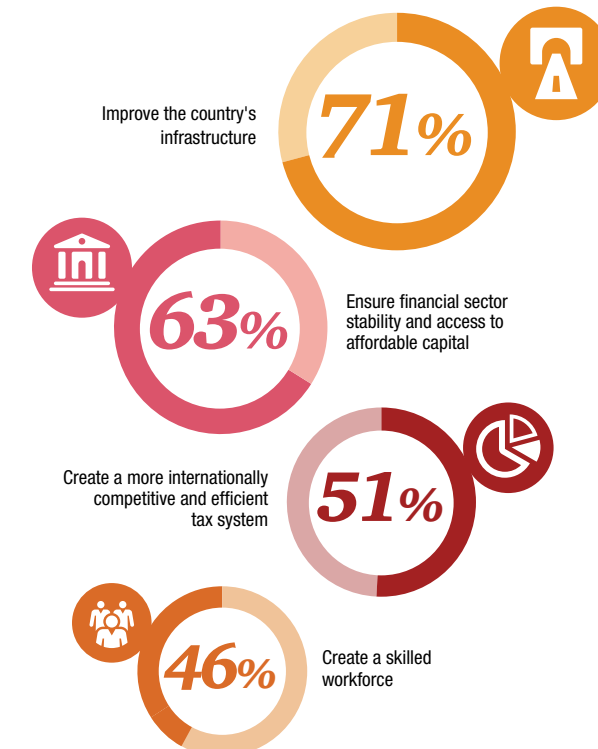
New Zealand CEOs are more confident about growth than their global counterparts

Q: How confident are you about your company's revenue growth prospects for the next 12 months?



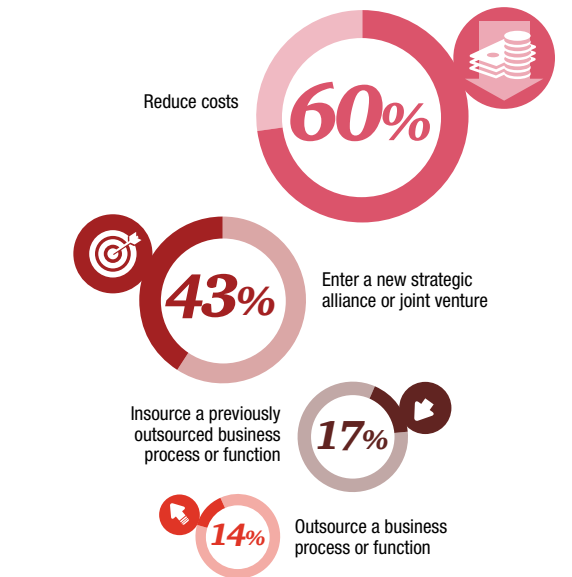
Working with the New Zealand Government

Q: Which areas should be the Government's priorities?



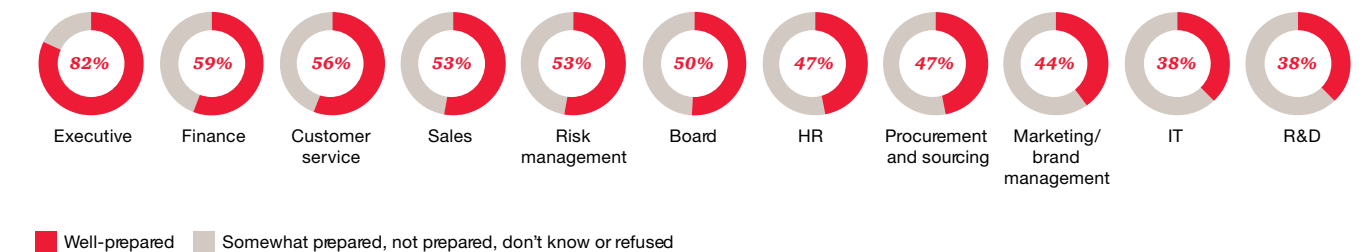
How are New Zealand CEOs planning to restructure their business?

Q: Which, if any, of the following restructuring activities do you plan to initiate in the coming 12 months?



Across most business functions, New Zealand CEOs give a mixed response about how well prepared their organisations are for transformative change

Q: Thinking about the changes you are making to capitalise on transformative global trends, to what degree are the following areas of your organisation prepared to make these changes?



New Zealand in-depth interview summaries



**Peter Chrisp,
New Zealand
Trade and
Enterprise**

Overall, along with the general trend, I am quite optimistic and confident about where we are going.

The growth of Asia and the Asian middle-class is fundamentally important. If you look at the centre of gravity for us, it has shifted from Europe to Asia. While Australia, the US and Europe are still crucial markets, there is this undeniable trend that we are orientating ourselves more towards Asia. And it's not so much the middle-class growth that is interesting, apart from to the likes of the big commodity producers, but it's actually the premium classes that are sitting above those middle-classes.

Overall, I'm optimistic about company growth, but I think you can take a very nuanced view; look at different sectors, different markets, different types of companies and you get varying stories within that. We seem to have a strong ingenuity and resourcefulness in New Zealand, with a weightless product that has delivered a remarkable capacity to digitally innovate. A lot of it is about our creativity that is embedded in our DNA. So I think the digital companies are going to continue to grow. I still feel quite confident about the food and beverage sector. That being said, we struggle to fund brands, and we probably need more multinational food and beverage players investing here.

Political environment

Improving and helping businesses with their international connectivity is something that Government can help with. It doesn't solve all the dilemmas for businesses going international, but it

can definitely improve the chances of success. The current Business Growth Agenda provides a compelling and intuitive framework for change, and some ambitious goals that get us out of bed in the morning.

I am an advocate for a four-year term, I definitely think we need it. It is an efficiency argument, because under the current arrangements we collectively lose momentum at various points in the electoral cycle. Good implementation requires consistency over time – consistency of goals, of strategy, of language, of focus – and the three-year cycle makes this a challenge.

CEO legacy

I came back here to make a difference to the country. In net terms did we add value for our country? This is the only thing that ever has really driven me. This is a particular feature of this organisation. We work for a cause, not an institution. And the cause is the country, so that's the real motivator.



**Peter Clare,
Westpac**

The uncertainty and lack of growth in Europe will continue for a period of time. By contrast, the US

economy has proven itself over-and-over again to be able to reinvent itself when it's hit by different situations, and I see that starting to occur.

We are absolutely living through the re-emergence of Asia in the broader sense, as the global economic power house. Ignoring the inevitable rise of the East and decline of the West is folly. And we in New Zealand will benefit from our relative proximity to this growth.

Broadly, I'd see the growth of the banks in line with the GDP growth of the

country, so if the country is doing well, we'll do well, if the country goes into a recessionary environment we'll be impacted.

The primary risk to New Zealand's banking industry is if international capital markets go into another melt down. We are, however, well-governed by the Reserve Bank of New Zealand and well-funded and capitalised. So even if this was to occur again, we are ready, willing and able to weather such a storm.

Trends impacting business

The two megatrends that I see occurring globally, is the re-emergence of Asia and the digitalisation of the economy. To put it in perspective, mobile banking users for Westpac in 2013 grew 250 percent. I think banks are reassessing the way they provide banking services. And customers are driving that.

The pace of change, the velocity of change, has increased so much that you can't do a set-and-forget three-year plan. You really almost have to throw it away after one year, looking at what worked, what didn't work, what's come along that you hadn't envisioned.

We need to change the complex to simple and the simple to compelling. We need to make it so convenient that you would never think about doing it any other way, and you'll get the loyalty.

Trust and the changing stakeholder environment

It's certainly the intention of the industry to be highly trusted, of very high integrity and contributors to the community across the board; not just from the provision of credit and payments facilities, but for being impactful in the community, and giving back time, money, and compassion in times of need as a dividend for that trust.



**Naomi
Ferguson,
New Zealand
Inland Revenue**

There are some good signs of stability (in the global economy), but it's

incredibly fragile. People are more aware than they have been for a long time about how a shock in one place can ripple around the world. The interdependency of economies has become more obvious to people. We are, and will continue to be, reliant on what is happening elsewhere.

I look at New Zealand and I think we have fantastic opportunities to grow because our traditional markets have been things you could put on planes and boats and sell to people, but with the growth of technology we are discovering a whole other set of skills and talents that we could be selling to the rest of the world.

A case I'm thinking of was last year when a UK firm couldn't get staff to do 24-hour assistance for their web services offering, so they sent them to New Zealand and bought a few call desks off some company and had them working. And I thought – "Actually, we could be offering the midnight shift for every English speaking country in the world." I think our services industry could start to be a worldwide importer of business.

Trends impacting business

The piece that I believe is absolutely revolutionary is where digital and mobile communications are taking us. I don't think we have started to understand what that will allow us to do. I think there's a huge opportunity in that and, certainly for our organisation, the question is can we skip traditional online services and get straight to mobile for some things?

The barriers to growth that I worry about most are capability and capacity. We are going to need some pretty good skills and talents working for us, and we have said openly that we don't have those internally and will go out to the market to find them. But I am probably looking for the same things that many other people are looking for, which are already in short supply. So at times we will have to manage how much we take on versus if we actually have the right people to help us take it on.

Good growth

Good growth is sustainable growth, and growth that society thinks has got the balance right between making money, contributing to society, being environmentally friendly, being a good corporate citizen around the world; and that is really hard because all of us probably have a different idea of what that looks like.



**Bruce Hassall,
PwC New
Zealand**

I think the global economy in the next 12 months will show surprising levels of

growth. We are entering a world now where, whilst the underlying economic activity might be stronger, growth will still be challenging. I think challenges around your business model, around different types of growth, intense competition, technology changing business models, the impact of Asia versus traditional markets – these are all happening at such a pace and are all colliding at the same time. So if your organisation's core DNA does not have the ability to change, evolve and adapt, you are going to be in real trouble in a world that is changing at such an

unprecedented pace.

One of the challenges for all CEOs is how they take their people along with them in explaining why we need to keep changing, why we need to do some things which in many cases might be uncomfortable. But if you don't do them, the risk is enormous.

The speed of change now means that we can't just stick to a five-year plan all the time. The planning horizon has been shortened. Part of that is that you need to learn, not only to change and adapt, but also to try things. And if they don't work you will need to change them.

Trends impacting business

The next big thing that will revolutionise the professional services industry is the focus on the digital world. I think the biggest challenge that business has is how we take advantage of the opportunity that the digital world is presenting to us, which largely removes the barrier of being this small, lovely island at the bottom of the world. The digital and online world is challenging many traditional business models, including business models that people would never have thought would be impacted by an increasingly digital world.

Demographic shifts are really interesting. If you were to go back ten years, the ageing of the baby-boomers was always apparent, but what has also changed quite significantly is the demographics around the inbound immigration into New Zealand. And that has both an ethnicity and age perspective to it.

The impact of Indonesia, Philippines, Malaysia, Vietnam... we have barely scratched the surface of the opportunities in these economies. We talk a lot about how important China is to New Zealand. And it is, and China will continue to grow, but there are

many other opportunities in Asia that we have barely touched.

Trust and the changing stakeholder environment

When I look at the New Zealand business community, I don't think we have a big issue around the loss of trust. I think the days of the business community acting in isolation, where it was all about running a business and making profits, I think those days are well and truly over. If you have strong and vibrant communities that are safe and people are growing and prospering, you are much more likely to have a strong and vibrant business community. Any growth that is not sustainable will, invariably, end up being bad growth.



Doug Heffernan,
Mighty River
Power

It's a pretty mixed view globally. And, within that, New Zealand tends to be a bit of a positive outlier. For our business, the global environment is probably not having a big direct impact.

I think growth in our sector will be lower than it's been historically pre-GFC. We've seen industrial consumption reduce consistently over the last decade. But, that's no different to what we've seen elsewhere in the developed world, probably less so here than in other places. At home, we know every individual household, on average, has falling electricity consumption. The only reason electricity demand has been increasing in the past is because of more houses. So I think that's why we don't see electricity demand really responding in connection with GDP.

Political environment

I think the fundamental risks to our business are not on the demand side and they're not in the business environment, they're in the political environment. And that's a potentially significant adverse change from what has been a very consistent direction on regulatory policy in the New Zealand electricity sector for 25 years through both governments of the left and right. And, depending on which side of that step change you're on, it's either good or bad. And that's just not a place that any business, nor investors, can operate in comfortably. You just can't price that risk. It's like an on-off switch. There's no consistency and predictability of direction.

Competition, new technology, retail innovation, business model changes, growth opportunities – they are basically what the business is set up to manage. It's not set up to manage something political of that scale.

Trends impacting business

Technology, enabling choice; all sorts of information based applications are now available. So I think that will be a trend that we will see occurring and growing at the customer level. Customer expectations are far higher than they used to be, simply because now they've got a choice. In the old days you didn't have choice. You may not have been happy with it but you got what you were given. Now you've got choice and, as a result, expectations rise inevitably.

I think New Zealand has actually been ahead of where the megatrends in the world around resource scarcity have been. We've jumped into renewable faster than the rest of the world, simply because the quality of our renewables is so high.

Good growth

Good growth to us, in a relatively flat environment in New Zealand, is looking at extending some of the rare capabilities we've got, and applying capital to those to deliver renewable energy solutions to other parts of the world that have not had the benefit that Kiwis have from the development of renewables. Part of our pride is the care by which we use those resources and give great outcomes for New Zealanders. And do that in a way that it'll be around for the next 100 years.



Nigel Morrison,
SKYCITY

Going forward, I think there is a sense that the US economy is going to strengthen. I believe China will continue to

grow, supported by the return of demand in the US. Then that in turn should lead to a stronger Australian economy going forward. However, there will be a time-lag in each of these knock-on effects.

New Zealand is probably emerging more quickly from the downturn, and certainly came out of the recession earlier than Australia. The strength of the currency in New Zealand is a positive factor, and suggests that a lot of people have confidence in the economy.

We are seeing good growth in our international business, attracting high rollers and high net worth individuals out of China and Asia into our properties in Darwin and Auckland, and also into Queenstown where we now have the facilities for them. However, growing the core domestic business is going to be challenging without spending capital to create additional attractions, or without negotiating with governments to deliver

concessions to the way our business works, because we are in such a heavily regulated industry.

Obviously, the bricks and mortar properties are hugely important and attract the bulk of our revenues. But looking forward, the online gaming businesses are going to be very significant. Somehow we've got to work out how we can play in that space without breaking the laws or upsetting our licences in the jurisdictions in which we operate. The regulation is very constraining, more so in New Zealand than in Australia.

Trends impacting business

There is an opportunity for us on the positive side of demographic shifts, with the increasing Asian, Chinese and Indian populations in Auckland and so on. In terms of aging communities and having more leisure time, that's important as well. Fundamentally, people do want to socialise. The other demographic shift is around younger people and technology. The way young people have grown up with different interactive technologies is a challenge for us.

Political environment

I'm very much in favour of freer regulation and a more laissez-faire attitude. Let businesses get on and operate. If you're in a geographic zone and operating a business and that business is legal, the Government should make sure that the business can be competitive and compete against its geographic peers and rivals. There should be a charter that says sure, let's have a more laissez-faire approach to regulation, but at the same time we expect you to self-regulate and act responsibly. Providing you demonstrate that you are doing that, we'll let you carry on. But if you don't do that, then we reserve the right to further regulate you.

Trust and the changing stakeholder environment

I think the social licence to operate will become more integrated into companies' strategies, and that you will be held more accountable and need to be able to demonstrate that you do operate with an appropriate duty of care. It's not only doing it, it's then being perceived to do it – which comes down to a whole communication strategy as well, throughout the community. It's very hard to get some investors to take a long-term perspective. You've got to have a future long-term game plan, and that's worth something – but unless it is going to materialise and start to cut in the next 12 to 18 months, I think it tends to be put aside. By and large many investors think you're only as good as your last six months.



Simon Moutter,
Telecom

Global economies still seem troubled, there's still a lot of tension in the system. In a New Zealand economic sense, you'd say that it is steadily improving. It's a solid economy, our market is strong and our business customers are in good order.

Trends impacting business

We are impacted by the fastest rate of technological change that the world has ever seen, which has heavily impacted our business by introducing new competitors and introducing new business models. As soon as we feel like we are on top of something, something else new comes along. So turning that into revenue growth here feels hard.

We have a stated ambition to be a growing New Zealand company, winning by customers choosing us to

connect them at the 'speed of life'. The pace that people's demands change as they learn and adapt to different technologies, as well as the way they work, play and interact, is changing very quickly.

With the customer base getting younger, it's quite a challenge for our business because our brands appeal mostly to older people. And we are not the only company in that situation. We struggle in Auckland because our brand is European focused. The changing makeup of our communities, especially here in Auckland, means that we have to change our brand.

We are on a short planning cycle because this industry is hard to pick. If you looked at it strategy-wise and in terms of the initiatives to deliver, the longest would be two years. The vast majority would be one year, because there is so much uncertainty and so much to do now. We are pursuing long-term outcomes, but through short-term actions. And you have to be prepared to kill it quick if you find yourself on the wrong path.

Political environment

I think Governments globally are moving far too slowly in adjusting the rules and economics of taxation and trading to reflect these global changes. These weightless businesses who live nowhere and are not fully taxed anywhere.

Trust and the changing stakeholder environment

Customers are expecting us to keep them future-proofed, to take them on the journey, to educate them – most people don't know how to use all of this technology. So expectations from our customers, as stakeholders, are very high. Investors are probably unsure about how much they should let us take a risk on these new trends. They are

quite torn about it, because they know that the companies need to respond to survive, but at the same time their confidence in management is fairly low. Most telcos worldwide have been stock market under achievers for a long time. My objective is making sure that we deliver a great future and that New Zealanders recognise that the company is connected with and wants to deliver great results for the country. When you get out of favour, you lose share and you get sub-economic on scale in this business, it gets hard. And it's a lot harder to win customers back than it is to lose them in the first place.



Mike Pohio,
Tainui Group
Holdings

We have sustained our position in the world and also sustained great turmoil around the

world, largely better than others, with the strength and confidence in our banking system as a foundation.

All that I can see from here is really our ability to supply into Asia as a set of growing economies, some of which stand on their own - Malaysia, Singapore, China is a dominant force. Yet they are obviously interlinked. There are some strengths in key parts of Asia and you can contrast that to Europe where there's one strength and a lot of vulnerable countries sitting around.

Trends impacting business

With so much capital coming out of China, and for those who emigrate from China into various parts of the world, you're going to see changes in not only the economy but also the social fabric and the demographics.

Technological change, particularly as it manifests into the retail environment

will revolutionise business. What we'll see are that those stronger brands will retain their presence and weaker brands will be suspect to vulnerability through online trading. I'm sure some of the lower order brands will fall away because they will find it difficult to continue to compete with the cost of operations, and all the infrastructure that supports a physical retail presence.

Demographically, 60 percent of Waikato Tainui are under the age of 30 and that percentage is growing. So, that demographic effect on us as an organisation is to accelerate the need for us to grow both in balance sheet and earning terms. Beyond that, the demographic change of more Asian, Maori and Pacific people will change the face of New Zealand, how it's likely to affect us is less obvious.

Political environment

In the property space, which is the dominant element of our existing portfolio, and as we look across the whole of New Zealand, the regulatory environment is a big anchor to allowing us to become internationally competitive.

Trust and the changing stakeholder environment

What we strive to do, and again it goes back to decision making, we know we've needed to build up the internal trust between us and the board, and us and the shareholder, and for that to grow out to these other various stakeholders. So we're conscious that we do need to be trustworthy on an ongoing basis. I would put it as an absolute need to have trust. Being very conscious of the need for that to not only transact today, but next year and the next 10, 20 or 100 years.



Mark Powell,
The Warehouse
Group

There is a general sense of optimism. House prices are going up and the dollar is pretty

strong which helps import prices. There are a number of factors that seem to be adding to the general optimism.

I think what we (The Warehouse Group) get will more depend on how we compete with our competition and take share or not. Sometimes, it being tougher (economically) can actually be helpful for how we're positioned.

Competitive pressures would be the number one impact on our ability to grow. At the end of the day, all we have to do to win is be better than our competition, but there are also a number of other factors.

Trends impacting business

I think the general digital disruption, whilst it shouldn't be overplayed in the short-term, is significant in the long-term. Five years from now the world will be very different. I believe demographic shifts are real. The ethnicity mix of New Zealand is something that we are wrestling with – what does that mean? Secondly – age, but this is not as big a priority, it's more the ethnic mix and especially the Asian part of that ethnic mix.

We're New Zealand's biggest advertiser by a factor of two and we've got to make some serious decisions in the coming months about where we place our advertising dollars.

Vision casting can be carried too far. For me, I want us to be a customer-led, store-focused and people-centred. We follow the New Zealand customer, but follow fast. We can't determine a lot of these things, but we have got to be executionally quick, and that's important. That may not sound that visionary but it is important for us to be executionally quick and have that fine balance of enough deliberation versus enough speed in the right areas – there is a real tension there.

Trust and the changing stakeholder environment

I feel we have a responsibility to help New Zealand to be better as a large company, but not every company may think that. There are the key stakeholders and then there's other key 'interest groups'. Those key interest groups are really important because they can help us be successful. It's not transactional, like it sounds. It's not just utilitarian and using those other interest groups, there's also an imperative that says it's the right thing to do.



Andrew
Thorburn,
BNZ

I think we are going to see net global growth, but I also think we are

going to see some areas of growth in confidence and also some blocks of uncertainty. We can have confidence that the US economy is improving. However, some of their social and deficit issues are deep and have not been resolved. South America and Asia are both regions for growth, while Europe has some pressures, stresses and structures that mean it will be slow and uncertain in the future.

I believe the New Zealand economy is strong and will continue to be quite strong in the next few years, and the fundamentals and the economics are better than they ever have been. The only uncertainty would be a major external shock – if the US went back into recession or China had a social or economic trauma, but I think both of these are unlikely in the three-year horizon.

Trends impacting business

Both regulation and, on the flip side, innovation will have huge impacts on the banking and financial sectors. Regulation is increasingly becoming a part of our daily lives, more than it was pre-GFC. On the other hand, with a free and open economy, with the digitisation and the internet, and customers demanding more, faster, better, cheaper – that is revolutionising business. So you've got caution, but you also have these new opportunities happening. So what I think is going to revolutionise the industry is the ability to do both.

The change in the demographics is huge in New Zealand - the rise of Asian and Pasifika cultures, and all that means for languages and products and services. Their attitudes to money and how they make financial decisions is so different to the way that we have organised our systems to do it. It's about commercialising diversity and how we do that.

Our strategic planning process has changed a lot since the GFC. We are now giving it a shorter time horizon. Things can change so quickly and I have seen very few three-to-five year projects work. In things like digital and product development, we think about them in 18-month horizons. We look at getting ideas from people, to then size them up, give them a little bit of money and let them run with it. If it doesn't work, we stop it. So it's a more dynamic, fast-moving model.

Trust and the changing stakeholder environment

Within your organisation, trust is really vital. People need to be able to rely on you to be straight and upfront and willing to confront issues. Trust with the community and with your customers is a lot harder, but banks have got a lot better. Banks are becoming more transparent around things like fees, charges and interest rates.

Good growth is sustainable and is based on good, fair business practices that are completely defensible. It's where the customer doesn't feel regret and our people believe we are getting growth for the right reasons, in the right way.



